

BOARD OF COUNTY COMMISSIONERS

**SANTA ROSA COUNTY, FLORIDA
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2011

BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2011

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BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2011

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
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BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
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INDEPENDENT AUDITOR'S REPORT

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

We have audited the accompanying special-purpose financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida (hereinafter referred to as "Board"), as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note A to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Board, nor are they intended to be a complete presentation of the financial position and changes in financial position of Santa Rosa County, Florida, taken as a whole.

In our opinion, the financial statements referred to above, present fairly, in all material respects, each major fund and aggregate remaining fund information of the Board, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 41 and 42, and the schedule of funding progress on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

This report is intended solely for the information and use of the Board, management and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

March 16, 2012
Pensacola, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**Board of County Commissioners
Santa Rosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2011

ASSETS	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 19,910,836	\$ 13,571,774	\$ 22,287,246	\$ 55,769,856
Investments	6,228,106	--	--	6,228,106
Receivables, net of uncollectibles				
Accounts	82,342	158	638,165	720,665
Leases - current	253,687	--	--	253,687
Interest	5,241	305	4,820	10,366
Due from other governments	3,103,898	1,214,522	1,491,164	5,809,584
Due from other funds	--	550,000	--	550,000
Advances to other funds	10,000	50,000	--	60,000
Inventory	106,735	301,155	--	407,890
Total assets	<u>\$ 29,700,845</u>	<u>\$ 15,687,914</u>	<u>\$ 24,421,395</u>	<u>\$ 69,810,154</u>
LIABILITIES				
Accounts payable	\$ 726,426	\$ 471,085	\$ 155,437	\$ 1,352,948
Contracts payable	6,650	102,485	--	109,135
Accrued wages payable	292,682	256,163	22,029	570,874
Deposits	266,334	--	--	266,334
Unearned revenue	147,656	--	--	147,656
Due to other funds	--	--	550,000	550,000
Due to other governments	456,477	--	--	456,477
Advance payable to other funds	--	--	60,000	60,000
Total liabilities	<u>1,896,225</u>	<u>829,733</u>	<u>787,466</u>	<u>3,513,424</u>
FUND BALANCES				
Fund balances				
Nonspendable	116,735	351,155	--	467,890
Restricted	1,527,274	4,001,146	10,091,236	15,619,656
Committed	3,596,262	--	12,734,969	16,331,231
Assigned	178,708	10,505,880	807,724	11,492,312
Unassigned	22,385,641	--	--	22,385,641
Total fund balances	<u>27,804,620</u>	<u>14,858,181</u>	<u>23,633,929</u>	<u>66,296,730</u>
Total liabilities and fund balances	<u>\$ 29,700,845</u>	<u>\$ 15,687,914</u>	<u>\$ 24,421,395</u>	<u>\$ 69,810,154</u>

The accompanying notes are an integral part of these financial statements.

**Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year ended September 30, 2011

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 45,275,128	\$ 4,449,413	\$ 1,126,277	\$ 50,850,818
Permits, fees and special assessments	1,163,924	--	11,848,227	13,012,151
Intergovernmental	10,707,738	8,266,877	3,231,980	22,206,595
Charges for services	4,538,735	25,839	2,563,300	7,127,874
Fines and forfeits	357,292	--	17,985	375,277
Miscellaneous	2,010,062	126,932	299,974	2,436,968
Total revenues	64,052,879	12,869,061	19,087,743	96,009,683
Expenditures				
Current				
General government	17,579,202	--	918,533	18,497,735
Public safety	34,077,811	--	4,448,377	38,526,188
Physical environment	1,145,556	2,319,970	998,544	4,464,070
Transportation	894,964	14,978,399	760,319	16,633,682
Economic environment	241,895	--	3,434,156	3,676,051
Human services	4,392,451	--	65,232	4,457,683
Culture and recreation	3,011,838	--	137,250	3,149,088
Capital outlay	--	--	215,166	215,166
Debt service	--	--	6,192,186	6,192,186
Total expenditures	61,343,717	17,298,369	17,169,763	95,811,849
Excess (deficiency) of revenues over expenditures	2,709,162	(4,429,308)	1,917,980	197,834
Other financing sources (uses)				
Transfer in	2,722,523	4,996,254	4,581,722	12,300,499
Transfer out	(1,219,485)	(183,017)	(10,897,997)	(12,300,499)
Proceeds from refunding debt	--	--	4,400,208	4,400,208
New debt issuance	--	--	1,507,000	1,507,000
Payments to escrow agent on debt refunding	--	--	(1,528,789)	(1,528,789)
Total other financing sources (uses)	1,503,038	4,813,237	(1,937,856)	4,378,419
Net change in fund balances	4,212,200	383,929	(19,876)	4,576,253
Fund balances, beginning of year	23,655,556	14,477,116	23,653,805	61,786,477
Prior period adjustment	(60,175)	--	--	(60,175)
Fund balances, restated	23,595,381	14,477,116	23,653,805	61,726,302
Change in reserve for inventory	(2,961)	(2,864)	--	(5,825)
Fund balances, end of year	\$ 27,804,620	\$ 14,858,181	\$ 23,633,929	\$ 66,296,730

The accompanying notes are an integral part of these financial statements.

**Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

September 30, 2011

ASSETS	Business-type Activities				Governmental
	Major Funds		Non-major		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Current assets:					
Cash and cash equivalents	\$ 1,786,538	\$ 4,639,272	\$ 643,766	\$ 7,069,576	\$ 3,918,304
Investments	--	--	--	--	608,155
Accounts receivable	496,525	440,658	10,045	947,228	24,694
Interest	223	1,028	204	1,455	667
Due from other governments	--	--	3,397	3,397	--
Total current assets	2,283,286	5,080,958	657,412	8,021,656	4,551,820
Noncurrent assets					
Restricted investments	--	3,928,968	--	3,928,968	--
Deferred charges	--	17,530	--	17,530	--
Capital assets, net of accumulated depreciation	7,421,389	5,583,697	3,356,639	16,361,725	3,141
Total noncurrent assets	7,421,389	9,530,195	3,356,639	20,308,223	3,141
Total assets	\$ 9,704,675	\$ 14,611,153	\$ 4,014,051	\$ 28,329,879	\$ 4,554,961
LIABILITIES					
Current liabilities					
Accounts payable	\$ 77,634	\$ 53,408	\$ 5,713	\$ 136,755	\$ 1,583,346
Current portion of claims payable	--	--	--	--	2,205,446
Accrued wages payable	23,393	82,489	1,240	107,122	10,970
Due to other governments	--	--	1,249	1,249	--
Compensated absences - current	70,000	195,000	--	265,000	40,000
Revenue bonds - current	--	269,992	--	269,992	--
Note payable - current	--	--	--	--	--
Accrued interest	--	4,030	--	4,030	--
Deposits	9,783	22,149	300	32,232	--
Current portion of landfill closure costs	--	174,522	--	174,522	--
Total current liabilities	180,810	801,590	8,502	990,902	3,839,762
Noncurrent liabilities					
Long term portion of compensated absences	15,970	78,968	--	94,938	66,097
Long term portion of claims payable	--	--	--	--	1,075,081
Long term portion of landfill closure costs	--	9,163,698	--	9,163,698	--
Revenue bonds payable - net of discount	--	1,021,496	--	1,021,496	--
Note payable - noncurrent	4,719,803	--	--	4,719,803	--
OPEB liability	30,899	98,915	525	130,339	16,133
Total noncurrent liabilities	4,766,672	10,363,077	525	15,130,274	1,157,311
Total liabilities	4,947,482	11,164,667	9,027	16,121,176	4,997,073
NET ASSETS					
Invested in capital assets, net of related debt	2,701,586	4,292,209	3,356,639	10,350,434	3,141
Restricted for landfill closure	--	3,928,968	--	3,928,968	--
Unrestricted	2,055,607	(4,774,691)	648,385	(2,070,699)	(445,253)
Total net assets	4,757,193	3,446,486	4,005,024	12,208,703	(442,112)
Total liabilities and net assets	\$ 9,704,675	\$ 14,611,153	\$ 4,014,051	\$ 28,329,879	\$ 4,554,961

The accompanying notes are an integral part of these financial statements.

**Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS**

Year ended September 30, 2011

	Business-type Activities				Governmental
	Major Funds		Non-major		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Operating revenues					
Licenses and permits	\$ --	\$ 38,600	\$ --	\$ 38,600	\$ --
Charges for services	1,726,313	4,010,303	240,224	5,976,840	1,345,954
Insurance proceeds	--	--	--	--	506,149
Miscellaneous	328,861	3,365	210	332,436	196
Total operating revenues	<u>2,055,174</u>	<u>4,052,268</u>	<u>240,434</u>	<u>6,347,876</u>	<u>1,852,299</u>
Operating expenses					
Personal services	554,211	1,949,486	28,697	2,532,394	286,965
Contract services	89,702	314,999	16,626	421,327	131,288
Supplies	148,856	65,842	311	215,009	17,636
Repairs and maintenance	95,762	399,189	15,358	510,309	1,516
Utilities	329,234	60,574	16,273	406,081	--
Depreciation	523,401	589,620	298,518	1,411,539	1,438
Travel and per diem	184	24,460	--	24,644	5,501
Insurance	8,050	17,480	--	25,530	70,903
Communications	6,905	14,383	632	21,920	1,118
Advertising	838	72	--	910	--
Fuel and oil	10,698	381,981	--	392,679	--
Rentals	--	2,124	--	2,124	--
Landfill closure and maintenance	--	269,016	--	269,016	--
Claims	--	--	--	--	3,328,724
State assessment	--	--	--	--	15,433
Miscellaneous	4,111	19,707	600	24,418	9,124
Total operating expenses	<u>1,771,952</u>	<u>4,108,933</u>	<u>377,015</u>	<u>6,257,900</u>	<u>3,869,646</u>
Operating income (loss)	283,222	(56,665)	(136,581)	89,976	(2,017,347)
Non-operating revenues (expenses)					
Investment income	4,035	45,096	1,413	50,544	19,757
Interest expense	(97,159)	(10,554)	--	(107,713)	--
Sale of recycled materials	--	374,611	--	374,611	--
Gain (loss) on disposal of assets	(505,436)	(1,262)	--	(506,698)	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(19,217)	--	(19,217)	--
Total non-operating revenues (expenses)	<u>(598,560)</u>	<u>328,674</u>	<u>1,413</u>	<u>(268,473)</u>	<u>19,757</u>
Income (loss) before capital contributions	(315,338)	272,009	(135,168)	(178,497)	(1,997,590)
Capital contribution	--	--	424,359	424,359	--
Change in net assets	(315,338)	272,009	289,191	245,862	(1,997,590)
Net assets, beginning of year	<u>5,072,531</u>	<u>3,174,477</u>	<u>3,715,833</u>	<u>11,962,841</u>	<u>1,555,478</u>
Net assets, end of year	<u>\$ 4,757,193</u>	<u>\$ 3,446,486</u>	<u>\$ 4,005,024</u>	<u>\$ 12,208,703</u>	<u>\$ (442,112)</u>

The accompanying notes are an integral part of these financial statements.

**Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended September 30, 2011**

	Business-type Activities				Governmental
	Major Funds		Non-Major	Total	Activities
	Navarre Beach	Landfill	Peter Prince Field	Enterprise Funds	Internal Service Fund
Cash flows from operating activities					
Cash received from customers	\$ 1,809,166	\$ 3,977,226	\$ 245,801	\$ 6,032,193	\$ 196
Cash paid to suppliers	(682,173)	(1,314,343)	(88,423)	(2,084,939)	(237,086)
Cash paid to employees	(562,281)	(1,958,866)	1,765	(2,519,382)	(295,212)
Cash received from interfund services provided	--	--	--	--	1,949,240
Cash paid for internal services provided	--	--	--	--	(2,217,057)
Net cash provided (used) by operating activities	564,712	704,017	159,143	1,427,872	(799,919)
Cash flows from non capital financing activities					
Sale of recycled materials	--	374,611	--	374,611	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Net cash provided (used) by non capital financing activities	--	314,611	--	314,611	--
Cash flows from capital and related financing activities					
Federal/State grants	--	--	424,359	424,359	--
Purchases of capital assets	(5,955)	(94,813)	(483,275)	(584,043)	--
Principal paid on capital debt	(381,934)	(130,991)	--	(512,925)	--
Interest paid on capital debt	(97,159)	(15,225)	--	(112,384)	--
Debt refunding outlay	--	(159,531)	--	(159,531)	--
Net cash provided (used) by capital and related financing activities	(485,048)	(400,560)	(58,916)	(944,524)	--
Cash flows from investing activities					
Interest and dividends	3,894	44,912	1,229	50,035	19,918
Net sale (purchase) of investments	--	(122,343)	--	(122,343)	(4,754)
Net cash provided (used) by investing activities	3,894	(77,431)	1,229	(72,308)	15,164
Net increase (decrease) in cash and cash equivalents	83,558	540,637	101,456	725,651	(784,755)
Cash and cash equivalents at beginning of year	1,702,980	4,098,635	542,310	6,343,925	4,703,059
Cash and cash equivalents at end of year	\$ 1,786,538	\$ 4,639,272	\$ 643,766	\$ 7,069,576	\$ 3,918,304
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 283,222	\$ (56,665)	\$ (136,581)	\$ 89,976	\$ (2,017,347)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	523,401	589,620	298,518	1,411,539	1,438
Landfill closure costs	--	269,016	--	269,016	--
Changes in assets and liabilities:					
Accounts receivable	(247,393)	(61,292)	(1,574)	(310,259)	97,137
Due to other governments	--	--	49	49	--
Accounts payable	12,167	(13,532)	(9,975)	(11,340)	637,185
Accrued compensation	3,961	934	1,240	6,135	540
Compensated absences	(21,382)	(39,537)	--	(60,919)	(13,959)
Due from other governments	--	--	6,941	6,941	1,236
OPEB liability	9,351	29,223	525	39,099	5,172
Claims payable	--	--	--	--	488,679
Deposits	1,385	(13,750)	--	(12,365)	--
Net cash provided (used) by operating activities	\$ 564,712	\$ 704,017	\$ 159,143	\$ 1,427,872	\$ (799,919)
Noncash Investing, Capital and Financing Activities:					
Amortized bond refunding costs	\$ --	\$ 16,496	\$ --	\$ 16,496	\$ --
Refund bond issue	--	1,528,790	--	1,528,790	--
Disposal of assets	505,436	--	--	505,436	--
Amortized deferred charges	--	2,720	--	2,720	--
	\$ 505,436	\$ 1,548,006	\$ --	\$ 2,053,442	\$ --

The accompanying notes are an integral part of these financial statements.

**BOARD OF COUNTY COMMISSIONERS
SANTA ROSA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

GUIDE TO NOTES

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**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied consistently in the preparation of the financial statements follows:

1. Reporting Entity

The Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity", established standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations. As concluded by the GASB, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of County Commissioners of Santa Rosa County, Florida (the Board) is the principal legislative and governing body of Santa Rosa County (the County), as provided by the Florida Constitution, Article 8, Section 1(e), and Chapter 125, Florida Statutes. The Board consists of five Commissioners elected by the voters of the County for terms of four years each.

The Board is considered part of the County's primary government for purposes of GASB Statement No. 14. These special purpose financial statements of the Board are issued separately to comply with Section 10.557(3), Rules of the Auditor General for Local Governmental Entity Audits, pursuant to Section 11.45(8), Florida Statutes and do not include the Clerk of Courts, Sheriff, Tax Collector, Property Appraiser or Supervisor of Elections (collectively known as County officers), or other independent authorities and boards. The Board's financial statements do not purport to reflect the financial position or the results of operations of the County taken as a whole.

Dependent Special Districts

Blackwater Soil & Water Conservation District - The Blackwater Soil & Water Conservation District (Blackwater) was created by the Florida Legislature in 1942 pursuant to Florida Statute Section 582. Santa Rosa County was established as the local governing authority and is Blackwater's only source of funding. Blackwater does not meet the criteria as a legally separate entity in that it cannot buy, sell, own, lease and mortgage property in its own name. The activities of Blackwater are included in these financial statements as a department of the Board within the General Fund.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Pace Property Finance Authority - The Pace Property Finance Authority (Authority) was created in 1990 by County Resolution No. 90-12 pursuant to Chapter 617 of the Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of the Board. However, the Authority meets the criteria for inclusion in more than one reporting entity - Pace Water System as well as the Board. GASB Statement No. 14 indicates that in these cases, judgment must be exercised by management of the reporting entities as to which reporting entity the organization should be included. The Authority has the same elected governing body as the Pace Water System. Additionally, both the Authority and Pace Water System own portions of a single water/sewer system; thus, their capital assets are part of an interconnected system. Finally, the Authority's debt was issued solely to finance the Pace water/sewer system improvements. Based on these facts, management has decided to include the Authority in the combined financial statements of Pace Water System rather than as a component unit of the Board.

Santa Rosa County Health Facilities Authority - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of the Board. The Board appoints the five (5) members of the Authority. Additionally, the Board may abolish the Authority at any time by ordinance or resolution as long as all bonded indebtedness incurred by the Authority has been paid. The Authority exists solely to assist health facilities within the County with the acquisition, construction, financing, and refinancing of projects through issuance of conduit debt. All bonds issued by the Authority were subsequently defeased through issuance of new debt culminating with the issuance of \$58 million in new bonds in 2003. The debt outstanding is a limited obligation of the Authority and not a general obligation of the Authority or the Board. The Authority is not obligated to pay the principal and interest on the bonds except from the revenues of the Authority pursuant to its loan agreement with Gulf Breeze Hospital. The Authority has no financial activity and the bonds issued under the Authority's name are recorded in the books of the hospital.

Santa Rosa County Housing Finance Authority - The Santa Rosa County Housing Finance Authority (Authority) was created in 1984 by County Resolution No. 84-18 pursuant to Chapter 78-89, Laws of Florida codified as Chapter 159, Part IV, Section 159.601 through 159.623. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of the Board. The Board, through various resolutions and interlocal agreements with the Escambia County Housing Finance Authority (ECHFA), has authorized ECHFA to allow qualified residents of the County to apply for and obtain preferential mortgages from proceeds generated by bonds issued by ECHFA. Accordingly, there is no financial activity related to the Authority to be reflected in these financial statements.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Board groups its funds into two broad fund categories as either governmental or proprietary in nature. Governmental funds include the general, special revenue, debt service, permanent and capital projects funds. Proprietary funds include enterprise funds and an internal service fund.

3. Basis of Accounting

FUND FINANCIAL STATEMENTS

The Fund financial statements, as presented herein, focus primarily on the major funds of the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental funds are:

- General Fund – This is the Board’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Road and Bridge Fund – Accounts for that portion of state fuel taxes and fees designated for road improvement projects.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period – except for certain grant revenues which are recognized as revenues in the same period the grant expenditures occurred). This includes investment earnings, property taxes, special assessments, and fines and forfeitures. Certain state-levied locally shared taxes including motor vehicle license tax and fuel taxes are subject to income recognition when the underlying transaction occurs. Reimbursements due for grant funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on governmental long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds use the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility service receivables are recorded at each year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the Board's enterprise funds and internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services,

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets then from unrestricted net assets.

The major proprietary funds are:

- Navarre Beach Fund – Accounts for the operation and maintenance of the water and sewer system of Navarre Beach.
- Landfill Fund – Accounts for the operation of the solid waste disposal facilities of the county.

The Board's only internal service fund is the Self Insurance Fund. This fund accounts for the risk management activities of the Board and the other elected officials. Costs are billed to the departments and other elected officials at the actual and estimated costs of providing insurance coverage.

4. Budgets and Budgetary Accounting

Florida Statutes Chapters 129 and 200 govern the preparation, adoption, and administration of the Board's annual budget. The budget must be balanced, i.e., the estimated revenues plus beginning fund balance brought forward must equal appropriations and be prepared on a basis consistent with generally accepted accounting principles (GAAP) as applicable to governmental units. The Board may, at any time within a fiscal year, amend a budget for that year as follows:

Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund correspondingly increased by motion recorded in the minutes. The budget officer may authorize certain inter-departmental and intra-departmental budget amendments, provided that the total appropriation of the fund is not changed. All annual appropriations lapse at fiscal year end.

5. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

6. Investments

Investments in U.S. Treasury bills, government backed securities and the Florida Local Government Investment Trust Fund are recorded at fair value. As permitted by GASB Statement No. 31, bank certificates of deposit and short term money market investments are reported at amortized cost rather than fair value.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

7. Inventory

Inventory consists of gas, oil, automotive parts, road signs, culverts, and various other items used by the road department and insecticides used by mosquito control operations. Inventory is valued at cost (first in, first out). The cost is recorded as an expenditure at the time the inventory is purchased. Reported inventories are equally offset by a nonspendable fund balance since such amounts will not convert to cash even though they are a component of net current assets.

8. Accounting for Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Constructed or purchased capital assets are recorded at historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000 and a useful life of one year or more.

Capital assets in governmental funds, including infrastructure such as streets, drainage systems, culverts, traffic signals, and signs are recorded as expenditures in the governmental funds.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 - 50 years
Water Distribution System	20 years
Improvements	10 - 20 years
Equipment	3 - 10 years
Infrastructure	40 years
Intangibles	3 - 5 years

The Board does not capitalize interest expense on borrowings used to finance construction of capital assets, as the capitalizable interest, after netting of interest earnings, is normally insignificant.

9. Compensated Absences

Employees may accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. For the governmental fund statements, expenditures are not recognized until payments are made to employees.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Proprietary fund types accrue benefits in the period they are earned. The majority of the compensated absences liability has been paid out of the General (75%) and the Road and Bridge (25%) funds.

10. Property Taxes

Real and personal property valuations are determined each year as of January 1 by the Property Appraiser's office. Florida Statutes require that all property be assessed at 100 percent of just value.

All property taxes become due and payable on November 1, and are delinquent on April 1 of the following year. Discounts of 4, 3, 2 and 1 percent are allowed for early payment in November through February, respectively. The Tax Collector advertises as required by statute and sells tax certificates for unpaid taxes on real property. Certificates not sold are considered "County Held Certificates." Persons owning land upon which a tax certificate has been sold may redeem the land by paying the face amount of the tax certificate, plus interest and other costs.

Property taxes levied on property valuations as of January 1, 2011 and expected to be collected during the period November 2011 through March 2012 are as follows:

General Fund	\$ 42,714,780
Fine and Forfeiture Fund	\$ 94,820

These taxes, although measurable, are not recognized as revenue at September 30, 2011, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

11. Landfill Closure Costs

Under the terms of current state and federal regulations, the Board is required to place a final cover on closed landfill areas, and to perform certain monitoring and maintenance functions for a period of up to thirty years after closure. The Board recognizes these costs of closure and post-closure maintenance over the active life of each landfill area, based on landfill capacity used during the period.

12. Allowance for Uncollectible Amounts

Accounts receivable for the Board are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history.

13. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Board to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Board can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or a County official delegated that authority by Board resolution or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B - CASH AND INVESTMENTS

At September 30, 2011, the bank held deposits of \$67,496,721 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

The Board's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Pursuant to Florida Statutes Section 218.415, the Board adopted an investment policy which outlines the Board's investment responsibilities, objectives, and policies. The Board's investment policy authorizes the Board to invest in the following:

- a. The Local Government Surplus Funds Trust Fund (SBA) (Maximum of 75%)*;
- b. Florida Local Government Investment Trust (FLGIT) (State Investment Trust) (Maximum of 80%)*;
- c. Qualified money market mutual funds (Maximum of 50%)*;
- d. U.S. Treasury bills, notes and bonds (100% allowed);
- e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA) (Maximum of 5%)*;
- f. Non-callable Government Agency securities (Maximum of 25%)*:
 - (i) Federal Farm Credit Bank (FFCB),
 - (ii) Federal Home Loan Mortgage Corporation (FHLMC),
 - (iii) Federal Home Loan Bank (FHLB),
 - (iv) Federal National Mortgage Association (FNMA).This classification of government agency securities does not include any mortgage debt of any government agency;
- g. Time deposits and savings accounts in banks or savings and loan associations doing business in Florida (Maximum of 50%)*;
- h. Repurchase agreements for investments authorized in categories d, e, or f above. (Maximum of 40%)*

*To limit the County's concentration of credit risk these are the maximum percentages of the County's total portfolio that can be in each type of investment.

Interest rate risk is limited by no security having a maturity exceeding 2 years. The weighted average to maturity for the portfolio shall be less than 365 days. Investments placed with the FLGIT, which typically invests in instruments with maturities of less than 5 years, are exempt from this limitation.

The FLGIT, also known as Florida Trust, is a local government investment pool created by the Florida Association of Court Clerks and Comptroller, and the Florida Association of Counties for the purpose of providing public entities with an investment program by providing investment vehicles for funds that can be invested in short- to intermediate-term securities and have returns generally greater than the national average for money market instruments. The Florida Trust offers two open-ended, professionally managed funds available only to public entities in Florida.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B - CASH AND INVESTMENTS - Continued

The Investment Trust:

A short term bond fund with an investment portfolio structured to maintain safety of principal and maximize available yield through a balance of quality and diversification. As of September 30, 2011 the Investment Trust managed \$733,076,891 for 30 local governmental entities. At a price per share of \$23.3682 the Investment Trust has produced a 12-month total return of 0.788% and a market yield of 1.78%. This short term bond fund invests in U.S. Treasuries and Agency Securities, Mortgages, Commercial Paper, Asset-Backed Securities, and "A" rated Corporate Securities.

The Day to Day Fund:

The Florida Trust Day to Day Fund is a money market product created in January 2009 in response to demand to provide a fiscally conservative diversification option for Florida local governments. Fund features include same day transactions and online account management. The fund is AAAM-rated by Standard and Poor's and is governed by the same board and advisory committee that oversees the Investment Trust.

Schedule of Cash and Investments at September 30, 2011

	<u>Carrying Amount</u>
<u>Investments</u>	
FLGIT Investment Trust Fund	\$ 10,765,229
Total Investments	10,765,229
 <u>Cash</u>	
Cash in Bank	26,499,989
Day to Day Trust	40,256,422
Petty Cash	1,325
Total Cash	66,757,736
Total Cash and Investments	\$ 77,522,965
 <u>Financial Statement Presentation</u>	
Cash and Cash Equivalents:	
Governmental	\$ 55,769,856
Enterprise	7,069,576
Internal Service	3,918,304
Investments	
Governmental	6,228,106
Enterprise	3,928,968
Internal Service	608,155
Total Cash and Investments	\$ 77,522,965

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B - CASH AND INVESTMENTS - Continued

Restricted cash and investments typically consist of funds set aside for the payment of debt or to ensure assets producing pledged revenues are repaired and replaced as needed. These assets are restricted since their use is limited by the applicable bond indentures. Other restricted assets consist of funds restricted to the payment of future landfill closure costs.

Restricted investments by category and by fund are as follows:

	Landfill Fund
Landfill escrow	\$ 3,928,968
	\$ 3,928,968

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS

At September 30, 2011, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 1,024,446
State of Florida – Grants	1,168,384
State of Florida – Taxes	1,086,029
Local taxes	404,362
Other elected officials	1,639,482
Other	490,278
Total	\$ 5,812,981

NOTE D – INTERFUND TRANSACTIONS

Interfund transactions for the year ended September 30, 2011 were as follows:

	Interfund Receivable	Interfund Payable	Interfund Transfers in	Interfund Transfers out
General fund	\$ 10,000	\$ --	\$ 2,722,523	\$ 1,219,485
Road & Bridge fund	600,000	--	4,996,254	183,017
Nonmajor Governmental funds	--	610,000	4,581,722	10,897,997
Total	\$ 610,000	\$ 610,000	\$ 12,300,499	\$ 12,300,499

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE D – INTERFUND TRANSACTIONS - Continued

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) move unrestricted revenues collected in the general fund to finance various programs in accordance with budgetary authorizations.

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows (in thousands):

Governmental activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 20,858	\$ 505	\$ 6	\$ 21,357
Construction in progress	<u>6,921</u>	<u>778</u>	<u>1,870</u>	<u>5,829</u>
Total capital assets not being depreciated	27,779	1,283	1,876	27,186
Other capital assets:				
Buildings	60,232	2	-	60,234
Improvements other than buildings	111,644	2,594	-	114,238
Machinery and equipment	<u>27,437</u>	<u>1,113</u>	<u>390</u>	<u>28,160</u>
Total capital assets being depreciated	199,313	3,709	390	202,632
Less accumulated depreciation for:				
Buildings	28,919	2,634	-	31,553
Improvements other than buildings	36,051	3,421	-	39,472
Machinery and equipment	<u>17,285</u>	<u>2,006</u>	<u>295</u>	<u>18,996</u>
Total accumulated depreciation	<u>82,255</u>	<u>8,061</u>	<u>295</u>	<u>90,021</u>
Total capital assets being depreciated, net	<u>117,058</u>	<u>(4,352)</u>	<u>95</u>	<u>112,611</u>
Governmental activities capital assets, net	<u>\$ 144,837</u>	<u>\$ (3,069)</u>	<u>\$ 1,971</u>	<u>\$ 139,797</u>

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE E – CAPITAL ASSETS - Continued

Business like activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,191	\$ -	\$ -	\$ 1,191
Construction in progress	676	476	641	511
Total capital assets not being depreciated	<u>1,867</u>	<u>476</u>	<u>641</u>	<u>1,702</u>
Other capital assets:				
Buildings	2,715	182	-	2,897
Improvements other than buildings	24,157	-	-	24,157
Furniture and fixtures	6,058	62	27	6,093
Total capital assets being depreciated	<u>32,930</u>	<u>244</u>	<u>27</u>	<u>33,147</u>
Less accumulated depreciation for:				
Buildings	1,261	133	-	1,394
Improvements other than buildings	12,052	890	-	12,942
Furniture and fixtures	3,788	389	26	4,151
Total accumulated depreciation	<u>17,101</u>	<u>1,412</u>	<u>26</u>	<u>18,487</u>
Total capital assets being depreciated, net	<u>15,829</u>	<u>(1,168)</u>	<u>1</u>	<u>14,660</u>
Business like activities capital assets, net	<u>\$ 17,696</u>	<u>\$ (692)</u>	<u>\$ 642</u>	<u>\$ 16,362</u>

Additions to accumulated depreciation do not agree with depreciation expense due to transfers of capital assets between funds.

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,886,357
Public safety	432,827
Physical environment	45,009
Transportation	3,205,712
Economic environment	74,772
Human services	112,164
Culture and recreation	<u>1,293,908</u>
Total governmental activities depreciation expense	<u>\$ 8,050,749</u>

Business-type activities

Water and sewer	\$ 523,401
Landfill	589,620
Hangar rental	<u>298,518</u>
Total business-type activities depreciation expense	<u>\$ 1,411,539</u>

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE F - LONG-TERM DEBT

1. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year.

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011	Amount Due within One Year
Governmental activities:					
Compensated absences	\$ 3,195,024	\$ 1,698,609	\$ 1,878,038	\$ 3,015,595	\$ 1,800,000
Claims payable	2,791,848	3,328,724	2,840,045	3,280,527	2,205,446
Revenue bonds	1,630,000	1,528,789	1,760,990	1,397,799	269,992
Notes payable	5,869,241	999,380	1,994,631	4,873,990	927,712
Special assessment notes	6,553,751	3,379,038	3,379,562	6,553,227	1,624,910
Total	<u>\$ 20,039,864</u>	<u>\$ 10,934,540</u>	<u>\$ 11,853,266</u>	<u>\$ 19,121,138</u>	<u>\$ 6,828,060</u>
Business type activities:					
Compensated absences	\$ 420,857	\$ 210,226	\$ 271,145	\$ 359,938	\$ 265,000
Landfill closure costs	9,069,204	269,017	-	9,338,221	174,523
Revenue bonds	1,630,000	1,528,789	1,760,990	1,397,799	269,992
Notes payable	5,101,738	-	381,935	4,719,803	-
OPEB Liability	91,240	57,461	18,362	130,339	-
Total	<u>\$ 16,313,039</u>	<u>\$ 2,065,493</u>	<u>\$ 2,432,432</u>	<u>\$ 15,946,100</u>	<u>\$ 709,515</u>

Deferred losses on refunding of bonds totaling \$106,311 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$17,530 at year end.

Special assessment notes are fully secured by annual assessments made against property owners of the specific area that benefited from the proceeds of the notes. The County has no legal obligation to levy ad valorem taxes or cover the notes in case of default by the property owners. The County does, however, maintain a moral commitment to cover the debt payments until such time as the property owners can make the payments.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE F - LONG-TERM DEBT - Continued

2. Descriptions of Bonds and Notes

Bonds and notes payable at September 30, 2011 are comprised of the following:

General government - notes payable

\$3,700,000 note payable to bank for the acquisition and construction of facilities at the Pace Athletic Field. The note is due in 36 quarterly payments of \$90,763 to \$187,521 plus interest at 3.43%, secured by non-ad valorem revenues.	471,770
\$325,000 note payable to bank for the acquisition and construction of facilities in the Bagdad Community Center. The note is due in 28 quarterly payments of \$11,607 plus interest at 3.74%, secured by non-ad valorem revenues.	46,429
\$999,380 Third Cent Tourist Development Tax Refunding Revenue Note, Series 2011, payable to bank to refinance the \$1,200,000 Third Cent Tourist Development Tax Refunding Revenue Note, Series 2007 payable for the construction of a tourist information center in Navarre. The note is due in 60 quarterly payments of \$12,445 to \$21,708, plus interest at 3.79%, with final payment due in 2026 secured by Third Cent tourist development tax revenues.	986,935
\$4,825,000 special assessment note payable to bank for the construction of certain restoration improvements to Navarre Beach. The note is due in 28 quarterly payments of \$172,321 plus interest at 3.66%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	861,607
\$900,000 special assessment note payable to bank for the construction of certain restoration improvements to Navarre Beach. The note is due in 27 quarterly payments of \$33,333 plus interest at 3.76%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	166,667
\$495,570 special assessment note payable to bank for the construction of certain road improvements in the Blackwater River and Smuggler's Cove subdivisions. The note is due in 36 quarterly payments of \$13,777 plus interest at 4.28%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	234,208

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE F - LONG-TERM DEBT - Continued

\$900,000 special assessment note payable to bank for the construction of infrastructure improvements on Polynesian Island Canal. The note is due in 30 quarterly payments of \$26,984 to \$33,225 plus interest at 2.88% with final payment due in 2011. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	33,225
\$341,000 special assessment note payable to bank for the construction of infrastructure improvements for Duke Drive MSBU. The note is due in 32 quarterly payments of \$9,243 to \$12,225 plus interest at 3.74% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	204,165
\$600,000 special assessment note payable to bank for the construction of infrastructure improvements on Polynesian Island Canal. The note is due in 28 quarterly payments. Payments are interest only at 4.05% until 2012 then principal payments of \$36,085 to \$48,931 plus interest with final payment due in 2015. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	600,000
\$169,100 special assessment note payable to bank for the construction of infrastructure improvements for Joseph Circle MSBU. The note is due in 36 quarterly payments of \$3,636 to \$5,941 plus interest at 5.65% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	108,821
\$324,500 special assessment note payable to bank for the construction of infrastructure improvements for Central Parkway MSBU. The note is due in 36 quarterly payments of \$7,112 to \$11,146 plus interest at 5.14% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	240,612
\$1,872,038 special assessment note payable to bank to refinance the \$1,582,132 and \$770,000 special assessment notes payable for the acquisition and installation of fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 32 quarterly payments of \$53,061 to \$64,128 plus interest at 2.44% with final payment due in 2018. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	1,711,507

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE F - LONG-TERM DEBT - Continued

\$287,870 note payable to bank for the acquisition and construction of improvements for the Bagdad Heritage Trail Project. The note is due in 40 quarterly payments of \$5,888 to 9,370 plus interest at 3.98% with final payment due in 2020, secured by North Santa Rosa tourist development tax revenues.	257,744
\$500,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Bernath Place MSBU. The note is due in 36 quarterly payments of \$11,686 to \$16,363 plus interest at 3.98% with final payment due in 2018. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	403,731
\$600,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Santa Rosa Shores MSBU. The note is due in 40 quarterly payments of \$12,432 to \$17,890 payments plus interest at 3.75% with final payment due in 2019. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	497,217
\$120,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Ski Watch Estates MSBU. The note is due in 36 quarterly payments of \$2,829 to \$3,883 including interest at 3.55% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	84,211
\$412,000 special assessment note payable to bank for the acquisition and installation fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 28 quarterly payments of \$13,565 to \$15,891 plus interest at 2.34% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	370,987
\$700,000 special assessment note payable to bank for the acquisition and installation fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 60 quarterly payments of \$9,134 to \$14,526 plus interest at 3.14% with final payment due in 2025. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	672,201
\$395,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Longhorn Trail MSBU. The note is due in 24 quarterly payments of \$15,423 to \$17,537 plus interest at 2.24% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	364,067

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE F - LONG-TERM DEBT - Continued

\$4,000,000 capital improvement revenue note to bank for the jail expansion project. The note is due in 36 quarterly payments of \$111,111 and one payment of \$111,114 plus interest at 3.98% with final payment due in 2018 secured by non-ad valorem revenues.

3,111,112

General government - bonds payable

\$3,027,579 Capital Improvement Refunding Revenue Bonds, Series 2010 bonds due in quarterly installments of \$128,435 to \$145,585 plus interest at 1.73% with final payment due in 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund.

1,397,799

Total general government bonds and notes payable

\$ 12,825,015

Proprietary fund type - note payable

Navarre Beach

\$6,500,000 Utility System Revenue Note, Series 2006 payable to bank for the construction of certain improvements and additions to the Navarre Beach Utility System. The note is due in 15 annual payments of \$335,333 to \$555,568 plus interest at 3.767%, adjusted every 3 years, secured by non-ad valorem revenues.

4,719,802

Proprietary fund type - bonds payable

Landfill

\$3,027,579 Capital Improvement Refunding Revenue Bonds, Series 2010 bonds due in quarterly installments of \$128,435 to \$145,585 plus interest at 1.73% with final payment due in 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund.

1,397,799

Total proprietary fund type bonds and note payable

\$ 6,117,601

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE F - LONG-TERM DEBT - Continued

3. Debt Service Requirements

The annual requirements to amortize all bonds and notes outstanding at September 30, 2011 are as follows:

Governmental activities:

Year ended September 30,	Principal	Interest	Total
2012	\$ 2,822,614	\$ 363,476	\$ 3,186,090
2013	1,849,371	272,614	2,121,985
2014	1,678,222	215,501	1,893,723
2015	1,611,991	159,644	1,771,635
2016	1,476,435	109,690	1,586,125
2017-2021	2,774,347	215,061	2,989,408
2022-2026	612,035	54,501	666,536
	<u>\$ 12,825,015</u>	<u>\$ 1,390,487</u>	<u>\$ 14,215,502</u>

Business-type activities:

Year ended September 30,	Principal	Interest	Total
2012	\$ 269,992	\$ 210,886	\$ 480,878
2013	670,722	190,709	861,431
2014	691,125	170,436	861,561
2015	711,712	149,481	861,193
2016	732,988	128,152	861,140
2017-2021	2,485,493	350,788	2,836,281
2022-2026	555,569	10,640	566,209
	<u>\$ 6,117,601</u>	<u>\$ 1,211,092</u>	<u>\$ 7,328,693</u>

4. Defeased Debt Outstanding

In prior years the Board defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the Board's financial statements. At September 30, 2011, \$5.14 million of bonds are considered defeased.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE G - CONDUIT DEBT OBLIGATIONS

The County has issued certain limited-obligation debt instruments, including: 1) industrial development revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest; and 2) certain municipal service benefit unit revenue notes to finance the acquisition, construction, reconstruction and equipping of capital improvements within the municipal service benefit unit. The debt instruments are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Board, the State nor any political subdivision thereof is obligated in any manner for repayment of the debt instruments. Accordingly, the debt instruments are not reported as liabilities in the accompanying financial statements.

Debt issues related to conduit financings outstanding at September 30, 2011 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 9/30/2011</u>
Baptist Hospital, 2003	8/21/2003	10/1/2021	\$57,905,000	\$57,905,000
Holley Navarre Water System, 2004	6/2/2004	5/1/2024	4,145,000	2,985,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	829,612
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	<u>300,000</u>	<u>187,918</u>
Total			<u>\$63,519,000</u>	<u>\$61,907,530</u>

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE H - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9.3 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2011, represents the cumulative amount reported to date based on the following percentage usage of the estimated capacity of each of the Board's landfills:

Central Class I Landfill	70%
Central Class III Landfill	29%
Central Class III Landfill	Closed 10/98
Holley Landfill	Closed 06/94

The estimated cost of postclosure care for the Central Class III and Holley landfills have been recognized in prior years with any changes in estimates being recorded in the current year. The Board will recognize the remaining estimated cost of closure and postclosure care for the Central Class I and Class III landfills in the amount of \$6.7 million as its remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. The estimated remaining lives of the Central Class I and Class III landfills are 23 and 36 years, respectively. Cost of closure and life estimates are based on the areas currently in use, and not on potential areas of expansion. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Board is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. At September 30, 2011, the Board held investments of \$3,928,968 to cover the escrow requirement of \$3,927,773. These investments are reported as restricted assets in these financial statements. The Board expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

NOTE I - COMMITMENTS AND CONTINGENCIES

1. Retirement Plan

Participation - Employees of the Board participate in the Florida Retirement System, a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is compulsory for full-time and part-time employees working in regularly established positions. Elected officials may elect not to participate in the system. Eligible employees may elect to participate in the Deferred Retirement Option Program (DROP), deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

Benefit Provisions – The Florida retirement system offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans. Both plans, effective July 1, 2011, are funded monthly by a combination of employer and employee contributions.

The FRS Pension Plan is a defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Normal retirement benefits are available to employees who retire at age 62 with 6 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five (if enrolled prior to July 1, 2011) or eight (if enrolled on or after July 1, 2011) highest years of earnings.

The FRS Investment Plan is a defined contribution plan in which participants are vested after one year of service. The employer makes contributions each month based on a percentage of the employee's gross salary and membership class. The contribution percentage is the same whether participating in the Pension Plan or Investment Plan. Members in the Investment Plan decide how their funds are allocated between various investment accounts and the funds are portable upon termination if the participant is vested. Members in the investment plan are not eligible for participation in the Deferred Retirement Option Program (DROP).

For DROP participants, the deferred monthly benefit plus interest compounded monthly, accrues for the specified period of the DROP participation. Upon retirement, the participant receives the total accumulated DROP benefits and begins to receive current benefits at the previously determined rate.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2011, the Board contributed an average of 10.06% of each qualified regular employee's gross salary, 17.52% percent of the elected official's salary and 10.29% for each DROP participant. The Board's contributions to the pension plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for the year. The Board's contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on membership class. Contributions to both plans totaled \$1,401,716, \$1,658,290 and \$1,639,475 for the years ended September 30, 2011, 2010, and 2009, respectively.

Financial Report of the Plan - The Florida Retirement System issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

2. Litigation

The Board is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Board's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the Board.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

3. Federal and State Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

NOTE J - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986 the Board established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the Board is self-insured with respect to the following exposures:

- Workers Compensation
- Auto Physical Damage
- Auto Liability
- Construction and Road Equipment
- Portable Communication Equipment

The Board is covered by outside insurance for the following exposures:

- Boats
- Employee Fidelity
- Buildings and Contents, \$5,000 deductible
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board of County Commissioners and other County elected officials participate in the program and make payments to the Self Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$3,280,527 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 3.9 - 7 percent. These liabilities are reported at their present value of \$1,158,093 at September 30, 2011.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE J - RISK MANAGEMENT - Continued

Changes in the Fund's claims liability amount in fiscal years 2010 and 2011 were as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2009 - 2010	\$ 3,447,214	\$ 1,342,809	\$ 1,998,175	\$ 2,791,848
2010 - 2011	\$ 2,791,848	\$ 3,328,724	\$ 2,840,045	\$ 3,280,527

The following table presents a summary of the claims payable liability at year end:

Current claims payable	\$ 2,122,434
Current claims – structured settlements	<u>83,012</u>
Total claims payable, current	2,205,446
Long-term claims – structured settlements	<u>1,075,081</u>
Total claims payable	<u>\$ 3,280,527</u>

The Board is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public officials' liability coverage, excluding the Sheriff. The Board pays an annual premium as a participant of the pooled liability program. During 1994, the first year of participation, the Board paid an extraordinary loss fund payment of \$249,886. The liability coverage is not designed to be assessable; however, should the pool fail to meet its obligations, the Board may be required to contribute additional funds or cover its own obligations. No accrual for future assessments has been recorded in the balance sheet as such assessments do not appear probable based on past experience of the pool, and experience of the pool subsequent to the Board's fiscal year end through the date of these financial statements. In the event the Board elected to terminate its participation in the pool, the extraordinary loss fund payment would be refunded to the Board, given adequate funding of the pool.

NOTE K - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on the following page.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE K - FUND BALANCES – Continued

Fund balances	Major Funds			Total
	General Fund	Road and Bridge Fund	Other Funds	
Nonspendable				
Inventory	\$ 106,735	\$ 301,155	\$ -	\$ 407,890
Advance to other fund	10,000	50,000	-	60,000
Restricted for:				
Communications	1,127,356	-	-	1,127,356
Boating improvement	261,513	200,353	-	461,866
Domestic violence	103,724	-	-	103,724
Voter education	19,117	-	-	19,117
Pollworker recruitment	1,887	-	-	1,887
Federal elections	13,677	-	-	13,677
Navarre Beach Bridge maintenance	-	3,800,793	-	3,800,793
Law Enforcement Trust Fund	-	-	83,623	83,623
Crime prevention	-	-	206,385	206,385
Mosquito control	-	-	49,075	49,075
Federal and state grants	-	-	523,333	523,333
Enhanced 911 system	-	-	1,262,041	1,262,041
Tourist development	-	-	2,295,249	2,295,249
Infrastructure development	-	-	3,320,725	3,320,725
State Housing Improvement Program	-	-	551,900	551,900
Fire prevention and control	-	-	866,960	866,960
Road and sewer construction	-	-	471,896	471,896
Canal maintenance	-	-	271,190	271,190
Street lighting	-	-	70,254	70,254
Navarre Beach restoration	-	-	118,605	118,605
Committed to:				
Animal service education	44,595	-	-	44,595
Court innovations	-	-	184,578	184,578
Transportation, recreation and economic development	-	-	6,370,936	6,370,936
Gas and oil preservation	3,551,667	-	-	3,551,667
Capital construction projects	-	-	6,179,455	6,179,455
Assigned to				
Road and bridge construction and maintenance	-	10,505,880	-	10,505,880
Debt service	-	-	452,292	452,292
Law library	-	-	29,496	29,496
Court operations	-	-	325,936	325,936
Gas and oil preservation	178,708	-	-	178,708
Unassigned	22,385,641	-	-	22,385,641
	<u>\$ 27,804,620</u>	<u>\$ 14,858,181</u>	<u>\$ 23,633,929</u>	<u>\$ 66,296,730</u>

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS

The County implemented, in 2009, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits provided by the County.

Plan Description – Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the County and eligible dependents, may continue to participate in the County’s purchased health and hospitalization insurance coverage (the Plan). The Plan is a single-employer plan. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The County also provides an insurance subsidy for employees with at least 10 years (8 years elected) creditable service. The subsidy pays \$3 per year of service limited to the individual’s premium payment up to a maximum of \$90 per year. No stand-alone financial report is issued.

Funding Policy – The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2011 fiscal year, 169 retirees and eligible dependents received postemployment health care benefits. The County provided required contributions of \$324,685 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees insurance net of retiree contributions totaling \$469,800. Required contributions are based on projected pay-as-you-go financing which differ from the Annual Required Contribution.

Annual OPEB Cost and Net OPEB Obligation – The following table shows the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation:

Description	Health Insurance
Normal Cost (service cost for one year)	\$ 791,000
Amortization of Unfunded Actuarial Accrued Liability	<u>661,000</u>
Annual Required Contribution	1,452,000
Amortization of Net OPEB Obligation	(177,000)
Interest on Net OPEB Obligation	<u>118,000</u>
Annual OPEB Cost (expense)	1,393,000
Contribution Towards the OPEB Cost	<u>(324,685)</u>
Increase in Net OPEB Obligation	1,068,315
Net OPEB Obligation, Beginning of Year	<u>2,946,429</u>
Net OPEB Obligation, End of Year	<u>\$ 4,014,744</u>

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS - Continued

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2011, was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB</u>	<u>Percentage Of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008-2009	\$ 1,777,000	17%	\$ 1,471,282
2009-2010	\$ 1,892,000	22%	\$ 2,946,429
2010-2011	\$ 1,393,000	23%	\$ 4,014,744

Funded Status and Funding Progress – As of September 30, 2011, the date of the actuarial valuation, the actuarial accrued liability was \$11,009,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$11,009,000. Amortization of the accrued liability for the year ended September 30, 2011 was \$661,000. The annual covered payroll (annual payroll of active participating employees) was \$44,085,422 for the 2010-2011 fiscal year. The ratio of the unfunded actuarial liability to annual covered payroll is 25%.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The County’s OPEB actuarial valuation as of September 30, 2011, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of September 30, 2011 and the estimate the County’s 2010-2011 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4% rate of return on invested assets assuming the benefits will continue to be funded on a pay-as-you-go basis and that the County’s investments will earn 4% over the long term. The actuarial assumptions also include an annual healthcare cost trend rate of 8.5% initially for the 09-10 fiscal year, decreasing gradually per year to an ultimate rate of 5.4% in 2050. The inflation rate assumption is 2.9%. The unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining, closed, amortization period at September 30, 2011 is 28 years.

The required schedule of funding progress, immediately following the notes, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE M – BOND REFUNDING

On December 30, 2010, the Board issued \$3,057,579 in Capital Improvement Refunding Revenue Bonds, Series 2010 with an interest rate of 1.73% to finance the cost of refunding the remaining balance of the Board's Capital Improvement Revenue Refunding Bonds, Series 2000, with an average interest rate of 4.4%. The remaining portion of the 2000 bonds refunded from the proceeds of the 2010 bonds totaled \$3,260,000 and included the 2000 bonds maturing in the years 2011 through 2016. The net proceeds of \$3,017,079 (after payment of underwriting fees, insurance and other issuance costs) plus an additional \$319,062 of sinking fund monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 bonds. As a result, \$3,260,000 of the 2000 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statements, when presented, and from the Landfill Fund's (enterprise fund) liabilities. The original bonds were allocated 50% each to general governmental uses and to enterprise fund use.

In both the government-wide financial statements and in the enterprise fund, the advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$122,807. The difference, reported in the accompanying financial statements as a deduction from the enterprise fund bonds payable, is being charged to operations through the year 2016 using the effective interest method. The Board completed the advance refunding to reduce its total debt service payments by approximately \$284,000 and realized a difference between the present values of the old and new debt service payments of approximately \$240,000.

NOTE N – PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2011 the Board identified \$60,175 in revenues recognized in previous years that should have been recorded as unearned revenue.

REQUIRED SUPPLEMENTAL INFORMATION

**Board of County Commissioners
Santa Rosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

Year ended September 30, 2011

	Original Budget	Final Budget	Actual
Revenues			
Taxes	44,878,370	44,878,370	45,275,128
Permits, fees and special assessments	1,355,080	1,355,080	1,163,924
Intergovernmental	9,378,020	12,138,744	10,707,738
Charges for services	3,020,250	3,286,944	4,538,735
Fines and forfeits	241,220	241,220	357,292
Miscellaneous	1,627,920	2,032,920	2,010,062
Total revenues	60,500,860	63,933,278	64,052,879
Expenditures			
Current			
General government	17,917,046	20,187,037	17,579,202
Public safety	33,341,224	34,399,530	34,077,811
Physical environment	1,289,330	1,289,330	1,145,556
Transportation	904,450	904,450	894,964
Economic environment	137,340	1,081,372	241,895
Human services	3,584,060	4,417,097	4,392,451
Culture and recreation	2,708,120	2,854,289	3,011,838
Reserve for contingencies	--	176,837	--
Total expenditures	59,881,570	65,309,942	61,343,717
Excess (deficiency) of revenues over expenditures	619,290	(1,376,664)	2,709,162
Other financing sources (uses)			
Transfers in	1,558,794	1,896,405	2,722,523
Transfers out	(1,003,728)	(1,211,777)	(1,219,485)
Total other financing sources (uses)	555,066	684,628	1,503,038
Net change in fund balances	1,174,356	(692,036)	4,212,200
Fund balance, beginning of year	187,340	1,742,017	23,655,556
Prior period adjustment	--	--	(60,175)
Fund balance, restated	187,340	1,742,017	23,595,381
Change in reserve for inventory	--	--	(2,961)
Fund balance, end of year	1,361,696	1,049,981	27,804,620

See accompanying notes to required supplementary information.

**Board of County Commissioners
Santa Rosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND**

Year ended September 30, 2011

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 4,237,260	\$ 4,237,260	\$ 4,449,413
Intergovernmental	2,821,360	12,447,266	8,266,877
Charges for services	--	42,873	25,839
Miscellaneous	137,750	137,750	126,932
Total revenues	<u>7,196,370</u>	<u>16,865,149</u>	<u>12,869,061</u>
Expenditures			
Current			
Physical environment	--	6,166,368	2,319,970
Transportation	10,204,390	19,019,310	14,978,399
Reserve for contingencies	32,880	71,574	--
Total expenditures	<u>10,237,270</u>	<u>25,257,252</u>	<u>17,298,369</u>
Excess (deficiency) of revenues over expenditures	(3,040,900)	(8,392,103)	(4,429,308)
Other financing sources (uses)			
Transfers in	3,058,780	4,996,186	4,996,254
Transfers out	--	(183,017)	(183,017)
Total other financing sources (uses)	<u>3,058,780</u>	<u>4,813,169</u>	<u>4,813,237</u>
Net change in fund balances	17,880	(3,578,934)	383,929
Fund balance, beginning of year	--	3,596,814	14,477,116
Change in reserve for inventory	--	--	(2,864)
Fund balance, end of year	<u>\$ 17,880</u>	<u>\$ 17,880</u>	<u>\$ 14,858,181</u>

See accompanying notes to required supplementary information.

**Santa Rosa County, Florida
Board of County Commissioners**

**SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST EMPLOYMENT BENEFITS**

Year ended September 30, 2011

<u>Schedule of Funding Progress</u>	<u>Actuarial Valuation Date</u>		
	<u>9/30/09</u>	<u>9/30/10</u>	<u>9/30/11</u>
1. Current retirees liability	\$ 10,436,000	\$ 11,455,000	\$ 8,561,000
2. Active employees	2,259,000	2,479,000	2,448,000
3. Actuarial Accrued Liability	12,695,000	13,934,000	11,009,000
4. Actuarial Value of Assets	--	--	--
5. Unfunded Actuarial Accrued Liability	12,695,000	13,934,000	11,009,000
6. Funded Ratio (4. divided by 3.)	0%	0%	0%
7. Annual Covered Payroll	<u>\$ 46,801,081</u>	<u>\$ 43,761,421</u>	<u>\$ 44,085,422</u>
8. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	27%	32%	25%
	<u>Fiscal Year Ended</u>		
	<u>9/30/09</u>	<u>9/30/10</u>	<u>9/30/11</u>
<u>Schedule of Employer Contributions</u>			
Annual OPEB Cost	\$ 1,777,000	\$ 1,892,000	\$ 1,393,000
Actual Contribution	305,718	416,853	324,685
Percentage Contributed	17%	22%	23%
Net OPEB Obligation	<u>\$ 1,471,282</u>	<u>\$ 2,946,429</u>	<u>\$ 4,014,744</u>

See accompanying notes to required supplementary information.

**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

BUDGETARY INFORMATION

Florida Statutes Chapters 129 and 200 govern the preparation, adoption, and administration of the County's annual budget. The budget must be balanced, i.e., the estimated revenues plus beginning fund balance brought forward must equal appropriations and be prepared on a basis consistent with generally accepted accounting principles (GAAP) as applicable to governmental units. The Board may, at any time within a fiscal year, amend a budget for that year as follows:

Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund correspondingly increased by motion recorded in the minutes. The budget officer may authorize certain inter-departmental and intra-departmental budget amendments, provided that the total appropriation of the fund is not changed. All annual appropriations lapse at fiscal year end.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida, (hereinafter referred to as “Board”), as of and for the year ended September 30, 2011, which collectively comprise the Board’s financial statements and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 16, 2012, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Board, management and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

March 16, 2012
Pensacola, Florida

MANAGEMENT LETTER

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of each major fund and the aggregate remaining fund information of the Santa Rosa County, Florida, Board of County Commissioners, (hereinafter referred to as “Board”), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 16, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have also issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance with Requirements that Could have a Direct and Material Effect on each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule which are dated March 16, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Section 10.554 (1) (i) 1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit. See discussion in Attachment A – Prior Year Findings and Comments.

Section 10.554 (1) (i) 2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Board complied with Section 218.415, Florida Statutes.

Section 10.554 (1) (i) 3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we do not have any recommendations.

Section 10.554 (1) (i) 4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554 (1) (i) 5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we are submitting for consideration the recommendations described in Attachment B – Current Year Recommendations.

The Board's response to the recommendations described in Attachment A and B is included in the accompanying management's response to the management letter. We did not audit the Board's response and accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties

Warren Averett, LLC

March 16, 2012
Pensacola, Florida

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
PRIOR YEAR FINDINGS AND COMMENTS (Attachment A)
September 30, 2011**

The following summarizes the current status of prior year findings and management letter comments which have not been fully addressed/implemented as of September 30, 2011:

2008-4 Landfill – Accounts Receivable and Deposits

The prior year recommendations have all been implemented except for finalization of security deposit policies.

2008-5 Navarre Beach – Residential and Commercial Leases

In fiscal year 2008, audit procedures identified several items in regards to the recording of residential and commercial leases in the general fund. Based on the items identified several recommendations were made. The recommendations included that the Board develop written procedures to ensure that fees due from residential leaseholders are properly recorded and collected, that the Board develop written procedures to ensure that fees due from commercial leaseholders are properly recorded and collected, and that documentation of collection efforts are maintained and the Board develop written controls to ensure that individuals are billed for the proper lease fee.

As of September 30, 2011, the recommendations above have not been implemented and are being evaluated to determine if existing practices for monitoring and collection of receivables are sufficient.

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
CURRENT YEAR RECOMMENDATIONS (Attachment B)
September 30, 2011**

2011-1 Article V Expenditures

Annually the Board must submit a report to the Florida Department of Financial Services certifying its compliance with Sections 29.008 and 29.0085, Florida Statutes as related to county funded court-related functions. F.S. 29.008(4)(c) requires expenditures for line items specified in paragraphs (1)(a)-(h) and subsection (3) to be maintained at the amounts expended in the preceding year. Our examination disclosed that the County did not maintain spending at levels specified in F.S. 29.008(4)(c). We recommend the Board monitor its expenditures to ensure the requirements of section 29.008 (4) (c) are met.

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
MANAGEMENT'S RESPONSE TO COMMENTS
September 30, 2011**

2008-4 Landfill – Accounts Receivable and Deposits

The Board is reviewing the recommendations for Security Deposit policies and will make the necessary changes and take corrective action.

2008-5 Navarre Beach – Residential and Commercial Leases

The Board is reviewing the recommendations for residential & commercial lease payments. However; we do not believe that additional written procedures will ensure that fees due from leaseholders are collected. The written leases, signed by leaseholders, stipulate that they are required to pay the appropriated lease fees and are required to submit to Finance their IRS Tax returns. If Finance suspects there may be a problem, they send our Internal Auditor to the enterprise to determine accuracy of the lease payment. The County Attorney is reviewing the billing of the previous leaseholder vs the new leaseholder and will recommend the appropriate action.

2011-1 Article V Expenditures

The Board agrees with the finding and recommendation and will monitor its expenditures to ensure the requirements of section 29.008 are met.