

**SANTA ROSA COUNTY, FLORIDA
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2007

Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2007

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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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Santa Rosa County, Florida'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 County'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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of September 30, 2007, 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 26, 2008 on our consideration of Santa Rosa County, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The management's discussion and analysis on pages 5 through 11 and budgetary comparison information on pages 47 through 52 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

O'Sullivan Greel, LLP

March 26, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Santa Rosa County, Florida
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Management's discussion and analysis provides an objective and easily readable analysis of the County's financial activities. The analysis provides summary financial information for the County and should be read in conjunction with the County's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to the financial statements*. The *Government-wide financial statements* present an overall picture of the County's financial position and results of operations. The *Fund financial statements* present financial information for the County's major funds and non-major funds in the aggregate. The *Notes to the financial statements* provide additional information essential to a full understanding of the data provided in the Government-wide and Fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The *Government-wide financial statements* are the **statement of net assets** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental Activities are primarily supported by property taxes, sales taxes, federal and state grants, and state shared revenues. Business-type Activities are supported by charges to the users of those activities, such as water and sewer service charges.

The **statement of net assets** presents information on all assets and liabilities of the County, with the difference between assets and liabilities reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Assets, liabilities, and net assets are reported for all Governmental Activities separate from the assets, liabilities and net assets of Business-type Activities.

The **statement of activities** presents information on all revenues and expenses of the County and the change in net assets. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the County. To assist in understanding the County's operations, expenses have been reported as governmental activities or business-type activities. Governmental Activities financed by the County include public safety, physical environment, transportation, economic environment, human services, culture and recreation, and general government services. Business-type Activities financed by user charges include water and sewer services, solid waste disposal, and hangar leases.

Fund financial statements present financial information for governmental funds and proprietary funds. These statements provide financial information for the major funds of the County. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances - budget and actual**, is provided for the County's General Fund and major governmental funds as required supplemental information. For the proprietary funds, which include an internal service fund in addition to business-type activities, a **statement of net assets**; a **statement of revenues, expenses, and changes in**

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fund net assets; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed information about the County's activities. Individual funds are established by the County to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal grants.

The *government-wide financial statements* and the *fund financial statements* provide different *pictures* of the County. The government-wide financial statements provide an overall picture of the County's financial standing, split between Governmental Activities and Business-type Activities. These statements are comparable to private-sector companies and give a good understanding of the County's overall financial health and how the County paid for the various activities, or functions, provided by the County. All assets of the County, including buildings, tangible property, land, roads, bridges, and similar infrastructure are reported in the **statement of net assets**. All liabilities, including principal outstanding on bonds, capital leases, and future employee benefits obligated but not paid by the County, are included. The **statement of activities** includes depreciation on all long lived assets of the County. The *fund financial statements* provide a picture of the major funds of the County and a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities are not included in the fund financial statements. Reconciliations are provided from the *fund financial statements* to the *government-wide financial statements* to facilitate a comparison between governmental funds and governmental activities. *Notes to the financial statements* provide additional detail concerning the financial activities and financial balances of the County. Additional information about the accounting practices of the County, investments of the County, long-term debt, and pension plans are some of the items included in the *notes to the financial statements*.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$170 million as of September 30, 2007.

The largest portion of the County's net assets (85%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets for the County as a whole, as well as for its governmental activities. The business-type activities ended the year with a deficit unrestricted net asset balance due mainly to increased investment in the landfills and the water and sewer systems to increase capacity.

There was an increase in net assets from governmental activities of \$76.3 million. This consisted of an increase of \$68.9 million to invested in capital assets net of related debt, an increase of \$6.4 million to unrestricted net assets and an increase of \$1 million to restricted net assets. The primary reason for this net increase was the prior period adjustment to put the infrastructure (roads and bridges) on the books as required by Governmental Accounting Standards Board (GASB) Statement Number 34. Prior to implementing GASB 34, infrastructure was expensed in the year it was acquired or constructed. Now infrastructure is capitalized and depreciated over its useful life.

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There was a decrease in net assets from business-type activities of \$5.2 million. This consisted of a decrease of \$6.7 million to net assets invested in capital assets net of related debt, a decrease of \$127 thousand in unrestricted net assets and an increase of \$1.5 million to restricted net assets. The primary reason for this net decrease was the increased closure liability from increases to landfill capacity. The increase in landfill capacity increased the liabilities and restricted net assets required by state regulators for the eventual closure and long term monitoring of the landfills.

Following is a comparative statement of net assets (amounts expressed in thousands):

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 58,075	\$ 56,274	\$ 12,165	\$ 11,727	\$ 70,240	\$ 68,001
Capital assets	<u>133,550</u>	<u>64,849</u>	<u>16,666</u>	<u>17,438</u>	<u>150,216</u>	<u>82,287</u>
Total assets	191,625	121,123	28,831	29,165	220,456	150,288
Long-term liabilities outstanding	22,728	23,241	17,119	10,496	39,847	33,737
Other liabilities	<u>10,309</u>	<u>15,636</u>	<u>207</u>	<u>1,883</u>	<u>10,516</u>	<u>17,519</u>
Total liabilities	<u>33,037</u>	<u>38,877</u>	<u>17,326</u>	<u>12,379</u>	<u>50,363</u>	<u>51,256</u>
Net Assets:						
Invested in capital assets, net of related debt	131,253	62,346	8,299	15,041	139,552	77,387
Restricted	12,900	11,872	3,109	1,521	16,009	13,393
Unrestricted	<u>14,435</u>	<u>8,028</u>	<u>97</u>	<u>224</u>	<u>14,532</u>	<u>8,252</u>
Total net assets	<u>\$ 158,588</u>	<u>\$ 82,246</u>	<u>\$ 11,505</u>	<u>\$ 16,786</u>	<u>\$ 170,093</u>	<u>\$ 99,032</u>

Financial Analysis of Governmental Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The County's governmental funds reported combined ending fund balances of \$44.1 million (68% is unreserved), an increase of \$3.3 from last year. The bulk of the increase was from the reclassification of the Industrial Park fund from an enterprise fund to a governmental fund.

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Following is a comparative statement of changes in net assets (amounts expressed in thousands):

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 30,148	\$ 19,616	\$ 6,055	\$ 5,691	\$ 36,203	\$ 25,307
Operating grants & contributions	25,140	31,813	-	-	25,140	31,813
Capital grants & contributions	667	3,000	406	883	1,073	3,883
General revenues:						
Property tax	56,309	44,801	-	-	56,309	44,801
Sales, use and fuel tax	4,917	4,517	-	-	4,917	4,517
Franchise fees	5,111	4,643	-	-	5,111	4,643
Communication services	1,274	1,296	-	-	1,274	1,296
Grants & contributions	12,675	13,703	-	-	12,675	13,703
Investment earnings	3,517	2,282	439	527	3,956	2,809
Other	<u>1,870</u>	<u>1,692</u>	<u>340</u>	<u>265</u>	<u>2,210</u>	<u>1,957</u>
Total revenues	<u>141,628</u>	<u>127,363</u>	<u>7,240</u>	<u>7,366</u>	<u>148,868</u>	<u>134,729</u>
Expenses:						
General government	33,874	30,163	-	-	33,874	30,163
Public safety	48,885	44,252	-	-	48,885	44,252
Physical environment	6,989	21,245	-	-	6,989	21,245
Transportation	16,514	17,990	-	-	16,514	17,990
Economic environment	9,328	3,223	-	-	9,328	3,223
Human services	4,522	4,258	-	-	4,522	4,258
Culture and recreation	3,291	3,912	-	-	3,291	3,912
Interest on long-term debt	447	433	-	-	447	433
Loss on disposal of assets	322	-	-	-	322	-
Water and sewer	-	-	1,865	1,680	1,865	1,680
Airport	-	-	226	218	226	218
Industrial park*	-	-	-	84	-	84
Landfill	-	-	<u>3,767</u>	<u>3,067</u>	<u>3,767</u>	<u>3,067</u>
Total expenses	<u>124,172</u>	<u>125,476</u>	<u>5,858</u>	<u>5,049</u>	<u>130,030</u>	<u>130,525</u>
Increase in net assets						
before transfers	17,456	1,887	1,382	2,317	18,838	4,204
Transfers	<u>-</u>	<u>(2,222)</u>	<u>-</u>	<u>2,222</u>	<u>-</u>	<u>-</u>
Change in net assets	17,456	(335)	1,382	4,539	18,838	4,204
Net assets, beg. of year*	88,909	68,320	10,123	12,247	99,032	80,567
Prior period adjustment	<u>52,223</u>	<u>14,261</u>	<u>-</u>	<u>-</u>	<u>52,223</u>	<u>14,261</u>
Net assets,						
beg. of year, restated	<u>141,132</u>	<u>82,581</u>	<u>10,123</u>	<u>12,247</u>	<u>151,255</u>	<u>94,828</u>
Net assets, end of year	<u>\$ 158,588</u>	<u>\$82,246</u>	<u>\$ 11,505</u>	<u>\$16,786</u>	<u>\$ 170,093</u>	<u>\$99,032</u>

* Industrial Park fund reclassified from proprietary to governmental fund type.

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The General fund is the primary operating fund of the County. Revenues exceeded expenditures by \$3.5 million. Planned operating transfers depleted the excess and drew down fund balance by \$500,000.

The Road and Bridge fund accounts for fuel and other taxes designated for road improvements. During the year Revenues exceeded expenditures by \$500,000. Planned operating transfers increased this surplus by \$2 million.

The Electricity Franchise Fee fund is use to finance many projects. Transfers of \$4.8 million from this fund were made to the Road and Bridge fund and all the District Capital Improvement funds.

The Hurricane Housing Recovery (HHR) Program fund is used to track the revenues and expenditures relating to the hurricane recovery efforts for low to medium income households funded by a State grant and administered by the County.

The Disaster fund is used to track the revenues and expenditures relating to the hurricane recovery efforts for the County funded by Federal and State grants.

The MSBU (Municipal Service Benefit Unit) fund is used to track revenues and expenditures relating to the capital improvement projects for specific areas of the county financed by special assessments to the property owners of those areas. The Navarre Beach Renourishment Project was partially funded by approximately \$2.9 in federal grants.

Financial Analysis of Proprietary Funds

The Navarre Beach fund accounts for the operations of the Navarre Beach water and sewer system. Operating revenues are back to near normal levels following the 56% decrease in the prior years due to the destruction caused by Hurricanes Ivan, Dennis, Katrina and Rita. The fund issued \$6.5 million in debt to fund a multi-year water and sewer system upgrade.

The Landfill fund is used to account for the solid waste disposal operations at the County landfills. The upgrade and expansion of the Central Landfill has been completed. While net assets have increased by \$800,000, the increased landfill capacity requires an additional \$1.5 million in restricted net assets to fund the eventual closure and long-term post-closure monitoring of the landfills.

Budgetary Analysis

The General fund budget was increased by \$4.6 million from the original budget (an increase of 6%). The significant changes are summarized as follows:

- \$ 471,444 Storm water grants
- \$ 477,500 Farmland Protection Program grant
- \$ 460,000 Floridatown Sewer CDBG grant
- \$ 306,908 Juvenile Drug Court program
- \$ 343,987 Carry forward Boating Improvement Reserves
- \$ 542,250 Carry forward Communications Reserves

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Actual expenditures were less than the final budgeted expenditures by \$4.9 million. The reason for this variance is that the Board did not spend 1) \$1.5 million for grants, 2) \$475,000 for the building inspection, 3) \$300,000 for emergency management, 4) \$600,000 in emergency communications and 5) \$350,000 in juvenile circuit court.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

As of September 30, 2007 the County had \$150 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads and other infrastructure.(See table below.) This amount represents a net increase (including additions, discoveries and deductions) of \$68 million from last year.

Capital Assets at Year-end
(Net of Depreciation, in Thousands)

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 13,938	\$ 10,748	\$ 1,191	\$ 3,525	\$ 15,129	\$14,273
Construction in progress	9,029	3,284	8,642	7,095	17,671	10,379
Buildings	27,754	27,767	595	563	28,349	28,330
Improvements other than buildings	67,520	8,735	3,761	4,340	71,281	13,075
Machinery, furniture and equipment	<u>15,309</u>	<u>14,315</u>	<u>2,477</u>	<u>1,915</u>	<u>17,786</u>	<u>16,230</u>
Totals	<u>\$ 133,550</u>	<u>\$ 64,849</u>	<u>\$ 16,666</u>	<u>\$ 17,438</u>	<u>\$ 150,216</u>	<u>\$82,287</u>

This year's major additions included:

Water Reclamation Project at Navarre Beach	\$ 3,071,718
Equipment for Sheriff	\$ 1,393,457
Five Points Intersection	\$ 3,231,768
Admin Center Upstairs Renovation	\$ 1,612,518
Dune Walkovers	\$ 618,697
Paving of Opportunity Drive	\$ 1,196,892
Holley Navarre Library Book Collection	\$ 629,751
Navarre Visitor Center	\$ 982,724

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Outstanding Debt at Year-end
(in Thousands)

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue bonds	\$ 2,297	\$ 2,502	\$ 8,642	\$ 2,503	\$ 10,939	\$ 5,005
Notes payable	3,767	3,477	-	-	3,767	3,477
Special assessment notes	5,693	6,338	-	-	5,693	6,338
Capital lease	-	57	-	-	-	57
Totals	<u>\$ 11,757</u>	<u>\$ 12,374</u>	<u>\$ 8,642</u>	<u>\$ 2,503</u>	<u>\$ 20,399</u>	<u>\$ 14,877</u>

A revenue note payable for Navarre Beach Water and Sewer Reclamation project was issued. A special assessment note payable for the Blackwater/Smuggler's Cove subdivisions was issued. A note payable for the Navarre Beach Tourist Development Center was issued. More detailed information about the County's capital assets and long term liabilities is presented in Notes F & G to the financial statements, respectively.

OTHER CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

Subsequent to year end the voters of Santa Rosa County and the State of Florida approved a referendum to provide an additional \$25,000 Homestead Exemption and a limit on property tax increases. The budget office expects this to result in a \$7 million cut in revenues next year. The County has already instituted a hiring freeze and is looking at other options to meet this shortfall.

BASIC FINANCIAL STATEMENTS

Santa Rosa County, Florida

STATEMENT OF NET ASSETS

September 30, 2007

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 39,175,551	\$ 4,437,235	\$ 43,612,786
Investments	10,437,047	4,919,717	15,356,764
Receivables (net)	9,407,154	1,493,613	10,900,767
Internal balances	(1,275,000)	1,275,000	--
Inventory	296,883	--	296,883
Deferred charges	33,200	39,296	72,496
Capital assets, net			
Nondepreciable	22,966,742	9,833,061	32,799,803
Depreciable	110,583,600	6,832,866	117,416,466
Total assets	191,625,177	28,830,788	220,455,965
LIABILITIES			
Accounts payable	3,510,996	87,519	3,598,515
Contracts payable	145,083	3,500	148,583
Accrued wages payable	1,545,361	39,086	1,584,447
Interest payable	56,918	17,219	74,137
Due to other governments	280,827	1,615	282,442
Deposits	380,396	57,854	438,250
Unearned revenue	4,300,118	--	4,300,118
Noncurrent liabilities			
Due within one year	3,873,122	757,348	4,630,470
Due in more than one year	18,944,533	16,361,797	35,306,330
Total liabilities	33,037,354	17,325,938	50,363,292
NET ASSETS			
Invested in capital assets, net of related debt	131,252,842	8,298,508	139,551,350
Restricted for:			
Debt service	--	53,435	53,435
Landfill closure	--	3,055,728	3,055,728
Communications	858,697	--	858,697
Animal Services Education	54,954	--	54,954
Boating Improvement	363,337	--	363,337
Gas and Oil Preservation	3,551,667	--	3,551,667
Law enforcement trust fund	49,618	--	49,618
Crime prevention	200,185	--	200,185
Domestic violence	56,112	--	56,112
Law Library	42,311	--	42,311
Tourist development	2,194,754	--	2,194,754
Records modernization	874,973	--	874,973
Court technology	514,772	--	514,772
Navarre Beach Bridge maintenance	4,138,734	--	4,138,734
Unrestricted	14,434,867	97,179	14,532,046
Total net assets	\$ 158,587,823	\$ 11,504,850	\$ 170,092,673

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

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STATEMENT OF ACTIVITIES

Year ended September 30, 2007

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 33,874,571	\$ 16,836,144	\$ 1,673,588	\$ --	\$ (15,364,839)		\$ (15,364,839)
Public safety	48,884,722	4,477,969	932,324	--	(43,474,429)		(43,474,429)
Physical environment	6,988,941	1,013,842	4,049,683	15,562	(1,909,854)		(1,909,854)
Transportation	16,513,892	7,739,139	818,506	651,004	(7,305,243)		(7,305,243)
Economic environment	9,328,158	--	15,731,896	--	6,403,738		6,403,738
Human services	4,522,251	49,944	1,490,108	--	(2,982,199)		(2,982,199)
Culture and recreation	3,290,952	31,190	443,900	--	(2,815,862)		(2,815,862)
Interest on long-term debt	446,815	--	--	--	(446,815)		(446,815)
Loss on disposal of assets	321,690	--	--	--	(321,690)		(321,690)
Total governmental activities	124,171,992	30,148,228	25,140,005	666,566	(68,217,193)		(68,217,193)
Business-type activities:							
Navarre Beach water and sewer	1,865,563	1,925,069	--	--		\$ 59,506	59,506
Peter Prince Airport	225,644	147,526	--	406,294		328,176	328,176
Landfill	3,767,481	3,982,407	--	--		214,926	214,926
Total business-type activities	5,858,688	6,055,002	--	406,294		602,608	602,608
Total	130,030,680	36,203,230	25,140,005	1,072,860	(68,217,193)	602,608	(67,614,585)
General revenues:							
Taxes							
Property taxes					56,309,485	--	56,309,485
Sales, use and fuel taxes					4,917,103	--	4,917,103
Franchise fees					5,110,630	--	5,110,630
Communication services taxes					1,274,401	--	1,274,401
Grants and contributions not restricted to specific programs					12,675,378	--	12,675,378
Unrestricted investment earnings					3,516,658	439,343	3,956,001
Miscellaneous					1,493,763	79,583	1,573,346
Gain on sale of assets					376,002	260,557	636,559
Transfers					--	--	--
Total general revenues and transfers					85,673,420	779,483	86,452,903
Change in net assets					17,456,227	1,382,091	18,838,318
Net assets - beginning					88,909,142	10,122,759	99,031,901
Prior period adjustment					52,222,454	--	52,222,454
Net assets - beginning, restated					141,131,596	10,122,759	151,254,355
Net assets - ending					\$ 158,587,823	\$ 11,504,850	\$ 170,092,673

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

Santa Rosa County, Florida

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2007

ASSETS	General	Road and Bridge	Electricity Franchise Fee	HHR Program	Disaster	MSBU	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 4,120,514	\$ 7,667,731	\$ 2,110,913	\$ 4,645,227	\$ 347,569	\$ 872,938	\$ 18,667,383	\$ 38,432,275
Investments	5,036,310	538,095	7,096	--	--	121,055	2,087,997	7,790,553
Receivables, net of uncollectibles								
Accounts	29,871	--	472,603	--	--	92,407	174,099	768,980
Leases - current	260,831	--	--	--	--	--	--	260,831
Leases - noncurrent	99,341	--	--	--	--	--	--	99,341
Notes							947,578	947,578
Due from other governments	1,653,479	743,143	--	--	470,763	1,262,965	1,952,936	6,083,286
Due from other funds	729,063	--	4,265,000	--	--	--	585,943	5,580,006
Advances to other funds	--	76,997	--	--	--	--	--	76,997
Inventory	93,630	203,253	--	--	--	--	--	296,883
Deferred charges	--	--	--	--	--	--	33,200	33,200
Total assets	<u>\$ 12,023,039</u>	<u>\$ 9,229,219</u>	<u>\$ 6,855,612</u>	<u>\$ 4,645,227</u>	<u>\$ 818,332</u>	<u>\$ 2,349,365</u>	<u>\$ 24,449,136</u>	<u>\$ 60,369,930</u>
LIABILITIES								
Accounts payable	\$ 885,667	\$ 234,756	\$ --	\$ 52,666	\$ 95,296	\$ 147,245	\$ 1,246,339	\$ 2,661,969
Contracts payable	--	--	--	--	68,744	50,000	26,339	145,083
Accrued wages payable	1,349,131	125,254	--	--	--	--	65,178	1,539,563
Deposits	380,396	--	--	--	--	--	--	380,396
Unearned revenue	188,765	38,300	--	3,937,150	--	17,505	118,398	4,300,118
Due to other funds	15,943	--	--	--	4,765,000	1,655,000	419,063	6,855,006
Due to other governments	134,528	--	--	--	--	--	146,299	280,827
Advance payable to other funds	--	--	--	--	--	76,997	--	76,997
Total liabilities	<u>2,954,430</u>	<u>398,310</u>	<u>--</u>	<u>3,989,816</u>	<u>4,929,040</u>	<u>1,946,747</u>	<u>2,021,616</u>	<u>16,239,959</u>
FUND BALANCES								
Fund balances								
Reserved	1,488,653	4,418,984	--	655,411	--	--	7,460,857	14,023,905
Unreserved, reported in:								
General fund	7,579,956	--	--	--	--	--	--	7,579,956
Special revenue funds	--	4,411,925	6,855,612	--	(4,110,708)	402,618	9,383,728	16,943,175
Debt service fund	--	--	--	--	--	--	136,328	136,328
Capital project funds	--	--	--	--	--	--	5,412,472	5,412,472
Permanent fund	--	--	--	--	--	--	34,135	34,135
Total fund balances	<u>9,068,609</u>	<u>8,830,909</u>	<u>6,855,612</u>	<u>655,411</u>	<u>(4,110,708)</u>	<u>402,618</u>	<u>22,427,520</u>	<u>44,129,971</u>
Total liabilities and fund balances	<u>\$ 12,023,039</u>	<u>\$ 9,229,219</u>	<u>\$ 6,855,612</u>	<u>\$ 4,645,227</u>	<u>\$ 818,332</u>	<u>\$ 2,349,365</u>	<u>\$ 24,449,136</u>	<u>\$ 60,369,930</u>

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

Santa Rosa County, Florida

**RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS**

September 30, 2007

Total Governmental Funds Balances \$ 44,129,971

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds:

Prior periods' investment in capital assets	110,868,042
Less accumulated depreciation	(46,029,730)
Current period transfers of capital assets to governmental from business type	6,361,920
Current period change in accounting principal	56,662,164
Current period investment in capital assets	13,737,728
Current period depreciation	(7,736,986)
Current period loss on disposal of capital assets	(321,690)

Long term liabilities are not due and payable in the current
period and therefore are not reported in the funds:

Revenue bonds	(2,502,500)
Notes payable	(3,476,725)
Compensated absences	(7,437,866)
Special assessment notes payable	(6,337,602)
Interest payable	(56,918)
Current period revenue bond payments	205,000
Current period note payments	910,204
Current period change in compensated absences	(786,970)
Current period special assessment note payments	1,140,561
Current period debt proceeds	(1,695,970)

Internal service funds are used by management to charge the
costs of providing insurance coverage to individual funds and
therefore, the assets and liabilities of the internal service fund
are included in governmental activities in the Statement of Net Assets.

Assets	4,645,802
Liabilities	(3,690,612)

Net Assets of Governmental Activities \$ 158,587,823

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

Santa Rosa County, Florida

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year ended September 30, 2007

	General	Road and Bridge	Electricity Franchise Fee	HHR Program	Disaster	MSBU	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 50,969,180	\$ 10,143,812	\$ 5,110,630	\$ --	\$ --	\$ --	\$ 1,387,997	\$ 67,611,619
Licenses and permits	2,402,048	--	--	--	--	--	--	2,402,048
Intergovernmental	11,659,108	4,232,044	--	7,723,551	1,287,043	2,887,380	9,682,348	37,471,474
Charges for services	7,000,333	3,311,296	--	--	--	--	5,749,416	16,061,045
Fines and forfeits	306,704	--	--	--	--	--	53,042	359,746
Miscellaneous	3,119,511	695,695	42,170	440,770	22,055	3,609,101	6,687,595	14,616,897
Total revenues	75,456,884	18,382,847	5,152,800	8,164,321	1,309,098	6,496,481	23,560,398	138,522,829
Expenditures								
Current								
General government	24,002,274	--	--	--	--	--	5,964,372	29,966,646
Public safety	37,447,821	--	--	7,286,328	1,187,497	1,416,833	2,229,177	49,567,656
Physical environment	1,212,933	900,399	--	--	--	4,861,341	17,488	6,992,161
Transportation	1,258,289	17,014,757	--	--	--	1,144,042	3,402,481	22,819,569
Economic environment	145,134	--	--	--	--	--	11,626,686	11,771,820
Human services	4,243,200	--	--	--	--	--	263,215	4,506,415
Culture and recreation	3,631,629	--	--	--	--	--	15,548	3,647,177
Capital outlay	--	--	--	--	--	--	3,514,408	3,514,408
Debt service	--	--	--	--	--	5,500	2,744,586	2,750,086
Total expenditures	71,941,280	17,915,156	--	7,286,328	1,187,497	7,427,716	29,777,961	135,535,938
Excess (deficiency) of revenues over expenditures	3,515,604	467,691	5,152,800	877,993	121,601	(931,235)	(6,217,563)	2,986,891
Other financing sources (uses)								
Transfers in	241,250	2,245,113	--	--	605,545	949,371	9,210,973	13,252,252
Transfers out	(4,292,418)	(213,325)	(4,794,141)	(437,221)	--	(1,581,986)	(5,595,136)	(16,914,227)
New debt issuance	--	--	--	--	--	495,970	1,200,000	1,695,970
Total other financing sources (uses)	(4,051,168)	2,031,788	(4,794,141)	(437,221)	605,545	(136,645)	4,815,837	(1,966,005)
Net change in fund balances	(535,564)	2,499,479	358,659	440,772	727,146	(1,067,880)	(1,401,726)	1,020,886
Fund balances, beginning of year	9,555,479	6,324,214	6,496,953	214,639	(4,837,854)	1,470,498	28,268,956	47,492,885
Prior period adjustment	--	--	--	--	--	--	(4,439,710)	(4,439,710)
Fund balances, restated	9,555,479	6,324,214	6,496,953	214,639	(4,837,854)	1,470,498	23,829,246	43,053,175
Change in reserve for inventory	48,694	7,216	--	--	--	--	--	55,910
Fund balances, end of year	\$ 9,068,609	\$ 8,830,909	\$ 6,855,612	\$ 655,411	\$ (4,110,708)	\$ 402,618	\$ 22,427,520	\$ 44,129,971

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

Santa Rosa County, Florida

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 1,020,886

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Current period investment in capital assets	13,737,728
Current period transfers of capital assets to governmental from business type	6,361,920
Current period depreciation	(7,736,986)
Current period loss on disposal of capital assets	(321,690)

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due.

Change in interest payable	(9,944)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also debt proceeds are an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets.

Current period change in compensated absences	(786,970)
Current period note payments	910,204
Current period revenue bond payments	205,000
Current period special assessment note payments	1,140,561
Current period capital lease payments	57,450
Current period debt proceeds	(1,695,970)

Internal service funds are used by management to charge the costs of providing insurance coverage and therefore, the change in net assets of the internal service fund is included in governmental activities in the Statement of Activities.

4,518,128

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds

Change in reserve for inventory	55,910
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Change in Net Assets of Governmental Activities	\$ 17,456,227
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The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

September 30, 2007

ASSETS	Business-type Activities				Governmental
	Major Funds		Nonmajor Fund		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Current assets:					
Cash and cash equivalents	\$ 2,239,365	\$ 2,183,144	\$ 14,726	\$ 4,437,235	\$ 743,276
Investments	1,281,740	528,051	763	1,810,554	2,646,494
Accounts receivable	246,354	661,401	12,347	920,102	1,247,138
Due from other governments	--	--	573,511	573,511	--
Due from other funds	--	1,275,000	--	1,275,000	--
Inventory	--	--	--	--	--
Total current assets	<u>3,767,459</u>	<u>4,647,596</u>	<u>601,347</u>	<u>9,016,402</u>	<u>4,636,908</u>
Noncurrent assets					
Restricted investments	--	3,109,163	--	3,109,163	--
Deferred charges	--	39,296	--	39,296	--
Capital assets, net of accumulated depreciation	8,829,043	4,980,550	2,856,334	16,665,927	8,894
Total noncurrent assets	<u>8,829,043</u>	<u>8,129,009</u>	<u>2,856,334</u>	<u>19,814,386</u>	<u>8,894</u>
Total assets	<u>\$ 12,596,502</u>	<u>\$ 12,776,605</u>	<u>\$ 3,457,681</u>	<u>\$ 28,830,788</u>	<u>\$ 4,645,802</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 71,789	\$ 14,835	\$ 895	\$ 87,519	\$ 849,027
Contracts payable	--	--	3,500	3,500	--
Current portion of claims payable	--	--	--	--	1,838,216
Accrued wages payable	10,565	28,521	--	39,086	5,798
Due to other governments	--	--	1,615	1,615	--
Revenue bonds - current	--	215,000	--	215,000	--
Note payable - current	340,693	--	--	340,693	--
Accrued interest	--	17,219	--	17,219	--
Deposits	5,700	52,154	--	57,854	--
Current portion of landfill closure costs	--	201,655	--	201,655	--
Total current liabilities	<u>428,747</u>	<u>529,384</u>	<u>6,010</u>	<u>964,141</u>	<u>2,693,041</u>
Noncurrent liabilities					
Long term portion of compensated absences	92,173	320,104	--	412,277	105,289
Long term portion of claims payable	--	--	--	--	892,282
Long term portion of landfill closure costs	--	8,137,794	--	8,137,794	--
Revenue bonds payable - net of discount	--	1,987,752	--	1,987,752	--
Note payable - noncurrent	5,823,974	--	--	5,823,974	--
Total noncurrent liabilities	<u>5,916,147</u>	<u>10,445,650</u>	<u>--</u>	<u>16,361,797</u>	<u>997,571</u>
Total liabilities	<u>6,344,894</u>	<u>10,975,034</u>	<u>6,010</u>	<u>17,325,938</u>	<u>3,690,612</u>
NET ASSETS					
Invested in capital assets, net of related debt	2,664,376	2,777,798	2,856,334	8,298,508	8,894
Restricted for debt service	--	53,435	--	53,435	--
Restricted for landfill closure	--	3,055,728	--	3,055,728	--
Unrestricted	3,587,232	(4,085,390)	595,337	97,179	946,296
Total net assets	<u>6,251,608</u>	<u>1,801,571</u>	<u>3,451,671</u>	<u>11,504,850</u>	<u>955,190</u>
Total liabilities and net assets	<u>\$ 12,596,502</u>	<u>\$ 12,776,605</u>	<u>\$ 3,457,681</u>	<u>\$ 28,830,788</u>	<u>\$ 4,645,802</u>

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

Santa Rosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
Year ended September 30, 2007

	Business-type Activities				Governmental
	Major Funds		Nonmajor Fund		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Operating revenues					
Licenses and permits	\$ --	\$ 1,950	\$ --	\$ 1,950	\$ --
Charges for services	1,925,069	3,980,457	147,526	6,053,052	2,945,925
Insurance proceeds	--	--	--	--	425,259
Miscellaneous	491	78,900	192	79,583	3
Total operating revenues	<u>1,925,560</u>	<u>4,061,307</u>	<u>147,718</u>	<u>6,134,585</u>	<u>3,371,187</u>
Operating expenses					
Personal services	482,954	1,465,722	--	1,948,676	292,806
Contract services	66,849	300,447	7,039	374,335	91,169
Supplies	160,227	53,053	13	213,293	20,948
Repairs and maintenance	347,910	292,883	8,283	649,076	798
Utilities	304,708	56,929	10,649	372,286	--
Depreciation	195,628	505,989	199,118	900,735	1,438
Travel and per diem	151	23,196	--	23,347	1,165
Insurance	9,375	17,480	--	26,855	1,073,788
Communications	6,407	5,788	542	12,737	1,552
Advertising	763	1,922	--	2,685	--
Fuel and oil	20,108	274,497	--	294,605	346
Rentals	30	1,076	--	1,106	--
Landfill closure and maintenance	--	584,735	--	584,735	--
Claims	--	--	--	--	1,087,367
State assessment	--	--	--	--	88,377
Miscellaneous	5,002	12,403	--	17,405	14,742
Total operating expenses	<u>1,600,112</u>	<u>3,596,120</u>	<u>225,644</u>	<u>5,421,876</u>	<u>2,674,496</u>
Operating income (loss)	325,448	465,187	(77,926)	712,709	696,691
Non-operating revenues (expenses)					
Interest income	235,888	200,287	3,168	439,343	159,462
Interest expense	(241,454)	(112,899)	--	(354,353)	--
Sale of recycled materials	--	260,557	--	260,557	--
Gain (loss) on sale of equipment	--	(3,287)	--	(3,287)	--
Federal and State grants	--	--	406,294	406,294	--
Aid to private organizations	--	(40,000)	--	(40,000)	--
Amortization & other bond costs	(23,997)	(15,175)	--	(39,172)	--
Total non-operating revenues (expenses)	<u>(29,563)</u>	<u>289,483</u>	<u>409,462</u>	<u>669,382</u>	<u>159,462</u>
Income (loss) before transfers	295,885	754,670	331,536	1,382,091	856,153
Transfers in	--	--	--	--	3,661,975
Change in net assets	295,885	754,670	331,536	1,382,091	4,518,128
Net assets, beginning of year	<u>5,955,723</u>	<u>1,046,901</u>	<u>3,120,135</u>	<u>10,122,759</u>	<u>(3,562,938)</u>
Net assets, end of year	<u>\$ 6,251,608</u>	<u>\$ 1,801,571</u>	<u>\$ 3,451,671</u>	<u>\$ 11,504,850</u>	<u>\$ 955,190</u>

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

Santa Rosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended September 30, 2007

	Business-type Activities				Governmental
	Major Funds		Nonmajor Fund		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities					
Cash received from customers	\$ 1,861,504	\$ 3,881,361	\$ 148,774	\$ 5,891,639	\$ 3
Cash paid to suppliers	(1,902,801)	(1,161,235)	(151,637)	(3,215,673)	(1,204,508)
Cash paid to employees	(468,068)	(1,407,295)	--	(1,875,363)	(274,079)
Cash received from interfund services provided	--	--	--	--	4,553,204
Cash paid for internal services provided	--	--	--	--	(6,125,723)
Net cash provided (used) by operating activities	<u>(509,365)</u>	<u>1,312,831</u>	<u>(2,863)</u>	<u>800,603</u>	<u>(3,051,103)</u>
Cash flows from noncapital financing activities					
Transfers in (out)	--	--	--	--	3,661,975
Repayment of loans from other funds	360,000	3,221,410	--	3,581,410	--
Proceeds from recycling operations	--	260,557	--	260,557	--
Loans to other funds	(50,000)	--	--	(50,000)	--
Aid to private organizations	--	(40,000)	--	(40,000)	--
Net cash provided (used) by noncapital financing activities	<u>310,000</u>	<u>3,441,967</u>	<u>--</u>	<u>3,751,967</u>	<u>3,661,975</u>
Cash flows from capital and related financing activities					
Proceeds from capital debt	6,500,000	--	--	6,500,000	--
State grants	--	--	50,783	50,783	--
Purchases of capital assets	(3,152,094)	(1,129,007)	(291,086)	(4,572,187)	--
Principal paid on capital debt	(335,333)	(205,000)	--	(540,333)	--
Interest paid on capital debt	(241,454)	(114,319)	--	(355,773)	--
Debt issue costs	(23,997)	--	--	(23,997)	--
Net cash provided (used) by capital and related financing activities	<u>2,747,122</u>	<u>(1,448,326)</u>	<u>(240,303)</u>	<u>1,058,493</u>	<u>--</u>
Cash flows from investing activities					
Interest and dividends	235,888	200,287	3,168	439,343	159,462
Net sale (purchase) of investments	(623,231)	(1,768,780)	126,629	(2,265,382)	(46,798)
Net cash provided (used) by investing activities	<u>(387,343)</u>	<u>(1,568,493)</u>	<u>129,797</u>	<u>(1,826,039)</u>	<u>112,664</u>
Net increase (decrease) in cash and cash equivalents	2,160,414	1,737,979	(113,369)	3,785,024	723,536
Cash and cash equivalents at beginning of year	78,951	445,165	128,095	652,211	17,840
Cash and cash equivalents at end of year	<u>\$ 2,239,365</u>	<u>\$ 2,183,144</u>	<u>\$ 14,726</u>	<u>\$ 4,437,235</u>	<u>\$ 741,376</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 325,448	\$ 465,187	\$ (77,926)	\$ 712,709	\$ 696,691
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	195,628	505,989	199,118	900,735	1,438
Landfill closure costs	--	584,735	--	584,735	--
Changes in assets and liabilities:					
Accounts receivable	(65,956)	(190,496)	1,056	(255,396)	1,182,020
Due from other governments	--	--	872	872	(1,900)
Accounts payable	(698,432)	(121,561)	(39,746)	(859,739)	243,264
Contracts payable	(282,839)	--	(86,237)	(369,076)	--
Accrued compensation	1,139	3,842	--	4,981	(1,392)
Compensated absences	13,747	54,585	--	68,332	20,119
Claims payable	--	--	--	--	(613,075)
Deposits	1,900	10,550	--	12,450	--
Due to other funds	--	--	--	--	(4,578,268)
Net cash provided (used) by operating activities	<u>\$ (509,365)</u>	<u>\$ 1,312,831</u>	<u>\$ (2,863)</u>	<u>\$ 800,603</u>	<u>\$ (3,051,103)</u>
Noncash Investing, Capital and Financing Activities:					
Loss on disposal of assets	\$ -	\$ 3,287	\$ -	\$ 3,287	\$ -
Capital assets transferred from governmental to proprietary funds	383	-	-	383	-
	<u>\$ 383</u>	<u>\$ 3,287</u>	<u>\$ -</u>	<u>\$ 3,670</u>	<u>\$ -</u>

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

Santa Rosa County, Florida

STATEMENT OF FIDUCIARY NET ASSETS

September 30, 2007

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 3,971,306
Accounts receivable	62,852
Due from other governments	11,889
Total assets	<u>\$ 4,046,047</u>
LIABILITIES	
Accounts payable	\$ 32,367
Escrow deposits	1,363,855
Due to other governments	2,614,474
Miscellaneous	35,351
Total liabilities	<u>\$ 4,046,047</u>

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

SANTA ROSA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
GUIDE TO NOTES

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Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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.

Santa Rosa County, Florida (the County) is a political subdivision of the State of Florida created pursuant to Article 8, Section 1(e), of the Constitution of the State of Florida and Chapter 7 of the Florida Statutes. It is governed by a five member Board of County Commissioners (the Board) elected from single-member districts. The Board has no powers other than those expressly vested in it by the Florida Statutes and its governmental powers cannot be delegated. The Board appoints an administrator to administer all policies emanating from its statutory powers and authority. In addition to the Board, there are five elected Constitutional Officers, pursuant to Article 8, Section 1(d) of the Constitution of the State of Florida: Clerk of Courts, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections.

These financial statements include the operating activities of the Board of County Commissioners, Clerk of Courts, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections.

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 in response to a petition to the State Soil Conservation Board. 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 of County Commissioners within the General Fund.

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 Santa Rosa County. However, the Authority meets the criteria for inclusion in more than one reporting entity - Pace Water System as well as Santa Rosa County. 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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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 Santa Rosa County.

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 Santa Rosa County. The Board of County Commissioners (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 Santa Rosa County with the acquisition, construction, financing, and refinancing of projects. The Authority issued approximately \$15.8 million in bonds in 1983, lending the proceeds of the bonds to Gulf Breeze Hospital. These bonds were subsequently defeased in 1988 when the Authority issued approximately \$17.3 million in new bonds. The 1988 bonds were defeased in 1993 when the Authority issued approximately \$18.6 million in new bonds. The 1993 bonds were defeased in 2003 when the Authority issued approximately \$58 million in new bonds. The debt outstanding is a limited obligation of the Authority and not a general obligation of the Authority or Santa Rosa County. 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 Santa Rosa County. The Santa Rosa County Board of County Commissioners, through various resolutions and interlocal agreements with the Escambia County Housing Finance Authority (ECHFA), has authorized ECHFA to allow qualified residents of Santa Rosa 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 Santa Rosa County Housing Finance Authority to be reflected in these financial statements.

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

3. Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are excluded from the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the County and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County.

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. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use. 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.

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.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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 County’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.
- Electricity Franchise Fee Fund – Accounts for the collection and distribution of Electricity Franchise Fees.
- HHR (Hurricane Housing Recovery) Program Fund – Accounts for grants received to repair and rebuild low to moderate income housing damaged by hurricanes.
- Disaster Fund – Accounts for revenues and expenditures related to significant events such as Hurricanes Ivan, Dennis and Katrina.
- MSBU (Municipal Service Benefit Unit) Fund – Accounts for special assessments levied against property owners for capital improvements or services rendered for benefit of the affected areas.

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, fines and forfeitures. Certain state-levied locally shared taxes including motor vehicle license tax and fuel taxes are considered derived non-exchange transactions. These types of transactions are subject to income recognition when the underlying transaction occurs. Reimbursements due for federally 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.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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

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. At year-end, uncovered costs are billed to the departments, if necessary. Billings in excess of costs are credited to the departments. The policy of the Board is not to eliminate interfund activity in the government-wide statement of activities.

FIDUCIARY FUNDS

The County has seventeen agency fiduciary funds. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

4. Budgets and Budgetary Accounting

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.

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 bank certificates of deposit, U.S. Treasury bills, government backed securities and the Florida Local Government Investment Trust Fund are recorded at fair value. Investments in the Local Government Surplus Funds Trust Fund are recorded at the County's equity position in the fund's share price.

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.

In the fund level statements, reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

8. Accounting for Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extends an asset's life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The County 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.

Property, plant and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

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

9. Compensated Absences

It is the policy of the County to permit employees to accumulate a limited amount of earned but unused leave benefits which will be paid to employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the government-wide and proprietary fund financial statements. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16. The majority of the compensated absences liability has been paid out of the General (75%) and the Road and Bridge (25%) funds.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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, 2007, and expected to be collected during the period November 2007 through March 2008 as follows:

General Fund	\$ 48,992,370
Road and Bridge Fund	\$ 4,779,700
Fine and Forfeiture Fund	\$ 199,230

These taxes, although measurable, are not recognized as revenue at September 30, 2007, 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 County 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 County 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

Historically, differences between receivables and amounts collected have been insignificant. Accordingly, no provision has been made for uncollectible amounts.

NOTE B - CASH AND INVESTMENTS

At September 30, 2007, the bank held deposits of \$49,531,398 (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 County'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.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE B - CASH AND INVESTMENTS - Continued

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

- a. The Local Government Surplus Funds Trust Fund (SBA) (Maximum of 80%)*;
- b. Florida Local Government Investment Trust (FLGIT) (State Investment Trust) (Maximum of 40%)*;
- 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 or 1 year. Investments placed with the FLGIT, which typically invests in instruments with maturities of less than 5 years, are exempt from this limitation.

The Local Government Surplus Funds Trust Fund is similar to a mutual fund in that funds are available on a same day basis. The Local Government Surplus Funds Trust Fund is a "2a-7" like pool and is subject to regulatory oversight as specified in Chapter 19-7 of the Florida Administrative Code. As of September 30, 2007, the Local Government Surplus Funds Trust Fund had total investments of approximately \$27 billion. The County allocates interest earned on investments held in the Local Government Surplus Funds Trust Fund based on individual funds' principal balances. The Local Government Surplus Funds Trust Fund is not rated by a nationally recognized statistical rating agency as of the date of these financial statements.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE B - CASH AND INVESTMENTS - Continued

The FLGIT 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 that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At September 30, 2007, the FLGIT was invested in money markets, treasury notes, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAA by Standard & Poor's.

Schedule of Cash and Investments at September 30, 2007

	<u>Carrying Amount</u>
<u>Non-Categorized Investments</u>	
Florida Local Government Investment Trust Fund	\$ 5,304,070
Local Government Surplus Funds Trust Fund	<u>10,052,694</u>
Total Investments	15,356,764
 <u>Cash</u>	
Cash in Bank	43,611,461
Petty Cash	<u>1,325</u>
Total Cash	<u>43,612,786</u>
Total Cash and Investments	<u>\$ 58,969,550</u>

Restricted cash and investments typically consist of funds set aside for the payment of debt and funds set aside to ensure assets producing the 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:

	<u>Landfill Fund</u>
Debt service	\$ 53,435
Landfill escrow	<u>3,055,728</u>
	<u>\$ 3,109,163</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS

At September 30, 2007, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 2,445,643
State of Florida – Grants	2,441,561
State of Florida – Taxes	1,585,763
Local – Taxes	76,781
Other	<u>107,049</u>
Total	<u>\$ 6,656,797</u>

NOTE D – INTERFUND TRANSACTIONS

Interfund transfers for the year ended September 30, 2007 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>						
	<u>General</u>	<u>Road & Bridge</u>	<u>Disaster</u>	<u>MSBU</u>	<u>Non-Major Governmental</u>	<u>Self Insurance</u>	<u>Total</u>
General	\$ --	\$ --	\$ --	\$ 178,220	\$ 452,223	\$ 3,661,975	\$ 4,292,418
Road & Bridge	--	--	--	--	213,325	--	213,325
Electric Franchise Fee	241,250	2,177,523	--	--	2,375,368	--	4,794,141
HHR	--	--	--	--	437,221	--	437,221
MSBU	--	67,590	--	--	1,514,396	--	1,581,986
Nonmajor Governmental	--	--	<u>605,545</u>	<u>771,151</u>	<u>4,218,440</u>	--	<u>5,595,136</u>
Total	<u>\$241,250</u>	<u>\$2,245,113</u>	<u>\$ 605,545</u>	<u>\$ 949,371</u>	<u>\$ 9,210,973</u>	<u>\$3,661,975</u>	<u>\$ 16,914,227</u>

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) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE D – INTERFUND TRANSACTIONS - Continued

Interfund balances at September 30, 2007 consisted of the following:

<u>Payable Fund</u>	<u>Receivable Fund</u>				
	<u>General</u>	<u>Electric Franchise Fee</u>	<u>Non-Major Govern-mental</u>	<u>Landfill</u>	<u>Total</u>
General	\$ --	\$ --	\$ 15,943	\$ --	\$ 15,943
Disaster	--	4,265,000	500,000	--	4,765,000
MSBU	360,000	--	20,000	1,275,000	1,655,000
NonMajor Govt.	<u>369,063</u>	<u>--</u>	<u>50,000</u>	<u>--</u>	<u>419,063</u>
Total	<u>\$ 729,063</u>	<u>\$ 4,265,000</u>	<u>\$ 585,943</u>	<u>\$1,275,000</u>	<u>\$ 6,855,006</u>

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 – RECEIVABLES

<u>Governmental</u>	<u>Accounts</u>	<u>Leases</u>	<u>Notes</u>	<u>Intergov- ernmental</u>	<u>Total</u>
General	\$ 29,871	\$ 360,172	\$ --	\$ 1,653,479	\$ 2,043,522
Road and Bridge	--	--	--	743,143	743,143
Electric Franchise Fee	472,603	--	--	--	472,603
Disaster	--	--	--	470,763	470,763
MSBU	92,407	--	--	1,262,965	1,355,372
NonMajor Govt.	174,099	--	947,578	1,952,936	3,074,613
Self Insurance	<u>1,247,138</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,247,138</u>
Subtotal	2,016,118	360,172	947,578	6,083,286	9,407,154
 <u>Business-Type</u>					
Navarre Beach	246,354	--	--	--	246,354
Landfill	661,401	--	--	--	661,401
NonMajor Business	<u>12,347</u>	<u>--</u>	<u>--</u>	<u>573,511</u>	<u>585,858</u>
Subtotal	<u>920,102</u>	<u>--</u>	<u>--</u>	<u>573,511</u>	<u>1,493,613</u>
Total	<u>\$ 2,936,220</u>	<u>\$ 360,172</u>	<u>\$ 947,578</u>	<u>\$ 6,656,797</u>	<u>\$10,900,767</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE E – RECEIVABLES - Continued

The Board has a \$947,578 note receivable due from a company relating to the sale of a building and land in the Industrial Park. The note is payable in monthly installments of \$7,521 including interest at 7% through April 2008. A balloon payment of \$968,498 is due in May 2008.

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 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	\$ 10,748	\$ 3,190	\$ --	\$ 13,938
Construction in progress	<u>3,049</u>	<u>7,834</u>	<u>1,854</u>	<u>9,029</u>
Total capital assets not being depreciated	13,797	11,024	1,854	22,967
Other capital assets:				
Buildings	52,544	2,119	417	54,246
Improvements other than buildings	89,725	4,584	--	94,309
Machinery and equipment	<u>33,729</u>	<u>4,572</u>	<u>2,574</u>	<u>35,727</u>
Total capital assets being depreciated	175,998	11,275	2,991	184,282
Less accumulated depreciation for:				
Buildings	24,706	2,045	259	26,492
Improvements other than buildings	24,164	2,624	--	26,788
Machinery and equipment	<u>19,413</u>	<u>3,182</u>	<u>2,176</u>	<u>20,419</u>
Total accumulated depreciation	<u>68,283</u>	<u>7,851</u>	<u>2,435</u>	<u>73,699</u>
Total capital assets being depreciated, net	<u>107,715</u>	<u>3,424</u>	<u>556</u>	<u>110,583</u>
Governmental activities capital assets, net	<u>\$ 121,512</u>	<u>\$ 14,448</u>	<u>\$ 2,410</u>	<u>\$ 133,550</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE F – CAPITAL ASSETS - Continued

Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 3,525	\$ 111	\$ 2,445	\$ 1,191
Construction in progress	<u>7,095</u>	<u>4,560</u>	<u>3,013</u>	<u>8,642</u>
Total capital assets not being depreciated	10,620	4,671	5,458	9,833
Other capital assets:				
Buildings	1,366	112	--	1,478
Improvements other than buildings	13,954	782	879	13,857
Furniture, fixtures and equipment	<u>4,781</u>	<u>877</u>	<u>317</u>	<u>5,341</u>
Total capital assets being depreciated	<u>20,101</u>	<u>1,771</u>	<u>1,196</u>	<u>20,676</u>
Less accumulated depreciation for:				
Buildings	803	81	--	884
Improvements other than buildings	9,614	510	28	10,096
Furniture, fixtures and equipment	<u>2,866</u>	<u>311</u>	<u>314</u>	<u>2,863</u>
Total accumulated depreciation	<u>13,283</u>	<u>902</u>	<u>342</u>	<u>13,843</u>
Total capital assets being depreciated, net	<u>6,818</u>	<u>869</u>	<u>854</u>	<u>6,833</u>
Business-type activities capital assets, net	<u>\$ 17,438</u>	<u>\$ 5,540</u>	<u>\$ 6,312</u>	<u>\$ 16,666</u>

Additions to accumulated depreciation does not agree with depreciation expense due to transfers of capital assets between governmental and business-type activities.

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 1,558,958
Public safety	2,079,226
Physical environment	82,426
Transportation	3,100,264
Economic environment	1,753
Human services	131,856
Culture and recreation	<u>783,941</u>
Total governmental activities depreciation expense	<u>\$ 7,738,424</u>

Business-type activities

Water and sewer	\$ 195,628
Landfill	505,989
Hangar rental	<u>199,118</u>
Total business-type activities depreciation expense	<u>\$ 900,735</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE G- 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, <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2007</u>	Amount Due within <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 7,523,036	\$ 3,779,320	\$ 2,972,231	\$ 8,330,125	\$ 95,296
Claims payable	3,343,573	1,087,367	1,700,441	2,730,499	1,838,216
Capital lease	57,450	--	57,450	--	--
Revenue bonds	2,502,500	--	205,000	2,297,500	215,000
Notes payable	3,476,725	1,200,000	910,204	3,766,521	594,652
Special assessment notes	<u>6,337,602</u>	<u>495,970</u>	<u>1,140,561</u>	<u>5,693,011</u>	<u>1,129,958</u>
	<u>\$23,240,886</u>	<u>\$ 6,562,657</u>	<u>\$ 6,985,887</u>	<u>\$22,817,656</u>	<u>\$ 3,873,122</u>
Business-type activities:					
Compensated absences	\$ 343,945	\$ 160,525	\$ 92,194	\$ 412,276	\$ --
Landfill closure costs	7,754,714	584,735	--	8,339,449	201,655
Revenue bonds	2,502,500	--	205,000	2,297,500	215,000
Notes payable	<u>--</u>	<u>6,500,000</u>	<u>335,333</u>	<u>6,164,667</u>	<u>340,693</u>
	<u>\$10,601,159</u>	<u>\$ 7,245,260</u>	<u>\$ 632,527</u>	<u>\$ 17,213,892</u>	<u>\$ 757,348</u>

Unamortized bond discounts totaling \$7,428 and deferred losses on refunding of bonds totaling \$87,320 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$39,296 at year end.

Special assessment notes are fully secured by annual assessments made against property owners of the specific area 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.

2. Descriptions of Bonds and Notes

Bonds and notes payable at September 30, 2007 are comprised of the following:

General government - notes payable

\$575,000 Capital Improvement Refunding Revenue Note, Series 2003B payable to bank for refunding certain indebtedness of the County – due in quarterly payments of \$28,750 plus interest at 4.15%, secured by non-ad valorem revenues.

\$ 143,750

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE G- LONG-TERM DEBT - Continued

\$45,541 Capital Improvement Refunding Revenue Note, Series 2003B payable to bank for refunding certain indebtedness of the County – due in 20 quarterly payments of \$2,277 plus interest at 3.43%, secured by non-ad valorem revenues.	6,831
\$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.	2,188,398
\$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.	232,143
\$1,200,000 Third Cent Tourist Development Tax Revenue Note payable to bank for the construction of a tourist information center in Navarre. The note is due in 60 quarterly payments of \$4,601 to \$9,069, with a balloon payment of \$817,832 in January 2022, plus interest at 4.79%, secured by non-ad valorem revenues.	1,195,399
\$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.	3,618,750
\$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.	700,000
\$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.	454,639

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE G- LONG-TERM DEBT - Continued

\$172,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Woodbine Springs Plantation Road Paving MSBU. Principal is due in 12 quarterly payments of \$13,268 to \$15,450 plus interest at 5.19%. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. All assessments were collected by year end. 30,687

\$72,800 special assessment note payable to bank for the construction of a residential sewage system along Del Mar Drive. The note is due in 36 quarterly payments of \$2,600 including principal and interest at 5.71% with final payment due in 2010. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 28,557

\$363,500 special assessment note payable to bank for the construction of infrastructure improvements on Grande Navarre Canal. The note is due in 32 quarterly payments of \$13,590 including principal and interest at 4.43% with final payment due in 2011. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 193,092

\$250,000 special assessment note payable to bank for the construction of infrastructure improvements on Grande Navarre Canal. The note is due in 20 quarterly payments of \$10,925 to \$14,211 plus interest at 5.46% with final payment due in 2010. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 133,639

\$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. 533,647

General government - bonds payable

\$6,535,000 Capital Improvement Refunding Revenue Bonds, Series 2000-4.5 – 4.875% serial bonds due in annual installments of \$55,000 to \$610,000 from 2001 through 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. 2,297,500

Total general government bonds and notes payable \$ 11,757,032

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE G- LONG-TERM DEBT - Continued

Proprietary fund type - bonds payable

Enterprise Fund – Navarre Beach

\$6,500,000 Utility System Revenue Note 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%, secured by non-ad valorem revenues. 6,164,667

Enterprise Fund - Landfill

\$6,535,000 Capital Improvement Refunding Revenue Bonds, Series 2000-4.5 – 4.875% serial bonds due in annual installments of \$55,000 to \$610,000 from 2001 through 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. \$ 2,297,500

Total proprietary fund type bonds payable \$ 8,462,167

3. Debt Service Requirements

The annual requirements to amortize all bonds and notes outstanding at September 30, 2007 are as follows:

Governmental activities:

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30,</u>			
2008	\$ 1,939,610	\$ 447,851	\$ 2,387,461
2009	1,848,400	373,736	2,222,136
2010	1,830,614	303,618	2,134,232
2011	1,823,193	231,379	2,054,572
2012	1,707,091	167,216	1,874,307
2013-2017	1,649,880	405,194	2,055,074
2018-2022	<u>958,244</u>	<u>194,853</u>	<u>1,153,097</u>
	<u>\$11,757,032</u>	<u>\$ 2,123,847</u>	<u>\$13,880,879</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE G- LONG-TERM DEBT - Continued

Business-type activities:

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30,</u>			
2008	\$ 555,694	\$ 348,122	\$ 903,816
2009	574,351	325,323	899,674
2010	600,385	302,480	902,865
2011	624,435	278,459	902,894
2012	651,029	253,722	904,751
2013-2017	3,353,752	842,934	4,196,686
2018-2022	<u>2,102,521</u>	<u>254,047</u>	<u>2,356,568</u>
	<u>\$ 8,462,167</u>	<u>\$ 2,605,087</u>	<u>\$11,067,254</u>

4. Defeased Debt Outstanding

In prior years the County 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 County's financial statements. At September 30, 2007, \$7.135 million of bonds are considered defeased.

NOTE H - CONDUIT DEBT OBLIGATIONS

Santa Rosa 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) 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, 2007 are as follows:

	<u>Date</u> <u>Issued</u>	<u>Final</u> <u>Maturity</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>9/30/2007</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	3,675,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	1,169,000
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	<u>300,000</u>	<u>293,955</u>
Total			<u>\$63,519,000</u>	<u>\$63,042,955</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE I - OPERATING LEASES

The County has entered into various lease agreements for office equipment. The minimum rental commitments under such leases are as follows:

Year ending <u>September 30,</u> 2008	<u>\$ 36,811</u>
Total minimum payments required	<u>\$ 36,811</u>

Rental expense for the year ended September 30, 2007 was \$154,951.

NOTE J - 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 \$8.3 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2007, 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	53%
Central Class III Landfill	21%
Central Class III Landfill	Closed 10/98
Holley Landfill	Closed 06/94
Northwest Landfill	Closed 02/91

The estimated cost of postclosure care for the Central Class III, Holley and Northwest 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 \$7.9 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 2007. The estimated remaining lives of the Central Class I and Class III landfills are 27 and 40 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, 2007, the Board held investments of \$3,055,728 to cover the escrow requirement of \$3,055,728. These investments are reported as restricted assets in the notes. 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.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE K - COMMITMENTS AND CONTINGENCIES

1. Retirement Plan

Participation - Employees of the County 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.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2007, the County contributed an average of 9.85% of each qualified regular employee's gross salary, 16.53% percent of the elected officials' salary, 20.92% of each special risk employee's salary, and 10.91% for each DROP participant. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$5,368,935, \$4,358,868 and \$3,808,559 for the years ended September 30, 2007, 2006 and 2005, respectively.

Benefit Provisions - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who are vested and have reached the age of 62, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after the employee is vested 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 highest years of earnings. 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.

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

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 County expects such amounts, if any, to be immaterial.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE L - RESERVES AND DESIGNATIONS

The following is a list of reserves used by the County in the fund level financial statements:

General Fund:

Reserve for inventory	\$ 62,299
Reserve for communications	858,697
Reserve for animal services education	54,954
Reserve for crime prevention	124,366
Reserve for boating improvements	363,337
Reserve for long-term intergovernmental receivable	<u>25,000</u>
	1,488,653

Road and Bridge Fund:

Reserve for Navarre Beach Bridge maintenance	4,138,734
Reserve for inventory	203,253
Reserve for long-term intergovernmental receivable	<u>76,997</u>
	4,418,984

HHR (Hurricane Housing Recovery) Fund:

Reserve for hurricane housing recovery	655,411
--	---------

Nonmajor Governmental Funds:

Reserve for forfeited property	49,618
Reserve for crime prevention	75,819
Reserve for domestic violence	56,112
Reserve for law library	42,311
Reserve for tourist development	2,194,754
Reserve for gas and oil preservation	3,551,667
Reserve for court technology	514,772
Reserve for records modernization trust fund	874,973
Reserve for law enforcement training	<u>100,831</u>
	<u>7,460,857</u>

Total Governmental Funds \$14,023,905

NOTE M - RISK MANAGEMENT

The County 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 County established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the County is self-insured with respect to the following exposures:

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE M - RISK MANAGEMENT - Continued

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

- Portable Communication Equipment
- Boats
- Employee Fidelity
- 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 \$2,730,498 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 5.5 to 8 percent. The undiscounted liability of these structured settlements is \$1,837,209. These liabilities are reported at their present value of \$916,351 at September 30, 2007.

Changes in the Fund's claims liability amount in fiscal years 2006 and 2007 were as follows:

	Beginning-of- Fiscal-Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year-End</u>
2005 - 2006	\$ 2,846,030	\$ 3,482,538	\$ 2,984,995	\$ 3,343,573
2006 - 2007	\$ 3,343,573	\$ 1,087,367	\$ 1,700,442	\$ 2,730,498

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

Current claims payable	\$ 1,814,148
Current claims – structured settlements	<u>24,068</u>
Total claims payable, current	1,838,216
Long-term claims – structured settlements	<u>892,282</u>
Total claims payable	<u>\$ 2,730,498</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE M - RISK MANAGEMENT - Continued

The County 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 County pays an annual premium as a participant of the pooled liability program. During 1994, the first year of participation, the County 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 County may be required to contribute additional funds or cover its own obligations. No accrual for future assessments has been recorded in the financial statements as such assessments do not appear probable based on past experience of the pool, and experience of the pool subsequent to the County's fiscal year end through the date of these financial statements. In the event the County elected to terminate its participation in the pool, the extraordinary loss fund payment would be refunded to the County, given adequate funding of the pool.

NOTE N - COMPLIANCE AND ACCOUNTABILITY

Accumulated Deficits

The Disaster Fund has a deficit in fund balance due to the costs associated with Hurricanes Ivan, Dennis and Katrina. Revenues from Federal and State sources covered 87.5% to 95% of allowable costs. Disallowed costs and the County's local match portion have not been fully funded from local sources as yet.

NOTE O – PRIOR PERIOD ADJUSTMENT

Industrial Park Fund

The Industrial Park fund was originally established as an Enterprise fund with the intention of building and renting buildings in an industrial park. Subsequently, it became more advantageous to sell the property to a business providing employment opportunities to our citizens. As a result, the Industrial Park fund no longer met the criteria to be an Enterprise fund. This year we reclassified the Industrial Park fund as a Special Revenue fund and reducing the beginning net asset balance by \$4.4 million.

Governmental Activities

During the year ended September 30, 2007, the County implemented the last phase of Governmental Accounting Standards Board (GASB) Statement No. 34. Implementation of the standard resulted in the increase to net capital assets and to Net Assets of \$56 million.

REQUIRED SUPPLEMENTAL INFORMATION

Santa Rosa County, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

Year ended September 30, 2007

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 49,009,460	\$ 49,009,460	\$ 50,969,180
Licenses and permits	3,329,750	3,329,750	2,402,048
Intergovernmental	10,886,720	13,367,268	11,659,108
Charges for services	4,880,444	5,121,308	7,000,333
Fines and forfeits	218,500	218,500	306,704
Miscellaneous	666,050	706,661	3,119,511
Total revenues	<u>68,990,924</u>	<u>71,752,947</u>	<u>75,456,884</u>
Expenditures			
Current			
General government	22,367,664	25,814,806	24,002,274
Public safety	38,316,360	38,869,747	37,447,821
Physical environment	1,333,915	1,333,915	1,212,933
Transportation	1,371,470	1,404,475	1,258,289
Economic environment	154,340	154,340	145,134
Human services	4,548,580	4,548,580	4,243,200
Culture and recreation	3,724,335	3,846,349	3,631,629
Reserve for contingencies	441,500	975,090	--
Total expenditures	<u>72,258,164</u>	<u>76,947,302</u>	<u>71,941,280</u>
Excess (deficiency) of revenues over expenditures	(3,267,240)	(5,194,355)	3,515,604
Other financing sources (uses)			
Transfers in	85,000	241,250	241,250
Transfers out	(622,230)	(4,292,418)	(4,292,418)
Total other financing sources (uses)	<u>(537,230)</u>	<u>(4,051,168)</u>	<u>(4,051,168)</u>
Net change in fund balances	(3,804,470)	(9,245,523)	(535,564)
Fund balance, beginning of year	3,804,470	9,245,523	9,555,479
Change in reserve for inventory	--	--	48,694
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,068,609</u>

Santa Rosa County, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND**

Year ended September 30, 2007

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 9,800,220	\$ 9,800,220	\$ 10,143,812
Intergovernmental	3,004,860	5,205,821	4,232,044
Charges for services	--	55,318	3,311,296
Miscellaneous	213,750	213,750	695,695
Total revenues	<u>13,018,830</u>	<u>15,275,109</u>	<u>18,382,847</u>
Expenditures			
Current			
Physical environment	--	--	900,399
Transportation	12,877,980	19,063,228	17,014,757
Reserve for contingencies	208,440	185,940	--
Total expenditures	<u>13,086,420</u>	<u>19,249,168</u>	<u>17,915,156</u>
Excess (deficiency) of revenues over expenditures	(67,590)	(3,974,059)	467,691
Other financing sources (uses)			
Transfers in	67,590	2,245,113	2,245,113
Transfers out	--	(213,325)	(213,325)
Total other financing sources (uses)	<u>67,590</u>	<u>2,031,788</u>	<u>2,031,788</u>
Net change in fund balances	--	(1,942,271)	2,499,479
Fund balance, beginning of year	--	5,863,791	6,324,214
Change in reserve for inventory	--	--	7,216
Fund balance, end of year	<u>\$ --</u>	<u>\$ 3,921,520</u>	<u>\$ 8,830,909</u>

Santa Rosa County, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ELECTRICITY FRANCHISE FEE FUND**

Year ended September 30, 2007

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 4,536,540	\$ 4,536,540	\$ 5,110,630
Miscellaneous	--	--	42,170
Total revenues	<u>4,536,540</u>	<u>4,536,540</u>	<u>5,152,800</u>
Expenditures			
Current			
Reserve for contingencies	2,721,924	6,239,352	--
Total expenditures	<u>2,721,924</u>	<u>6,239,352</u>	<u>--</u>
Excess (deficiency) of revenues over expenditures	1,814,616	(1,702,812)	5,152,800
Other financing sources (uses)			
Transfer out	(1,814,616)	(4,794,141)	(4,794,141)
Total other financing sources (uses)	<u>(1,814,616)</u>	<u>(4,794,141)</u>	<u>(4,794,141)</u>
Net change in fund balances	--	(6,496,953)	358,659
Fund balance, beginning of year	<u>--</u>	<u>6,496,953</u>	<u>6,496,953</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,855,612</u>

Santa Rosa County, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HHR (HURRICANE HOUSING RECOVERY) PROGRAM FUND**

Year ended September 30, 2007

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 11,662,113	\$ 7,723,551
Miscellaneous	--	--	440,770
Total revenues	<u> --</u>	<u>11,662,113</u>	<u>8,164,321</u>
Expenditures			
Current			
Public safety	--	11,224,892	7,286,328
Total expenditures	<u> --</u>	<u>11,224,892</u>	<u>7,286,328</u>
Excess (deficiency) of revenues over expenditures	--	437,221	877,993
Other financing sources (uses)			
Transfer out	--	(437,221)	(437,221)
Total other financing sources (uses)	<u> --</u>	<u>(437,221)</u>	<u>(437,221)</u>
Net change in fund balances	--	--	440,772
Fund balance, beginning of year	<u> --</u>	<u> --</u>	<u>214,639</u>
Fund balance, end of year	<u><u> \$ --</u></u>	<u><u> \$ --</u></u>	<u><u> \$ 655,411</u></u>

Santa Rosa County, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISASTER FUND**

Year ended September 30, 2007

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 581,987	\$ 1,287,043
Miscellaneous	--	--	22,055
Total revenues	--	581,987	1,309,098
Expenditures			
Current			
Public safety	--	1,187,532	1,187,497
Total expenditures	--	1,187,532	1,187,497
Excess (deficiency) of revenues over expenditures	--	(605,545)	121,601
Other financing sources (uses)			
Transfer in	--	605,545	605,545
Total other financing sources (uses)	--	605,545	605,545
Net change in fund balances	--	--	727,146
Fund balance, beginning of year	--	--	(4,837,854)
Fund balance, end of year	\$ --	\$ --	\$ (4,110,708)

Santa Rosa County, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MSBU (MUNICIPAL SERVICE BENEFIT UNIT) FUND**

Year ended September 30, 2007

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 2,780,191	\$ 2,887,380
Miscellaneous	3,654,880	3,535,442	3,609,101
Total revenues	<u>3,654,880</u>	<u>6,315,633</u>	<u>6,496,481</u>
Expenditures			
Current			
Public safety	1,412,740	1,405,240	1,416,833
Physical environment	373,498	5,288,738	4,861,341
Transportation	1,138,382	1,130,294	1,144,042
Debt service	2,500	5,500	5,500
Reserve for contingencies	214,628	291,504	--
Total expenditures	<u>3,141,748</u>	<u>8,121,276</u>	<u>7,427,716</u>
Excess (deficiency) of revenues over expenditures	513,132	(1,805,643)	(931,235)
Other financing sources (uses)			
Transfers in	179,960	951,111	949,371
Transfers out	(1,535,480)	(1,607,886)	(1,581,986)
New debt issuance	688,670	1,186,380	495,970
Total other financing sources (uses)	<u>(666,850)</u>	<u>529,605</u>	<u>(136,645)</u>
Net change in fund balances	(153,718)	(1,276,038)	(1,067,880)
Fund balance, beginning of year	<u>153,718</u>	<u>1,276,038</u>	<u>1,470,498</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 402,618</u>

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2007, and have issued our report thereon dated March 26, 2008. 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 Santa Rosa County, Florida's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of Santa Rosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Santa Rosa County, Florida's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Santa Rosa County, Florida's basic 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 provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 26, 2008, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Board of County Commissioners, 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.

O'Sullivan Creel, LLP

March 26, 2008

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated March 26, 2008.

We have 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* dated March 26, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter. Items under Chapter 10.554 (1) (i) 1-5, Rules of the Auditor General, are addressed in the separately issued management letters of the Board of County Commissioners, Sheriff, Clerk, Tax Collector, Property Appraiser and Supervisor of Elections. For the County as a whole, items under the Rules of the Auditor General Chapter 10.554 (1) (i) 7 are addressed as follows:

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 7. a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that Santa Rosa County did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. Although Santa Rosa County reported deficit unrestricted net assets in the disaster fund of \$4,110,708 as of September 30, 2007, Santa Rosa County had unrestricted capital assets available to cover the reported deficit and the disposal of such assets would not impair Santa Rosa County's ability to carry out its functions.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 7. b.), we determined that the financial information for Santa Rosa County, Florida included in the financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with Santa County, Florida's audited basic financial statements.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 7. c.), the scope of our audit included the use of financial condition assessment procedures pursuant to Rule 10.556 (7), to aid in the detection of deteriorating financial conditions.

This management letter 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.

O'Sullivan Greel, LLP

March 26, 2008

**Annual Audit Report
County-Wide
Santa Rosa County, Florida
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
September 30, 2007**

There were no comments which require management's written response.