

BOARD OF COUNTY COMMISSIONERS

**SANTA ROSA COUNTY, FLORIDA
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2008

BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2008

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BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special-purpose financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida (hereinafter referred to as "Board"), as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, each major fund and aggregate remaining fund information of the Board, as of September 30, 2008, 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 30, 2009 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 34 through 37 is not a required part of the basic financial statements but is supplementary information required by 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.

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

O'Sullivan Creel, LLP

March 30, 2009

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

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

September 30, 2008

ASSETS	Major Funds				Non-major	Total Governmental Funds
	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Governmental Funds	
Cash and cash equivalents	\$ 1,829,024	\$ 3,591,043	\$ 4,343,029	\$ 325,458	\$ 14,671,768	\$ 24,760,322
Investments	8,913,315	5,151,075	--	--	8,429,467	22,493,857
Receivables, net of uncollectibles						
Accounts	70,220	62,665	480,107	--	139,617	752,609
Leases - current	511,197	--	--	--	--	511,197
Leases - noncurrent	9,906	--	--	--	--	9,906
Due from other governments	2,824,768	1,298,096	--	470,763	1,903,465	6,497,092
Due from other funds	1,090,000	375,000	3,800,000	--	--	5,265,000
Advances to other funds	--	76,997	--	--	--	76,997
Inventory	65,323	279,877	--	--	--	345,200
Total assets	<u>\$ 15,313,753</u>	<u>\$ 10,834,753</u>	<u>\$ 8,623,136</u>	<u>\$ 796,221</u>	<u>\$ 25,144,317</u>	<u>\$ 60,712,180</u>
LIABILITIES						
Accounts payable	\$ 636,145	\$ 497,148	\$ 68	\$ --	\$ 1,157,498	\$ 2,290,859
Contracts payable	--	--	--	--	71,040	71,040
Accrued wages payable	467,932	188,633	--	--	8,714	665,279
Deposits	347,015	--	--	--	--	347,015
Unearned revenue	136,697	--	--	--	437,670	574,367
Due to other funds	--	--	--	3,800,000	1,400,000	5,200,000
Due to other governments	73,917	--	--	--	3,345	77,262
Advance payable to other funds	--	--	--	--	76,997	76,997
Total liabilities	<u>1,661,706</u>	<u>685,781</u>	<u>68</u>	<u>3,800,000</u>	<u>3,155,264</u>	<u>9,302,819</u>
FUND BALANCES						
Fund balances						
Reserved	1,588,445	4,527,685	--	--	6,733,046	12,849,176
Unreserved, reported in:						
General fund	12,063,602	--	--	--	--	12,063,602
Special revenue funds	--	5,621,287	8,623,068	(3,003,779)	10,892,974	22,133,550
Debt service fund	--	--	--	--	93,726	93,726
Capital project funds	--	--	--	--	4,137,869	4,137,869
Permanent fund	--	--	--	--	131,438	131,438
Total fund balances	<u>13,652,047</u>	<u>10,148,972</u>	<u>8,623,068</u>	<u>(3,003,779)</u>	<u>21,989,053</u>	<u>51,409,361</u>
Total liabilities and fund balances	<u>\$ 15,313,753</u>	<u>\$ 10,834,753</u>	<u>\$ 8,623,136</u>	<u>\$ 796,221</u>	<u>\$ 25,144,317</u>	<u>\$ 60,712,180</u>

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

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

Year ended September 30, 2008

	Major Funds				Non-major	Total Governmental Funds
	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Governmental Funds	
Revenues						
Taxes	\$ 50,850,673	\$ 8,603,335	\$ 5,224,408	\$ --	\$ 1,128,324	\$ 65,806,740
Licenses and permits	1,630,515	--	--	--	--	1,630,515
Intergovernmental	10,788,817	5,765,426	--	1,374,500	10,849,582	28,778,325
Charges for services	3,508,650	229,350	--	--	1,548,674	5,286,674
Fines and forfeits	274,498	--	--	--	89,664	364,162
Miscellaneous	2,134,606	493,006	60,589	5,453	8,258,658	10,952,312
Total revenues	69,187,759	15,091,117	5,284,997	1,379,953	21,874,902	112,818,728
Expenditures						
Current						
General government	18,759,826	--	--	--	1,078,045	19,837,871
Public safety	36,736,952	--	--	273,024	7,585,584	44,595,560
Physical environment	1,100,067	30,000	--	--	1,246,770	2,376,837
Transportation	1,157,456	15,100,969	--	--	3,982,095	20,240,520
Economic environment	134,602	--	125,000	--	6,171,741	6,431,343
Human services	3,892,722	--	--	--	220,094	4,112,816
Culture and recreation	2,881,695	--	--	--	61,462	2,943,157
Capital outlay	--	--	--	--	3,160,826	3,160,826
Debt service	--	--	--	--	2,504,473	2,504,473
Total expenditures	64,663,320	15,130,969	125,000	273,024	26,011,090	106,203,403
Excess (deficiency) of revenues over expenditures	4,524,439	(39,852)	5,159,997	1,106,929	(4,136,188)	6,615,325
Other financing sources (uses)						
Transfer in	590,692	1,281,291	--	--	4,954,910	6,826,893
Transfer out	(534,717)	--	(3,392,541)	--	(2,899,635)	(6,826,893)
New debt issuance	--	--	--	--	3,012,232	3,012,232
Total other financing sources (uses)	55,975	1,281,291	(3,392,541)	--	5,067,507	3,012,232
Net change in fund balances	4,580,414	1,241,439	1,767,456	1,106,929	931,319	9,627,557
Fund balances, beginning of year	9,068,609	8,830,909	6,855,612	(4,110,708)	21,057,734	41,702,156
Change in reserve for inventory	3,024	76,624	--	--	--	79,648
Fund balances, end of year	\$ 13,652,047	\$ 10,148,972	\$ 8,623,068	\$ (3,003,779)	\$ 21,989,053	\$ 51,409,361

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

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

September 30, 2008

	Business-type Activities				Governmental
	Major Funds				Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,108,956	\$ 2,720,305	\$ 12,374	\$ 3,841,635	\$ 1,951,172
Investments	799,595	21,989	--	821,584	3,311,231
Accounts receivable	229,676	526,817	4,928	761,421	25,400
Due from other governments	197,250	--	915,400	1,112,650	1,900
Due from other funds	--	300,000	--	300,000	--
Total current assets	<u>2,335,477</u>	<u>3,569,111</u>	<u>932,702</u>	<u>6,837,290</u>	<u>5,289,703</u>
Noncurrent assets					
Restricted investments	--	3,355,280	--	3,355,280	--
Deferred charges	--	34,848	--	34,848	--
Capital assets, net of accumulated depreciation	9,418,376	6,648,786	3,679,050	19,746,212	7,456
Total noncurrent assets	<u>9,418,376</u>	<u>10,038,914</u>	<u>3,679,050</u>	<u>23,136,340</u>	<u>7,456</u>
Total assets	<u>\$ 11,753,853</u>	<u>\$ 13,608,025</u>	<u>\$ 4,611,752</u>	<u>\$ 29,973,630</u>	<u>\$ 5,297,159</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 259,793	\$ 121,469	\$ 1,966	\$ 383,228	\$ 745,679
Contracts payable	26,300	--	--	26,300	--
Current portion of claims payable	--	--	--	--	2,563,582
Accrued wages payable	16,442	47,439	--	63,881	7,314
Due to other governments	--	--	697	697	--
Due to other funds	--	--	365,000	365,000	--
Compensated absences - current	30,000	120,000	--	150,000	--
Revenue bonds - current	--	220,000	--	220,000	--
Note payable - current	354,351	--	19,225	373,576	--
Accrued interest	--	15,711	821	16,532	--
Deposits	8,420	51,991	--	60,411	--
Current portion of landfill closure costs	--	206,696	--	206,696	--
Total current liabilities	<u>695,306</u>	<u>783,306</u>	<u>387,709</u>	<u>1,866,321</u>	<u>3,316,575</u>
Noncurrent liabilities					
Long term portion of compensated absences	75,189	207,665	--	282,854	109,809
Long term portion of claims payable	--	--	--	--	863,680
Long term portion of landfill closure costs	--	8,565,810	--	8,565,810	--
Revenue bonds payable - net of discount	--	1,778,478	--	1,778,478	--
Note payable - noncurrent	5,469,623	--	199,228	5,668,851	--
Total noncurrent liabilities	<u>5,544,812</u>	<u>10,551,953</u>	<u>199,228</u>	<u>16,295,993</u>	<u>973,489</u>
Total liabilities	<u>6,240,118</u>	<u>11,335,259</u>	<u>586,937</u>	<u>18,162,314</u>	<u>4,290,064</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,594,402	4,650,308	3,460,597	11,705,307	7,456
Restricted for debt service	--	52,727	--	52,727	--
Restricted for landfill closure	--	3,302,553	--	3,302,553	--
Unrestricted	1,919,333	(5,732,822)	564,218	(3,249,271)	999,639
Total net assets	<u>5,513,735</u>	<u>2,272,766</u>	<u>4,024,815</u>	<u>11,811,316</u>	<u>1,007,095</u>
Total liabilities and net assets	<u>\$ 11,753,853</u>	<u>\$ 13,608,025</u>	<u>\$ 4,611,752</u>	<u>\$ 29,973,630</u>	<u>\$ 5,297,159</u>

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

Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
Year ended September 30, 2008

	Business-type Activities				Governmental
	Major Funds			Total Enterprise Funds	Activities
	Navarre Beach	Landfill	Peter Prince Field		Internal Service Fund
Operating revenues					
Licenses and permits	\$ --	\$ 1,700	\$ --	\$ 1,700	\$ --
Charges for services	1,846,469	4,047,174	134,995	6,028,638	2,989,554
Insurance proceeds	--	--	--	--	990,677
Miscellaneous	22,227	25	157	22,409	98
Total operating revenues	<u>1,868,696</u>	<u>4,048,899</u>	<u>135,152</u>	<u>6,052,747</u>	<u>3,980,329</u>
Operating expenses					
Personal services	531,608	1,615,264	--	2,146,872	266,900
Contract services	66,694	298,050	3,057	367,801	62,319
Supplies	134,308	51,073	977	186,358	15,748
Repairs and maintenance	901,908	329,783	16,488	1,248,179	1,625
Utilities	300,090	82,001	11,497	393,588	--
Depreciation	356,563	502,860	285,284	1,144,707	1,438
Travel and per diem	109	22,173	--	22,282	--
Insurance	9,480	17,480	--	26,960	1,075,781
Communications	7,097	13,129	609	20,835	1,414
Advertising	2,031	6,623	--	8,654	--
Fuel and oil	21,709	417,295	--	439,004	--
Rentals	--	130	--	130	--
Landfill closure and maintenance	--	433,057	--	433,057	--
Claims	--	--	--	--	2,537,485
State assessment	--	--	--	--	92,122
Miscellaneous	163,514	97,155	--	260,669	10,699
Total operating expenses	<u>2,495,111</u>	<u>3,886,073</u>	<u>317,912</u>	<u>6,699,096</u>	<u>4,065,531</u>
Operating income (loss)	(626,415)	162,826	(182,760)	(646,349)	(85,202)
Non-operating revenues (expenses)					
Interest income	89,887	177,092	9,986	276,965	137,107
Interest expense	(236,093)	(104,100)	(16,143)	(356,336)	--
Sale of recycled materials	--	287,053	--	287,053	--
Gain (loss) on sale of equipment	(15)	(1,274)	--	(1,289)	--
Aid to private organizations	--	(40,000)	--	(40,000)	--
Amortization & other bond costs	--	(15,175)	(5,839)	(21,014)	--
	<u>(146,221)</u>	<u>303,596</u>	<u>(11,996)</u>	<u>145,379</u>	<u>137,107</u>
Income (loss) before operating transfers	(772,636)	466,422	(194,756)	(500,970)	51,905
Transfer in	--	4,773	--	4,773	--
Transfer out	(162,487)	--	--	(162,487)	--
Capital contribution	197,250	--	767,900	965,150	--
Change in net assets	<u>(737,873)</u>	<u>471,195</u>	<u>573,144</u>	<u>306,466</u>	<u>51,905</u>
Net assets, beginning 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>
Net assets, end of year	<u>\$ 5,513,735</u>	<u>\$ 2,272,766</u>	<u>\$ 4,024,815</u>	<u>\$ 11,811,316</u>	<u>\$ 1,007,095</u>

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

**Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended September 30, 2008**

	Business-type Activities				Governmental Activities
	Major Funds				
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	
Cash flows from operating activities					
Cash received from customers	\$ 1,876,930	\$ 4,183,320	\$ 142,571	\$ 6,202,821	\$ 98
Cash paid to suppliers	(1,381,472)	(1,228,258)	(35,975)	(2,645,705)	(1,167,586)
Cash paid to employees	(512,715)	(1,588,786)	--	(2,101,501)	(260,864)
Cash received from interfund services provided	--	--	--	--	5,201,969
Cash paid for internal services provided	--	--	--	--	(2,036,191)
Net cash provided (used) by operating activities	(17,257)	1,366,276	106,596	1,455,615	1,737,426
Cash flows from non capital financing activities					
Repayment of loans from other funds	--	975,000	--	975,000	--
Proceeds from recycling operations	--	287,053	--	287,053	--
Loans from other funds	--	--	365,000	365,000	--
Aid to private organizations	--	(40,000)	--	(40,000)	--
Net cash provided (used) by non capital financing activities	--	1,222,053	365,000	1,587,053	--
Cash flows from capital and related financing activities					
Proceeds from capital debt	--	--	1,139,000	1,139,000	--
Federal/State grants	--	--	426,011	426,011	--
Purchases of capital assets	(1,108,398)	(2,167,597)	(1,108,000)	(4,383,995)	--
Principal paid on capital debt	(340,693)	(215,000)	(920,547)	(1,476,240)	--
Interest paid on capital debt	(236,093)	(105,608)	(15,322)	(357,023)	--
Debt issue costs	--	--	(5,839)	(5,839)	--
Net cash provided (used) by capital and related financing activities	(1,685,184)	(2,488,205)	(484,697)	(4,658,086)	--
Cash flows from investing activities					
Interest and dividends	89,887	177,092	9,986	276,965	137,107
Net sale (purchase) of investments	482,145	259,945	763	742,853	(664,737)
Net cash provided (used) by investing activities	572,032	437,037	10,749	1,019,818	(527,630)
Net increase (decrease) in cash and cash equivalents	(1,130,409)	537,161	(2,352)	(595,600)	1,209,796
Cash and cash equivalents at beginning of year	2,239,365	2,183,144	14,726	4,437,235	741,376
Cash and cash equivalents at end of year	<u>\$ 1,108,956</u>	<u>\$ 2,720,305</u>	<u>\$ 12,374</u>	<u>\$ 3,841,635</u>	<u>\$ 1,951,172</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (626,415)	\$ 162,826	\$ (182,760)	\$ (646,349)	\$ (85,202)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	356,563	502,860	285,284	1,144,707	1,438
Landfill closure costs	--	433,057	--	433,057	--
Changes in assets and liabilities:					
Accounts receivable	16,678	134,584	7,419	158,681	1,221,738
Due to other governments	--	--	(918)	(918)	--
Accounts payable	188,004	106,634	1,071	295,709	(103,348)
Contracts payable	26,300	--	(3,500)	22,800	--
Accrued compensation	5,877	18,918	--	24,795	1,516
Compensated absences	13,016	7,560	--	20,576	4,520
Claims payable	--	--	--	--	696,764
Deposits	2,720	(163)	--	2,557	--
Net cash provided (used) by operating activities	<u>\$ (17,257)</u>	<u>\$ 1,366,276</u>	<u>\$ 106,596</u>	<u>\$ 1,455,615</u>	<u>\$ 1,737,426</u>
Noncash Investing, Capital and Financing Activities:					
Federal grant revenue accrual	\$ --	\$ --	\$ 767,900	\$ 767,900	\$ --
Amortized bond refunding costs	--	15,175	--	15,175	--
Capital assets transferred from proprietary to governmental funds	162,487	--	--	162,487	--
Capital assets transferred from governmental to proprietary funds	--	4,773	--	4,773	--
	<u>\$ 162,487</u>	<u>\$ 19,948</u>	<u>\$ 767,900</u>	<u>\$ 950,335</u>	<u>\$ --</u>

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

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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

GUIDE TO NOTES

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

Dependent Special Districts

Blackwater Soil & Water Conservation District - The Blackwater Soil & Water Conservation District (Blackwater) was created by the Florida Legislature in 1942 pursuant to Florida Statute Section 582 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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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

Santa Rosa County Health Facilities Authority - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of 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 the Board. The Authority is not obligated to pay the principal and interest on the bonds except from the revenues of the Authority pursuant to its loan agreement with Gulf Breeze Hospital. The Authority has no financial activity and the bonds issued under the Authority's name are recorded in the books of the hospital.

Santa Rosa County Housing Finance Authority - The Santa Rosa County Housing Finance Authority (Authority) was created in 1984 by County Resolution No. 84-18 pursuant to Chapter 78-89, Laws of Florida codified as Chapter 159, Part IV, Section 159.601 through 159.623. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of the Board. The 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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Basis of Presentation - Fund Accounting

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

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

3. Basis of Accounting

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

The major governmental funds are:

- General Fund – This is the 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.
- Disaster Fund – Accounts for revenues and expenditures related to significant events such as Hurricanes Ivan, Dennis, and Katrina.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Revenue Recognition

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

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

Expenditure Recognition

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

PROPRIETARY FUNDS

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in 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 Board's enterprise funds and internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services,

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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

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

The major proprietary funds are:

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

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

4. Budgets and Budgetary Accounting

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

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

5. Cash and Cash Equivalents

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

6. Investments

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

7. Inventory

Inventory consists of gas, oil, automotive parts, road signs, culverts, and various other items used by the road department and insecticides used by mosquito control operations. Inventory is valued at cost (first in, first out). The cost is recorded as an expenditure at the time the inventory is purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

8. Accounting for Capital Assets

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

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

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

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

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

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

9. Compensated Absences

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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

10. Property Taxes

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

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

Property taxes levied on property valuations as of January 1, 2008, and expected to be collected during the period November 2008 through March 2009 are as follows:

General Fund	\$ 45,849,180
Road and Bridge Fund	\$ 4,424,240
Fine and Forfeiture Fund	\$ 132,310

These taxes, although measurable, are not recognized as revenue at September 30, 2008, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

11. Landfill Closure Costs

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

12. Allowance for Uncollectible Amounts

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

13. Effect of New Pronouncements

In June 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement addresses how state and local governments should account for and report costs and obligations related to postemployment healthcare and other nonpension benefits. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally, would provide sufficient resources to pay benefits as they become due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy allowed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The BOCC is currently studying the financial statement impact of the new requirements. The BOCC intends to implement the new reporting requirements as required for the FY 2008-09 financial statements.

NOTE B - CASH AND INVESTMENTS

At September 30, 2008, the bank held deposits of \$31,583,411 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

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

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

- a. The Local Government Surplus Funds Trust Fund (SBA) (Maximum of 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;

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE B - CASH AND INVESTMENTS - Continued

- 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 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, 2008, 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, 2008

	<u>Carrying Amount</u>
<u>Investments</u>	
US Agencies Notes, Aaa credit rating, October 2008 maturity	\$ 19,976,360
Local Government Investment Pool	<u>10,005,592</u>
Total Investments	29,981,952
 <u>Cash</u>	
Cash in Bank	30,551,804
Petty Cash	<u>1,325</u>
Total Cash	<u>30,553,129</u>
Total Cash and Investments	<u>\$ 60,535,081</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE B - CASH AND INVESTMENTS - Continued

Financial Statement Presentation

Cash and Cash Equivalents:	
Governmental	\$ 24,760,322
Enterprise	3,841,635
Internal Service	1,951,172
Investments	
Governmental	22,493,857
Enterprise	4,176,864
Internal Service	<u>3,311,231</u>
Total Cash and Investments	<u>\$ 60,535,081</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	\$ 52,727
Landfill escrow	<u>3,302,553</u>
	<u>\$ 3,355,280</u>

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS

At September 30, 2008, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 514,872
State of Florida – Grants	3,633,573
State of Florida – Taxes	1,001,949
Local taxes	350,018
Other elected officials	2,011,472
Other	<u>99,758</u>
Total	<u>\$ 7,611,642</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE D – INTERFUND TRANSACTIONS

Interfund transactions for the year ended September 30, 2008 were as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>		<u>Interfund Transfers in</u>		<u>Interfund Transfers out</u>
General fund	\$ 1,090,000	\$	--	\$	590,692	\$	534,717
Road & Bridge fund	375,000		--		1,281,291		--
Electric Franchise Fee fund	3,800,000		--		--		3,392,541
Disaster fund	--		3,800,000		--		--
Nonmajor Governmental funds	--		1,400,000		4,954,910		2,899,635
Navarre Beach fund	--		--		--		162,487
Landfill fund	300,000		--		4,773		--
Nonmajor Business-type funds	--		<u>365,000</u>		--		--
Total	<u>\$ 5,565,000</u>		<u>\$ 5,565,000</u>		<u>\$ 6,831,666</u>		<u>\$ 6,989,380</u> *

* Transfers of Capital Assets between Governmental funds and Business-Type funds create an imbalance in transfers as Capital Assets are not reflected on the Governmental funds financial statements.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 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	\$ 13,938	\$ 1,605	\$ 6	\$ 15,537
Construction in progress	<u>9,029</u>	<u>4,731</u>	<u>6,359</u>	<u>7,401</u>
Total capital assets not being depreciated	22,967	6,336	6,365	22,938
Other capital assets:				
Buildings	54,246	5,031	4,698	54,579
Improvements other than buildings	94,309	3,868	--	98,177
Machinery and equipment	<u>25,186</u>	<u>1,150</u>	<u>666</u>	<u>25,670</u>
Total capital assets being depreciated	173,741	10,049	5,364	176,426
Less accumulated depreciation for:				
Buildings	26,492	2,274	4,688	24,078
Improvements other than buildings	26,788	3,204	--	29,992
Machinery and equipment	<u>13,964</u>	<u>1,970</u>	<u>539</u>	<u>15,395</u>
Total accumulated depreciation	<u>67,244</u>	<u>7,448</u>	<u>5,227</u>	<u>69,465</u>
Total capital assets being depreciated, net	<u>106,497</u>	<u>2,601</u>	<u>137</u>	<u>108,961</u>
Governmental activities capital assets, net	<u>\$ 129,464</u>	<u>\$ 8,937</u>	<u>\$ 6,502</u>	<u>\$ 131,899</u>
Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,191	\$ --	\$ --	\$ 1,191
Construction in progress	<u>8,642</u>	<u>1,127</u>	<u>9,292</u>	<u>477</u>
Total capital assets not being depreciated	9,833	1,127	9,292	1,668
Other capital assets:				
Buildings	1,478	1,221	--	2,699
Improvements other than buildings	13,857	10,446	--	24,303
Furniture, fixtures and equipment	<u>5,341</u>	<u>292</u>	<u>14</u>	<u>5,619</u>
Total capital assets being depreciated	<u>20,676</u>	<u>11,959</u>	<u>14</u>	<u>32,621</u>
Less accumulated depreciation for:				
Buildings	884	95	--	979
Improvements other than buildings	10,096	697	437	10,356
Furniture, fixtures and equipment	<u>2,863</u>	<u>357</u>	<u>12</u>	<u>3,208</u>
Total accumulated depreciation	<u>13,843</u>	<u>1,149</u>	<u>449</u>	<u>14,543</u>
Total capital assets being depreciated, net	<u>6,833</u>	<u>10,810</u>	<u>(435)</u>	<u>18,078</u>
Business-type activities capital assets, net	<u>\$ 16,666</u>	<u>\$ 11,937</u>	<u>\$ 8,857</u>	<u>\$ 19,746</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E – CAPITAL ASSETS - Continued

Additions to accumulated depreciation do 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	\$ 2,269,031
Public safety	238,094
Physical environment	75,125
Transportation	3,258,142
Economic environment	44,872
Human services	128,755
Culture and recreation	<u>991,083</u>
Total governmental activities depreciation expense	<u>\$ 7,005,102</u>

Business-type activities

Water and sewer	\$ 356,563
Landfill	502,860
Hangar rental	<u>285,284</u>
Total business-type activities depreciation expense	<u>\$ 1,144,707</u>

NOTE F- LONG-TERM DEBT

1. Changes in Long-Term Debt

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

	Balance October 1, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2008</u>	Amount Due within <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 3,451,990	\$ 1,694,263	\$ 1,688,372	\$ 3,457,881	\$ 1,600,000
Claims payable	2,730,499	2,537,486	1,840,723	3,427,262	2,563,582
Revenue bonds	2,297,500	--	215,000	2,082,500	220,000
Notes payable	3,766,521	--	594,651	3,171,870	516,651
Special assessment notes	<u>5,693,011</u>	<u>3,012,232</u>	<u>1,178,459</u>	<u>7,526,784</u>	<u>1,333,504</u>
	<u>\$ 17,939,521</u>	<u>\$ 7,243,981</u>	<u>\$ 5,517,205</u>	<u>\$ 19,666,297</u>	<u>\$ 6,233,737</u>
Business-type activities:					
Compensated absences	\$ 412,276	\$ 179,817	\$ 159,238	\$ 432,854	\$ 150,000
Landfill closure costs	8,339,449	433,057	--	8,772,506	206,696
Revenue bonds	2,297,500	--	215,000	2,082,500	220,000
Notes payable	<u>6,164,667</u>	<u>1,139,000</u>	<u>1,261,241</u>	<u>6,042,427</u>	<u>373,576</u>
	<u>\$ 17,213,892</u>	<u>\$ 1,751,874</u>	<u>\$ 1,635,479</u>	<u>\$ 17,330,287</u>	<u>\$ 950,272</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE F - LONG-TERM DEBT - Continued

Unamortized bond discounts totaling \$6,587 and deferred losses on refunding of bonds totaling \$77,434 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$34,848 at year end.

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

2. Descriptions of Bonds and Notes

Bonds and notes payable at September 30, 2008 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.	\$ 28,750
\$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.	1,780,971
\$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.	185,714
\$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.	1,176,435
\$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.	2,929,464

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE F - LONG-TERM DEBT - Continued

<p>\$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.</p>	566,667
<p>\$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.</p>	399,531
<p>\$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.</p>	19,623
<p>\$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.</p>	146,608
<p>\$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.</p>	82,392
<p>\$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.</p>	413,874
<p>\$341,000 special assessment note payable to bank for the construction of infrastructure improvements for Duke Drive MSBU. The note is due in 32 quarterly payments of \$9,243 to \$12,225 plus interest at 3.74% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	322,497

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE F - LONG-TERM DEBT - Continued

\$600,000 special assessment note payable to bank for the construction of infrastructure improvements on Polynesian Island Canal. The note is due in 28 quarterly payments. Payments are interest only at 4.05% until 2012 then principal payments of \$36,085 to \$48,931 plus interest with final payment due in 2015. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	600,000
\$169,100 special assessment note payable to bank for the construction of infrastructure improvements for Joseph Circle MSBU. The note is due in 36 quarterly payments of \$3,636 to \$5,941 plus interest at 5.65% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	158,036
\$1,582,132 special assessment note payable to bank for the acquisition and Installation of fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 96 monthly payments of \$14,040 to \$19,186 plus interest at 3.95% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	1,568,092
\$200,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Santa Rosa Shores MSBU. The note is due in 12 quarterly interest payments at 3.55% with the principal payment due in 2011. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	200,000
\$120,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Ski Watch Estates MSBU. The note is due in 36 quarterly payments of \$2,829 to \$3,883 including interest at 3.55% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	120,000
<u>General government - bonds payable</u>	
\$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.	<u>2,082,500</u>
Total general government bonds and notes payable	<u>\$ 12,781,154</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE F - LONG-TERM DEBT - Continued

Proprietary fund type - note payable

Navarre Beach

\$6,500,000 Utility System Revenue Note, Series 2006 payable to bank for the construction of certain improvements and additions to the Navarre Beach Utility System. The note is due in 15 annual payments of \$335,333 to \$555,568 plus interest at 3.767%, adjusted every 3 years, secured by non-ad valorem revenues. 5,823,974

Peter Prince Field

\$227,800 Airport Improvement Revenue Note, Series 2008 payable to bank for the construction of facilities at the Peter Prince Airport. The note is due in 40 quarterly payments of \$4,674 to \$6,868 plus interest at 4.1%, secured by non-ad valorem revenues. 218,452

Proprietary fund type - bonds payable

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. 2,082,500

Total proprietary fund type bonds and note payable \$ 8,124,926

3. Debt Service Requirements

The annual requirements to amortize all bonds and notes outstanding at September 30, 2008 are as follows:

Governmental activities:

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30,</u>			
2009	\$ 2,070,155	\$ 489,812	\$ 2,559,967
2010	2,089,810	409,888	2,499,698
2011	2,278,133	327,435	2,605,568
2012	2,100,683	244,448	2,345,131
2013	1,009,721	174,433	1,184,154
2014-2018	2,304,937	403,400	2,708,337
2019-2023	927,715	148,864	1,076,579
	<u>\$ 12,781,154</u>	<u>\$ 2,198,280</u>	<u>\$ 14,979,434</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE F - LONG-TERM DEBT - Continued

Business-type activities:

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30,</u>			
2009	\$ 593,576	\$ 334,108	\$ 927,684
2010	620,404	310,454	930,858
2011	645,287	285,588	930,875
2012	672,745	259,984	932,729
2013	696,776	231,974	928,750
2014-2018	3,290,101	717,342	4,007,443
2019-2023	<u>1,606,037</u>	<u>164,588</u>	<u>1,770,625</u>
	<u>\$ 8,124,926</u>	<u>\$ 2,304,038</u>	<u>\$ 10,428,964</u>

4. Defeased Debt Outstanding

In prior years the Board defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the Board's financial statements. At September 30, 2008, \$4.21 million of bonds are considered defeased.

NOTE G - 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) certain municipal service benefit unit revenue notes to finance the acquisition, construction, reconstruction, and equipping of capital improvements within the municipal service benefit unit. The debt instruments are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Board, the State nor any political subdivision thereof is obligated in any manner for repayment of the debt instruments. Accordingly, the debt instruments are not reported as liabilities in the accompanying financial statements.

Debt issues related to conduit financings outstanding at September 30, 2008 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>9/30/2008</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	3,510,000
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>269,118</u>
Total			<u>\$63,519,000</u>	<u>\$62,853,118</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE H - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$8.7 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2008, 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	57%
Central Class III Landfill	24%
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 \$7.7 million as its remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. The estimated remaining lives of the Central Class I and Class III landfills are 26 and 39 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, 2008, the Board held investments of \$3,302,553 to cover the escrow requirement of \$3,302,553. These investments are reported as restricted assets in these financial statements. The Board expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

NOTE I - COMMITMENTS AND CONTINGENCIES

1. Retirement Plan

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2008, the Board contributed an average of 9.85% of each qualified regular employee's gross salary, 16.53% percent of the elected official'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 \$1,626,925, \$1,712,252, and \$1,315,029 for the years ended September 30, 2008, 2007, and 2006, 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 Board is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Board's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the Board.

3. Federal and State Grants

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE J - RESERVES

The following is a list of reserves used by the Board:

General Fund:

Reserve for inventory	\$ 65,323
Reserve for debt service	7,002
Reserve for communications	988,351
Reserve for animal services education	42,012
Reserve for crime prevention	33,687
Reserve for boating improvements	427,070
Reserve for long-term intergovernmental receivable	<u>25,000</u>
	1,588,445

Road and Bridge Fund:

Reserve for Navarre Beach Bridge maintenance	4,170,811
Reserve for inventory	279,877
Reserve for long-term intergovernmental receivable	<u>76,997</u>
	4,527,685

Nonmajor Governmental Funds:

Reserve for gas and oil preservation	3,551,667
Reserve for crime prevention	192,532
Reserve for domestic violence	66,894
Reserve for forfeited property	68,337
Reserve for law library	28,053
Reserve for court innovations	68,741
Reserve for hurricane housing recovery	753,001
Reserve for tourist development	<u>2,003,821</u>
	<u>6,733,046</u>

Total Governmental Funds \$ 12,849,176

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE K - RISK MANAGEMENT

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

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

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

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

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board of County Commissioners and other County elected officials participate in the program and make payments to the Self Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$3,427,262 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 8 percent. These liabilities are reported at their present value of \$892,283 at September 30, 2008.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE K - RISK MANAGEMENT - Continued

Changes in the Fund's claims liability amount in fiscal years 2007 and 2008 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>
2006 - 2007	\$ 3,343,573	\$ 1,087,367	\$ 1,700,441	\$ 2,730,499
2007 - 2008	\$ 2,730,499	\$ 2,537,456	\$ 1,840,693	\$ 3,427,262

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

Current claims payable	\$ 2,534,979
Current claims – structured settlements	<u>28,603</u>
Total claims payable, current	2,563,582
Long-term claims – structured settlements	<u>863,680</u>
Total claims payable	<u>\$ 3,427,262</u>

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

NOTE L - 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 yet to be fully funded from local sources.

REQUIRED SUPPLEMENTAL INFORMATION

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

Year ended September 30, 2008

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 50,419,560	\$ 50,419,560	\$ 50,850,673
Licenses and permits	2,493,750	2,493,750	1,630,515
Intergovernmental	10,167,470	10,714,226	10,788,817
Charges for services	2,503,338	2,564,992	3,508,650
Fines and forfeits	285,000	285,000	274,498
Miscellaneous	1,330,950	1,337,550	2,134,606
Total revenues	67,200,068	67,815,078	69,187,759
Expenditures			
Current			
General government	19,468,786	20,940,498	18,759,826
Public safety	37,302,535	37,508,977	36,736,952
Physical environment	1,208,100	1,208,100	1,100,067
Transportation	1,168,610	1,168,610	1,157,456
Economic environment	140,910	140,910	134,602
Human services	4,119,090	4,137,090	3,892,722
Culture and recreation	3,089,830	3,111,178	2,881,695
Reserve for contingencies	1,590,775	215,956	--
Total expenditures	68,088,636	68,431,319	64,663,320
Excess (deficiency) of revenues over expenditures	(888,568)	(616,241)	4,524,439
Other financing sources (uses)			
Transfers in	16,500	590,692	590,692
Transfers out	(440,220)	(534,717)	(534,717)
Total other financing sources (uses)	(423,720)	55,975	55,975
Net change in fund balances	(1,312,288)	(560,266)	4,580,414
Fund balance, beginning of year	1,312,288	2,217,743	9,068,609
Change in reserve for inventory	--	--	3,024
Fund balance, end of year	\$ --	\$ 1,657,477	\$ 13,652,047

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

Year ended September 30, 2008

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 8,860,190	\$ 8,860,190	\$ 8,603,335
Intergovernmental	3,098,930	6,006,232	5,765,426
Charges for services	--	145,470	229,350
Miscellaneous	152,000	155,370	493,006
Total revenues	12,111,120	15,167,262	15,091,117
Expenditures			
Current			
Physical environment	--	560,000	30,000
Transportation	11,857,650	17,043,570	15,100,969
Reserve for contingencies	292,820	--	--
Total expenditures	12,150,470	17,603,570	15,130,969
Excess (deficiency) of revenues over expenditures	(39,350)	(2,436,308)	(39,852)
Other financing sources (uses)			
Transfers in	38,680	1,281,291	1,281,291
Total other financing sources (uses)	38,680	1,281,291	1,281,291
Net change in fund balances	(670)	(1,155,017)	1,241,439
Fund balance, beginning of year	670	5,510,571	8,830,909
Change in reserve for inventory	--	--	76,624
Fund balance, end of year	\$ --	\$ 4,355,554	\$ 10,148,972

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

Year ended September 30, 2008

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 4,940,000	\$ 5,065,000	\$ 5,224,408
Miscellaneous	--	--	60,589
Total revenues	4,940,000	5,065,000	5,284,997
Expenditures			
Current			
Economic environment	--	125,000	125,000
Reserve for contingencies	2,964,000	--	--
Total expenditures	2,964,000	125,000	125,000
Excess (deficiency) of revenues over expenditures	1,976,000	4,940,000	5,159,997
Other financing sources (uses)			
Transfers out	(1,976,000)	(11,795,612)	(3,392,541)
Total other financing sources (uses)	(1,976,000)	(11,795,612)	(3,392,541)
Net change in fund balances	--	(6,855,612)	1,767,456
Fund balance, beginning of year	--	6,855,612	6,855,612
Fund balance, end of year	\$ --	\$ --	\$ 8,623,068

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

Year ended September 30, 2008

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 341,770	\$ 1,374,500
Miscellaneous	--	--	5,453
Total revenues	--	341,770	1,379,953
Expenditures			
Current			
Public safety	--	341,770	273,024
Total expenditures	--	341,770	273,024
Excess (deficiency) of revenues over expenditures	--	--	1,106,929
Other financing sources (uses)			
Transfers in	--	--	--
Total other financing sources (uses)	--	--	--
Net change in fund balances	--	--	1,106,929
Fund balance, beginning of year	--	--	(4,110,708)
Fund balance, end of year	\$ --	\$ --	\$ (3,003,779)

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

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

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida, (hereinafter referred to as “Board”), as of and for the year ended September 30, 2008, which collectively comprise the Board’s financial statements and have issued our report thereon dated March 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the 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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Board’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 Board’s financial statements that is more than inconsequential will not be prevented or detected by the Board’s internal control.

We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

2008-01 – Timely Identification of Reimbursable Grant Expenditures

Criteria or specific requirement

During its year-end closing process, the Board should establish and enforce policies and procedures to ensure that year-end accruals are properly identified and recorded for all account balances, including revenues and receivables.

Condition

During the audit, we proposed an audit adjustment of \$217,210 to record amounts earned by the Board as reimbursement of eligible expenditures under the State of Florida Small County Outreach Program.

Context

This accrual had not been detected in the Board's normal year end review of grants and closeout of the books.

Effect

By not properly accounting for reimbursable revenue due in the current fiscal year, the Board is understating its assets and revenues.

Cause

Expenditures under the Small County Outreach Program that are eligible for reimbursement are tracked by the Public Works Department. At year-end, expenditures eligible for reimbursement as of September 30, 2008 were not reported to the Finance Department.

Recommendation

We recommend the Board enforce its policy that all reimbursable billings be determined in a timely manner at year-end and communicated to the Finance Department for recording in the correct time period for revenue recognition purposes. By enforcing its policy, the Board will improve its year-end closing process for identifying the appropriate year-end accruals and reduce the risk of misstatement in the annual financial statements.

View of responsible officials and planned corrective action

The Board's Grants Coordinator will become involved in the reconciliation of grant activity at year-end to ensure that all reimbursable billings are properly recorded.

2008-02 – Year End Financial Reporting Process

Criteria or specific requirement

The Board should have adequate accounting, reconciliation, and review procedures in place to prepare financial statements in compliance with GAAP.

Condition

During our test work, audit adjustments were made to certain accounts (accounts receivable and due from other units) to accurately reflect balances at year-end. The nature of these accounts do not demand frequent accounting entries or adjustments during the year, but require some level of periodic review and analysis to correctly reconcile the accounts in preparation of the year-end financial statements.

Context

Several adjustments were made as a result of the audit.

Effect

Year-end financial statements may not be in compliance with GAAP.

Cause

Certain accounts receivable and due from other governmental units balances were not reviewed and adjusted to the proper balances at year end.

Recommendation

We encourage the Board to take special precaution to ensure that all accounts are reviewed, reconciled and appropriately adjusted as needed through the year.

View of responsible officials and planned corrective action

The Board will make sure that all accounts are reviewed, reconciled and appropriately adjusted as needed through the year.

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 Board's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

The Board's response to the findings identified in our audit is included above. We did not audit the Board's response and accordingly, we express no opinion on it.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 30, 2009, which should be considered in assessing the results of our audit.

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

O'Sullivan Greel, LLP

March 30, 2009

MANAGEMENT LETTER

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

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of each major fund and the aggregate remaining fund information of the Santa Rosa County, Florida, Board of County Commissioners, (hereinafter referred to as “Board”), as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 30, 2009.

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. We have also issued our 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 Standard*. Disclosures in that report, which is dated March 30, 2009, should be considered in conjunction with this management letter.

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

The Rules of the Auditor General (Section 10.554 (1) (i) 1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no such matters disclosed in the preceding annual financial audit.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 2.), we determined that the Board was not in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. See Attachment A.

The Rules of the Auditor General (Section 10.554 (1) (i) 3.) require that we comment as to whether or not there were any recommendations made to improve the Board's financial management, accounting procedures, and internal controls. We are submitting for consideration the recommendations described in Attachment A, as required by the Rules of the Auditor (Section 10.554 (1) (i) 3.).

The Rules of Auditor General (Section 10.554 (1) (i) 4.) require disclosure in the management letter of violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. No items were identified which are required to be disclosed.

The Rules of the Auditor General (Section 10.554 (1) (i) 5.) permit disclosure in the management letter based on professional judgment of matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial impact on the financial statements; improper expenditures or illegal acts that would have an immaterial effect on the financial statements; control deficiencies that are not significant deficiencies, including but not limited to: improper or inadequate accounting procedures (e.g. the omission of required disclosures from the financial statements), failures to properly record financial transactions, and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. We are submitting for consideration the recommendation described in Attachment A as required disclosed by the Rules of the Auditor General (Section 10.554 (1) (i) 5).

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

This management letter is intended for the information 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 Creel, LLP

March 30, 2009

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
CURRENT YEAR RECOMMENDATIONS (Attachment A)
September 30, 2008**

2008-3 Investment Policy

Pursuant to Florida Statutes Section 218.415, the Board adopted an investment policy which outlines the Board's investment responsibilities, objectives, and policies. The Board's policy allows only a total of 25% of the total investment portfolio to be invested in obligations of U.S. Government Agencies. At September 30, 2008, 66% of the Board's investments were held in notes of U.S. Government Agencies. We were advised this was the result of the Board's conservative decision to decrease its investments in the State's SBA investment pool. We recommend the Board monitor its investments to ensure its maximum percentages of authorized investments are complied with or either change the investment policy as necessary to correspond with changes in the Board's investment risk tolerance.

2008-4 Landfill – Accounts Receivable and Deposits

We noted some deterioration in the quality of the Landfill Fund's accounts receivables. In that regard, the following observations were made:

- We noted that the Board's Landfill Fund does not have an established policy for recording an allowance for uncollectible accounts. We recommend the Board establish an appropriate policy and management monitor the receivables on an ongoing basis and record reserves against accounts which are potentially uncollectible.
- It is the current practice of the Board to prepare invoices for landfill charges at the beginning of the month for billings earned the previous month. Also, when invoices are sent to customers they have 45 days to pay. Therefore, it is possible for charges to be up to two months old before they are considered delinquent. We recommend the Board review its current policies regarding the billing cycle for landfill charges.
- We noted per Board Resolution No. 87-34 that a user of the landfill may establish a payment account by providing a security deposit in an amount sufficient to pay the estimated charges for a period of two months. The amount of the security deposit is to be established by the director of the landfill department. In our testing, we noted that the deposits were being established based upon the customer's estimate of monthly charges instead of an amount established by the director. We recommend that the Board follow its adopted resolution No. 87-34 regarding the establishment of payment accounts.

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CURRENT YEAR RECOMMENDATIONS (Attachment A)
September 30, 2008**

- Our audit procedures identified landfill customers whose surety bond which served as their security deposit had expired. Under Board Resolution No. 01-33 the Board returns deposits or releases the bond or letter of credit upon a customer making timely and complete payments for two years. Several of the customers with expired security deposits are currently delinquent in their payments. We recommend the Board examine its policy for allowing security deposits to expire.

2008-5 Navarre Beach – Residential and Commercial Leases

Our audit procedures identified several items in regards to the recording of residential and commercial leases in the general fund:

- Residential leaseholders who rent their property are required to pay to the Board either 5% of their rental income or a set dollar amount as specified in their lease agreement with the Board. The Board does not have written procedures for ensuring that all residential leaseholders pay the required fees on the rental of their residential property. We recommend that the Board develop written procedures to ensure that fees due from residential leaseholders are properly recorded and collected.
- The Board currently has leases with various commercial entities on Navarre Beach. Lease fees are generally based on a certain percentage of gross sales or gross receipts as outlined in the respective lease agreements. The Board does not have written procedures for ensuring that the commercial entities pay the required lease fees as stipulated in the individual lease agreements. Also, we were informed that procedures are performed by the Board's internal auditor but no documentation is maintained of the procedures performed.

We recommend that the Board develop written procedures to ensure that fees due from commercial leaseholders are properly recorded and collected and that documentation of collection efforts is maintained.

- Our audit procedures identified an instance where the previous leaseholder of a residential property was billed for and paid the lease fee. This previous leaseholder appears to be due a refund and the current leaseholder should be billed for the lease fee. We recommend that Board develop written controls to ensure that the proper individual is billed for the lease fee.

**Annual Audit Report
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CURRENT YEAR RECOMMENDATIONS (Attachment A)
September 30, 2008**

2008-6 Article V Expenditures

Annually the Board must submit a report to the Florida Department of Financial Services certifying its compliance with Sections 29.008 and 29.0085, Florida Statutes as related to county funded court-related functions. In our examination of the Board's annual filing, we noted certain expenditures did not increase by 1.5 percent over the prior year county fiscal year, as required by Section 29.008 (4), Florida Statutes. We recommend the Board monitor its expenditures to ensure the requirements of section 29.008 (4) are met.

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
September 30, 2008**

2008-3 Investment Policy

The Board agrees with the finding and recommendation and will review the investment policy to determine what changes are required.

2008-4 Landfill – Accounts Receivable and Deposits

The Board agrees with the findings and recommendations and will make the necessary changes to policies and take corrective action as needed.

2008-5 Navarre Beach – Residential and Commercial Leases

The Board will review the findings to determine the causes and the corrective actions that are required.

2008-6 Article V Expenditures

The Board agrees with the finding and recommendation and will monitor its expenditures to ensure the requirements of section 29.008 (4) are met.