

**SANTA ROSA COUNTY, FLORIDA
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2009

SANTA ROSA COUNTY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Santa Rosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of September 30, 2009, 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, 2010 on our consideration of Santa Rosa County, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 11, the budgetary comparison information on pages 50 through 54, and schedule of funding progress on page 55 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

O'Sullivan Creel, LLP

March 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Santa Rosa County, Florida
MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2009

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$189 million as of September 30, 2009.

The largest portion of the County's net assets (82%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets for the County as a whole, as well as for its governmental activities. The business-type activities ended the year again with a deficit unrestricted net asset balance due mainly to depreciation, interest on debt and landfill closure costs.

There was an increase in net assets from governmental activities of \$8.6 million. This consisted of an increase of \$9.8 million to invested in capital assets net of related debt, a decrease of \$1 million to unrestricted net assets and a decrease of \$241,000 to restricted net assets. The primary reason for this relatively small net increase was the decrease in both revenues and expenditures due to the downturn in the economy and the decrease in property tax revenues mandated by the state legislature. There was a decrease in net assets from business-type activities of \$37,000. This consisted of a decrease of \$269,000 to net assets invested in capital assets net of related debt, a decrease of \$31,000 in unrestricted net assets and an increase of \$263,000 to restricted net assets.

Santa Rosa County, Florida
MANAGEMENT DISCUSSION AND ANALYSIS
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The primary reason for this net decrease was the depreciation on equipment, interest on debt and landfill closure costs.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 68,301	\$ 64,181	\$ 10,350	\$ 9,862	\$ 78,651	\$ 74,043
Capital assets	<u>145,047</u>	<u>135,470</u>	<u>18,695</u>	<u>19,746</u>	<u>163,742</u>	<u>155,216</u>
Total assets	213,348	199,651	29,045	29,608	242,393	229,259
Long-term liabilities outstanding	28,787	24,589	16,932	17,246	45,719	41,835
Other liabilities	<u>7,378</u>	<u>6,477</u>	<u>339</u>	<u>551</u>	<u>7,717</u>	<u>7,028</u>
Total liabilities	<u>36,165</u>	<u>31,066</u>	<u>17,271</u>	<u>17,797</u>	<u>53,436</u>	<u>48,863</u>
Net Assets:						
Invested in capital assets, net of related debt	143,184	133,388	11,436	11,705	154,620	145,093
Restricted	12,358	12,599	3,617	3,355	15,976	15,954
Unrestricted	<u>21,641</u>	<u>22,598</u>	<u>(3,280)</u>	<u>(3,249)</u>	<u>18,361</u>	<u>19,349</u>
Total net assets	<u>\$ 177,183</u>	<u>\$ 168,585</u>	<u>\$ 11,774</u>	<u>\$ 11,811</u>	<u>\$ 188,957</u>	<u>\$ 180,396</u>

Financial Analysis of Governmental Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The County's governmental funds reported combined ending fund balances of \$56.8 million (77% is unreserved), an increase of \$3.6 million from last year. The bulk of the increase was from the cost cutting measures enacted in anticipation of reduced tax revenues due to state mandated property tax rate reductions.

Santa Rosa County, Florida
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Following is a comparative statement of changes in net assets (amounts expressed in thousands):

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues						
Charges for services	\$ 31,280	\$ 23,736	\$ 6,414	\$ 6,030	\$ 37,694	\$ 29,766
Operating grants & contributions	9,931	15,698	-	-	9,931	15,698
Capital grants & contributions	7,797	3,858	3	965	7,800	4,823
General revenues:						
Property tax	50,147	54,443	-	-	50,147	54,443
Sales, use and fuel tax	4,622	9,945	-	-	4,622	9,945
Communication services	1,742	1,418	-	-	1,742	1,418
Grants & contributions	8,513	12,562	-	-	8,513	12,562
Investment earnings	600	2,028	163	277	763	2,305
Other	<u>682</u>	<u>987</u>	<u>54</u>	<u>310</u>	<u>736</u>	<u>1,297</u>
Total revenues	<u>115,314</u>	<u>124,675</u>	<u>6,634</u>	<u>7,582</u>	<u>121,948</u>	<u>132,257</u>
Expenses:						
General government	34,372	33,628	-	-	34,372	33,628
Public safety	41,251	46,286	-	-	41,251	46,286
Physical environment	2,599	2,963	-	-	2,599	2,963
Transportation	17,308	19,776	-	-	17,308	19,776
Economic environment	2,880	5,018	-	-	2,880	5,018
Human services	4,194	4,209	-	-	4,194	4,209
Culture and recreation	3,508	2,281	-	-	3,508	2,281
Interest on long-term debt	604	517	-	-	604	517
Water and sewer	-	-	2,081	2,731	2,081	2,731
Airport	-	-	417	340	417	340
Landfill	<u>-</u>	<u>-</u>	<u>4,173</u>	<u>4,047</u>	<u>4,173</u>	<u>4,047</u>
Total expenses	<u>106,716</u>	<u>114,678</u>	<u>6,671</u>	<u>7,118</u>	<u>113,387</u>	<u>121,796</u>
Increase in net assets						
before transfers	8,598	9,997	(37)	464	8,561	10,461
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158)</u>	<u>-</u>	<u>(158)</u>
Change in net assets	8,598	9,997	(37)	306	8,561	10,303
Net assets, beg. of year	<u>168,585</u>	<u>158,588</u>	<u>11,811</u>	<u>11,505</u>	<u>180,396</u>	<u>170,093</u>
Net assets, end of year	<u>\$ 177,183</u>	<u>\$ 168,585</u>	<u>\$ 11,774</u>	<u>\$ 11,811</u>	<u>\$ 188,957</u>	<u>\$ 180,396</u>

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The General fund is the primary operating fund of the County. Revenues exceeded expenditures by \$1.9 million. Revenues and expenditures were down from expected. With the recession and State mandated tax cuts the County has been aggressive in reducing expenditures.

The Road and Bridge fund accounts for fuel and other taxes designated for road improvements. During the year fund balance increased by \$881,000. Transfers in lead to the increase in fund balance.

The Electricity Franchise Fee fund is used to finance many projects. Transfers of \$4.6 million from this fund were made to the Road and Bridge fund, the Debt Service fund and the District Capital Improvement funds.

The Disaster fund is used to track the revenues and expenditures relating to the hurricane recovery efforts for the County funded by Federal and State grants. The deficit generated by hurricanes in prior years continues to be slowly erased.

The Other Capital Projects fund accounts for the purchase or construction of other capital facilities which are not financed by proprietary funds or trust funds. Transfers from other funds and debt proceeds for the expansion of the jail lead to the increase in fund balance of \$1.4 million.

Financial Analysis of Proprietary Funds

The Navarre Beach fund accounts for the operations of the Navarre Beach water and sewer system. Revenues were consistent with prior year and expenses were down due to planned cutbacks. Operating income is near breakeven with interest on the debt reducing net assets by \$174, 000.

The Landfill fund is used to account for the solid waste disposal operations at the County landfills. The upgrade and expansion of the Central Landfill has been completed. Income from operations is up a little but no major change from the prior year.

Budgetary Analysis

The General fund budget was increased by \$2 million from the original budget (an increase of 3%). Several departments had increases: Other BOCC Obligations, \$700,000; Parks, \$300,000 (Archie Glover Park); Housing, \$200,000 (SHIP admin.) and Circuit Court Juvenile, \$300,000 (to establish Drug Court).

Actual expenditures were less than the final budgeted expenditures by \$3.5 million. The reason for this variance is that the County did not spend 1) \$1.2 million of available reserves, 2) \$109,000 for planning and zoning 3) \$287,000 for housing and 4) \$109,000 in juvenile circuit court.

Santa Rosa County, Florida
MANAGEMENT DISCUSSION AND ANALYSIS
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CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

As of September 30, 2009 the County had \$164 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads and other infrastructure. (See table below.) This amount represents a net increase (including additions, discoveries and deductions) of \$8.4 million from last year.

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

	Governmental		Business-type		Totals	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 21,052	\$ 15,537	\$ 1,191	\$ 1,191	\$ 22,243	\$ 16,728
Construction in progress	12,259	7,401	499	477	12,758	7,878
Buildings	28,673	30,501	1,595	1,720	30,268	32,221
Improvements other than buildings	68,287	68,185	13,016	13,947	81,303	82,132
Machinery, furniture and equip.	14,776	13,847	2,394	2,411	17,170	16,258
Totals	<u>\$ 145,047</u>	<u>\$ 135,471</u>	<u>\$18,695</u>	<u>\$19,746</u>	<u>\$ 163,742</u>	<u>\$ 155,217</u>

This year's major additions included:

Navarre Beach Fishing Pier (CIP)	\$ 3,767,032
63 Acres on Hwy 87	\$ 3,110,587
Property adjacent to Whiting Field	\$ 2,252,723
Jail Addition (CIP)	\$ 1,867,082
Five Points Intersection (CIP)	\$ 599,500
Fire trucks (4)	\$ 1,757,396
Equipment for Sheriff	\$ 465,511
Woodbine Road (CIP)	\$ 271,029

Outstanding Debt at Year-end
(in Thousands)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenue bonds	\$ 1,862	\$ 2,082	\$ 1,863	\$ 2,083	\$ 3,725	\$ 4,165
Notes payable	5,535	3,172	5,470	6,042	11,005	9,214
Special assessment notes	8,108	7,527	-	-	8,108	7,527
Totals	<u>\$ 15,505</u>	<u>\$12,781</u>	<u>\$ 7,333</u>	<u>\$ 8,125</u>	<u>\$ 22,838</u>	<u>\$ 20,906</u>

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Four (4) special assessment notes were issued this year. Three were for MSBU subdivisions for paving or canal maintenance. The other was to provide equipment for the volunteer fire departments. A revenue note payable for the Jail Expansion project was also issued. More detailed information about the County's capital assets and long term liabilities is presented in Notes F & G to the financial statements, respectively.

OTHER CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

Given the current economy and the state mandated rollback of property taxes, the County is looking for ways to reduce costs.

BASIC FINANCIAL STATEMENTS

Santa Rosa County, Florida

STATEMENT OF NET ASSETS

September 30, 2009

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 55,308,949	\$ 6,013,305	\$ 61,322,254
Investments	6,768,716	3,617,674	10,386,390
Receivables, net	5,460,565	688,377	6,148,942
Inventory	469,339	--	469,339
Deferred charges	293,885	30,399	324,284
Capital assets, net			
Nondepreciable	33,311,555	1,689,446	35,001,001
Depreciable	111,735,303	17,005,618	128,740,921
Total assets	<u>213,348,312</u>	<u>29,044,819</u>	<u>242,393,131</u>
LIABILITIES			
Accounts payable	3,932,259	173,122	4,105,381
Contracts payable	492,659	26,300	518,959
Accrued wages payable	1,672,223	81,032	1,753,255
Interest payable	97,295	14,151	111,446
Due to other governments	308,735	1,272	310,007
Deposits	287,463	42,899	330,362
Unearned revenue	587,432	--	587,432
Noncurrent liabilities			
Due within one year	8,580,208	1,021,215	9,601,423
Due in more than one year	20,206,713	15,910,843	36,117,556
Total liabilities	<u>36,164,987</u>	<u>17,270,834</u>	<u>53,435,821</u>
NET ASSETS			
Invested in capital assets, net of related debt	143,184,358	11,436,237	154,620,595
Restricted for:			
Expendable:			
Debt service	--	53,215	53,215
Landfill closure	--	3,564,459	3,564,459
Communications	1,102,574	--	1,102,574
Animal Services education	43,581	--	43,581
Boating improvement	493,864	--	493,864
Gas and Oil Preservation	3,551,667	--	3,551,667
Law Enforcement Trust Fund	86,104	--	86,104
Crime prevention	192,881	--	192,881
Domestic violence	77,624	--	77,624
Law Library	28,054	--	28,054
Law enforcement training	72,703	--	72,703
Court innovation	93,837	--	93,837
Tourist development	1,801,967	--	1,801,967
Records modernization	434,574	--	434,574
Court technology	373,972	--	373,972
Navarre Beach Bridge maintenance	4,004,379	--	4,004,379
Unrestricted	21,641,186	(3,279,926)	18,361,260
Total net assets	<u>\$ 177,183,325</u>	<u>\$ 11,773,985</u>	<u>\$ 188,957,310</u>

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

Santa Rosa County, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2009

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 34,372,227	\$ 20,792,814	\$ 1,014,719	\$ --	\$ (12,564,694)		\$ (12,564,694)
Public safety	41,251,412	6,143,837	1,016,314	7,797,224	(26,294,037)		(26,294,037)
Physical environment	2,598,684	1,065,075	743,882	--	(789,727)		(789,727)
Transportation	17,308,186	3,179,299	4,283,389	--	(9,845,498)		(9,845,498)
Economic environment	2,880,164	--	628,402	--	(2,251,762)		(2,251,762)
Human services	4,193,707	48,816	1,576,761	--	(2,568,130)		(2,568,130)
Culture and recreation	3,508,321	49,957	667,227	--	(2,791,137)		(2,791,137)
Interest on long-term debt	603,733	--	--	--	(603,733)		(603,733)
Total governmental activities	106,716,434	31,279,798	9,930,694	7,797,224	(57,708,718)		(57,708,718)
Business-type activities:							
Navarre Beach water and sewer	2,080,665	1,892,873	--	4,472		\$ (183,320)	(183,320)
Peter Prince Airport	417,409	204,100	--	(1,000)		(214,309)	(214,309)
Landfill	4,172,685	4,316,713	--	--		144,028	144,028
Total business-type activities	6,670,759	6,413,686	--	3,472		(253,601)	(253,601)
Total	113,387,193	37,693,484	9,930,694	7,800,696	(57,708,718)	(253,601)	(57,962,319)
General revenues:							
Taxes							
Property taxes					50,146,574	--	50,146,574
Sales, use and fuel taxes					4,622,118	--	4,622,118
Communication services taxes					1,742,117	--	1,742,117
Grants and contributions not restricted to specific programs					8,513,389	--	8,513,389
Unrestricted investment earnings					600,437	162,599	763,036
Miscellaneous					629,985	658	630,643
Gain on sale of assets					52,925	53,013	105,938
Total general revenues and transfers					66,307,545	216,270	66,523,815
Change in net assets					8,598,827	(37,331)	8,561,496
Net assets - beginning					168,584,498	11,811,316	180,395,814
Net assets - ending					\$ 177,183,325	\$ 11,773,985	\$ 188,957,310

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

Santa Rosa County, Florida

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2009

ASSETS	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 10,304,350	\$ 10,239,753	\$ 6,042,230	\$ 1,885,574	\$ 2,858,990	\$ 19,258,177	\$ 50,589,074
Investments	5,982,373	--	--	--	--	199,589	6,181,962
Receivables, net of uncollectibles							
Accounts	93,516	7,035	496,309	--	--	173,710	770,570
Leases - current	485,185	--	--	--	--	--	485,185
Due from other governments	1,012,117	867,423	--	--	1,555,837	744,844	4,180,221
Due from other funds	419,693	142,500	3,300,000	--	--	243	3,862,436
Advances to other funds	--	76,997	--	--	--	--	76,997
Inventory	147,724	321,615	--	--	--	--	469,339
Prepaid assets	265,417	--	--	--	--	28,468	293,885
Total assets	<u>\$ 18,710,375</u>	<u>\$ 11,655,323</u>	<u>\$ 9,838,539</u>	<u>\$ 1,885,574</u>	<u>\$ 4,414,827</u>	<u>\$ 20,405,031</u>	<u>\$ 66,909,669</u>
LIABILITIES							
Accounts payable	\$ 1,092,864	\$ 379,008	\$ --	\$ --	\$ 869,324	\$ 453,580	\$ 2,794,776
Contracts payable	--	--	--	--	492,659	--	492,659
Deferred credits	--	204,322	--	--	--	--	204,322
Accrued wages payable	1,525,650	--	--	--	--	136,920	1,662,570
Deposits	287,463	--	--	--	--	--	287,463
Unearned revenue	306,598	--	--	--	--	76,512	383,110
Due to other funds	243	--	--	3,300,000	--	562,193	3,862,436
Due to other governments	308,735	--	--	--	--	--	308,735
Advance payable to other funds	--	--	--	--	--	76,997	76,997
Total liabilities	<u>3,521,553</u>	<u>583,330</u>	<u>--</u>	<u>3,300,000</u>	<u>1,361,983</u>	<u>1,306,202</u>	<u>10,073,068</u>
FUND BALANCES							
Fund balances							
Reserved	1,749,180	4,402,991	--	--	--	6,713,997	12,866,168
Unreserved, reported in:							
General fund	13,439,642	--	--	--	--	--	13,439,642
Special revenue funds	--	6,669,002	9,838,539	(1,414,426)	--	8,796,475	23,889,590
Debt service fund	--	--	--	--	--	156,178	156,178
Capital project funds	--	--	--	--	3,052,844	3,273,640	6,326,484
Permanent fund	--	--	--	--	--	158,539	158,539
Total fund balances	<u>15,188,822</u>	<u>11,071,993</u>	<u>9,838,539</u>	<u>(1,414,426)</u>	<u>3,052,844</u>	<u>19,098,829</u>	<u>56,836,601</u>
Total liabilities and fund balances	<u>\$ 18,710,375</u>	<u>\$ 11,655,323</u>	<u>\$ 9,838,539</u>	<u>\$ 1,885,574</u>	<u>\$ 4,414,827</u>	<u>\$ 20,405,031</u>	<u>\$ 66,909,669</u>

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

Santa Rosa County, Florida

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

September 30, 2009

Total Governmental Funds Balances	\$ 56,836,601
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Prior periods' investment in capital assets	212,519,267
Less accumulated depreciation	(77,056,057)
Current period investment in capital assets	18,517,872
Current period depreciation	(8,909,759)
Current period loss on disposal of capital assets	(30,483)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Revenue bonds	(2,082,500)
Notes payable	(3,171,870)
Compensated absences	(8,271,046)
Special assessment notes payable	(7,526,784)
Interest payable	(97,295)
Current period revenue bond payments	220,000
Current period note payments	636,650
Current period change in compensated absences	(15,213)
Current period special assessment note payments	1,613,624
Current period debt proceeds	(5,194,500)
Current period increase in other post employment benefits liability	(1,428,188)
Internal service funds are used by management to charge the costs of providing insurance coverage to individual funds and therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	
Assets	5,337,236
Liabilities	(4,714,230)
Net Assets of Governmental Activities	<u><u>\$ 177,183,325</u></u>

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

Santa Rosa County, Florida

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

Year ended September 30, 2009

	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 47,366,793	\$ 8,124,004	\$ --	\$ --	\$ --	\$ 1,020,012	\$ 56,510,809
Permits, fees and special assessments	1,073,398	--	5,807,671	--	--	6,080,867	12,961,936
Intergovernmental	10,135,972	4,192,157	--	1,587,000	6,342,510	4,325,933	26,583,572
Charges for services	7,183,080	1,444,338	--	--	--	3,981,752	12,609,170
Fines and forfeits	255,347	39,777	--	--	--	812,398	1,107,522
Miscellaneous	1,848,972	199,837	17,721	2,353	12,068	541,064	2,622,015
Total revenues	<u>67,863,562</u>	<u>14,000,113</u>	<u>5,825,392</u>	<u>1,589,353</u>	<u>6,354,578</u>	<u>16,762,026</u>	<u>112,395,024</u>
Expenditures							
Current							
General government	23,171,516	--	--	--	--	4,926,956	28,098,472
Public safety	33,441,144	--	--	--	--	8,033,945	41,475,089
Physical environment	1,197,679	359,440	--	--	--	927,857	2,484,976
Transportation	976,180	14,080,226	--	--	--	2,040,450	17,096,856
Economic environment	172,218	--	--	--	--	2,629,726	2,801,944
Human services	4,081,273	--	--	--	--	128,710	4,209,983
Culture and recreation	2,917,275	--	--	--	--	83,898	3,001,173
Capital outlay	--	--	--	--	11,415,074	444,613	11,859,687
Debt service	--	--	--	--	15,000	3,019,019	3,034,019
Total expenditures	<u>65,957,285</u>	<u>14,439,666</u>	<u>--</u>	<u>--</u>	<u>11,430,074</u>	<u>22,235,174</u>	<u>114,062,199</u>
Excess (deficiency) of revenues over expenditures	1,906,277	(439,553)	5,825,392	1,589,353	(5,075,496)	(5,473,148)	(1,667,175)
Other financing sources (uses)							
Transfers in	2,470,245	1,621,820	--	--	3,505,036	5,374,985	12,972,086
Transfers out	(2,883,585)	(300,984)	(4,609,921)	--	(15,400)	(5,162,196)	(12,972,086)
New debt issuance	--	--	--	--	3,000,000	2,194,500	5,194,500
Total other financing sources (uses)	<u>(413,340)</u>	<u>1,320,836</u>	<u>(4,609,921)</u>	<u>--</u>	<u>6,489,636</u>	<u>2,407,289</u>	<u>5,194,500</u>
Net change in fund balances	1,492,937	881,283	1,215,471	1,589,353	1,414,140	(3,065,859)	3,527,325
Fund balances, beginning of year	13,652,047	10,148,972	8,623,068	(3,003,779)	1,638,704	22,164,688	53,223,700
Change in reserve for inventory	43,838	41,738	--	--	--	--	85,576
Fund balances, end of year	<u>\$ 15,188,822</u>	<u>\$ 11,071,993</u>	<u>\$ 9,838,539</u>	<u>\$ (1,414,426)</u>	<u>\$ 3,052,844</u>	<u>\$ 19,098,829</u>	<u>\$ 56,836,601</u>

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

Santa Rosa County, Florida

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

For the year ended September 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 3,527,325

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

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

Current period investment in capital assets	18,517,872
Current period depreciation	(8,909,759)
Current period loss on disposal of capital assets	(30,483)

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

Change in interest payable	(39,988)
----------------------------	----------

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

Current period change in compensated absences	(15,213)
Current period note payments	636,650
Current period revenue bond payments	220,000
Current period special assessment note payments	1,613,624
Current period debt proceeds	(5,194,500)
Current period increase in other post employment benefits liability	(1,428,188)

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

(384,089)

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

Change in reserve for inventory	85,576
---------------------------------	--------

Change in Net Assets of Governmental Activities \$ 8,598,827

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

Santa Rosa County, Florida

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

September 30, 2009

ASSETS	Business-type Activities				Governmental
	Major Funds		Non-Major Fund		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Current assets:					
Cash and cash equivalents	\$ 1,869,411	\$ 3,678,166	\$ 465,728	\$ 6,013,305	\$ 4,719,875
Investments	--	--	--	--	586,754
Accounts receivable	274,097	407,744	6,536	688,377	24,589
Inventory	--	--	--	--	--
Total current assets	<u>2,143,508</u>	<u>4,085,910</u>	<u>472,264</u>	<u>6,701,682</u>	<u>5,331,218</u>
Noncurrent assets					
Restricted investments	--	3,617,674	--	3,617,674	--
Deferred charges	--	30,399	--	30,399	--
Capital assets, net of accumulated depreciation	8,930,008	6,417,075	3,347,981	18,695,064	6,018
Total noncurrent assets	<u>8,930,008</u>	<u>10,065,148</u>	<u>3,347,981</u>	<u>22,343,137</u>	<u>6,018</u>
Total assets	<u>\$ 11,073,516</u>	<u>\$ 14,151,058</u>	<u>\$ 3,820,245</u>	<u>\$ 29,044,819</u>	<u>\$ 5,337,236</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 77,666	\$ 89,329	\$ 6,127	\$ 173,122	\$ 1,137,483
Contracts payable	26,300	--	--	26,300	--
Current portion of claims payable	--	--	--	--	1,932,455
Accrued wages payable	18,744	62,288	--	81,032	9,653
Due to other governments	--	--	1,272	1,272	--
Compensated absences - current portion	50,000	160,000	--	210,000	25,000
Revenue bonds - current	--	232,500	--	232,500	--
Note payable - current	367,885	--	--	367,885	--
Accrued interest	--	14,151	--	14,151	--
Deposits	9,700	32,899	300	42,899	--
Current portion of landfill closure costs	--	210,830	--	210,830	--
Total current liabilities	<u>550,295</u>	<u>801,997</u>	<u>7,699</u>	<u>1,359,991</u>	<u>3,104,591</u>
Noncurrent liabilities					
Long term portion of compensated absences	68,206	175,227	--	243,433	90,348
Long term portion of claims payable	--	--	--	--	1,514,759
Long term portion of landfill closure costs	--	8,970,406	--	8,970,406	--
Revenue bonds payable - net of discount	5,101,737	1,556,705	--	6,658,442	--
OPEB liability	9,437	29,125	--	38,562	4,532
Total noncurrent liabilities	<u>5,179,380</u>	<u>10,731,463</u>	<u>--</u>	<u>15,910,843</u>	<u>1,609,639</u>
Total liabilities	<u>5,729,675</u>	<u>11,533,460</u>	<u>7,699</u>	<u>17,270,834</u>	<u>4,714,230</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,460,386	4,627,870	3,347,981	11,436,237	6,018
Restricted for debt service	--	53,215	--	53,215	--
Restricted for landfill closure	--	3,564,459	--	3,564,459	--
Unrestricted	1,883,455	(5,627,946)	464,565	(3,279,926)	616,988
Total net assets	<u>5,343,841</u>	<u>2,617,598</u>	<u>3,812,546</u>	<u>11,773,985</u>	<u>623,006</u>
Total liabilities and net assets	<u>\$ 11,073,516</u>	<u>\$ 14,151,058</u>	<u>\$ 3,820,245</u>	<u>\$ 29,044,819</u>	<u>\$ 5,337,236</u>

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

Santa Rosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
Year ended September 30, 2009

	Business-type Activities				Governmental
	Major Funds		Non-Major Fund		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Operating revenues					
Permits, fees and special assessments	\$ --	\$ 10,018	\$ --	\$ 10,018	\$ --
Charges for services	1,892,873	4,306,695	204,100	6,403,668	2,203,771
Insurance proceeds	--	--	--	--	665,133
Miscellaneous	--	387	271	658	1,943
Total operating revenues	<u>1,892,873</u>	<u>4,317,100</u>	<u>204,371</u>	<u>6,414,344</u>	<u>2,870,847</u>
Operating expenses					
Personal services	581,722	1,949,702	--	2,531,424	264,691
Contract services	29,535	207,708	1,700	238,943	52,721
Supplies	146,610	47,660	912	195,182	18,062
Repairs and maintenance	227,973	329,634	16,519	574,126	725
Utilities	320,327	85,720	16,140	422,187	1,438
Depreciation	522,357	607,479	331,069	1,460,905	--
Travel and per diem	60	33,790	--	33,850	--
Insurance	9,480	17,480	--	26,960	76,801
Communications	5,599	14,719	620	20,938	1,885
Advertising	841	1,145	--	1,986	--
Fuel and oil	8,824	279,433	--	288,257	--
Rentals	--	972	--	972	--
Landfill closure and maintenance	--	408,730	--	408,730	--
Claims	--	--	--	--	2,813,056
State assessment	--	--	--	--	60,790
Miscellaneous	4,486	15,264	--	19,750	14,157
Total operating expenses	<u>1,857,814</u>	<u>3,999,436</u>	<u>366,960</u>	<u>6,224,210</u>	<u>3,304,326</u>
Operating income (loss)	35,059	317,664	(162,589)	190,134	(433,479)
Non-operating revenues (expenses)					
Investment income	13,426	147,404	1,769	162,599	49,390
Interest expense	(222,436)	(94,802)	(50,449)	(367,687)	--
Sale of recycled materials	--	53,013	--	53,013	--
Gain (loss) on sale of equipment	(415)	(3,272)	--	(3,687)	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(15,175)	--	(15,175)	--
Total non-operating revenues (expenses)	<u>(209,425)</u>	<u>27,168</u>	<u>(48,680)</u>	<u>(230,937)</u>	<u>49,390</u>
Income (loss) before transfers	(174,366)	344,832	(211,269)	(40,803)	(384,089)
Capital contribution	4,472	--	(1,000)	3,472	--
Change in net assets	(169,894)	344,832	(212,269)	(37,331)	(384,089)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 5,343,841</u>	<u>\$ 2,617,598</u>	<u>\$ 3,812,546</u>	<u>\$ 11,773,985</u>	<u>\$ 623,006</u>

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

Santa Rosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended September 30, 2009

	Business-type Activities			Total Enterprise Funds	Governmental Activities
	Major Funds		Non-Major Fund		Internal Service Fund
	Navarre Beach	Landfill	Peter Prince Field		
Cash flows from operating activities					
Cash received from customers	\$ 2,046,982	\$ 4,417,081	\$ 203,063	\$ 6,667,126	\$ 1,943
Cash paid to suppliers	(935,862)	(1,065,665)	883,670	(1,117,857)	(164,351)
Cash paid to employees	(556,966)	(1,898,166)	--	(2,455,132)	(252,281)
Cash received from interfund services provided	--	--	--	--	2,869,715
Cash paid for internal services provided	--	--	--	--	(2,460,190)
Net cash provided (used) by operating activities	<u>554,154</u>	<u>1,453,250</u>	<u>1,086,733</u>	<u>3,094,137</u>	<u>(5,164)</u>
Cash flows from noncapital financing activities					
Repayment of loans from other funds	--	300,000	--	300,000	--
Sale of recycled materials	--	53,013	--	53,013	--
Loans to other funds	--	--	(365,000)	(365,000)	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Net cash provided (used) by noncapital financing activities	<u>--</u>	<u>293,013</u>	<u>(365,000)</u>	<u>(71,987)</u>	<u>--</u>
Cash flows from capital and related financing activities					
Federal/State grants	4,472	--	(425)	4,047	--
Purchases of capital assets	(34,404)	(379,039)	--	(413,443)	--
Principal paid on capital debt	(354,352)	(220,000)	(218,453)	(792,805)	--
Interest paid on capital debt	(222,436)	(96,362)	(51,270)	(370,068)	--
Net cash provided (used) by capital and related financing activities	<u>(606,720)</u>	<u>(695,401)</u>	<u>(270,148)</u>	<u>(1,572,269)</u>	<u>--</u>
Cash flows from investing activities					
Interest and dividends	13,426	147,404	1,769	162,599	49,390
Net sale (purchase) of investments	799,595	(240,405)	--	559,190	2,724,477
Net cash provided (used) by investing activities	<u>813,021</u>	<u>(93,001)</u>	<u>1,769</u>	<u>721,789</u>	<u>2,773,867</u>
Net increase (decrease) in cash and cash equivalents	760,455	957,861	453,354	2,171,670	2,768,703
Cash and cash equivalents at beginning of year	1,108,956	2,720,305	12,374	3,841,635	1,951,172
Cash and cash equivalents at end of year	<u>\$ 1,869,411</u>	<u>\$ 3,678,166</u>	<u>\$ 465,728</u>	<u>\$ 6,013,305</u>	<u>\$ 4,719,875</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 35,059	\$ 317,664	\$ (162,589)	\$ 190,134	\$ (433,479)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	522,357	607,479	331,069	1,460,905	1,438
Landfill closure costs	--	408,730	--	408,730	--
Changes in assets and liabilities:					
Accounts receivable	(44,421)	119,073	(1,608)	73,044	811
Due from other governments	197,250	--	--	197,250	--
Due to other governments	--	--	915,400	915,400	1,900
Accounts payable	(182,127)	(32,140)	4,161	(210,106)	391,804
Accrued compensation	2,302	14,849	--	17,151	2,339
Compensated absences	13,017	7,562	--	20,579	5,539
OPEB liability	9,437	29,125	--	38,562	4,532
Claims payable	--	--	--	--	19,952
Deposits	1,280	(19,092)	300	(17,512)	--
Net cash provided (used) by operating activities	<u>\$ 554,154</u>	<u>\$ 1,453,250</u>	<u>\$ 1,086,733</u>	<u>\$ 3,094,137</u>	<u>\$ (5,164)</u>
Noncash Investing, Capital and Financing Activities:					
Disposal of assets	\$ 415	\$ 3,272	\$ -	\$ 3,687	\$ -
Amortized bond refunding costs	-	15,175	-	15,175	-
Amortized deferred charges	-	(4,449)	-	(4,449)	-
	<u>\$ 415</u>	<u>\$ 13,998</u>	<u>\$ -</u>	<u>\$ 14,413</u>	<u>\$ -</u>

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

Santa Rosa County, Florida

STATEMENT OF FIDUCIARY NET ASSETS

September 30, 2009

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 4,206,929
Total assets	<u>\$ 4,206,929</u>
LIABILITIES	
Accounts payable	\$ 76,552
Deposits	1,375,412
Due to other governments	2,754,965
Total liabilities	<u>\$ 4,206,929</u>

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

SANTA ROSA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
GUIDE TO NOTES

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Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

Dependent Special Districts

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

Pace Property Finance Authority - The Pace Property Finance Authority (Authority) was created in 1990 by County Resolution No. 90-12 pursuant to Chapter 617 of the Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of the County. However, the Authority meets the criteria for inclusion in more than one reporting entity - Pace Water System as well as the County. GASB Statement No. 14 indicates that in these cases, judgment must be exercised by management of the reporting entities as to which reporting entity the organization should be included. The Authority has the same elected governing body as the Pace Water System. Additionally, both

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

the Authority and Pace Water System own portions of a single water/sewer system; thus, their capital assets are part of an interconnected system. Finally, the Authority's debt was issued solely to finance the Pace water/sewer system improvements. Based on these facts, management has decided to include the Authority in the combined financial statements of Pace Water System rather than as a component unit of the County.

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

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

2. Basis of Presentation - Fund Accounting

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

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

3. Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

GOVERNMENTAL FUNDS

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

The major governmental funds are:

- General Fund – This is the County’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Road and Bridge Fund – Accounts for that portion of state fuel taxes and fees designated for road improvement projects.
- Electricity Franchise Fee Fund – Accounts for the collection and distribution of Electricity Franchise Fees.
- Disaster Fund – Accounts for revenues and expenditures related to significant events such as Hurricanes Ivan, Dennis and Katrina.
- Other Capital Projects – Accounts for the purchase or construction of other capital facilities which are not financed by proprietary funds or trust funds.

Revenue Recognition

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

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

Expenditure Recognition

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

PROPRIETARY FUNDS

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the County's enterprise funds and internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The major proprietary funds are:

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

The County's only internal service fund is the Self Insurance Fund. This fund accounts for the risk management activities of the County and the other elected officials. Costs are billed to the departments and other elected officials at the actual and estimated costs of providing insurance coverage. At year-end, uncovered costs are billed to the departments, if necessary. Billings in excess of costs are credited to the departments. The policy of the County is not to eliminate interfund activity in the government-wide statement of activities.

FIDUCIARY FUNDS

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

4. Budgets and Budgetary Accounting

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

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

5. Cash and Cash Equivalents

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

6. Investments

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

7. Inventory

Inventory consists of gas, oil, automotive parts, road signs, culverts, and various other items used by the road department and insecticides used by mosquito control operations. Inventory is valued at cost (first in, first out). The cost is recorded as an expenditure at the time the inventory is purchased.

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

8. Accounting for Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The County does not capitalize interest expense on borrowings used to finance construction of capital assets, as the capitalizable interest, after netting of interest earnings, is normally insignificant.

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

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

9. Compensated Absences

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

10. Property Taxes

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

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

Property taxes levied on property valuations as of January 1, 2009, and expected to be collected during the period November 2009 through March 2010 are as follows:

General Fund	\$ 44,288,430
Road and Bridge Fund	\$ 1,838,790
Fine and Forfeiture Fund	\$ 244,210

These taxes, although measurable, are not recognized as revenue at September 30, 2009, 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.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE B - CASH AND INVESTMENTS

At September 30, 2009, the bank held deposits of \$67,179,006 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

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

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

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

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE B - CASH AND INVESTMENTS - Continued

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

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

The Investment Trust:

A short term bond fund with an investment portfolio structured to maintain safety of principal and maximize available yield through a balance of quality and diversification. As of September 30, 2009 the Investment Trust managed \$444,777,469 for 30 local governmental entities. At a price per share of \$22.5458 the Investment Trust has produced a 12-month total return of 3.806% and a market yield of 3.13%. This short term bond fund invests in U.S. Treasuries and Agency Securities, Mortgages, Commercial Paper, Asset-Backed Securities, and "A" rated Corporate Securities.

The Day to Day Fund:

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE B - CASH AND INVESTMENTS - Continued

Schedule of Cash and Investments at September 30, 2009

	<u>Carrying Amount</u>
<u>Investments</u>	
FLGIT Investment Trust Fund	\$ 10,386,390
Total Investments	<u>10,386,390</u>
 <u>Cash</u>	
Cash in Bank	24,189,977
Day to Day Trust	37,130,952
Petty Cash	<u>1,325</u>
Total Cash	<u>61,322,254</u>
Total Cash and Investments	<u>\$ 71,708,644</u>

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

Restricted investments by category and by fund are as follows:

	<u>Landfill Fund</u>
Debt service	\$ 53,215
Landfill escrow	<u>3,564,459</u>
	<u>\$ 3,617,674</u>

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS

At September 30, 2009, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 1,796,780
State of Florida – Grants	462,645
State of Florida – Taxes	922,935
Local – Taxes	474,402
Other	<u>523,459</u>
Total	<u>\$ 4,180,221</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE D – INTERFUND TRANSACTIONS

Interfund transactions for the year ended September 30, 2009 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Transfers in</u>	<u>Interfund Transfers out</u>
General fund	\$ 419,693	\$ 243	\$ 2,470,245	\$ 2,883,585
Road & Bridge fund	142,500	--	1,621,820	300,984
Electric Franchise Fee fund	3,300,000	--	--	4,609,921
Disaster fund	--	3,300,000	--	--
Other Capital Projects fund	--	--	3,505,036	15,400
Nonmajor Governmental funds	<u>243</u>	<u>562,193</u>	<u>5,374,985</u>	<u>5,162,196</u>
Total	<u>\$ 3,862,436</u>	<u>\$ 3,862,436</u>	<u>\$ 12,972,086</u>	<u>\$ 12,972,086</u>

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

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

NOTE E – RECEIVABLES

<u>Governmental</u>	<u>Accounts</u>	<u>Leases</u>	<u>Intergov- ernmental</u>	<u>Total</u>
General	\$ 93,516	\$ 485,185	\$ 1,012,117	\$ 1,590,818
Road and Bridge	7,035	--	867,423	874,458
Electric Franchise Fee	496,309	--	--	496,309
Other Capital Projects	--	--	1,555,837	1,555,837
NonMajor Govt.	173,710	--	744,844	918,554
Self Insurance	<u>24,589</u>	<u>--</u>	<u>--</u>	<u>24,589</u>
Subtotal	795,159	485,185	4,180,221	5,460,565
 <u>Business-Type</u>				
Navarre Beach	274,097	--	--	274,097
Landfill	407,744	--	--	407,744
NonMajor Business	<u>6,536</u>	<u>--</u>	<u>--</u>	<u>6,536</u>
Subtotal	<u>688,377</u>	<u>--</u>	<u>--</u>	<u>688,377</u>
Total	<u>\$ 1,483,536</u>	<u>\$ 485,185</u>	<u>\$ 4,180,221</u>	<u>\$ 6,148,942</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 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	\$ 15,537	\$ 5,515	\$ --	\$ 21,052
Construction in progress	<u>7,401</u>	<u>6,799</u>	<u>1,941</u>	<u>12,259</u>
Total capital assets not being depreciated	22,938	12,314	1,941	33,311
Other capital assets:				
Buildings	54,579	767	--	55,346
Improvements other than buildings	98,177	3,308	87	101,398
Machinery and equipment	<u>36,840</u>	<u>4,859</u>	<u>1,943</u>	<u>39,756</u>
Total capital assets being depreciated	189,596	8,934	2,030	196,500
Less accumulated depreciation for:				
Buildings	24,078	2,595	--	26,673
Improvements other than buildings	29,992	3,121	2	33,111
Machinery and equipment	<u>22,993</u>	<u>3,800</u>	<u>1,813</u>	<u>24,980</u>
Total accumulated depreciation	<u>77,063</u>	<u>9,516</u>	<u>1,815</u>	<u>84,764</u>
Total capital assets being depreciated, net	<u>112,533</u>	<u>(582)</u>	<u>215</u>	<u>111,736</u>
Governmental activities capital assets, net	<u>\$ 135,471</u>	<u>\$ 11,732</u>	<u>\$ 2,156</u>	<u>\$ 145,047</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>477</u>	<u>38</u>	<u>16</u>	<u>499</u>
Total capital assets not being depreciated	1,668	38	16	1,690
Other capital assets:				
Buildings	2,699	16	--	2,715
Improvements other than buildings	24,303	9	--	24,312
Furniture, fixtures and equipment	<u>5,619</u>	<u>402</u>	<u>166</u>	<u>5,855</u>
Total capital assets being depreciated	<u>32,621</u>	<u>427</u>	<u>166</u>	<u>32,882</u>
Less accumulated depreciation for:				
Buildings	979	141	--	1,120
Improvements other than buildings	10,356	940	--	11,296
Furniture, fixtures and equipment	<u>3,208</u>	<u>402</u>	<u>149</u>	<u>3,461</u>
Total accumulated depreciation	<u>14,543</u>	<u>1,483</u>	<u>149</u>	<u>15,877</u>
Total capital assets being depreciated, net	<u>18,078</u>	<u>(1,056)</u>	<u>17</u>	<u>17,005</u>
Business-type activities capital assets, net	<u>\$ 19,746</u>	<u>\$ (1,018)</u>	<u>\$ 33</u>	<u>\$ 18,695</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE F – CAPITAL ASSETS - Continued

Additions to accumulated depreciation do not agree with depreciation expense due to transfers of capital assets between departments or asset classes.

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government		\$ 2,653,012
Public safety		1,576,964
Physical environment		102,760
Transportation		3,268,552
Economic environment		74,986
Human services		111,010
Culture and recreation		<u>1,123,943</u>
Total governmental activities depreciation expense		<u>\$ 8,911,227</u>
Business-type activities		
Water and sewer		\$ 522,357
Landfill		607,479
Hangar rental		<u>331,069</u>
Total business-type activities depreciation expense		<u>\$ 1,460,905</u>

NOTE G- LONG-TERM DEBT

1. Changes in Long-Term Debt

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

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009	Amount Due within One Year
Governmental activities:					
Compensated absences	\$ 8,380,855	\$ 4,333,452	\$ 4,312,700	\$ 8,401,607	\$ 4,025,000
Claims payable	3,427,262	2,551,435	2,531,483	3,447,214	1,932,455
Revenue bonds	2,082,500	--	220,000	1,862,500	232,500
Notes payable	3,171,870	3,000,000	636,650	5,535,220	836,850
Special assessment notes	7,526,784	2,194,500	1,613,624	8,107,660	1,553,403
OPEB liability	--	1,733,196	300,476	1,432,720	--
	<u>\$ 24,589,271</u>	<u>\$ 13,812,583</u>	<u>\$ 9,614,933</u>	<u>\$ 28,786,921</u>	<u>\$ 8,580,208</u>
Business-type activities:					
Compensated absences	\$ 432,855	\$ 236,208	\$ 215,630	\$ 453,433	\$ 210,000
Landfill closure costs	8,772,506	408,730	--	9,181,236	210,830
Revenue bonds	2,082,500	--	220,000	1,862,500	232,500
Notes payable	6,042,426	--	572,803	5,469,623	367,885
OPEB liability	--	38,562	--	38,562	--
	<u>\$ 17,330,287</u>	<u>\$ 683,500</u>	<u>\$ 1,008,433</u>	<u>\$ 17,005,354</u>	<u>\$ 1,021,215</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE G - LONG-TERM DEBT – Continued

Unamortized bond discounts totaling \$5,747 and deferred losses on refunding of bonds totaling \$67,549 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$30,399 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, 2009 are comprised of the following:

General government - notes payable

\$3,700,000 note payable to bank for the acquisition and construction of facilities at the Pace Athletic Field. The note is due in 36 quarterly payments of \$90,763 to \$187,521 plus interest at 3.43%, secured by non-ad valorem revenues.	1,359,387
\$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.	139,286
\$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.	1,036,547
\$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.	2,240,178

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE G - LONG-TERM DEBT - Continued

\$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.	433,333
\$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.	344,424
\$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.	10,161
\$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.	98,006
\$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.	28,227
\$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.	290,614
\$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.	284,506

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE G - 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.	142,543
\$324,500 special assessment note payable to bank for the construction of infrastructure improvements for Central Parkway MSBU. The note is due in 36 quarterly payments of \$7,112 to \$11,146 plus interest at 5.14% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	302,752
\$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.	1,396,099
\$770,000 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 32 quarterly payments of \$20,860 to \$27,664 plus interest at 3.83% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	728,321
\$500,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Bernath Place MSBU. The note is due in 36 quarterly payments of \$11,686 to \$16,363 plus interest at 3.98% with final payment due in 2018. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	500,000
\$600,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Santa Rosa Shores MSBU. The note is due in 40 quarterly payments of \$12,432 to \$17,890 payments plus interest at 3.75% with final payment due in 2019. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	600,000

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE G - LONG-TERM DEBT - Continued

\$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. 108,496

\$3,000,000 capital improvement revenue note to bank for the jail expansion project. The note is due in 26 quarterly payments of \$111,111 and one payment of \$111,114 plus interest at 3.98% with final payment due in 2016 secured by non-ad valorem revenues. 3,000,000

General government - bonds payable

\$6,535,000 Capital Improvement Refunding Revenue Bonds, Series 2000-4.5 – 4.875% serial bonds due in annual installments of \$55,000 to \$610,000 from 2001 through 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. 1,862,500

Total general government bonds and notes payable \$ 15,505,380

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. 5,469,623

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. 1,862,500

Total proprietary fund type bonds and note payable \$ 7,332,123

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE G - LONG-TERM DEBT - Continued

3. Debt Service Requirements

The annual requirements to amortize all bonds and notes outstanding at September 30, 2009 are as follows:

Governmental activities:

Year ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,622,753	\$ 597,915	\$ 3,220,668
2011	2,741,695	496,106	3,237,801
2012	2,776,331	393,560	3,169,891
2013	1,694,894	295,608	1,990,502
2014	1,531,847	230,761	1,762,608
2015-2019	3,362,163	432,967	3,795,130
2020-2024	<u>775,697</u>	<u>104,384</u>	<u>880,081</u>
	<u>\$ 15,505,380</u>	<u>\$ 2,551,301</u>	<u>\$ 18,056,681</u>

Business-type activities:

Year ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 600,385	\$ 302,480	\$ 902,865
2011	624,435	278,459	902,894
2012	651,029	253,722	904,751
2013	674,148	226,642	900,790
2014	702,370	199,013	901,383
2015-2019	2,989,166	577,585	3,566,751
2020-2024	<u>1,090,590</u>	<u>93,741</u>	<u>1,184,331</u>
	<u>\$ 7,332,123</u>	<u>\$ 1,931,642</u>	<u>\$ 9,263,765</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, 2009, \$3.795 million of bonds are considered defeased.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE H - CONDUIT DEBT OBLIGATIONS

The County has issued certain limited-obligation debt instruments, including: 1) industrial development revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest; and 2) 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, 2009 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 9/30/2009</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	3,340,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	1,131,290
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	<u>300,000</u>	<u>243,198</u>
Total			<u>\$63,519,000</u>	<u>\$62,619,488</u>

NOTE I - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9.2 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2009, 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	62%
Central Class III Landfill	26%
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 \$7.4 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 2009. The estimated remaining lives of the Central Class I and Class III landfills are 25 and 38 years, respectively. Cost of closure and life

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE I - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - Continued

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, 2009, the Board held investments of \$3,564,459 to cover the escrow requirement of \$3,542,445. These investments are reported as restricted assets in the notes. These investments are reported as restricted assets in these financial statements. The Board expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

NOTE J - COMMITMENTS AND CONTINGENCIES

1. Retirement Plan

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

Benefit Provisions – The Florida retirement system offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans.

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

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

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE J - 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 2009, the County contributed an average of 9.85% of each qualified regular employee's gross salary, 16.53% percent of the elected officials' salary, 20.92% of each special risk employee's salary, and 10.91% for each DROP participant. The County's contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for the year. The County's contributions to the Investment Plan were equal to the legislature-mandated contribution rate, which are equal to a percentage of the members' gross monthly salary based on members' membership class. Contributions to both plans totaled \$5,322,881, \$5,304,052 and \$5,368,935 for the years ended September 30, 2009, 2008, and 2007, respectively.

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

2. Litigation

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

3. Federal and State Grants

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

NOTE K - RESERVES

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

General Fund:

Reserve for inventory	\$ 109,161
Reserve for communications	1,102,574
Reserve for animal services education	43,581
Reserve for boating improvements	<u>493,864</u>
	1,749,180

Road and Bridge Fund:

Reserve for Navarre Beach Bridge maintenance	4,004,379
Reserve for inventory	321,615
Reserve for long-term intergovernmental receivable	<u>76,997</u>
	4,402,991

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE K - RESERVES - Continued

Nonmajor Governmental Funds:

Reserve for forfeited property	86,104
Reserve for crime prevention	192,881
Reserve for domestic violence	77,624
Reserve for court innovations	93,837
Reserve for law library	28,054
Reserve for tourist development	1,801,967
Reserve for gas and oil preservation	3,551,667
Reserve for court technology	373,972
Reserve for hurricane housing recovery	614
Reserve for records modernization trust fund	434,574
Reserve for law enforcement training	<u>72,703</u>
	<u>6,713,997</u>

Total Governmental Funds \$ 12,866,168

NOTE L - RISK MANAGEMENT

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

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

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

- Boats
- Employee Fidelity
- Buildings and Contents, \$10,000 deductible
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE L - RISK MANAGEMENT - Continued

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 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 \$3,447,214 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 5.5 to 8 percent. The undiscounted liability of these structured settlements is \$3,123,571. These liabilities are reported at their present value of \$1,557,734 at September 30, 2009.

Changes in the Fund's claims liability amount in fiscal years 2008 and 2009 were as follows:

	Beginning-of- Fiscal-Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	<u>Claim Payments</u>	Balance at Fiscal <u>Year-End</u>
2007 - 2008	\$ 2,730,499	\$ 2,537,456	\$ 1,840,693	\$ 3,427,262
2008 - 2009	\$ 3,427,262	\$ 2,813,056	\$ 2,793,104	\$ 3,447,214

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

Current claims payable	\$ 1,889,480
Current claims – structured settlements	<u>42,975</u>
Total claims payable, current	1,932,455
Long-term claims – structured settlements	<u>1,514,759</u>
Total claims payable	<u>\$ 3,447,214</u>

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE M – POST EMPLOYMENT HEALTH CARE BENEFITS

Effective for the 2009 fiscal year, the County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits provided by the County. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$12,695,000 at October 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

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

Funding Policy – The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2009 fiscal year, 148 retirees and eligible dependents received postemployment health care benefits. The County provided required contributions of \$305,718 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees insurance net of retiree contributions totaling \$465,133. Required contributions are based on projected pay-as-you-go financing which differ from the Annual Required Contribution.

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

Description	Health Insurance
Normal Cost (service cost for one year)	\$ 1,043,000
Amortization of Unfunded Actuarial Accrued Liability	<u>734,000</u>
Annual Required Contribution	1,777,000
Interest on Net OPEB Obligation	--
Adjustment to Annual Required Contribution	<u>--</u>
Annual OPEB Cost (expense)	1,777,000
Contribution Towards the OPEB Cost	<u>(305,718)</u>
Increase in Net OPEB Obligation	1,471,282
Net OPEB Obligation, Beginning of Year	--
Net OPEB Obligation, End of Year	<u>\$ 1,471,282</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE M – POST EMPLOYMENT HEALTH CARE BENEFITS – Continued

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2009 (first year of implementation), was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB</u>	<u>Percentage Of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning balance, October 1, 2008	\$ --		\$ --
2008-2009	1,777,000	5.9%	1,471,282

Funded Status and Funding Progress – As of October 1, 2008, the date of the actuarial valuation, the actuarial accrued liability was \$12,695,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$12,695,000. Amortization of the accrued liability for the year ended September 30, 2009 was \$734,000.

As of September 30, 2009, the actuarial accrued liability for benefits was \$11,961,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$11,961,000. The covered payroll (annual payroll of active participating employees) was \$46,801,081 for the 2008-2009 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26%.

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

The County’s initial OPEB actuarial valuation as of October 1, 2008, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of September 30, 2009 and the estimate the County’s 2008-2009 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4% rate of return on invested assets which is the County’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also include a payroll growth of 3% per year, and an annual healthcare cost trend rate of 9.5% initially for the 08-09 fiscal year, reduced by 1 percent per year to an ultimate rate of 5.5% after 5 years. The unfunded actuarial accrued liability is being amortized as both a level dollar and a level percentage of projected payroll growth. The remaining amortization period at September 30, 2009 is 29 years.

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

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE N - COMPLIANCE AND ACCOUNTABILITY

Accumulated Deficits

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

REQUIRED SUPPLEMENTAL INFORMATION

Santa Rosa County, Florida

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

Year ended September 30, 2009

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 47,437,410	\$ 47,437,410	\$ 47,366,793
Permits, fees and special assessments	1,729,000	1,729,000	1,073,398
Intergovernmental	9,789,820	10,445,105	10,135,972
Charges for services	6,055,833	6,227,346	7,183,080
Fines and forfeits	307,620	307,620	255,347
Miscellaneous	1,979,240	2,032,671	1,848,972
Total revenues	<u>67,298,923</u>	<u>68,179,152</u>	<u>67,863,562</u>
Expenditures			
Current			
General government	23,013,503	24,583,472	23,171,516
Public safety	35,117,265	35,224,643	33,441,144
Physical environment	1,309,000	1,309,000	1,197,679
Transportation	993,390	993,390	976,180
Economic environment	198,870	198,870	172,218
Human services	3,924,790	3,924,790	4,081,273
Culture and recreation	2,830,555	3,137,375	2,917,275
Reserve for contingencies	--	32,802	--
Total expenditures	<u>67,387,373</u>	<u>69,404,342</u>	<u>65,957,285</u>
Excess (deficiency) of revenues over expenditures	(88,450)	(1,225,190)	1,906,277
Other financing sources (uses)			
Transfers in	16,500	282,558	2,470,245
Transfers out	(345,115)	(2,883,585)	(2,883,585)
Total other financing sources (uses)	<u>(328,615)</u>	<u>(2,601,027)</u>	<u>(413,340)</u>
Net change in fund balances	(417,065)	(3,826,217)	1,492,937
Fund balance, beginning of year	1,857,325	5,001,207	13,652,047
Change in reserve for inventory	--	--	43,838
Fund balance, end of year	<u>\$ 1,440,260</u>	<u>\$ 1,174,990</u>	<u>\$ 15,188,822</u>

Santa Rosa County, Florida

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

Year ended September 30, 2009

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 8,213,580	\$ 8,213,580	\$ 8,124,004
Intergovernmental	2,991,550	5,171,722	4,192,157
Charges for services	--	30,000	1,444,338
Fines and forfeits	--	--	39,777
Miscellaneous	366,420	366,420	199,837
Total revenues	<u>11,571,550</u>	<u>13,781,722</u>	<u>14,000,113</u>
Expenditures			
Current			
Physical environment	--	530,000	359,440
Transportation	11,320,640	16,259,025	14,080,226
Reserve for contingencies	205,156	81,431	--
Total expenditures	<u>11,525,796</u>	<u>16,870,456</u>	<u>14,439,666</u>
Excess (deficiency) of revenues over expenditures	45,754	(3,088,734)	(439,553)
Other financing sources (uses)			
Transfers in	46,236	1,626,820	1,621,820
Transfers out	--	(300,984)	(300,984)
Total other financing sources (uses)	<u>46,236</u>	<u>1,325,836</u>	<u>1,320,836</u>
Net change in fund balances	91,990	(1,762,898)	881,283
Fund balance, beginning of year	--	1,854,888	10,148,972
Change in reserve for inventory	--	--	41,738
Fund balance, end of year	<u>\$ 91,990</u>	<u>\$ 91,990</u>	<u>\$ 11,071,993</u>

Santa Rosa County, Florida

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

Year ended September 30, 2009

	Original Budget	Final Budget	Actual
Revenues			
Permits, fees and special assessments	\$ 5,130,000	\$ 5,130,000	\$ 5,807,671
Miscellaneous	--	--	17,721
Total revenues	5,130,000	5,130,000	5,825,392
Expenditures			
Current	--	--	--
Total expenditures	--	--	--
Excess (deficiency) of revenues over expenditures	5,130,000	5,130,000	5,825,392
Other financing sources (uses)			
Transfer out	(2,052,000)	(4,609,921)	(4,609,921)
Total other financing sources (uses)	(2,052,000)	(4,609,921)	(4,609,921)
Net change in fund balances	3,078,000	520,079	1,215,471
Fund balance, beginning of year	--	8,664,518	8,623,068
Fund balance, end of year	\$ 3,078,000	\$ 9,184,597	\$ 9,838,539

Santa Rosa County, Florida

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

Year ended September 30, 2009

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ --	\$ 1,587,000
Miscellaneous	--	--	2,353
Total revenues	--	--	1,589,353
Expenditures			
Current			
Total expenditures	--	--	--
Net change in fund balances	--	--	1,589,353
Fund balance, beginning of year	--	--	(3,003,779)
Fund balance, end of year	\$ --	\$ --	\$ (1,414,426)

Santa Rosa County, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OTHER CAPITAL PROJECTS**

Year ended September 30, 2009

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 9,852,397	\$ 6,342,510
Miscellaneous	--	--	12,068
Total revenues	--	9,852,397	6,354,578
Expenditures			
Capital outlay	--	17,556,668	11,415,074
Debt service	--	15,000	15,000
Total expenditures	--	17,571,668	11,430,074
Excess (deficiency) of revenues over expenditures	--	(7,719,271)	(5,075,496)
Other financing sources (uses)			
Transfers in	--	3,505,036	3,505,036
Transfers out	--	(15,400)	(15,400)
Proceeds from new debt	--	4,000,000	3,000,000
Total other financing sources (uses)	--	7,489,636	6,489,636
Net change in fund balances	--	(229,635)	1,414,140
Fund balance, beginning of year	--	1,638,704	1,638,704
Fund balance, end of year	\$ --	\$ 1,409,069	\$ 3,052,844

Santa Rosa County, Florida

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

Year ended September 30, 2009

	Actuarial Valuation Date 10/1/2008
<u>Schedule of Funding Progress</u>	
1. Currently retirees liability	\$ 10,436,000
2. Active employees	2,259,000
3. Actuarial Accrued Liability	<u>12,695,000</u>
4. Actuarial Value of Assets	--
5. Unfunded Actuarial Accrued Liability	<u>12,695,000</u>
6. Funded Ratio (4. divided by 3.)	0%
7. Annual Covered Payroll	<u>\$ 46,801,081</u>
8. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	27%
<u>Schedule of Employer Contributions</u>	Fiscal Year Ended <u>9/30/09</u>

This is the first year that the ARC calculation has been completed.

Santa Rosa County, Florida
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
September 30, 2009

BUDGETARY INFORMATION

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.

A budget was not adopted for the Disaster fund for the year ending September 30, 2009. This fund is used to account for the revenues and expenditures relating to significant events such as hurricanes.



O'SULLIVAN CREEL, LLP

Certified Public Accountants & Consultants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2009, and have issued our report thereon dated March 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Santa Rosa County, Florida'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 Santa Rosa County, Florida's financial statements that is more than inconsequential will not be prevented or detected by Santa Rosa County, Florida's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting:

2009-01 – Year End Financial Reporting Process

Criteria or specific requirement

The County 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, due from other units, and accounts payable) 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. Also certain accounts payable balances were not recorded at year-end.

Recommendation

We encourage the County 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 County 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 Santa Rosa County, Florida's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do not believe that the significant deficiency described above is a material weaknesses.

Compliance and Other Matters

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

Santa Rosa County, Florida's response to the finding identified in our audit is included above. We did not audit Santa Rosa County, Florida's response and accordingly, we express no opinion on it.

As required by provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 30, 2010, which should be considered in assessing the results of our audit.

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

O'Sullivan Creel, LLP

March 30, 2010

MANAGEMENT LETTER

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 30, 2010.

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, 2010, 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 governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter. Items under Chapter 10.554 (1) (i) 1-5, Rules of the Auditor General, are addressed in the separately issued management letters of the Board of County Commissioners, Sheriff, Clerk, Tax Collector, Property Appraiser and Supervisor of Elections. For the County as a whole, items under the Rules of the Auditor General Chapter 10.554 (1) (i) 7 are addressed as follows:

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 7. a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that Santa Rosa County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes. Although Santa Rosa County, Florida reported deficit unrestricted fund balance in the disaster fund of \$1,414,426 as of September 30, 2009, unreserved fund balance is available in the General Fund in an amount sufficient to cover the reported deficit unrestricted fund balance in the disaster fund.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 7. b.), we determined that the annual financial report for Santa Rosa County, Florida for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 7. c.), the scope of our audit included the use of financial condition assessment procedures. It is management's responsibility to monitor Santa Rosa County, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same

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

O'Sullivan Creel, LLP

March 30, 2010

**Annual Audit Report
County-Wide
Santa Rosa County, Florida
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
September 30, 2009**

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

BOARD OF COUNTY COMMISSIONERS

**SANTA ROSA COUNTY, FLORIDA
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2009

BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2009

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BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2009

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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, 2009, 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, 2009, 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, 2010 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 37 through 41 and the schedule of funding progress on page 42 are 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, 2010

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

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

September 30, 2009

ASSETS	Major Funds					Non-major	Total
	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Capital Projects	Other Governmental Funds	Governmental Funds
Cash and cash equivalents	\$ 5,896,539	\$ 10,239,753	\$ 6,042,230	\$ 1,885,574	\$ 2,858,990	\$ 17,289,808	\$ 44,212,894
Investments	5,982,373	--	--	--	--	199,589	6,181,962
Receivables, net of uncollectibles							
Accounts	60,273	7,035	496,309	--	--	130,410	694,027
Leases - current	485,185	--	--	--	--	--	485,185
Due from other governments	4,052,714	867,423	--	--	1,555,837	695,914	7,171,888
Due from other funds	300,155	142,500	3,300,000	--	--	--	3,742,655
Advances to other funds	--	76,997	--	--	--	--	76,997
Inventory	109,161	321,615	--	--	--	--	430,776
Prepaid items	5,625	--	--	--	--	--	5,625
Total assets	<u>\$ 16,892,025</u>	<u>\$ 11,655,323</u>	<u>\$ 9,838,539</u>	<u>\$ 1,885,574</u>	<u>\$ 4,414,827</u>	<u>\$ 18,315,721</u>	<u>\$ 63,002,009</u>
LIABILITIES							
Accounts payable	\$ 434,482	\$ 379,008	\$ --	\$ --	\$ 869,324	\$ 443,543	\$ 2,126,357
Contracts payable	--	--	--	--	492,659	--	492,659
Accrued wages payable	477,660	204,322	--	--	--	17,491	699,473
Deposits	287,463	--	--	--	--	--	287,463
Unearned revenue	170,345	--	--	--	--	17,500	187,845
Due to other funds	--	--	--	3,300,000	--	442,655	3,742,655
Due to other governments	333,253	--	--	--	--	--	333,253
Advance payable to other funds	--	--	--	--	--	76,997	76,997
Total liabilities	<u>1,703,203</u>	<u>583,330</u>	<u>--</u>	<u>3,300,000</u>	<u>1,361,983</u>	<u>998,186</u>	<u>7,946,702</u>
FUND BALANCES							
Fund balances							
Reserved	1,749,180	4,402,991	--	--	--	5,832,748	11,984,919
Unreserved, reported in:							
General fund	13,439,642	--	--	--	--	--	13,439,642
Special revenue funds	--	6,669,002	9,838,539	(1,414,426)	--	7,896,430	22,989,545
Debt service fund	--	--	--	--	--	156,178	156,178
Capital project funds	--	--	--	--	3,052,844	3,273,640	6,326,484
Permanent fund	--	--	--	--	--	158,539	158,539
Total fund balances	<u>15,188,822</u>	<u>11,071,993</u>	<u>9,838,539</u>	<u>(1,414,426)</u>	<u>3,052,844</u>	<u>17,317,535</u>	<u>55,055,307</u>
Total liabilities and fund balances	<u>\$ 16,892,025</u>	<u>\$ 11,655,323</u>	<u>\$ 9,838,539</u>	<u>\$ 1,885,574</u>	<u>\$ 4,414,827</u>	<u>\$ 18,315,721</u>	<u>\$ 63,002,009</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, 2009

	Major Funds					Non-major	Total Governmental Funds
	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Capital Projects	Other Governmental Funds	
Revenues							
Taxes	\$ 47,366,793	\$ 8,124,004	\$ --	\$ --	\$ --	\$ 1,020,012	\$ 56,510,809
Permits, fees and special assessments	1,073,398	--	5,807,671	--	--	6,080,867	12,961,936
Intergovernmental	10,135,972	4,192,157	--	1,587,000	6,342,510	2,779,172	25,036,811
Charges for services	5,458,376	1,444,338	--	--	--	1,596,351	8,499,065
Fines and forfeits	255,347	39,777	--	--	--	157,143	452,267
Miscellaneous	1,812,232	199,837	17,721	2,353	12,068	253,337	2,297,548
Total revenues	66,102,118	14,000,113	5,825,392	1,589,353	6,354,578	11,886,882	105,758,436
Expenditures							
Current							
General government	19,790,675	--	--	--	--	907,265	20,697,940
Public safety	35,060,541	--	--	--	--	7,145,447	42,205,988
Physical environment	1,197,679	359,440	--	--	--	927,857	2,484,976
Transportation	976,180	14,080,226	--	--	--	2,040,450	17,096,856
Economic environment	172,218	--	--	--	--	2,629,726	2,801,944
Human services	4,081,273	--	--	--	--	128,710	4,209,983
Culture and recreation	2,917,275	--	--	--	--	83,898	3,001,173
Capital outlay	--	--	--	--	11,415,074	444,613	11,859,687
Debt service	--	--	--	--	15,000	3,019,019	3,034,019
Total expenditures	64,195,841	14,439,666	--	--	11,430,074	17,326,985	107,392,566
Excess (deficiency) of revenues over expenditures	1,906,277	(439,553)	5,825,392	1,589,353	(5,075,496)	(5,440,103)	(1,634,130)
Other financing sources (uses)							
Transfer in	2,470,245	1,621,820	--	--	3,505,036	5,374,985	12,972,086
Transfer out	(2,883,585)	(300,984)	(4,609,921)	--	(15,400)	(5,162,196)	(12,972,086)
New debt issuance	--	--	--	--	3,000,000	2,194,500	5,194,500
Total other financing sources (uses)	(413,340)	1,320,836	(4,609,921)	--	6,489,636	2,407,289	5,194,500
Net change in fund balances	1,492,937	881,283	1,215,471	1,589,353	1,414,140	(3,032,814)	3,560,370
Fund balances, beginning of year	13,652,047	10,148,972	8,623,068	(3,003,779)	1,638,704	20,350,349	51,409,361
Change in reserve for inventory	43,838	41,738	--	--	--	--	85,576
Fund balances, end of year	\$ 15,188,822	\$ 11,071,993	\$ 9,838,539	\$ (1,414,426)	\$ 3,052,844	\$ 17,317,535	\$ 55,055,307

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, 2009

	Business-type Activities				Governmental
	Major Funds		Non-major		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,869,411	\$ 3,678,166	\$ 465,728	\$ 6,013,305	\$ 4,719,875
Investments	--	--	--	--	586,754
Accounts receivable	274,097	407,744	6,536	688,377	24,589
Total current assets	<u>2,143,508</u>	<u>4,085,910</u>	<u>472,264</u>	<u>6,701,682</u>	<u>5,331,218</u>
Noncurrent assets					
Restricted investments	--	3,617,674	--	3,617,674	--
Deferred charges	--	30,399	--	30,399	--
Capital assets, net of accumulated depreciation	8,930,008	6,417,075	3,347,981	18,695,064	6,018
Total noncurrent assets	<u>8,930,008</u>	<u>10,065,148</u>	<u>3,347,981</u>	<u>22,343,137</u>	<u>6,018</u>
Total assets	<u>\$ 11,073,516</u>	<u>\$ 14,151,058</u>	<u>\$ 3,820,245</u>	<u>\$ 29,044,819</u>	<u>\$ 5,337,236</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 77,666	\$ 89,329	\$ 6,127	\$ 173,122	\$ 1,137,483
Contracts payable	26,300	--	--	26,300	--
Current portion of claims payable	--	--	--	--	1,932,455
Accrued wages payable	18,744	62,288	--	81,032	9,653
Due to other governments	--	--	1,272	1,272	--
Compensated absences - current	50,000	160,000	--	210,000	25,000
Revenue bonds - current	--	232,500	--	232,500	--
Note payable - current	367,885	--	--	367,885	--
Accrued interest	--	14,151	--	14,151	--
Deposits	9,700	32,899	300	42,899	--
Current portion of landfill closure costs	--	210,830	--	210,830	--
Total current liabilities	<u>550,295</u>	<u>801,997</u>	<u>7,699</u>	<u>1,359,991</u>	<u>3,104,591</u>
Noncurrent liabilities					
Long term portion of compensated absences	68,206	175,227	--	243,433	90,348
Long term portion of claims payable	--	--	--	--	1,514,759
Long term portion of landfill closure costs	--	8,970,406	--	8,970,406	--
Revenue bonds payable - net of discount	--	1,556,705	--	1,556,705	--
Note payable - noncurrent	5,101,737	--	--	5,101,737	--
OPEB liability	9,437	29,125	--	38,562	4,532
Total noncurrent liabilities	<u>5,179,380</u>	<u>10,731,463</u>	<u>--</u>	<u>15,910,843</u>	<u>1,609,639</u>
Total liabilities	<u>5,729,675</u>	<u>11,533,460</u>	<u>7,699</u>	<u>17,270,834</u>	<u>4,714,230</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,460,386	4,627,870	3,347,981	11,436,237	6,018
Restricted for debt service	--	53,215	--	53,215	--
Restricted for landfill closure	--	3,564,459	--	3,564,459	--
Unrestricted	1,883,455	(5,627,946)	464,565	(3,279,926)	616,988
Total net assets	<u>5,343,841</u>	<u>2,617,598</u>	<u>3,812,546</u>	<u>11,773,985</u>	<u>623,006</u>
Total liabilities and net assets	<u>\$ 11,073,516</u>	<u>\$ 14,151,058</u>	<u>\$ 3,820,245</u>	<u>\$ 29,044,819</u>	<u>\$ 5,337,236</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, 2009

	Business-type Activities				Governmental
	Major Funds		Non-major		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Operating revenues					
Licenses and permits	\$ --	\$ 10,018	\$ --	\$ 10,018	\$ --
Charges for services	1,892,873	4,306,695	204,100	6,403,668	2,203,771
Insurance proceeds	--	--	--	--	665,133
Miscellaneous	--	387	271	658	1,943
Total operating revenues	<u>1,892,873</u>	<u>4,317,100</u>	<u>204,371</u>	<u>6,414,344</u>	<u>2,870,847</u>
Operating expenses					
Personal services	581,722	1,949,702	--	2,531,424	264,691
Contract services	29,535	207,708	1,700	238,943	52,721
Supplies	146,610	47,660	912	195,182	18,062
Repairs and maintenance	227,973	329,634	16,519	574,126	725
Utilities	320,327	85,720	16,140	422,187	--
Depreciation	522,357	607,479	331,069	1,460,905	1,438
Travel and per diem	60	33,790	--	33,850	--
Insurance	9,480	17,480	--	26,960	76,801
Communications	5,599	14,719	620	20,938	1,885
Advertising	841	1,145	--	1,986	--
Fuel and oil	8,824	279,433	--	288,257	--
Rentals	--	972	--	972	--
Landfill closure and maintenance	--	408,730	--	408,730	--
Claims	--	--	--	--	2,813,056
State assessment	--	--	--	--	60,790
Miscellaneous	4,486	15,264	--	19,750	14,157
Total operating expenses	<u>1,857,814</u>	<u>3,999,436</u>	<u>366,960</u>	<u>6,224,210</u>	<u>3,304,326</u>
Operating income (loss)	35,059	317,664	(162,589)	190,134	(433,479)
Non-operating revenues (expenses)					
Investment income	13,426	147,404	1,769	162,599	49,390
Interest expense	(222,436)	(94,802)	(50,449)	(367,687)	--
Sale of recycled materials	--	53,013	--	53,013	--
Gain (loss) on sale of equipment	(415)	(3,272)	--	(3,687)	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(15,175)	--	(15,175)	--
Total non-operating revenues (expenses)	<u>(209,425)</u>	<u>27,168</u>	<u>(48,680)</u>	<u>(230,937)</u>	<u>49,390</u>
Income (loss) before capital contributions	(174,366)	344,832	(211,269)	(40,803)	(384,089)
Capital contribution	4,472	--	(1,000)	3,472	--
Change in net assets	(169,894)	344,832	(212,269)	(37,331)	(384,089)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 5,343,841</u>	<u>\$ 2,617,598</u>	<u>\$ 3,812,546</u>	<u>\$ 11,773,985</u>	<u>\$ 623,006</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, 2009**

	Business-type Activities				Governmental Activities
	Major Funds		Non-Major		
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	
Cash flows from operating activities					
Cash received from customers	\$ 2,046,982	\$ 4,417,081	\$ 203,063	\$ 6,667,126	\$ 1,943
Cash paid to suppliers	(935,862)	(1,065,665)	883,670	(1,117,857)	(164,351)
Cash paid to employees	(556,966)	(1,898,166)	--	(2,455,132)	(252,281)
Cash received from interfund services provided	--	--	--	--	2,869,715
Cash paid for internal services provided	--	--	--	--	(2,460,190)
Net cash provided (used) by operating activities	554,154	1,453,250	1,086,733	3,094,137	(5,164)
Cash flows from non capital financing activities					
Repayment of loans from other funds	--	300,000	--	300,000	--
Sale of recycled materials	--	53,013	--	53,013	--
Loans to other funds	--	--	(365,000)	(365,000)	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Net cash provided (used) by non capital financing activities	--	293,013	(365,000)	(71,987)	--
Cash flows from capital and related financing activities					
Federal/State grants	4,472	--	(425)	4,047	--
Purchases of capital assets	(34,404)	(379,039)	--	(413,443)	--
Principal paid on capital debt	(354,352)	(220,000)	(218,453)	(792,805)	--
Interest paid on capital debt	(222,436)	(96,362)	(51,270)	(370,068)	--
Net cash provided (used) by capital and related financing activities	(606,720)	(695,401)	(270,148)	(1,572,269)	--
Cash flows from investing activities					
Interest and dividends	13,426	147,404	1,769	162,599	49,390
Net sale (purchase) of investments	799,595	(240,405)	--	559,190	2,724,477
Net cash provided (used) by investing activities	813,021	(93,001)	1,769	721,789	2,773,867
Net increase (decrease) in cash and cash equivalents	760,455	957,861	453,354	2,171,670	2,768,703
Cash and cash equivalents at beginning of year	1,108,956	2,720,305	12,374	3,841,635	1,951,172
Cash and cash equivalents at end of year	\$ 1,869,411	\$ 3,678,166	\$ 465,728	\$ 6,013,305	\$ 4,719,875
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 35,059	\$ 317,664	\$ (162,589)	\$ 190,134	\$ (433,479)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	522,357	607,479	331,069	1,460,905	1,438
Landfill closure costs	--	408,730	--	408,730	--
Changes in assets and liabilities:					
Accounts receivable	(44,421)	119,073	(1,608)	73,044	811
Due to other governments	--	--	915,400	915,400	1,900
Accounts payable	(182,127)	(32,140)	4,161	(210,106)	391,804
Accrued compensation	2,302	14,849	--	17,151	2,339
Compensated absences	13,017	7,562	--	20,579	5,539
Due from other governments	197,250	--	--	197,250	--
OPEB liability	9,437	29,125	--	38,562	4,532
Claims payable	--	--	--	--	19,952
Deposits	1,280	(19,092)	300	(17,512)	--
Net cash provided (used) by operating activities	\$ 554,154	\$ 1,453,250	\$ 1,086,733	\$ 3,094,137	\$ (5,164)
Noncash Investing, Capital and Financing Activities:					
Disposal of assets	\$ 415	\$ 3,272	\$ -	\$ 3,687	\$ -
Amortized bond refunding costs	-	15,175	-	15,175	-
Amortized deferred charges	-	(4,449)	-	(4,449)	-
	\$ 415	\$ 13,998	\$ -	\$ 14,413	\$ -

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, 2009

GUIDE TO NOTES

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

The Board is considered part of the County, 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 the County taken as a whole.

Dependent Special Districts

Blackwater Soil & Water Conservation District - The Blackwater Soil & Water Conservation District (Blackwater) was created by the Florida Legislature in 1942 pursuant to Florida Statute Section 582 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, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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

Santa Rosa County Health Facilities Authority - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of the Board. The Board appoints the five (5) members of the Authority. Additionally, the Board may abolish the Authority at any time by ordinance or resolution as long as all bonded indebtedness incurred by the Authority has been paid. The Authority exists solely to assist health facilities within the County with the acquisition, construction, financing, and refinancing of projects. 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 Board, through various resolutions and interlocal agreements with the Escambia County Housing Finance Authority (ECHFA), has authorized ECHFA to allow qualified residents of the County to apply for and obtain preferential mortgages from proceeds generated by bonds issued by ECHFA. Accordingly, there is no financial activity related to the Authority to be reflected in these financial statements.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Basis of Presentation - Fund Accounting

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

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

3. Basis of Accounting

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

The major governmental funds are:

- General Fund – This is the Board’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Road and Bridge Fund – Accounts for that portion of state fuel taxes and fees designated for road improvement projects.
- 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.
- Other Capital Projects – Accounts for the purchase or construction of other capital facilities which are not financed by proprietary funds or trust funds.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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

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

The major proprietary funds are:

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

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

4. Budgets and Budgetary Accounting

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

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

5. Cash and Cash Equivalents

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

6. Investments

Investments in 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, 2009

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, 2009

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, 2009, and expected to be collected during the period November 2009 through March 2010 are as follows:

General Fund	\$ 44,288,430
Road and Bridge Fund	\$ 1,838,790
Fine and Forfeiture Fund	\$ 244,210

These taxes, although measurable, are not recognized as revenue at September 30, 2009, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

11. Landfill Closure Costs

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

12. Allowance for Uncollectible Amounts

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE B - CASH AND INVESTMENTS

At September 30, 2009, the bank held deposits of \$55,661,199 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE B - CASH AND INVESTMENTS - Continued

The Investment Trust:

A short term bond fund with an investment portfolio structured to maintain safety of principal and maximize available yield through a balance of quality and diversification. As of September 30, 2009 the Investment Trust managed \$444,777,469 for 30 local governmental entities. At a price per share of \$22.5458 the Investment Trust has produced a 12-month total return of 3.806% and a market yield of 3.13%. This short term bond fund invests in U.S. Treasuries and Agency Securities, Mortgages, Commercial Paper, Asset-Backed Securities, and "A" rated Corporate Securities.

The Day to Day Fund:

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

Schedule of Cash and Investments at September 30, 2009

	<u>Carrying Amount</u>
<u>Investments</u>	
FLGIT Investment Trust Fund	\$ 10,386,390
Total Investments	10,386,390
 <u>Cash</u>	
Cash in Bank	17,813,798
Day to Day Trust	37,130,952
Petty Cash	1,325
Total Cash	<u>54,946,075</u>
Total Cash and Investments	<u>\$ 65,332,465</u>
 <u>Financial Statement Presentation</u>	
Cash and Cash Equivalents:	
Governmental	\$ 44,212,895
Enterprise	6,013,305
Internal Service	4,719,875
Investments	
Governmental	6,181,962
Enterprise	3,617,674
Internal Service	586,754
Total Cash and Investments	<u>\$ 65,332,465</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE B - CASH AND INVESTMENTS - Continued

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

Restricted investments by category and by fund are as follows:

	<u>Landfill Fund</u>
Debt service	\$ 53,215
Landfill escrow	<u>3,564,459</u>
	<u>\$ 3,617,674</u>

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS

At September 30, 2009, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 1,796,781
State of Florida – Grants	462,645
State of Florida – Taxes	922,935
Local taxes	474,402
Other elected officials	3,245,547
Other	<u>269,578</u>
Total	<u>\$ 7,171,888</u>

NOTE D – INTERFUND TRANSACTIONS

Interfund transactions for the year ended September 30, 2009 were as follows:

	Interfund Receivable	Interfund Payable	Interfund Transfers in	Interfund Transfers out
General fund	\$ 300,155	\$ --	\$ 2,470,245	\$ 2,883,585
Road & Bridge fund	142,500	--	1,621,820	300,984
Electric Franchise Fee fund	3,300,000	--	--	4,609,921
Disaster fund	--	3,300,000	--	--
Other Capital Projects	--	--	3,505,036	15,400
Nonmajor Governmental funds	--	<u>442,655</u>	<u>5,374,985</u>	<u>5,162,196</u>
Total	<u>\$ 3,742,655</u>	<u>\$ 3,742,655</u>	<u>\$ 12,972,086</u>	<u>\$ 12,972,086</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE D – INTERFUND TRANSACTIONS - Continued

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

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

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 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	\$ 15,537	\$ 5,515	\$ --	\$ 21,052
Construction in progress	<u>7,401</u>	<u>6,800</u>	<u>1,941</u>	<u>12,260</u>
Total capital assets not being depreciated	22,938	12,315	1,941	33,312
Other capital assets:				
Buildings	54,579	767	--	55,493
Improvements other than buildings	98,177	3,308	87	101,398
Machinery and equipment	<u>25,670</u>	<u>4,393</u>	<u>881</u>	<u>29,182</u>
Total capital assets being depreciated	178,426	8,468	968	185,926
Less accumulated depreciation for:				
Buildings	24,078	2,595	--	26,673
Improvements other than buildings	29,992	3,121	2	33,111
Machinery and equipment	<u>15,395</u>	<u>2,537</u>	<u>722</u>	<u>17,210</u>
Total accumulated depreciation	<u>69,465</u>	<u>8,253</u>	<u>724</u>	<u>76,994</u>
Total capital assets being depreciated, net	<u>108,961</u>	<u>215</u>	<u>244</u>	<u>108,932</u>
Governmental activities capital assets, net	<u>\$ 131,899</u>	<u>\$ 12,530</u>	<u>\$ 2,185</u>	<u>\$ 142,244</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE E – CAPITAL ASSETS - Continued

Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,191	\$ --	\$ --	\$ 1,191
Construction in progress	<u>477</u>	<u>38</u>	<u>16</u>	<u>499</u>
Total capital assets not being depreciated	1,668	38	16	1,690
Other capital assets:				
Buildings	2,699	16	--	2,715
Improvements other than buildings	24,303	9	--	24,312
Furniture, fixtures and equipment	<u>5,619</u>	<u>402</u>	<u>166</u>	<u>5,855</u>
Total capital assets being depreciated	<u>32,621</u>	<u>427</u>	<u>166</u>	<u>32,882</u>
Less accumulated depreciation for:				
Buildings	979	141	--	1,120
Improvements other than buildings	10,356	940	--	11,296
Furniture, fixtures and equipment	<u>3,208</u>	<u>402</u>	<u>149</u>	<u>3,461</u>
Total accumulated depreciation	<u>14,543</u>	<u>1,483</u>	<u>149</u>	<u>15,877</u>
Total capital assets being depreciated, net	<u>18,078</u>	<u>(1,056)</u>	<u>17</u>	<u>17,005</u>
Business-type activities capital assets, net	<u>\$ 19,746</u>	<u>\$ (1,018)</u>	<u>\$ 33</u>	<u>\$ 18,695</u>

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

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 2,653,012
Public safety	313,815
Physical environment	102,760
Transportation	3,268,552
Economic environment	74,986
Human services	111,010
Culture and recreation	<u>1,123,943</u>
Total governmental activities depreciation expense	<u>\$ 7,648,078</u>
Business-type activities	
Water and sewer	\$ 522,357
Landfill	607,479
Hangar rental	<u>331,069</u>
Total business-type activities depreciation expense	<u>\$ 1,460,905</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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>2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2009</u>	Amount Due within <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 3,458,081	\$ 1,860,705	\$ 1,942,041	\$ 3,376,745	\$ 1,600,000
Claims payable	3,427,262	2,551,435	2,531,483	3,447,214	1,932,455
Revenue bonds	2,082,500	--	220,000	1,862,500	232,500
Notes payable	3,171,870	3,000,000	636,650	5,535,220	836,850
Special assessment notes	<u>7,526,784</u>	<u>2,194,500</u>	<u>1,613,624</u>	<u>8,107,660</u>	<u>1,553,403</u>
	<u>\$ 19,666,497</u>	<u>\$ 9,606,640</u>	<u>\$ 6,943,798</u>	<u>\$ 22,329,339</u>	<u>\$ 6,155,208</u>
Business-type activities:					
Compensated absences	\$ 432,855	\$ 236,208	\$ 215,630	\$ 453,433	\$ 210,000
Landfill closure costs	8,772,506	408,730	--	9,181,236	210,830
Revenue bonds	2,082,500	--	220,000	1,862,500	232,500
Notes payable	6,042,426	--	572,803	5,469,623	367,885
OPEB liability	<u>--</u>	<u>38,562</u>	<u>--</u>	<u>38,562</u>	<u>--</u>
	<u>\$ 17,330,287</u>	<u>\$ 683,500</u>	<u>\$ 1,008,433</u>	<u>\$ 17,005,354</u>	<u>\$ 1,021,215</u>

Unamortized bond discounts totaling \$5,747 and deferred losses on refunding of bonds totaling \$67,549 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$30,399 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, 2009 are comprised of the following:

General government - notes payable

\$3,700,000 note payable to bank for the acquisition and construction of facilities at the Pace Athletic Field. The note is due in 36 quarterly payments of \$90,763 to \$187,521 plus interest at 3.43%, secured by non-ad valorem revenues.

1,359,387

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE F - LONG-TERM DEBT - Continued

\$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.	139,286
\$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.	1,036,547
\$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.	2,240,178
\$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.	433,333
\$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.	344,424
\$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.	10,161
\$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.	98,006

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE F - LONG-TERM DEBT - Continued

\$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.	28,227
\$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.	290,614
\$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.	284,506
\$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.	142,543
\$324,500 special assessment note payable to bank for the construction of infrastructure improvements for Central Parkway MSBU. The note is due in 36 quarterly payments of \$7,112 to \$11,146 plus interest at 5.14% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	302,752
\$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.	1,396,099

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE F - LONG-TERM DEBT - Continued

\$770,000 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 32 quarterly payments of \$20,860 to \$27,664 plus interest at 3.83% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	728,321
\$500,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Bernath Place MSBU. The note is due in 36 quarterly payments of \$11,686 to \$16,363 plus interest at 3.98% with final payment due in 2018. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	500,000
\$600,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Santa Rosa Shores MSBU. The note is due in 40 quarterly payments of \$12,432 to \$17,890 payments plus interest at 3.75% with final payment due in 2019. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	600,000
\$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.	108,496
\$3,000,000 capital improvement revenue note to bank for the jail expansion project. The note is due in 26 quarterly payments of \$111,111 and one payment of \$111,114 plus interest at 3.98% with final payment due in 2016 secured by non-ad valorem revenues.	3,000,000
<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>1,862,500</u>
Total general government bonds and notes payable	<u>\$ 15,505,380</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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.

5,469,623

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.

1,862,500

Total proprietary fund type bonds and note payable

\$ 7,332,123

3. Debt Service Requirements

The annual requirements to amortize all bonds and notes outstanding at September 30, 2009 are as follows:

Governmental activities:

Year ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,622,753	\$ 597,915	\$ 3,220,668
2011	2,741,695	496,106	3,237,801
2012	2,776,331	393,560	3,169,891
2013	1,694,894	295,608	1,990,502
2014	1,531,847	230,761	1,762,608
2015-2019	3,362,163	432,967	3,795,130
2020-2024	<u>775,697</u>	<u>104,384</u>	<u>880,081</u>
	<u>\$ 15,505,380</u>	<u>\$ 2,551,301</u>	<u>\$ 18,056,681</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE F - LONG-TERM DEBT - Continued

Business-type activities:

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30,</u>			
2010	\$ 600,385	\$ 302,480	\$ 902,865
2011	624,435	278,459	902,894
2012	651,029	253,722	904,751
2013	674,148	226,642	900,790
2014	702,370	199,013	901,383
2015-2019	2,989,166	577,585	3,566,751
2020-2024	<u>1,090,590</u>	<u>93,741</u>	<u>1,184,331</u>
	<u>\$ 7,332,123</u>	<u>\$ 1,931,642</u>	<u>\$ 9,263,765</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, 2009, \$3.795 million of bonds are considered defeased.

NOTE G - CONDUIT DEBT OBLIGATIONS

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

Debt issues related to conduit financings outstanding at September 30, 2009 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 9/30/2009</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	3,340,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	1,131,290
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	<u>300,000</u>	<u>243,198</u>
Total			<u>\$63,519,000</u>	<u>\$62,619,488</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE H - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9.2 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2009, 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	62%
Central Class III Landfill	26%
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 \$7.4 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 2009. The estimated remaining lives of the Central Class I and Class III landfills are 25 and 38 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, 2009, the Board held investments of \$3,564,459 to cover the escrow requirement of \$3,542,445. 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, 2009

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

Benefit Provisions – The Florida retirement system offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans.

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

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

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

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2009, 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 Board's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for the year. The Board's contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on membership class. Contributions to both plans totaled \$1,639,475, \$1,626,925 and \$1,712,252 for the years ended September 30, 2009, 2008, and 2007, respectively.

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

2. Litigation

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

3. Federal and State Grants

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

NOTE J - RESERVES

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

General Fund:

Reserve for inventory	\$ 109,161
Reserve for communications	1,102,574
Reserve for animal services education	43,581
Reserve for boating improvements	<u>493,864</u>
	1,749,180

Road and Bridge Fund:

Reserve for Navarre Beach Bridge maintenance	4,004,379
Reserve for inventory	321,615
Reserve for long-term intergovernmental receivable	<u>76,997</u>
	4,402,991

Nonmajor Governmental Funds:

Reserve for gas and oil preservation	3,551,667
Reserve for crime prevention	192,881
Reserve for domestic violence	77,624
Reserve for forfeited property	86,104
Reserve for law library	28,054
Reserve for court innovations	93,837
Reserve for hurricane housing recovery	614
Reserve for tourist development	<u>1,801,967</u>
	<u>5,832,748</u>

Total Governmental Funds \$ 11,984,919

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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, \$10,000 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 \$3,447,214 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 \$1,557,734 at September 30, 2009.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE K - RISK MANAGEMENT - Continued

Changes in the Fund's claims liability amount in fiscal years 2008 and 2009 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>
2007 - 2008	\$ 2,730,499	\$ 2,537,456	\$ 1,840,693	\$ 3,427,262
2008 - 2009	\$ 3,427,262	\$ 2,813,056	\$ 2,793,104	\$ 3,447,214

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

Current claims payable	\$ 1,889,480
Current claims – structured settlements	<u>42,975</u>
Total claims payable, current	1,932,455
Long-term claims – structured settlements	<u>1,514,759</u>
Total claims payable	<u>\$ 3,447,214</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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS

Effective for the 2009 fiscal year, the County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits provided by the County. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$12,695,000 at October 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

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

Funding Policy – The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2009 fiscal year, 148 retirees and eligible dependents received postemployment health care benefits. The County provided required contributions of \$305,718 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees insurance net of retiree contributions totaling \$465,133. Required contributions are based on projected pay-as-you-go financing which differ from the Annual Required Contribution.

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

Description	Health Insurance
Normal Cost (service cost for one year)	\$ 1,043,000
Amortization of Unfunded Actuarial Accrued Liability	<u>734,000</u>
Annual Required Contribution	1,777,000
Interest on Net OPEB Obligation	--
Adjustment to Annual Required Contribution	<u>--</u>
Annual OPEB Cost (expense)	1,777,000
Contribution Towards the OPEB Cost	<u>(305,718)</u>
Increase in Net OPEB Obligation	1,471,282
Net OPEB Obligation, Beginning of Year	--
Net OPEB Obligation, End of Year	<u><u>\$ 1,471,282</u></u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS - Continued

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2009 (first year of implementation), was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB</u>	<u>Percentage Of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning balance, October 1, 2008	\$ --		\$ --
2008-2009	1,777,000	17.2%	1,471,282

Funded Status and Funding Progress – As of October 1, 2008, the date of the actuarial valuation, the actuarial accrued liability was \$12,695,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$12,695,000. Amortization of the accrued liability for the year ended September 30, 2009 was \$734,000.

As of September 30, 2009, the actuarial accrued liability for benefits was \$11,961,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$11,961,000. The covered payroll (annual payroll of active participating employees) was \$46,801,081 for the 2008-2009 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26%.

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

The County’s initial OPEB actuarial valuation as of October 1, 2008, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of September 30, 2009 and the estimate the County’s 2008-2009 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4% rate of return on invested assets which is the County’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also include a payroll growth of 3% per year, and an annual healthcare cost trend rate of 9.5% initially for the 08-09 fiscal year, reduced by 1 percent per year to an ultimate rate of 5.5% after 5 years. The unfunded actuarial accrued liability is being amortized as both a level dollar and a level percentage of projected payroll growth. The remaining amortization period at September 30, 2009 is 29 years.

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE M - COMPLIANCE AND ACCOUNTABILITY

Accumulated Deficits

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

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, 2009

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 47,437,410	\$ 47,437,410	\$ 47,366,793
Permits, fees and special assessments	1,729,000	1,729,000	1,073,398
Intergovernmental	9,789,820	10,445,105	10,135,972
Charges for services	2,566,270	2,654,833	5,458,376
Fines and forfeits	307,620	307,620	255,347
Miscellaneous	1,852,500	1,901,731	1,812,232
Total revenues	63,682,620	64,475,699	66,102,118
Expenditures			
Current			
General government	19,397,200	20,880,019	19,790,675
Public safety	35,117,265	35,224,643	35,060,541
Physical environment	1,309,000	1,309,000	1,197,679
Transportation	993,390	993,390	976,180
Economic environment	198,870	198,870	172,218
Human services	3,924,790	3,924,790	4,081,273
Culture and recreation	2,830,555	3,137,375	2,917,275
Reserve for contingencies	--	32,802	--
Total expenditures	63,771,070	65,700,889	64,195,841
Excess (deficiency) of revenues over expenditures	(88,450)	(1,225,190)	1,906,277
Other financing sources (uses)			
Transfers in	16,500	282,558	2,470,245
Transfers out	(345,115)	(2,883,585)	(2,883,585)
Total other financing sources (uses)	(328,615)	(2,601,027)	(413,340)
Net change in fund balances	(417,065)	(3,826,217)	1,492,937
Fund balance, beginning of year	1,857,325	5,001,207	13,652,047
Change in reserve for inventory	--	--	43,838
Fund balance, end of year	\$ 1,440,260	\$ 1,174,990	\$ 15,188,822

**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, 2009

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 8,213,580	\$ 8,213,580	\$ 8,124,004
Intergovernmental	2,991,550	5,171,722	4,192,157
Charges for services	--	30,000	1,444,338
Fines and forfeits	--	--	39,777
Miscellaneous	366,420	366,420	199,837
Total revenues	11,571,550	13,781,722	14,000,113
Expenditures			
Current			
Physical environment	--	530,000	359,440
Transportation	11,320,640	16,259,025	14,080,226
Reserve for contingencies	205,156	81,431	--
Total expenditures	11,525,796	16,870,456	14,439,666
Excess (deficiency) of revenues over expenditures	45,754	(3,088,734)	(439,553)
Other financing sources (uses)			
Transfers in	46,236	1,626,820	1,621,820
Transfers out	--	(300,984)	(300,984)
Total other financing sources (uses)	46,236	1,325,836	1,320,836
Net change in fund balances	91,990	(1,762,898)	881,283
Fund balance, beginning of year	--	1,854,888	10,148,972
Change in reserve for inventory	--	--	41,738
Fund balance, end of year	\$ 91,990	\$ 91,990	\$ 11,071,993

**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, 2009

	Original Budget	Final Budget	Actual
Revenues			
Permits, fees and special assessments	\$ 5,130,000	\$ 5,130,000	\$ 5,807,671
Miscellaneous	--	--	17,721
Total revenues	5,130,000	5,130,000	5,825,392
Expenditures			
Current	--	--	--
Total expenditures	--	--	--
Excess (deficiency) of revenues over expenditures	5,130,000	5,130,000	5,825,392
Other financing sources (uses)			
Transfers out	(2,052,000)	(4,609,921)	(4,609,921)
Total other financing sources (uses)	(2,052,000)	(4,609,921)	(4,609,921)
Net change in fund balances	3,078,000	520,079	1,215,471
Fund balance, beginning of year	--	8,664,518	8,623,068
Fund balance, end of year	\$ 3,078,000	\$ 9,184,597	\$ 9,838,539

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, 2009

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ --	\$ 1,587,000
Miscellaneous	--	--	2,353
Total revenues	--	--	1,589,353
Expenditures			
Current	--	--	--
Total expenditures	--	--	--
Excess (deficiency) of revenues over expenditures	--	--	1,589,353
Net change in fund balances	--	--	1,589,353
Fund balance, beginning of year	--	--	(3,003,779)
Fund balance, end of year	\$ --	\$ --	\$ (1,414,426)

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

Year ended September 30, 2009

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 9,852,397	\$ 6,342,510
Miscellaneous	--	--	12,068
Total revenues	--	9,852,397	6,354,578
Expenditures			
Capital outlay	--	17,556,668	11,415,074
Debt service	--	15,000	15,000
Total expenditures	--	17,571,668	11,430,074
Excess (deficiency) of revenues over expenditures	--	(7,719,271)	(5,075,496)
Other financing sources (uses)			
Transfers in	--	3,505,036	3,505,036
Transfers out	--	(15,400)	(15,400)
Proceeds from new debt	--	4,000,000	3,000,000
Total other financing sources (uses)	--	7,489,636	6,489,636
Net change in fund balances	--	(229,635)	1,414,140
Fund balance, beginning of year	--	1,638,704	1,638,704
Fund balance, end of year	\$ --	\$ 1,409,069	\$ 3,052,844

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

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

Year ended September 30, 2009

<u>Schedule of Funding Progress</u>	Actuarial Valuation Date 10/1/2008
1. Current retirees liability	\$ 10,436,000
2. Active employees	2,259,000
3. Actuarial Accrued Liability	12,695,000
4. Actuarial Value of Assets	--
5. Unfunded Actuarial Accrued Liability	12,695,000
6. Funded Ratio (4. divided by 3.)	0%
7. Annual Covered Payroll	\$ 46,801,081
8. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	27%
<u>Schedule of Employer Contributions</u>	Fiscal Year Ended 9/30/09

This is the first year that the ARC calculation has been completed.

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

September 30, 2009

BUDGETARY INFORMATION

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.

A budget was not adopted for the Disaster fund for the year ending September 30, 2009. This fund is used to account for the revenues and expenditures relating to significant events such as hurricanes.

**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, 2009, which collectively comprise the Board's financial statements and have issued our report thereon dated March 30, 2010. 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency described below to be a significant deficiency in internal control over financial reporting:

2009-01 – Year End Financial Reporting Process

Criteria or specific requirement

The County 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, due from other units, and accounts payable) 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. Also certain accounts payable balances were not recorded at year-end.

Recommendation

We encourage the County 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 County 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 do not believe the significant deficiency described above is a material weakness.

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 finding 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, 2010, 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 Creel, LLP

March 30, 2010

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, 2009, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have also issued our 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*, Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 30, 2010, 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. Findings 2008-4 and 2008-5 included in Attachment A have not been resolved.

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. We are submitting for consideration the recommendations described in Attachment A.

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 have an inconsequential effect on the financial statements considering both quantitative and qualitative factors, including the following: violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and control deficiencies that are not significant deficiencies. We are submitting for consideration the recommendations described in Attachment A.

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.

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

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, 2009**

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.
- 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.

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
CURRENT YEAR RECOMMENDATIONS (Attachment A)
September 30, 2009**

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
Board of County Commissioners
Santa Rosa County, Florida
CURRENT YEAR RECOMMENDATIONS (Attachment A)
September 30, 2009**

2009-2 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 current year expenditures did not increase by 1.5 percent over the prior year's amounts, 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.

2009-3 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 80% of the total investment portfolio to be invested in the Florida Local Government Investment Trust. At September 30, 2009, 100% of the Board's investments were held in the Florida Local Government Investment Trust. 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.

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
September 30, 2009**

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.

2009-2 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.

2009-3 Investment Policy

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

SINGLE AUDIT REPORT
SANTA ROSA COUNTY, FLORIDA
SEPTEMBER 30, 2009

SINGLE AUDIT REPORT
SANTA ROSA COUNTY, FLORIDA
SEPTEMBER 30, 2009
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

Compliance

We have audited the compliance of Santa Rosa County, Florida (hereinafter referred to as "County"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the State of Florida Department of Financial Services' *State Projects Compliance Supplement*, that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2009. The County's major Federal programs and State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs and State projects is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program or State project to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program or State project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program or State project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2009, and have issued our report thereon dated March 30, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is

fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, and appropriate Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

March 30, 2010

Santa Rosa County Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2009

<u>Federal and State Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Florida Dept. of Community Affairs			
Disaster Grants - Public Assistance	97.036	05-PA-G-01-67-01-541	\$ 3,217,980
Disaster Grants - Public Assistance	97.036	08-PA-C2-01-67-13-550	17,108
Disaster Grants - Public Assistance	97.036	08-PA-00-01-67-13-501	12,831
Disaster Grants - Public Assistance	97.036	09-SS-E8-01-67-13-501	343,551
			<u>3,591,470</u>
Hazard Mitigation Grant - Villa Venyce Stormwater	97.039	07HM-5@-01-67-01-018	2,320
Hazard Mitigation Grant - Orion Lake	97.039	07HM-5@-01-67-01-014	450
Hazard Mitigation Grant - Sabertooth	97.039	07HM-5@-01-67-01-013	1,755
Hazard Mitigation Grant - Greenbriar Stormwater	97.039	07HM-5@-01-67-01-020	456
			<u>4,981</u>
Homeland Security Grant Program	97.067	08-DS-60-01-67-01-206	389
Homeland Security Grant Program	97.067	09-DS-51-01-67-01-356	13,834
Homeland Security Grant Program (CERT)	97.067	09-CI-49-01-67-01-394	5,000
Homeland Security Grant Program (Citizen Corps Component)	97.067	09-CC-49-01-67-01-367	10,000
			<u>29,223</u>
Emergency Management Performance Grants	97.042	08-BG-04-01-67-01-285	19,298
Emergency Management Performance Grants	97.042	09-BG-20-01-67-01-209	8,019
Emergency Management Performance Grants	97.042	09-BG-03-01-67-01-212	34,554
			<u>61,871</u>
Flood Mitigation Assistance Grant	97.029	09 FM-45-01-67-01-343	19,895
Passed Through the Florida Dept. of Law Enforcement Homeland Security Grant Program	97.067	2008-SHSP-SANT-1S4-002	16,695
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Florida Dept. of Community Affairs			
Community Development Block Grants	14.228	07DB-3K-01-67-01-NE2	66,127
Community Development Block Grants	14.228	07DB-3R-01-67-01-N25	430,222
Community Development Block Grants	14.228	09DB-T3-01-67-01-E03	87,390
			<u>583,739</u>
<u>U.S. Department of Justice</u>			
Passed Through Florida Dept. of Children and Families			
Public Safety Partnership and Community Policing Grants	16.588	LN928	15,769
Passed Through Office of Justice Programs			
Drug Court Discretionary Grant Program	16.585	2005-BX-0047	14,632
Drug Court Discretionary Grant Program	16.585	2005-DC-BX-0047	124,724
			<u>139,356</u>
Passed Through Florida Dept. of Law Enforcement:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1159	5,850
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-JAGC-SANT-1-T7-100	28,028
			<u>33,878</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Florida Dept. of Revenue			
Child Support Enforcement	93.563	CD357	124,501
Child Support Enforcement	93.563	CSP57	43,857
			<u>168,358</u>
<u>U.S. Department of Agriculture</u>			
Emergency Watershed Protection Program	10.923	69-4209-8-1686	321,581
<u>U.S. Dept. of Commerce</u>			
Habitat Conservation	11.463	2006-0103-003	11,550
<u>U.S. Department of Transportation</u>			
Passed Through Florida Dept. of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	AO184	91,232
Safety Incentives To Prevent Operation of Motor Vehicles By Intoxicated Persons	20.605	2009-JAGD-SANT-2-T8-132	5,431
Total Federal Awards			<u>\$ 5,095,029</u>

Board of County Commissioners
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2009

<u>Federal and State Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>Florida Department of Agriculture and Consumer Services</u>			
Mosquito Control	42.003	14159	\$ 37,023
<u>Florida Department of Community Affairs</u>			
Emergency Management Programs	52.008	08-BG-04-01-67-01-285	14,290
Emergency Management Programs	52.008	09-BG-03-01-67-01-212	<u>64,172</u>
			78,462
Emergency Management Projects	52.023	09-CP-04-01-67-01-184	9,447
<u>Florida Housing Finance Corporation</u>			
State Housing Initiative Partnership Program	52.901	N/A	1,075,581
Hurricane Housing Recovery Program	52.902	67ER-05/67ER-06	402,665
<u>Florida Department of Transportation</u>			
State Highway Project Reimbursement	55.023	40979225802 - AOD07	74,145
State Highway Project Reimbursement	55.023	40979215802 - AOD06	38,667
State Highway Project Reimbursement	55.023	22087655802 - AP518	37,507
State Highway Project Reimbursement	55.023	40979225801 - APE95	205,216
State Highway Project Reimbursement	55.023	40979225803 - AP559	<u>57,315</u>
			412,850
Small County Outreach Program	55.009	AP910	701,980
Small County Outreach Program	55.009	AP912	<u>666,290</u>
			1,368,270
Transportation Regional Incentive Program	55.026	421994-1	94,838
<u>Florida Fish & Wildlife Conservation Commission</u>			
Florida Boating Improvement Program	77.006	08063	5,810
<u>Florida Department of Elder Affairs</u>			
Senior Center Fixed Capital Outlay	65.013	XQ895	64,097
<u>Florida Department of Health</u>			
County Grant Awards	64.005	C8055	42,376
<u>Florida Department of Management Services</u>			
Wireless 911 Emergency Telephone System	72.001	N/A	466,427
<u>Florida Department of State</u>			
State Aid to Libraries	45.030	09-ST-73	667,207
<u>Florida Executive Office of the Governor</u>			
Enterprise Florida Inc.	31.003	DIG 09-05	152,144
<u>Florida Department of Law Enforcement</u>			
Drug Control/Money Laundering Investigations - Matching Funds	71.005	DC-07/08-1	12,840
Violent Crime Investigations	71.004	PE-18-0133	7,536
<u>Florida Department of Environmental Protection</u>			
Beach Erosion Control Program	37.003	07SR1	14,345
Statewide Surface Water Restoration & Wastewater Projects	37.039	LP8970	<u>217,009</u>
Total State Financial Assistance			<u>\$ 5,128,927</u>

See accompanying notes to the schedule of expenditures of federal awards and state financial assistance.

Santa Rosa County, Florida
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the year ended September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and State grant activity of Santa Rosa County, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Santa Rosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2009

A. SUMMARY OF AUDITOR RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified Opinion
Internal control over financial reporting:
Material weakness(es) identified? _____ yes no
Significant deficiency (ies) identified that are
not considered to be material weakness(es)? yes _____ none reported

Noncompliance material to financial statements
noted? _____ yes no

FEDERAL AWARDS

Internal control over major programs:
Material weakness(es) identified? _____ yes no
Significant deficiency (ies) identified that are
not considered to be material weakness(es)? _____ yes none reported

Type of auditor's report issued on compliance
for major programs: Unqualified opinion

Any audit findings disclosed that are required
to be reported in accordance with section 510(a) of
Circular A-133? _____ yes no

STATE FINANCIAL ASSISTANCE

Internal control over major projects:
Material weakness(es) identified? _____ yes no
Significant deficiency (ies) identified that are
not considered to be material weakness(es)? _____ yes none reported

Type of auditor's report issued on compliance
for major projects: Unqualified Opinion

Any audit findings disclosed that are required
to be reported in accordance with Chapter 10.550,
Rules of the Auditor General? _____ yes no

Santa Rosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2009

IDENTIFICATION OF MAJOR PROGRAMS

Federal Programs

CFDA No. 97.036 Disaster Grants – Public Assistance
CFDA No. 10.923 Emergency Watershed Protection Program

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

State Projects

CSFA No. 52.901 State Housing Initiative Partnership Program
CSFA No. 55.009 Small County Outreach Program
CSFA No. 55.023 State Highway Project Reimbursement Program

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

B. FINANCIAL STATEMENT FINDINGS

2009-01 – Year End Financial Reporting Process

Criteria or specific requirement

The County 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, due from other units, and accounts payable) 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.

Santa Rosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2009

B. FINANCIAL STATEMENT FINDINGS -- (Continued)

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. Also, certain accounts payable balances were not recorded at year-end.

Recommendation

We encourage the County 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 County will make sure that all accounts are reviewed, reconciled and appropriately adjusted as needed through the year.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

There were no findings which were required to be reported in accordance with section 510(a) of OMB Circular A-133.

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE

There were no findings which were required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*.

Santa Rosa County, Florida
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2009

A. Prior-Year Findings and Questioned Costs – Major Federal Programs

None reported.

B. Prior-Year Findings and Questioned Costs – Major State Projects

Finding 2008-03
Florida Department of Transportation
CSFA No. 55.004, Aviation Development Grants

Condition

During our testwork, we noted that the County claimed and received (in December 2008) reimbursement for expenditures totaling \$1,065,660, but should have only claimed and received \$915,400 resulting in an unallowable reimbursement of \$150,260 and overstatement of grants receivable and revenues at September 30, 2008. This was caused by a clerical error on the reimbursement application which was not detected by the County at the time the application was submitted. Reimbursement requests for the Aviation Development Grants are prepared by the County's engineering department.

Recommendation

The County should establish procedures to ensure that all reports prepared by the Engineering Department are reviewed for clerical accuracy.

Current Status

Finding has been corrected.

SANTA ROSA COUNTY, FLORIDA SHERIFF
FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

SANTA ROSA COUNTY, FLORIDA SHERIFF

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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SANTA ROSA COUNTY, FLORIDA SHERIFF

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Honorable Wendell Hall
Sheriff
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 Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as "Sheriff") as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Sheriff'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 Sheriff'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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note A to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Sheriff, 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, the respective financial position of each major fund and the aggregate remaining fund information of the Sheriff, as of September 30, 2009, and the respective changes in financial position, 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 a report dated June 23, 2010, on our consideration of the Sheriff'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 page 18 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.

Our audit was made for the purpose of forming an opinion on the fund level financial statements. The accompanying supplementary information, the Combining Balance Sheet - All Non-Major Governmental Funds, Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - All Non-Major Governmental Funds, and Combining Schedule of Fiduciary Net Assets - All Agency Funds are presented for purposes of additional analysis and are not a required part of these financial statements. This supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Sheriff, Santa Rosa Board of County Commissioners, 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

June 23, 2010

Santa Rosa County, Florida Sheriff
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2009

	Major Funds		Non-major	
	General	Jail Commissary	Other	Total
ASSETS				
Cash	\$ 2,768,084	\$ 794,717	\$ 221,909	\$ 3,784,710
Due from other funds	119,538	--	243	119,781
Due from other governmental units	210,304	--	10,686	220,990
Accounts receivable	2,645	43,300	--	45,945
Prepaid expenses	259,792	--	--	259,792
Inventory	38,563	--	--	38,563
Total assets	<u>\$ 3,398,926</u>	<u>\$ 838,017</u>	<u>\$ 232,838</u>	<u>\$ 4,469,781</u>
LIABILITIES				
Accounts payable and accrued payroll	\$ 1,512,613	\$ 10,796	\$ 14,566	\$ 1,537,975
Due to other funds	243	32,981	86,557	119,781
Due to other governmental units	1,886,070	--	--	1,886,070
Unearned revenue	--	--	59,012	59,012
Total liabilities	<u>3,398,926</u>	<u>43,777</u>	<u>160,135</u>	<u>3,602,838</u>
FUND BALANCE				
Fund balance				
Unreserved	--	794,240	--	794,240
Reserved for law enforcement training	--	--	72,703	72,703
Total fund balance	<u>--</u>	<u>794,240</u>	<u>72,703</u>	<u>866,943</u>
 Total liabilities and fund balance	 <u>\$ 3,398,926</u>	 <u>\$ 838,017</u>	 <u>\$ 232,838</u>	 <u>\$ 4,469,781</u>

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

Santa Rosa County, Florida Sheriff
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended September 30, 2009

	Major		Non-Major	
	General	Jail Commissary	Other	Total
REVENUES				
Intergovernmental	\$ --	\$ --	\$ 553,621	\$ 553,621
Miscellaneous	43,845	249,657	322	293,824
Total revenues	43,845	249,657	553,943	847,445
EXPENDITURES				
Current				
General government				
Judicial				
Personal services	888,792	--	--	888,792
Operating	20,939	--	--	20,939
Public safety				
Law enforcement				
Personal services	15,239,635	--	471,249	15,710,884
Operating	2,898,867	--	80,151	2,979,018
Capital outlay	58,784	--	17,124	75,908
Correction and detention				
Personal services	7,032,101	88,941	--	7,121,042
Operating	2,745,550	228,184	--	2,973,734
Capital outlay	--	2,849	--	2,849
Total expenditures	28,884,668	319,974	568,524	29,773,166
Excess (deficiency) of revenues over expenditures	(28,840,823)	(70,317)	(14,581)	(28,925,721)
OTHER FINANCING SOURCES (USES)				
Board of County Commissioners appropriation	30,460,220	--	--	30,460,220
Board of County Commissioners excess fees	(1,619,397)	--	--	(1,619,397)
Total other financing sources (uses)	28,840,823	--	--	28,840,823
Net change in fund balances	--	(70,317)	(14,581)	(84,898)
FUND BALANCES, BEGINNING OF YEAR	--	864,557	87,284	951,841
FUND BALANCES, END OF YEAR	\$ --	\$ 794,240	\$ 72,703	\$ 866,943

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

Santa Rosa County, Florida Sheriff
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
September 30, 2009

ASSETS

Cash	\$ 152,423
------	------------

LIABILITIES

Accounts payable	37,653
Due to other governmental units	12,267
Deposits	102,503
Total liabilities	<u>152,423</u>

NET ASSETS

Net assets	<u>\$ --</u>
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Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

The Office of the Sheriff of Santa Rosa County, Florida (the "Sheriff"), as established by Article VIII of the Constitution of the State of Florida, is an elected official of the County. Although the Sheriff is operationally autonomous from the Santa Rosa County Board of County Commissioners, the Sheriff does not hold sufficient corporate powers to be considered a legally separate entity for financial reporting purposes. Therefore, the Sheriff is considered part of Santa Rosa County, Florida's primary government.

These *special-purpose financial statements* are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the special-purpose financial statements consist of only the *fund level* financial statements as defined in GASB 34, and do not include presentations of *government-wide* financial statements of the Sheriff.

2. Fund Accounting

The accounting system of the Sheriff 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 recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The funds utilized by the Sheriff's office are as follows:

Governmental Funds

These funds utilize a modified accrual basis of accounting. The measurement focus is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination). The Sheriff reports the following major governmental funds:

General Fund is used to account for all financial resources which are generated from operations of the office, appropriations from the Board of County Commissioners, or any other resources not required to be accounted for in another fund.

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

2. Fund Accounting -- (Continued)

Jail Commissary Fund accounts for jail commissary and vending machine revenues that are used to provide recreational facilities and equipment for the prisoners.

Non-major governmental funds of the Sheriff are as follows:

- 1) **Grants Fund** accounts for grant revenues and expenditures from several grantors which are used according to the terms of each grant.
- 2) **Second Dollar** accounts for shared fine revenues from the Santa Rosa Board of County Commissioners which are used for law enforcement training purposes.
- 3) **Federal Seizure** accounts for shared seizure revenues from the United States Department of Justice which are to be used for law enforcement purposes.

Fiduciary Funds

The Sheriff uses agency funds to account for assets held in a custodial capacity for others. Assets equal liabilities in agency funds, and results of operations are not measured.

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available as net current assets. The Sheriff considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recognized when the related fund liability is incurred. Agency funds use the accrual basis of accounting.

4. Cash and Cash Equivalents

For financial statement reporting, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

5. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

6. Inventory

Inventory consists primarily of general office supplies, patrol supplies, and fuel and is valued at cost (first in, first out). The Sheriff uses the consumption method of accounting in which inventory acquisitions are recorded in inventory initially and charged as expenditures when used.

7. Accounting for Capital Assets

Capital assets (vehicles, equipment, and other tangible property costing at least \$1,000 with a useful life of more than one year) are recorded as expenditures by the acquiring fund at the time of purchase. The Sheriff does not engage in the acquisition of public domain (infrastructure) assets.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Depreciation of vehicles and equipment is calculated using the straight-line method over estimated useful lives of 3-10 years.

Capital assets and related depreciation expense are reported as a component of the Santa Rosa County government-wide financial statements and are not reflected in the governmental fund financial statements.

8. Budgets and Budgetary Accounting

The Sheriff operates under budget procedures pursuant to Chapters 30 and 129, Florida Statutes. The Sheriff's general fund budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. The Sheriff is not legally required to prepare a budget for the other governmental funds; therefore, comparative budget and actual results are not presented for these funds. The legal level of budgetary control is the fund level.

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

9. Compensated Absences

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the Santa Rosa County government-wide financial statements. For the governmental fund statements, expenditures are recognized when payments are made to employees.

10. Excess Revenue

In accordance with Section 218.36, Florida Statutes, excess appropriations are returned to the Santa Rosa Board of County Commissioners at fiscal year-end and are reported in the "due to other governmental units" liability account. Charges for services, interest income, and other miscellaneous revenues collected by the Sheriff are considered to be "agency" transactions, not available for expenditure by the Sheriff, and are remitted to the Santa Rosa Board of County Commissioners on a monthly basis.

11. Events Occuring After Reporting Date

The Clerk has evaluated events and transactions that occurred between September 30, 2009 and June 23, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE B - CASH

The Sheriff's deposits at year-end were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. At September 30, 2009 the reported amount of the Sheriff's deposits was \$3,937,133 and the bank balance was \$4,353,090, consisting entirely of deposits with financial institutions in checking accounts.

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE C - CAPITAL ASSETS

Disclosures required by Chapter 10.557(3)(g) Rules of the Auditor General State of Florida related to capital assets are as follows:

	<u>Balance 10/01/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/09</u>
Vehicles, equipment, and furniture	\$ 11,170,232	\$ 465,511	\$ (1,061,908)	\$ 10,573,835
Less: accumulated depreciation	<u>(7,598,693)</u>	<u>(1,263,149)</u>	<u>1,072,108</u>	<u>(7,789,734)</u>
Net Total	<u>\$ 3,571,539</u>	<u>\$ (797,638)</u>	<u>\$ 10,200</u>	<u>\$ 2,784,101</u>

Depreciation expense for the year ended September 30, 2009, was \$1,263,149.

NOTE D - LONG-TERM DEBT OBLIGATIONS

Disclosures required by Chapter 10.557(3)(g) Rules of the Auditor General State of Florida related to long-term debt are as follows:

Compensated Absences	
Balance - October 1, 2008	\$ 3,613,236
Increases	1,632,931
Decreases	<u>(1,501,893)</u>
Balance - September 30, 2009	<u>\$ 3,744,274</u>

Compensated absences are paid from the general fund.

**Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE E - INTERFUND BALANCES

At September 30, 2009, interfund balances consisted of the following:

Fund	Receivable	Payable
General Fund	\$ 119,538	\$ 243
Jail Commissary	--	32,981
Non-major governmental	243	86,557
	\$ 119,781	\$ 119,781

Of the total due to the General Fund, \$82,215 consists of advances to the Grant Fund which will be paid back to the General Fund after reimbursement is received from grantors and \$32,981 consists of expenditures made for the Jail Commissary Fund which are typically reimbursed to the General Fund on a monthly basis. The balance of \$4,342 consists of expenditures incurred in the General Fund that will be reimbursed by the Second Dollar Fund.

NOTE F - PENSION AND RETIREMENT PLAN

Substantially all full-time employees of the Sheriff are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

The FRS offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans.

The FRS Pension Plan is a multiple employer cost sharing defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Normal retirement benefits are available to employees who retire at age 62 with 6 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE F - PENSION AND RETIREMENT PLAN -- (Continued)

after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

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

DROP is an elective program available for members of the FRS who are eligible for normal retirement. Under this program, a member effectively retires but continues covered employment for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

The FRS is noncontributory for employees and all contributions are made by participating FRS employers. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2009 were as follows: regular employees, 9.85%; special risk employees, 20.92%; elected officials, 16.53%; senior management employees, 13.12%; and DROP participants, 10.91%. The Sheriff's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution for each year. Contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on the members' class. Contributions to both plans totaled \$2,959,109, \$2,942,036 and \$2,946,887, for the years ended September 30, 2009, 2008, and 2007, respectively.

**Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE G - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The Sheriff participates in the health insurance plan offered to employees of the Board of County Commissioners and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependants have the option of continuing in the Board plan at the same group rate as for active employees.

In conjunction with the implementation of GASB Statement No. 45 during fiscal year end 2009 the Board of County Commissioners engaged an actuarial firm to determine the estimated obligation associated with the post employment health insurance benefits as of September 30, 2009 for all participants of the Board plan. Costs attributed to the Sheriff have been allocated based on the Sheriff's payroll compared to total payroll of all participants in the Board plan. The Sheriff's Annual OPEB Cost for fiscal year 2009 was \$451,171, and employer contributions included in Personal Services expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance were \$77,620. The net OPEB obligation of the Sheriff was \$373,551 and the Unfunded Actuarial Accrued Liability, which is being amortized over a thirty year period as part of the Annual Required Contribution, was \$3,223,193. Because these financial statements focus on current financial resources, they do not include the net OPEB obligation or any other long-term liability. A full presentation of the Other Post Employment Benefit (OPEB) liabilities, funding status, and actuarial methods and assumptions is included in the 2009 Board of County Commissioners' Annual Financial Report.

Following are the components of the Sheriff's net OPEB obligation at September 30, 2009:

Normal Cost	\$ 264,812
Amortization of Unfunded Actuarial Accrued Liability	<u>186,359</u>
Annual Required Contribution (ARC)	451,171
Annual Required Contribution	451,171
Interest on Net OPEB Obligation	--
Adjustment to ARC	<u>--</u>
Annual OPEB Cost	451,171
Estimated Employer Contributions Made	<u>(77,620)</u>
Increase in net OPEB Obligation	373,551
Net OPEB Obligation, October 1, 2008	<u>--</u>
Net OPEB Obligation, September 30, 2009	<u>\$ 373,551</u>

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE H - OPERATING LEASES

Certain office equipment is leased under non-cancelable operating leases expiring in 2010. Future minimum lease payments of \$65,165 will be due during the year ending September 20, 2010. Rental expense for the year ended September 30, 2009 was \$106,073.

NOTE I - GRANT ASSISTANCE

The Sheriff serves as implementing agency for various grants which are reported in the Single Audit Report prepared by the Santa Rosa County Board of County Commissioners.

NOTE J - RISK MANAGEMENT

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

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

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

- Boats
- Employee Fidelity
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible
- Building Contents, \$10,000 deductible

Conventional insurance remains in effect for buildings, contents, Sheriff's general and professional liability, Sheriff's automobiles, and Sheriff's medical malpractice for treatment of prisoners. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE K – SIGNIFICANT COMMITMENTS

The Sheriff has agreements with a vendor to provide (a) commissary services and property room management and (b) facilities, food and laundry services at the Santa Rosa County Jail through September 30, 2010. Upon mutual agreement, the agreements may be renewed for four additional one-year periods. Also the agreements can be cancelled by either party with 60 days written notice. The Sheriff will pay \$2,764 per week or \$143,728 per year for commissary services, subject to annual inflation adjustments. The Sheriff will pay at the rate ranging from \$1.11 to \$1.27 per meal based on prison population, subject to annual inflation adjustments. Expenditures under the contracts for the year ended September 30, 2009 were \$808,079.

NOTE L – SUBSEQUENT EVENTS

In December 2009, the Sheriff entered into a three year agreement with a vendor to provide the delivery of medical care to individuals under the custody and control of the Sheriff. The initial term of the agreement will start on February 1, 2010 and end on January 31, 2013. The agreement can then be renewed for two additional one-year periods unless either party delivers written notice of non-renewal. Also, the agreement may be cancelled without cause by either party with 120 days written notice.

Under the terms of the agreement the Sheriff provides the vendor with office space, furniture and equipment and pays an annual based price in equal monthly installments. Under the first year of the agreement the Sheriff will pay a base price of \$1,325,000 and an additional \$.62 per day for each inmate in excess of a monthly average of 450, based upon the daily inmate counts. Under years two and three of the agreement the base price increases to \$1,365,000 and \$1,405,000 and the additional per day rate increases to \$.64 and \$.67.

REQUIRED SUPPLEMENTARY INFORMATION

Santa Rosa County, Florida Sheriff
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the year ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous	\$ --	\$ --	\$ 43,845	\$ 43,845
EXPENDITURES				
Current				
General government				
Judicial				
Personal services	885,770	888,792	888,792	--
Operating	29,000	25,978	20,939	5,039
Public safety				
Law enforcement				
Personal services	15,538,030	15,538,030	15,239,635	298,395
Operating	3,196,720	3,178,720	2,898,867	279,853
Capital outlay	--	61,845	58,784	3,061
Correction and detention				
Personal services	7,065,450	7,065,450	7,032,101	33,349
Operating	3,745,250	3,745,250	2,745,550	999,700
Total expenditures	<u>30,460,220</u>	<u>30,504,065</u>	<u>28,884,668</u>	<u>1,619,397</u>
Excess (deficiency) of revenues over expenditures	(30,460,220)	(30,504,065)	(28,840,823)	1,663,242
OTHER FINANCING SOURCES (USES)				
Board of County Commissioners appropriation	30,460,220	30,504,065	30,460,220	(43,845)
Board of County Commissioners excess fees	--	--	(1,619,397)	(1,619,397)
Total other financing sources (uses)	<u>30,460,220</u>	<u>30,504,065</u>	<u>28,840,823</u>	<u>(1,663,242)</u>
Net change in fund balance	--	--	--	--
FUND BALANCE, BEGINNING OF YEAR	--	--	--	--
FUND BALANCE, END OF YEAR	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

SUPPLEMENTARY INFORMATION - COMBINING FUND FINANCIAL STATEMENTS

Santa Rosa County, Florida Sheriff
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2009

	Grants Fund	Second Dollar Fund	Federal Seizure Fund	Totals
ASSETS				
Cash	\$ 117,973	\$ 76,964	\$ 26,972	\$ 221,909
Due from other funds	81	81	81	243
Due from other governmental units	10,686	--	--	10,686
Total assets	<u>\$ 128,740</u>	<u>\$ 77,045</u>	<u>\$ 27,053</u>	<u>\$ 232,838</u>
LIABILITIES				
Accounts payable	\$ 14,566	\$ --	\$ --	\$ 14,566
Due to other funds	82,215	4,342	--	86,557
Unearned revenue	31,959	--	27,053	59,012
Total liabilities	<u>128,740</u>	<u>4,342</u>	<u>27,053</u>	<u>160,135</u>
FUND BALANCE				
Fund balance				
Reserved for law enforcement training	<u>--</u>	<u>72,703</u>	<u>--</u>	<u>72,703</u>
Total liabilities and fund balance	<u>\$ 128,740</u>	<u>\$ 77,045</u>	<u>\$ 27,053</u>	<u>\$ 232,838</u>

Santa Rosa County, Florida Sheriff
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - ALL NON-MAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2009

	Grants Fund	Second Dollar Fund	Federal Seizure Fund	Totals
REVENUES				
Intergovernmental	\$ 502,359	\$ 31,795	\$ 19,467	\$ 553,621
Miscellaneous	--	322	--	322
Total revenues	<u>502,359</u>	<u>32,117</u>	<u>19,467</u>	<u>553,943</u>
EXPENDITURES				
Current				
Public safety				
Law enforcement				
Personal services	471,249	--	--	471,249
Operating	13,986	46,698	19,467	80,151
Capital outlay	17,124	--	--	17,124
Total expenditures	<u>502,359</u>	<u>46,698</u>	<u>19,467</u>	<u>568,524</u>
Net change in fund balances	--	(14,581)	--	(14,581)
FUND BALANCES, BEGINNING OF YEAR	<u>--</u>	<u>87,284</u>	<u>--</u>	<u>87,284</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 72,703</u>	<u>\$ -</u>	<u>\$ 72,703</u>

Santa Rosa County, Florida Sheriff
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS -
ALL AGENCY FUNDS
September 30, 2009

	Individual Depositors Fund	Suspense Fund	Seizure Fund	Flower Fund	Totals
ASSETS					
Cash	\$ 12,243	\$ 37,664	\$ 90,728	\$ 11,789	\$ 152,423
LIABILITIES					
Accounts payable	--	37,653	--	--	37,653
Due to other governments	12,243	11	14	--	12,267
Deposits	--	--	90,714	11,789	102,503
Total liabilities	<u>12,243</u>	<u>37,664</u>	<u>90,728</u>	<u>11,789</u>	<u>152,423</u>
NET ASSETS					
Net assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Honorable Wendell Hall
Sheriff
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 Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as "Sheriff"), as of and for the year ended September 30, 2009, and have issued our report thereon dated June 23, 2010. 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 Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated June 23, 2010, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Sheriff, Santa Rosa County Board of County Commissioners, 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

June 23, 2010

MANAGEMENT LETTER

Honorable Wendell Hall
Sheriff
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 Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as “Sheriff”) as of and for the year ended September 30, 2009, and have issued our report thereon dated June 23, 2010.

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 Standards. Disclosures in that report, which is dated June 23, 2010, 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. The recommendations made in the preceding annual financial audit report have been implemented.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 2.), we determined that the Sheriff is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

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 Sheriff’s financial management. We are submitting for consideration the recommendation described in Attachment A, as required by the Rules of the Auditor General (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 or 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 have an inconsequential effect on the financial statements considering both quantitative and qualitative factors, including the following: violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and control deficiencies that are not significant deficiencies. Our audit disclosed no matters which, in our judgment are required to be disclosed.

The Sheriff'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 Sheriff's response and accordingly, we express no opinion on it.

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

O'Sullivan Creel, LLP

June 23, 2010

Santa Rosa County, Florida Sheriff
CURRENT YEAR RECOMMENDATIONS (Attachment A)
For the year ended September 30, 2009

2009-1 Accrued Payroll

Payroll for the pay cycle ending September 25, 2009 was physically distributed on October 2, 2009. However, the amount was originally recorded in the general ledger as a disbursement prior to year-end and was included as an outstanding item on the September 2009 bank reconciliation. Since the amounts were not actual disbursements at September 30, an audit adjustment was required to increase the cash balance and record an accrued payroll liability. We recommend that procedures be implemented to ensure that cash balances not be relieved until physical distribution occurs and that accrued payroll be recorded in the proper period.

Santa Rosa County, Florida Sheriff
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2009

2009-1 Accrued Payroll

Care will be taken to properly reflect the balance sheet account balances at fiscal year-end, including any accrued payroll liabilities due to fiscal year ending between the payroll end date and the pay check date.

SANTA ROSA COUNTY, FLORIDA TAX COLLECTOR

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

SANTA ROSA COUNTY, FLORIDA TAX COLLECTOR

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Honorable Stan Colie Nichols
Tax Collector
Santa Rosa County, Florida

We have audited the accompanying special-purpose financial statements (hereinafter referred to as "financial statements") of the general fund and the tax fund of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Tax Collector'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 Tax Collector'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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note A to the financial statements, the special-purpose financial statements consists of only the fund level financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Tax Collector, 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, the respective financial position of the general fund and tax fund of the Tax Collector as of September 30, 2009, and the respective changes in financial position, 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 June 23, 2010, on our consideration of the Tax Collector'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 page 14 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 Tax Collector, Santa Rosa County Board of County Commissioners, 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

June 23, 2010

Santa Rosa County, Florida Tax Collector
BALANCE SHEET - GENERAL FUND
September 30, 2009

ASSETS

Cash	\$ 1,439,995
Other receivables	58,880
Total assets	<u>\$ 1,498,875</u>

LIABILITIES

Accounts payable	7,375
Accrued wages payable	81,860
Deferred revenues	86,933
Due to other governmental units	1,322,707
Total liabilities	<u>1,498,875</u>

FUND BALANCE

Fund balance	<u>--</u>
Total liabilities and fund balance	<u>\$ 1,498,875</u>

**Santa Rosa County, Florida Tax Collector
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
GENERAL FUND
For the year ended September 30, 2009**

REVENUES

Charges for services	\$ 3,960,843
Miscellaneous	9,542
Total revenues	<u>3,970,385</u>

EXPENDITURES

Current:	
General government:	
Personal services	2,113,821
Operating	489,179
Capital outlay	52,478
Total expenditures	<u>2,655,478</u>
Excess of revenues over expenditures	1,314,907

OTHER FINANCING SOURCES (USES)

Excess fees	<u>(1,314,907)</u>
Total other financing sources (uses)	<u>(1,314,907)</u>

Net change in fund balance --

FUND BALANCE, BEGINNING OF YEAR --

FUND BALANCE, END OF YEAR \$ --

Santa Rosa County, Florida Tax Collector
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS -
TAX FUND
September 30, 2009

ASSETS

Cash	\$ 1,531,495
------	--------------

LIABILITIES

Due to other governmental units	<u>1,531,495</u>
---------------------------------	------------------

NET ASSETS

Net Assets	<u>\$ --</u>
------------	--------------

Santa Rosa County, Florida Tax Collector
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

The Office of the Tax Collector of Santa Rosa County, Florida (the "Tax Collector"), as established by Article VIII, Section 1(d), of the Constitution of the State of Florida, is an elected official of Santa Rosa County, Florida (the "County"). Although the Tax Collector is operationally autonomous from the Santa Rosa County Board of County Commissioners (the "Board"), it does not hold sufficient corporate powers to be considered a legally separate entity for financial reporting purposes. Therefore, the Tax Collector is considered part of County's primary government for external financial reporting purposes.

These *special-purpose financial statements* of the Tax Collector are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the special-purpose financial statements consist of only the fund level financial statements as defined in Governmental Accounting Standards Board (GASB) Statement No. 34, and do not include presentations of government-wide financial statements of the Tax Collector.

2. Fund Accounting

The accounting system of the Tax Collector 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 recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The funds utilized by the Tax Collector are as follows:

Governmental Funds

These funds utilize a modified accrual basis of accounting. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination).

Santa Rosa County, Florida Tax Collector
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

2. Fund Accounting -- (Continued)

General Fund - The general fund of the Tax Collector is used to account for all financial resources which are generated from operations of the office and any other resources not required to be accounted for in another fund.

Fiduciary Funds

The Tax Collector's sole fiduciary fund is an agency fund (the Tax Fund). Agency funds are used to account for assets held in a custodial capacity for others. Assets equal liabilities in agency funds and results of operations are not measured. The Tax Fund is used to account for receipts of various types of taxes, licenses, and fees collected on behalf of state, county, and municipal governmental agencies.

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. The revenues are recognized when they become both measurable and available as net current assets. The Tax Collector considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recognized when the related fund liability is incurred. Agency funds use the accrual basis of accounting.

4. Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of three months or less when purchased.

5. Accounting for Capital Assets

Capital assets (vehicles, equipment, and other tangible property costing at least \$1,000 with a useful life of more than one year) are recorded as expenditures at the time of purchase. These assets are capitalized at cost and accounted for in the County's government-wide financial statements.

Santa Rosa County, Florida Tax Collector
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

6. Budgets and Budgetary Accounting

The Tax Collector establishes an annual budget pursuant to Section 195.087, Florida Statutes. The budget is submitted to the Florida Department of Revenue for approval. A copy is provided to the Board and is incorporated into the overall county budget. The Tax Collector's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is the fund level.

7. Compensated Absences

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the County's government-wide financial statements. For the general fund, compensated absence expenditures are recognized when payments are made to employees.

8. Excess Revenue

In accordance with Section 218.36, Florida Statutes, excess revenue is remitted proportionately to the various taxing districts at fiscal year-end.

9. Events Occurring After the Reporting Date

The Tax Collector has evaluated events and transactions that occurred between September 30, 2009 and June 23, 2010, which is the date that the financial statement were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE B - CASH AND INVESTMENTS

At September 30, 2009, banks reported deposits before outstanding checks and deposits of \$2,962,170, all of which were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

Santa Rosa County, Florida Tax Collector
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE B - CASH AND INVESTMENTS -- (Continued)

Florida Statutes authorize the Tax Collector to invest in obligations of the U.S. Treasury and interest bearing time deposits or savings accounts in banks participating in the multiple financial institution collateral pool.

NOTE C - LONG-TERM DEBT -- COMPENSATED ABSENCES

Disclosures required by Chapter 10.557(3)(g), Rules of the Auditor General State of Florida related to long-term debt are as follows:

Balance - October 1, 2008	\$ 280,903
Increases	128,938
Decreases	<u>(144,929)</u>
Balance - September 30, 2009	<u>\$ 264,912</u>

Compensated absences are paid by the General Fund.

NOTE D - PENSION AND RETIREMENT PLAN

Substantially all full-time employees of the Tax Collector are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

The FRS offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans.

The FRS Pension Plan is a multiple employer cost sharing defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Normal retirement benefits are available to employees who retire at age 62 with 6 or more years of service, or to those employees who

Santa Rosa County, Florida Tax Collector
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE D - PENSION AND RETIREMENT PLAN -- (Continued)

have at least 30 years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

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

DROP is an elective program available for eligible members of the FRS who are eligible for normal retirement. Under this program, a member effectively retires and continues covered employment for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

The FRS is noncontributory for employees and all contributions are made by participating FRS employers. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2009 were as follows: regular employees, 9.85%; special risk employees, 20.92%; elected officials, 16.53%; senior management employees, 13.12%; and DROP participants, 10.91%. The Tax Collector's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution for each year. Contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on the members' class. Contributions to both plans totaled \$140,366, \$156,212, and \$152,774, for the years ended September 30, 2009, 2008, and 2007, respectively.

**Santa Rosa County, Florida Tax Collector
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE E - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The Tax Collector participates in the health insurance plan offered to employees of the Board and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependants have the option of continuing in the Board plan at the same group rate as for active employees.

In conjunction with the implementation of GASB Statement No. 45 during fiscal year end 2009 the Board engaged an actuarial firm to determine the estimated obligation associated with the post employment health insurance benefits as of September 30, 2009 for all participants of the Board plan. Costs attributed to the Tax Collector have been allocated based on the Tax Collector's payroll compared to total payroll of all participants in the Board plan. The Tax Collector's Annual OPEB Cost for fiscal year 2009 was \$58,481, and employer contributions included in Personal Services expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance were \$10,061. The net OPEB obligation of the Tax Collector was \$48,420, and the Unfunded Actuarial Accrued Liability, which is being amortized over a thirty year period as part of the Annual Required Contribution, was \$417,792. Because these financial statements focus on current financial resources, they do not include the net OPEB obligation or any other long-term liability. A full presentation of the Other Post Employment Benefit (OPEB) liabilities, funding status, and actuarial methods and assumptions is included in the 2009 Board's Annual Financial Report.

Following are the components of the Tax Collector's net OPEB obligation at September 30, 2009:

Normal Cost	\$ 34,325
Amortization of Unfunded Actuarial Accrued Liability	<u>24,156</u>
Annual Required Contribution (ARC)	58,481
Annual Required Contribution	58,481
Interest on Net OPEB Obligation	--
Adjustment to ARC	<u>--</u>
Annual OPEB Cost	58,481
Estimated Employer Contributions Made	<u>(10,061)</u>
Increase in net OPEB Obligation	48,420
Net OPEB Obligation, October 1, 2008	<u>--</u>
Net OPEB Obligation, September 30, 2009	<u>\$ 48,420</u>

Santa Rosa County, Florida Tax Collector
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE F - OPERATING LEASES

The Tax Collector leases office space under several operating leases expiring February 2010 and December 2011. Total rent paid during 2009 was \$35,531. The future minimum rental commitments under these leases are as follows:

Fiscal year end June 30,:	
2010	\$ 24,220
2011	15,000
2012	<u>3,750</u>
Total minimum future rental payments	<u>\$ 42,970</u>

NOTE G - RISK MANAGEMENT

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

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

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

- Buildings and contents, \$10,000 deductible
- Boats
- Employee Fidelity
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Conventional insurance remains in effect for buildings and their contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public officials' liability coverage. The Tax Collector participates in the program and makes payments to the Self-Insurance Fund based on historical estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

REQUIRED SUPPLEMENTARY INFORMATION

**Santa Rosa County, Florida Tax Collector
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL FUND (Unaudited)
For the year ended September 30, 2009**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Charges for services	\$ 3,806,540	\$ 3,806,540	\$ 3,960,843	\$ 154,303
Miscellaneous	35,700	35,700	9,542	(26,158)
Total revenues	<u>3,842,240</u>	<u>3,842,240</u>	<u>3,970,385</u>	<u>128,145</u>
EXPENDITURES				
Current:				
General government:				
Personal services	2,176,115	2,115,012	2,113,821	1,191
Operating	431,300	489,183	489,179	4
Capital outlay	--	52,478	52,478	--
Total expenditures	<u>2,607,415</u>	<u>2,656,673</u>	<u>2,655,478</u>	<u>1,195</u>
Excess of revenues over expenditures	1,234,825	1,185,567	1,314,907	129,340
OTHER FINANCING SOURCES (USES)				
Excess fees	(1,234,825)	(1,185,567)	(1,314,907)	(129,340)
Total other financing sources (uses)	<u>(1,234,825)</u>	<u>(1,185,567)</u>	<u>(1,314,907)</u>	<u>(129,340)</u>
Net change in fund balance	--	--	--	--
FUND BALANCE, BEGINNING OF YEAR	--	--	--	--
FUND BALANCE, END OF YEAR	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Honorable Stan Colie Nichols
Tax Collector
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of the general fund and the tax fund of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as “Tax Collector”), as of and for the year ended September 30, 2009, and have issued our report thereon dated June 23, 2010. 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 Tax Collector’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 Tax Collector’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

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

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

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated June 23, 2010, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Tax Collector, Santa Rosa County Board of County Commissioners, 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

June 23, 2010

MANAGEMENT LETTER

Honorable Stan Colie Nichols
Tax Collector
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of the general fund and the tax fund of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as “Tax Collector”), as of and for the year ended September 30, 2009, and have issued our report thereon dated June 23, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, dated June 23, 2010. Disclosures in that report, if any, 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 governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor’s reports or schedule:

The Rules of the Auditor General (Section 10.554 (1) (i) 1) require that we determine whether or not corrective actions have been taken to address significant findings made in the preceding annual financial audit report. The recommendations made in the preceding annual financial report have been implemented.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 2), we determined that the Tax Collector is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

The Rules of the Auditor General (Section 10.554 (1) (i) 3) require that we address in the management letter any recommendations to improve financial management. No items were identified which are required to be disclosed.

The Rules of Auditor General (Section 10.554 (1) (i) 4.) require disclosure in the management letter of violations of provisions of contracts or 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 have an inconsequential effect on the financial statements considering both quantitative and qualitative factors, including the following: violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and control deficiencies that are not significant deficiencies. Our audit disclosed no matters which, in our judgment, are required to be disclosed.

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

O'Sullivan Creel, LLP

June 23, 2010

**Santa Rosa County, Florida Tax Collector
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2009**

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

SANTA ROSA COUNTY, FLORIDA CLERK OF COURTS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

SANTA ROSA COUNTY, FLORIDA CLERK OF COURTS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Honorable Mary M. Johnson
Clerk of Courts
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 Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Clerk'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 Clerk'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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note A to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Clerk, 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, the respective financial position of each major fund and aggregate remaining fund information of the Clerk as of September 30, 2009, and the changes in financial position, 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 June 4, 2010 on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 16 and 17 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.

Our audit was conducted for the purpose of forming an opinion on the fund level financial statements. The accompanying supplementary information, the Combining Balance Sheet – Non-major Governmental Funds; the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-major Governmental Funds; and the Combining Statement of Fiduciary Net Assets – All Agency Funds, is presented for purposes of additional analysis and is not a required part of these financial statements. These combining fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Clerk, Santa Rosa County Board of County Commissioners, 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

June 4, 2010

**Santa Rosa County, Florida Clerk of Courts
BALANCE SHEET - ALL GOVERNMENTAL FUNDS
September 30, 2009**

	Major Funds				Total Non-major Funds	Total
	General	Courts	Courts Technology	Records Modernization Trust		
ASSETS						
Cash and cash equivalents	\$ 142,946	\$ 76,852	\$ 375,834	\$ 406,106	\$ 47,032	\$ 1,048,770
Due from other governmental units	2,316	84,163	-	-	-	86,479
Prepaid expenses	-	-	-	28,468	-	28,468
Total assets	<u>\$ 145,262</u>	<u>\$ 161,015</u>	<u>\$ 375,834</u>	<u>\$ 434,574</u>	<u>\$ 47,032</u>	<u>\$ 1,163,717</u>
LIABILITIES						
Accounts payable	\$ 2,075	\$ 2,558	\$ -	\$ -	\$ -	\$ 4,633
Accrued wages and salaries	47,956	99,683	1,862	-	-	149,501
Due to Board of County Commissioners	45,911	-	-	-	-	45,911
Deferred income	49,320	-	-	-	-	49,320
Total liabilities	<u>145,262</u>	<u>102,241</u>	<u>1,862</u>	<u>-</u>	<u>-</u>	<u>249,365</u>
FUND BALANCES						
Reserved for courts technology fund	-	-	373,972	-	-	373,972
Reserved for records modernization trust fund	-	-	-	434,574	-	434,574
Unreserved	-	58,774	-	-	47,032	105,806
Total fund balances	<u>-</u>	<u>58,774</u>	<u>373,972</u>	<u>434,574</u>	<u>47,032</u>	<u>914,352</u>
Total liabilities and fund balances	<u>\$ 145,262</u>	<u>\$ 161,015</u>	<u>\$ 375,834</u>	<u>\$ 434,574</u>	<u>\$ 47,032</u>	<u>\$ 1,163,717</u>

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

**Santa Rosa County, Florida Clerk of Courts
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUNDS
For the year ended September 30, 2009**

	Major Funds				Total Non-major Funds	Total
	General	Courts	Courts Technology	Records Modernization Trust		
REVENUES						
Intergovernmental	\$ -	\$ 945,899	\$ -	\$ -	\$ 47,241	\$ 993,140
Charges for services	773,305	2,086,306	225,070	74,025	-	3,158,706
Fines and forfeits	-	608,223	-	-	47,032	655,255
Miscellaneous	25,448	37,749	-	-	-	63,197
Total revenues	<u>798,753</u>	<u>3,678,177</u>	<u>225,070</u>	<u>74,025</u>	<u>94,273</u>	<u>4,870,298</u>
EXPENDITURES						
Current:						
General government:						
Financial and administrative:						
Personal services	1,959,815	-	-	-	-	1,959,815
Operating	236,484	1,254	-	203,844	-	441,582
Capital outlay	4,002	-	-	4,208	-	8,210
Judicial:						
Personal services	-	3,388,657	23,314	-	47,241	3,459,212
Operating	-	211,840	115,948	-	-	327,788
Capital outlay	-	-	5,733	-	-	5,733
Total expenditures	<u>2,200,301</u>	<u>3,601,751</u>	<u>144,995</u>	<u>208,052</u>	<u>47,241</u>	<u>6,202,340</u>
Excess (deficiency) of revenues over expenditures	<u>(1,401,548)</u>	<u>76,426</u>	<u>80,075</u>	<u>(134,027)</u>	<u>47,032</u>	<u>(1,332,042)</u>
OTHER FINANCING SOURCES (USES)						
Board of County Commissioners appropriation	1,444,659	-	-	-	-	1,444,659
Board of County Commissioners excess fees	(43,111)	-	-	-	-	(43,111)
Payments to Clerks of the Court Trust Fund	-	(17,652)	-	-	-	(17,652)
Total other financing sources (uses)	<u>1,401,548</u>	<u>(17,652)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,383,896</u>
Net change in fund balances	-	58,774	80,075	(134,027)	47,032	51,854
FUND BALANCES, BEGINNING OF YEAR	-	-	293,897	568,601	-	862,498
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 58,774</u>	<u>\$ 373,972</u>	<u>\$ 434,574</u>	<u>\$ 47,032</u>	<u>\$ 914,352</u>

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

**Santa Rosa County, Florida Clerk of Courts
STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
September 30, 2009**

ASSETS

Cash and cash equivalents	\$ 2,535,253
Total assets	<u>2,535,253</u>

LIABILITIES

Accounts payable	38,888
Due to other governmental units	1,223,470
Deposits	<u>1,272,895</u>
Total liabilities	<u>2,535,253</u>

NET ASSETS

Net assets	<u><u>\$ -</u></u>
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Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2009

NOTE A – SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

The Clerk of the Courts of Santa Rosa County, Florida (the “Clerk”) was established as a constitutional office of Santa Rosa County, Florida (the “County”) by Article VIII, Section 1 (d) of the Constitution of the State of Florida. The Clerk is an elected official of the County and serves as Clerk of the Circuit Court (duties described in Chapter 28, F.S.), Clerk of the County Court (duties described in Chapter 34, F.S.), and Clerk and Accountant to the Board of County Commissioners (BOCC) (in this capacity the Clerk is required to keep the minutes of the county commission, keep the accounts of the county, invest county funds, and perform such other duties as provided by law). The Clerk’s office is funded by appropriations from the BOCC and by fees charged for providing court related services. Although the Clerk is operationally autonomous from the Santa Rosa County Board of County Commissioners, it does not hold sufficient corporate powers to be considered a legally separate entity for financial reporting purposes. Therefore, the Clerk is considered part of the County’s primary government.

These *special-purpose financial statements* of the Clerk are not intended to be a complete presentation of the financial position and results of operations of the County, taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the special-purpose financial statements consists of only the *fund level* financial statements as defined in GASB Statement No. 34, and do not include presentations of *government-wide* financial statements of the Clerk of Court.

2. Fund Accounting

The accounting system of the Clerk’s office 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 recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2009

NOTE A – SUMMARY OF ACCOUNTING POLICIES -- (Continued)

2. Fund Accounting -- (Continued)

The funds utilized by the Clerk are as follows:

Governmental Funds

These funds utilize a modified accrual basis of accounting. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination).

The Clerk reports the following major governmental funds:

General Fund is used to account for all financial resources that are generated from operations of the office, appropriations from the Board of County Commissioners, and any other resources not required to be accounted for in another fund.

Courts Fund is a special revenue fund used to account for all court-related activities and court-related financial resources of the Clerk.

Courts Technology Fund is a special revenue fund used to account for the court-related technology needs of the Clerk.

Records Modernization Trust Fund is a special revenue fund used to account for monies collected according to Chapter 28.24, Florida Statutes, to be used exclusively for equipment, personnel training, and technical assistance in modernizing the official records system and to pay for equipment and start-up costs necessitated by a statewide recording system.

Additionally, the Clerk reports the following non-major governmental funds:

OSCA Fund is a special revenue fund used to account for funding received from the Office of the State Courts Administrator (OSCA) and related expenditures for domestic violence prosecution services.

10% Fines - PRMT Fund is a special revenue fund used to account for 10% of fines collected and retained by the Clerk for supporting court operations as per Florida Senate Bill 1718.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2009

NOTE A – SUMMARY OF ACCOUNTING POLICIES -- (Continued)

2. Fund Accounting -- (Continued)

Fiduciary Funds

The Clerk uses agency funds to account for assets being held in a trustee capacity or for individuals, private organizations, and/or other governments. Assets equal liabilities in agency funds, and results of operations are not measured.

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available as net current assets. The Clerk considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recognized when the related fund liability is incurred. Agency funds use the accrual basis of accounting.

4. Cash and Cash Equivalents

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

5. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

6. Budgets and Budgetary Accounting

The Clerk establishes annual budgets for its general fund and special revenue funds pursuant to Section 218.35, Florida Statutes. The budget is prepared in two parts. The first part includes the budget for funds necessary to perform court-related functions as provided in Section 28.36, Florida Statutes and must be submitted to and approved by the Florida Clerks of Courts Operations Corporation. The second part includes the budget relating to the requirements of the Clerk as Clerk of the Board of County Commissioners, county auditor, and custodian or treasurer of all county funds and other county-related duties. The budget is submitted to the

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2009

NOTE A – SUMMARY OF ACCOUNTING POLICIES -- (Continued)

6. Budgets and Budgetary Accounting -- (Continued)

Board of County Commissioners and is incorporated into the overall County budget. The Clerk's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is the fund level.

7. Accounting for Capital Assets

Capital assets (vehicles, equipment, and other tangible property costing at least \$1,000 with a useful life of more than one year) are recorded as expenditures at the time of purchase. These assets are capitalized at cost and are accounted for in the County's government-wide financial statements.

8. Compensated Absences

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the County's government-wide financial statements. For the governmental fund statements, expenditures are recognized when payments are made to employees.

9. Excess Revenue

Annually, the Clerk must calculate and remit to the Department of Revenue Clerks of Courts Trust Fund the excess revenues attributable to court-related functions in accordance with Florida Statutes. In addition, the Clerk must also remit to the Board of County Commissioners any excess revenues attributable to non court-related functions in accordance with Florida Statutes. These amounts, if unpaid, are reported as due to other governmental units at year-end.

10. Events Occurring After Reporting Date

The Clerk has evaluated events and transactions that occurred between September 30, 2009 and June 4, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2009

NOTE B – CASH

At September 30, 2009, the banks reported deposits before outstanding checks of \$4,022,888, all of which were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

NOTE C – LONG-TERM DEBT – COMPENSATED ABSENCES

Disclosures required by Chapter 10.557(3)(g), Rules of the State of Florida Auditor General, related to long term debt are as follows:

Balance - October 1, 2008	\$ 709,111
Increases	537,748
Decreases	<u>(554,714)</u>
Balance - September 30, 2009	<u>\$ 692,145</u>

Compensated absences are paid from the General Fund.

NOTE D – PENSION AND RETIREMENT PLAN

Substantially all full-time employees of the Clerk are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

The Florida retirement system offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans.

The FRS Pension Plan is a multiple employer costs sharing defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Normal retirement benefits are available to

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2009

NOTE D – PENSION AND RETIREMENT PLAN -- (Continued)

employees who retire at age 62 with 6 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

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

Deferred Retirement Option Program (DROP) is an elective program available for members of the FRS who are eligible for normal retirement. Under this program, a member effectively retires and continues covered employment for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

The plans are noncontributory for employees and all contributions are made by participating FRS employers. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2009 were as follows: regular employees, 9.85%, special risk employees, 20.92%, elected officials, 16.53%, senior management employees, 13.12%, and DROP participants, 10.91%. The Clerk's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contributions for each year. The Clerk's contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on the members' membership class. Contributions to both plans totaled \$388,558, \$402,063, and \$392,353, for the years ended September 30, 2009, 2008, and 2007, respectively.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2009

NOTE E – OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

The Clerk participates in the health insurance plan offered to employees of the Board of County Commissioners and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependants have the option of continuing in the Board plan at the same group rate as for active employees.

In conjunction with the implementation of GASB Statement No. 45 during fiscal year end 2009 the Board of County Commissioners engaged an actuarial firm to determine the estimated obligation associated with the post employment health insurance benefits as of September 30, 2009 for all participants of the Board plan. Costs attributed to the Clerk have been allocated based on the Clerk’s payroll compared to total payroll of all participants in the Board plan. The Clerk’s Annual OPEB Cost for fiscal year 2009 was \$107,907, and employer contributions included in Personal Services expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance were \$18,564. The net OPEB obligation of the Clerk was \$89,343, and the Unfunded Actuarial Accrued Liability, which is being amortized over a thirty year period as part of the Annual Required Contribution, was \$770,893. Because these financial statements focus on current financial resources, they do not include the net OPEB obligation or any other long-term liability. A full presentation of the Other Post Employment Benefit (OPEB) liabilities, funding status, and actuarial methods and assumptions is included in the 2009 Board of County Commissioners’ Annual Financial Report.

Following are the components of the Clerk’s net OPEB obligation at September 30, 2009:

Normal Cost	\$ 63,335
Amortization of Unfunded Actuarial Accrued Liability	<u>44,572</u>
Annual Required Contribution (ARC)	107,907
Annual Required Contribution	107,907
Interest on Net OPEB Obligation	--
Adjustment to ARC	<u>--</u>
Annual OPEB Cost	107,907
Estimated Employer Contributions Made	<u>(18,564)</u>
Increase in net OPEB Obligation	89,343
Net OPEB Obligation, October 1, 2008	<u>--</u>
Net OPEB Obligation, September 30, 2009	<u>\$ 89,343</u>

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2009

NOTE F – CLAIMS AND CONTINGENCIES

The Clerk is involved from time to time in routine civil litigation incidental to the ordinary course of operations. In the opinion of management and legal counsel, there are no lawsuits or claims outstanding which might materially affect the financial position of the Clerk's Office.

NOTE G – RISK MANAGEMENT

The Clerk 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. The Board of County Commissioners maintains a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss.

Under this program the County is self-insured with respect to the following exposures:

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

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

- Building and contents, \$10,000 deductible
- Boats
- Employee Fidelity
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Conventional insurance remains in effect for buildings and contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public official's liability coverage. The Clerk participates in the program and makes payments to the Self-Insurance Fund based on historical estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

REQUIRED SUPPLEMENTARY INFORMATION

**Santa Rosa County, Florida Clerk of Courts
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For the year ended September 30, 2009**

	General Fund				Special Revenue Fund Courts Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 945,899	\$ 895,899
Charges for services	955,800	951,600	773,305	(178,295)	2,827,000	2,663,981	2,086,306	(577,675)
Fines and forfeits	-	-	-	-	857,000	893,120	608,223	(284,897)
Miscellaneous	91,040	95,240	25,448	(69,792)	10,000	15,630	37,749	22,119
Total revenues	<u>1,046,840</u>	<u>1,046,840</u>	<u>798,753</u>	<u>(248,087)</u>	<u>3,744,000</u>	<u>3,622,731</u>	<u>3,678,177</u>	<u>55,446</u>
EXPENDITURES								
Current:								
General government:								
Financial and administrative:								
Personal services	2,106,568	2,096,669	1,959,815	136,854	-	-	-	-
Operating	249,842	287,242	236,484	50,758	-	12,618	1,254	11,364
Capital outlay	-	10,391	4,002	6,389	-	-	-	-
Judicial:								
Personal services	-	-	-	-	3,383,000	3,383,000	3,388,657	(5,657)
Operating	-	-	-	-	324,000	227,113	211,840	15,273
Reserve for contingencies	-	-	-	-	36,570	-	-	-
Total expenditures	<u>2,356,410</u>	<u>2,394,302</u>	<u>2,200,301</u>	<u>194,001</u>	<u>3,743,570</u>	<u>3,622,731</u>	<u>3,601,751</u>	<u>20,980</u>
Excess (deficiency) of revenues over expenditures	(1,309,570)	(1,347,462)	(1,401,548)	(54,086)	430	-	76,426	76,426
OTHER FINANCING SOURCES (USES)								
Board of County Commissioners appropriation	1,347,522	1,347,522	1,444,659	97,137	-	-	-	-
Board of County Commissioners excess fees	(37,952)	(60)	(43,111)	(43,051)	-	-	-	-
Transfer to Clerk of Court Trust Fund	-	-	-	-	(430)	-	(17,652)	(17,652)
Total other financing sources (uses)	<u>1,309,570</u>	<u>1,347,462</u>	<u>1,401,548</u>	<u>54,086</u>	<u>(430)</u>	<u>-</u>	<u>(17,652)</u>	<u>(17,652)</u>
Net change in fund balances	-	-	-	-	-	-	58,774	58,774
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,774</u>	<u>\$ 58,774</u>

**Santa Rosa County, Florida Clerk of Courts
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (Continued)
For the year ended September 30, 2009**

	Special Revenue Fund Courts Technology Fund				Special Revenue Fund Records Modernization Trust Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	300,000	300,000	225,070	(74,930)	100,000	100,000	74,025	(25,975)
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>225,070</u>	<u>(74,930)</u>	<u>100,000</u>	<u>100,000</u>	<u>74,025</u>	<u>(25,975)</u>
EXPENDITURES								
Current:								
General government:								
Financial and administrative:								
Operating	-	-	-	-	-	100,000	203,844	(103,844)
Capital outlay	-	-	-	-	-	-	4,208	(4,208)
Judicial:								
Personal services	228,725	160,225	23,314	136,911	-	-	-	-
Operating	-	133,775	115,948	17,827	-	-	-	-
Capital outlay	-	6,000	5,733	267	-	-	-	-
Total expenditures	<u>228,725</u>	<u>300,000</u>	<u>144,995</u>	<u>155,005</u>	<u>-</u>	<u>100,000</u>	<u>208,052</u>	<u>(108,052)</u>
Net change in fund balances	71,275	-	80,075	80,075	100,000	-	(134,027)	(134,027)
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>293,897</u>	<u>293,897</u>	<u>-</u>	<u>-</u>	<u>568,601</u>	<u>568,601</u>
FUND BALANCES, END OF YEAR	<u>\$ 71,275</u>	<u>\$ -</u>	<u>\$ 373,972</u>	<u>\$ 373,972</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 434,574</u>	<u>\$ 434,574</u>

SUPPLEMENTARY INFORMATION
COMBINING FUND FINANCIAL STATEMENTS

Santa Rosa County, Florida Clerk of Courts
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2009

	10% Fines - PRMTF	OSCA	Total Non-major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 47,032	\$ -	\$ 47,032
Total assets	\$ 47,032	\$ -	\$ 47,032
FUND BALANCES			
Unreserved	47,032	-	47,032
Total fund balances	47,032	-	47,032
Total liabilities and fund balances	\$ 47,032	\$ -	\$ 47,032

**Santa Rosa County, Florida Clerk of Courts
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
 For the year ended September 30, 2009**

	10% Fines - PRMTF	OSCA	Total Non-major Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ 47,241	\$ 47,241
Fines and forfeits	47,032	-	47,032
Total revenues	<u>47,032</u>	<u>47,241</u>	<u>94,273</u>
EXPENDITURES			
Current:			
General government:			
Judicial:			
Personal services	-	47,241	47,241
Total expenditures	<u>-</u>	<u>47,241</u>	<u>47,241</u>
Net change in fund balances	47,032	-	47,032
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 47,032</u>	<u>\$ -</u>	<u>\$ 47,032</u>

**Santa Rosa County, Florida Clerk of Courts
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 ALL AGENCY FUNDS
 September 30, 2009**

	Court Registry	Fine and Cost	Court Revenues - State	Intangible Tax	State Documentary Stamp	Suspense	Tax Redemption	Ordinary Witness	Bail Bonds	Child Support	Totals
ASSETS											
Cash and cash equivalents	\$ 891,254	\$ 137,839	\$ 242,306	\$ 115,032	\$ 506,812	\$ 220,588	\$ 253,695	\$ 38,888	\$ 127,946	\$ 893	\$ 2,535,253
Total assets	891,254	137,839	242,306	115,032	506,812	220,588	253,695	38,888	127,946	893	2,535,253
LIABILITIES											
Accounts payable	-	-	-	-	-	-	-	38,888	-	-	38,888
Due to other governmental units	-	137,839	242,306	115,032	506,812	220,588	-	-	-	893	1,223,470
Deposits	891,254	-	-	-	-	-	253,695	-	127,946	-	1,272,895
Total liabilities	891,254	137,839	242,306	115,032	506,812	220,588	253,695	38,888	127,946	893	2,535,253
NET ASSETS											
Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**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 Mary M. Johnson
Clerk of Courts
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to a “financial statements”) of each major fund and the aggregate remaining fund information of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as “Clerk”), as of and for the year ended September 30, 2009, and have issued our report thereon dated June 4, 2010. 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 Clerk’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 Clerk’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

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

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

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated June 4, 2010 which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Clerk, Santa Rosa County Board of County Commissioners, 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

June 4, 2010

MANAGEMENT LETTER

Honorable Mary M. Johnson
Clerk of Courts
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of each major fund and aggregate remaining fund information of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as “Clerk”), as of and for the year ended September 30, 2009, and have issued our report thereon dated June 4, 2010.

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 Standards*. Disclosures in that report, which is dated June 4, 2010, 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 recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 2.), we determined that the Clerk is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

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 financial management. In connection with our audit, we did not have any such recommendations.

The Rules of the Auditor General (Section 10.554 (1) (i) 4.) require disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not identify any such findings.

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 have an inconsequential effect on the financial statements considering both quantitative and qualitative factors, including the following: violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and control deficiencies that are not significant deficiencies. Our audit disclosed no matters which, in our judgment, are required to be disclosed.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 8.) we determined that the Clerk is in compliance with the requirements of Sections 28.35 and 28.36, Florida Statutes.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the Clerk, Santa Rosa County Board of County Commissioners, 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 Cheel, LLP

June 4, 2010

**Santa Rosa County, Florida Clerk of Courts
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2009**

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

SANTA ROSA COUNTY, FLORIDA PROPERTY APPRAISER

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

SANTA ROSA COUNTY, FLORIDA PROPERTY APPRAISER

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Honorable Gregory S. Brown
Property Appraiser
Santa Rosa County, Florida

We have audited the accompanying special-purpose financial statements (hereinafter referred to as "financial statements") of the general fund of the Office of the Property Appraiser of Santa Rosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Property Appraiser's management. Our responsibility is to express an opinion on the 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 Property Appraiser'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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Property Appraiser, 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, the financial position of the Property Appraiser, as of September 30, 2009, and the changes in financial position 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 a report dated June 23, 2010 on our consideration of the Property Appraiser'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 page 13 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 Property Appraiser, Santa Rosa County Board of County Commissioners, 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 Ciel, LLP

June 23, 2010

**Santa Rosa County, Florida Property Appraiser
BALANCE SHEET - GENERAL FUND
September 30, 2009**

ASSETS

Cash	<u>\$ 102,840</u>
------	-------------------

LIABILITIES

Accounts payable	\$ 16,448
Due to Board of County Commissioners	48,346
Accrued salaries and wages	<u>38,046</u>
Total liabilities	102,840

FUND BALANCE

Fund balance	<u> --</u>
Total liabilities and fund balance	<u>\$ 102,840</u>

**Santa Rosa County, Florida Property Appraiser
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GENERAL FUND
For the year ended September 30, 2009**

REVENUES

Charges for services	\$ 16,317
Miscellaneous	1,750
Total revenues	<u>18,067</u>

EXPENDITURES

Current:	
General government:	
Personal services	2,264,607
Operating expenditures	514,040
Capital outlay	33,934
Total expenditures	<u>2,812,581</u>

Excess (deficiency) of revenues over expenditures (2,794,514)

OTHER FINANCING SOURCES (USES)

Board of County Commissioners appropriation	2,842,860
Board of County Commissioners excess fees	(48,346)
Total other financing sources (uses)	<u>2,794,514</u>

Net change in fund balance --

FUND BALANCE, BEGINNING OF YEAR --

FUND BALANCE, END OF YEAR \$ --

Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

The Santa Rosa County, Florida Property Appraiser (the "Property Appraiser"), as established by Article VIII of the Constitution of the State of Florida, is an elected official of Santa Rosa County, Florida (the "County"). Although the Property Appraiser is operationally autonomous from the Santa Rosa County Board of County Commissioners (the "Board"), it does not hold sufficient corporate powers to be considered a legally separate entity for financial reporting purposes. Therefore, the Property Appraiser is considered part of the County's primary government.

These *special-purpose financial statements* of the Property Appraiser are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the special-purpose financial statements consist of only the *fund level* financial statements as defined in GASB Statement No. 34, and do not include presentations of *government-wide* financial statements of the Property Appraiser.

2. Fund Accounting

The accounting system of the Property Appraiser 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 recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The General Fund of the Property Appraiser is used to account for all financial resources which are generated from operations of the office, appropriations from the Board, or any other resources not required to be accounted for in another fund. This fund utilizes a modified accrual basis of accounting. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination).

Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both measurable and available as net current assets. The Property Appraiser considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recognized when the related fund liability is incurred.

4. Accounting for Capital Assets

Capital assets (vehicles, equipment, and other tangible property costing at least \$1,000 with a useful life of more than one year) are recorded as expenditures at the time of purchase. These assets are capitalized at cost and accounted for in the County's government-wide financial statements.

5. Budget and Budgetary Accounting

The Property Appraiser operates under budget procedures pursuant to Section 195.087, Florida Statutes. As permitted by Section 195.087 certain revenues and expenditures related to copy fees, sale of maps, and other charges for services are not subject to budget procedures. The legal level of budgetary control is at the fund level.

6. Compensated Absences

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the County's government-wide financial statements. For the general fund, compensated absence expenditures are recognized when payments are made to employees.

**Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

7. Excess Revenue

In accordance with Section 218.36(2), Florida Statutes, excess revenue is remitted to the Board at fiscal year-end. This excess revenue at September 30, 2009, is reported as due to Board of County Commissioners.

8. Events Occurring After Reporting Date

The Property Appraiser has evaluated events and transactions that occurred between September 30, 2009 and June 23, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE B - CASH

At September 30, 2009, the bank reported deposits before outstanding checks of \$179,659, all of which were held by a financial institution designated as “a qualified public depository” by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

NOTE C - LONG-TERM DEBT - COMPENSATED ABSENCES

Disclosures required by Chapter 10.557(3)(g), Rules of the State of Florida Auditor General, related to long-term debt are as follows:

Balance - October 1, 2008	\$ 301,524
Increases	173,130
Decreases	<u>(151,122)</u>
Balance - September 30, 2009	<u>\$ 323,532</u>

Compensated absences are budgeted annually and paid from the General Fund.

Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE D – PENSION AND RETIREMENT PLAN

Substantially all full-time employees of the Property Appraiser are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

The FRS offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans.

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

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

Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE D – PENSION AND RETIREMENT PLAN -- (Continued)

DROP is an elective program available for members of the FRS who are eligible for normal retirement. Under this program, a member effectively retires but continues covered employment for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

The FRS is noncontributory for employees and all contributions are made by participating FRS employers. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2009 were as follows: regular employees, 9.85%; special risk employees, 20.92%; elected officials, 16.53%; senior management employees, 13.12%; and DROP participants, 10.91%. The Property Appraiser's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution for each year. Contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on the members' class. Contributions to both plans totaled \$175,814, \$176,815, and \$173,245 for the years ended September 30, 2009, 2008, and 2007, respectively.

NOTE E - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The Property Appraiser participates in the health insurance plan offered to employees of the Board and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependants have the option of continuing in the Board plan at the same group rate as for active employees.

In conjunction with the implementation of GASB Statement No. 45 during fiscal year end 2009 the Board engaged an actuarial firm to determine the estimated obligation associated with the post employment health insurance benefits as of September 30, 2009 for all participants of the Board plan. Costs attributed to the Property Appraiser have been allocated based on the Property Appraiser's payroll compared to total payroll of all participants in the Board plan. The Property Appraiser's Annual OPEB Cost for fiscal year 2009 was \$63,701, and employer contributions included in Personal Services expenditures in

**Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE E - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN -- (Continued)

the Statement of Revenues, Expenditures, and Changes in Fund Balance were \$10,959. The net OPEB obligation of the Property Appraiser was \$52,742, and the Unfunded Actuarial Accrued Liability, which is being amortized over a thirty year period as part of the Annual Required Contribution, was \$455,085. Because these financial statements focus on current financial resources, they do not include the net OPEB obligation or any other long-term liability. A full presentation of the Other Post Employment Benefit (OPEB) liabilities, funding status, and actuarial methods and assumptions is included in the 2009 Board's Annual Financial Report.

Following are the components of the Property Appraiser's net OPEB obligation at September 30, 2009:

Normal Cost	\$ 37,389
Amortization of Unfunded Actuarial Accrued Liability	<u>26,312</u>
Annual Required Contribution (ARC)	63,701
Annual Required Contribution	63,701
Interest on Net OPEB Obligation	--
Adjustment to ARC	<u>--</u>
Annual OPEB Cost	63,701
Estimated Employer Contributions Made	<u>(10,959)</u>
Increase in net OPEB Obligation	52,742
Net OPEB Obligation, October 1, 2008	<u>--</u>
Net OPEB Obligation, September 30, 2009	<u><u>\$ 52,742</u></u>

Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE F - RISK MANAGEMENT

The Property Appraiser is exposed to various risks of loss related to torts: theft and damage of assets, errors and omissions, injuries to employees, and natural disasters. The Board has a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. The County is self-insured with respect to the following exposures:

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

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

- Buildings and contents, \$10,000 deductible
- Boats
- Employee Fidelity
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public official's liability coverage. The Property Appraiser participates in the County's self-insurance program and makes 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 catastrophe losses.

REQUIRED SUPPLEMENTARY INFORMATION

**Santa Rosa County, Florida Property Appraiser
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)
AND ACTUAL - GENERAL FUND - (Unaudited)
For the year ended September 30, 2009**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous	\$ --	\$ --	\$ 1,750	\$ 1,750
Total revenues	--	--	1,750	1,750
EXPENDITURES				
Current:				
General government:				
Personal services	2,286,316	2,321,799	2,264,607	57,192
Operating expenditures	494,468	494,468	498,829	(4,361)
Capital outlay	16,000	38,500	32,828	5,672
Total expenditures	<u>2,796,784</u>	<u>2,854,767</u>	<u>2,796,264</u>	<u>58,503</u>
Excess (deficiency) of revenues over expenditures	(2,796,784)	(2,854,767)	(2,794,514)	60,253
OTHER FINANCING SOURCES (USES)				
Board of County Commissioners appropriation	2,796,784	2,854,767	2,842,860	(11,907)
Board of County Commissioners excess fees	--	--	(48,346)	(48,346)
Total other financing sources (uses)	<u>2,796,784</u>	<u>2,854,767</u>	<u>2,794,514</u>	<u>(60,253)</u>
Net change in fund balance	--	--	--	--
FUND BALANCE, BUDGETARY BASIS, BEGINNING OF YEAR	--	--	--	--
FUND BALANCE, BUDGETARY BASIS, END OF YEAR	<u>\$ --</u>	<u>\$ --</u>	--	<u>\$ --</u>
Adjustment for revenues not budgeted			16,317	
Adjustment for expenditures allowed under Florida Statute 195.087			<u>(16,317)</u>	
FUND BALANCE - GAAP BASIS, END OF YEAR			<u>\$ --</u>	

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

Honorable Gregory S. Brown
Property Appraiser
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as "financial statements") of the general fund of the Office of the Property Appraiser of Santa Rosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the year ended September 30, 2009, and have issued our report thereon June 23, 2010. 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 Property Appraiser'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 Property Appraiser's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated June 23, 2010, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Property Appraiser, Santa Rosa County Board of County Commissioners, 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

June 23, 2010

MANAGEMENT LETTER

Honorable Gregory S. Brown
Property Appraiser
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of the general fund of the Office of the Property Appraiser of Santa Rosa County, Florida (hereinafter referred to as “Property Appraiser”), as of and for the year ended September 30, 2009, and have issued our report thereon dated June 23, 2010.

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 Standards*. Disclosures in that report, which is June 23, 2010, 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 findings and recommendations made in the preceding annual financial audit. No recommendations were made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 2.), we determined that the Property Appraiser is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

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 financial management. No items were identified which are required to be disclosed.

The Rules of Auditor General (Section 10.554 (1) (i) 4.) require disclosure in the management letter of violations of provisions of contracts or 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 have an inconsequential effect on the financial statements considering both quantitative and qualitative factors, including the following: violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and control deficiencies that are not significant deficiencies. We are submitting for consideration the recommendation described in Attachment A.

The Property Appraiser's response to the finding identified in this management letter is described in the accompanying "management's response to management letter." We did not audit the Property Appraiser's response and accordingly, we express no opinion on it.

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

O'Sullivan Greel, LLP

June 23, 2010

**Santa Rosa County, Florida Property Appraiser
CURRENT YEAR RECOMMENDATIONS (Attachment A)
For the year ended September 30, 2009**

2009 – 1 Expenditure Classification

The Department of Revenue (DOR) requires the Property Appraiser's budgeted expenditures to be divided into four primary account categories, with those categories further broken into subcategories into which all expenditures are reported. We noted a few instances where actual account assignments did not reflect the true classification of the disbursement. Two such disbursements were originally reported as capital expenditures but were reclassified via audit adjustment to operating expenditures. Although the Property Appraiser did not exceed the overall approved budget amounts, we recommend the Property Appraiser review and evaluate the processes in place over general ledger account assignments to ensure proper classification of expenditures. The correct classification is important to delineate normal operating expenditures from capital expenditures (which may not be recurring) and to demonstrate conformity with the approved DOR budget.

**Santa Rosa County, Florida Property Appraiser
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2009**

2009 – 1 Expenditure Classification

In order to insure accurate account coding of expenditures the Chief Deputy will continue to review all Invoice Payment Requests. No invoice will be paid unless approved by the Chief Deputy or the Property Appraiser. Proper accounts codes will be reviewed by either individual before payment is issued.

SANTA ROSA COUNTY, FLORIDA SUPERVISOR OF ELECTIONS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

SANTA ROSA COUNTY, FLORIDA SUPERVISOR OF ELECTIONS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Honorable Ann Bodenstein
Supervisor of Elections
Santa Rosa County, Florida

We have audited the accompanying special-purpose financial statements (hereinafter referred to as "financial statements") of the general fund of the Office of the Supervisor of Elections of Santa Rosa County, Florida (hereinafter referred to as "Supervisor of Elections"), as of and for the year ended September 30, 2009. These financial statements are the responsibility of the Supervisor of Elections' management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Supervisor of Elections' 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note A to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Supervisor of Elections, 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, the financial position of the general fund of the Supervisor of Elections as of September 30, 2009, and the results of its operations 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 June 2, 2010, on our consideration of the Supervisor of Elections' internal control over financial reporting and on our tests of its compliance with 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 page 13 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 Supervisor of Elections, Santa Rosa County Board of County Commissioners, 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

June 2, 2010

**Santa Rosa County, Florida Supervisor of Elections
BALANCE SHEET - GENERAL FUND
September 30, 2009**

ASSETS

Due from Board of County Commissioners	<u>\$ 105,098</u>
--	-------------------

LIABILITIES

Accounts payable	\$ 6,974
Accrued expenses	17,426
Deferred revenue	<u>80,698</u>
Total liabilities	105,098

FUND BALANCE

Fund balance	<u>--</u>
Total liabilities and fund balance	<u>\$ 105,098</u>

Santa Rosa County, Florida Supervisor of Elections
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND
For the year ended September 30, 2009

REVENUES

Miscellaneous revenue	\$	129
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EXPENDITURES

Current:

General government:

Personal services		476,181
-------------------	--	---------

Operating		327,572
-----------	--	---------

Capital outlay		367,680
----------------	--	---------

Total expenditures		1,171,433
--------------------	--	-----------

Excess (deficiency) of revenues over expenditures		(1,171,304)
---	--	-------------

OTHER FINANCING SOURCES

Board of County Commissioners appropriation		1,171,304
---	--	-----------

Net change in fund balance		--
-----------------------------------	--	----

FUND BALANCE, BEGINNING OF YEAR		--
--	--	----

FUND BALANCE, END OF YEAR	\$	--
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Santa Rosa County, Florida Supervisor of Elections
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

The Santa Rosa County, Florida Supervisor of Elections (the “Supervisor of Elections”), as established by Article VIII of the Constitution of the State of Florida, is an elected official of Santa Rosa County, Florida (the “County”). Although the Supervisor of Elections is operationally autonomous from the Santa Rosa County Board of County Commissioners (the “Board”), it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Supervisor of Elections is reported as a part of the primary government of the County.

These *special-purpose financial statements* are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board (GASB) Statement No. 34, and do not include presentations of *government-wide* financial statements of the Supervisor of Elections.

Pursuant to the provisions of 129.202, Florida Statutes, the Supervisor of Elections has elected to have the Office of the Clerk of the Circuit and County Courts of Santa Rosa County maintain the books and records pertaining to the operation of the Supervisor of Elections. Therefore, the Supervisors of Elections does not maintain a separate cash account. Rather, all cash activity for the Supervisors of Elections is recorded in the common cash account of the Board. The “Due from Board of County Commissioners” reflected on the balance sheet represents the amount of cash held on behalf of the Supervisor of Elections.

2. Fund Accounting

The accounting system of the Supervisor of Elections 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 recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Santa Rosa County, Florida Supervisor of Elections
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

2. Fund Accounting -- (Continued)

The general fund of the Supervisor of Elections is used to account for all financial resources which are generated from operations of the office, appropriations from the Board, or any other resources not required to be accounted for in another fund.

This fund utilizes a modified accrual basis of accounting. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination).

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statement. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both measurable and available as net current assets. The Supervisor of Elections considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recognized when the related fund liability is incurred.

4. Accounting for Capital Assets

Capital assets (vehicles, equipment, and other tangible property costing at least \$1,000 with a useful life of more than one year) are recorded as expenditures in the fund level financial statements at the time of purchase. These assets are also capitalized at cost and accounted for in the County's government-wide financial statements.

5. Budgets and Budgetary Accounting

The Supervisor of Elections operates under budget procedures pursuant to Florida Statutes. The Supervisor of Elections' budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budget appropriations lapse at the end of the year, and are not carried over to the following year. The legal level of budgetary control is at the fund level.

Santa Rosa County, Florida Supervisor of Elections
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

6. Compensated Absences

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the County's government-wide financial statements. For the governmental fund statements, expenditures are recognized when payments are made to employees.

7. Events Occurring After Reporting Date

The Supervisor of Elections has evaluated events and transactions that occurred between September 30, 2009 and June 2, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE B - LONG-TERM LIABILITIES - COMPENSATED ABSENCES

Disclosures required by Chapter 10.557(3)(g), Rules of the Auditor General State of Florida related to the liability for compensated absences are as follows:

Balance - October 1, 2008	\$ 38,343
Increases	34,748
Decreases	<u>(38,323)</u>
Balance - September 30, 2009	<u>\$ 34,768</u>

NOTE C - PENSION AND RETIREMENT PLAN

Substantially all full-time employees of the Supervisor of Elections are covered by the Florida Retirement System (FRS), a multiple employer cost sharing defined benefit pension plan. The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code.

Santa Rosa County, Florida Supervisor of Elections
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE C - PENSION AND RETIREMENT PLAN -- (Continued)

The FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

The FRS offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans.

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

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

Deferred Retirement Option Program (DROP) is an elective program available for members of the FRS who are eligible for normal retirement. Under this program, a member effectively retires but continues covered employment for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

Santa Rosa County, Florida Supervisor of Elections
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE C - PENSION AND RETIREMENT PLAN -- (Continued)

The FRS is noncontributory for employees and all contributions are made by participating FRS employers. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2009 were as follows: regular employees, 9.85%; special risk employees, 20.92%; elected officials, 16.53%; senior management employees, 13.12%; and DROP participants, 10.91%. The Supervisor of Elections' contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution for each year. Contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on the members' class. Contributions to both plans totaled \$40,019, \$39,337, and \$38,189 for the years ended September 30, 2009, 2008, and 2007, respectively.

NOTE D - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The Supervisor of Elections participates in the health insurance plan offered to employees of the Board and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependents have the option of continuing in the Board plan at the same group rate as for active employees.

In conjunction with the implementation of GASB Statement No. 45 during fiscal year end 2009 the Board engaged an actuarial firm to determine the estimated obligation associated with the post employment health insurance benefits as of September 30, 2009 for all participants of the Board plan. Costs attributed to the Supervisor of Elections have been allocated based on the Supervisor of Elections' payroll compared to total payroll of all participants in the Board plan. The Supervisor of Elections' Annual OPEB Cost for fiscal year 2009 was \$13,148, and employer contributions included in Personal Services expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance were \$2,262. The net OPEB obligation of the Supervisor of Elections was \$10,886, and the Unfunded Actuarial Accrued Liability, which is being amortized over a thirty year period as part of the Annual Required Contribution, was \$93,935. Because these financial statements focus on current financial resources, they do not include the net OPEB obligation or any other long-term liability. A full presentation of the Other Post Employment Benefit (OPEB) liabilities, funding status, and actuarial methods and assumptions is included in the 2009 Board's Annual Financial Report.

Santa Rosa County, Florida Supervisor of Elections
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE D - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN -- (Continued)

Following are the components of the Supervisor of Elections' net OPEB obligation at September 30, 2009:

Normal Cost	\$ 7,717
Amortization of Unfunded Actuarial Accrued Liability	<u>5,431</u>
Annual Required Contribution (ARC)	13,148
Annual Required Contribution	13,148
Interest on Net OPEB Obligation	--
Adjustment to ARC	<u>--</u>
Annual OPEB Cost	13,148
Estimated Employer Contributions Made	<u>(2,262)</u>
Increase in net OPEB Obligation	10,886
Net OPEB Obligation, October 1, 2008	<u>--</u>
Net OPEB Obligation, September 30, 2009	<u><u>\$ 10,886</u></u>

NOTE E - RISK MANAGEMENT

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

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

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

- Buildings and contents, \$10,000 deductible
- Boats
- Employee Fidelity
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Santa Rosa County, Florida Supervisor of Elections
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE E - RISK MANAGEMENT -- (Continued)

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public officials' liability coverage. The Supervisor of Elections participates in the program and makes 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.

REQUIRED SUPPLEMENTARY INFORMATION

**Santa Rosa County, Florida Supervisor of Elections
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND**

For the year ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Grant revenues	\$ 71,920	\$ 71,290	\$ --	\$ (71,290)
Miscellaneous revenues	--	--	129	129
Total revenues	<u>71,920</u>	<u>71,290</u>	<u>129</u>	<u>(71,161)</u>
EXPENDITURES				
Current				
General government				
Personal services	491,010	484,010	476,181	7,829
Operating	399,365	393,060	327,572	65,488
Capital outlay	354,375	367,680	367,680	--
Total expenditures	<u>1,244,750</u>	<u>1,244,750</u>	<u>1,171,433</u>	<u>73,317</u>
Excess (deficiency) of revenues over expenditures	(1,172,830)	(1,173,460)	(1,171,304)	2,156
OTHER FINANCING SOURCES				
Board of County Commissioners appropriation	1,172,830	1,173,460	1,171,304	(2,156)
Net change in fund balance	--	--	--	--
FUND BALANCE, BEGINNING OF YEAR	--	--	--	--
FUND BALANCE, END OF YEAR	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Honorable Ann Bodenstein
Supervisor of Elections
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of the general fund of the Office of the Supervisor of Elections of Santa Rosa County, Florida (hereinafter referred to as “Supervisor of Elections”), as of and for the year ended September 30, 2009, and have issued our report thereon dated June 2, 2010. 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 Supervisor of Elections’ 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 Supervisor of Elections’ internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections’ internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

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

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

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated June 2, 2010, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Supervisor of Elections, Santa Rosa County Board of County Commissioners, 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

June 2, 2010

MANAGEMENT LETTER

Honorable Ann Bodenstein
Supervisor of Elections
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of the general fund of the Office of the Supervisor of Elections of Santa Rosa County, Florida (hereinafter referred to as “Supervisor of Elections”), as of and for the year ended September 30, 2009, and have issued our report thereon dated June 2, 2010.

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 Standards*. Disclosures in that report, which is dated June 2, 2010, 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 findings and recommendations made in the preceding annual financial audit. No recommendations were made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 2.), we determined that the Supervisor of Elections is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

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 financial management. No items were identified which are required to be disclosed.

The Rules of Auditor General (Section 10.554 (1) (i) 4.) require disclosure in the management letter of violations of provisions of contracts or 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 have an inconsequential effect on the financial statements considering both quantitative and qualitative factors, including the following: violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and control deficiencies that are not significant deficiencies. Our audit disclosed no matters which, in our judgment, are required to be disclosed.

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

O'Sullivan Creel, LLP

June 2, 2010

**Santa Rosa County, Florida Supervisor of Elections
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2009**

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