

BOARD OF COUNTY COMMISSIONERS

**SANTA ROSA COUNTY, FLORIDA
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2010

BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2010

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BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2010

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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, 2010, 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, 2010, 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 28, 2011 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 38 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 28, 2011

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

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

September 30, 2010

ASSETS	General	Road and Bridge	Grants	Electricity Franchise Fee	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 11,570,691	\$ 12,698,439	\$ 608,244	\$ 6,743,950	\$ 17,780,131	\$ 49,401,455
Investments	6,065,800	--	--	--	205,252	6,271,052
Receivables, net of uncollectibles						
Accounts	151,766	1,166	10	559,523	138,398	850,863
Leases - current	475,349	--	--	--	--	475,349
Interest	1,945	1,572	253	1,461	2,573	7,804
Due from other governments	3,116,947	1,721,202	665,882	--	2,067,754	7,571,785
Due from other funds	--	1,133,844	--	193,000	182,500	1,509,344
Advances to other funds	10,000	50,000	--	--	--	60,000
Inventory	109,695	304,019	--	--	--	413,714
Prepaid items	--	--	--	--	18,057	18,057
Total assets	<u>\$ 21,502,193</u>	<u>\$ 15,910,242</u>	<u>\$ 1,274,389</u>	<u>\$ 7,497,934</u>	<u>\$ 20,394,665</u>	<u>\$ 66,579,423</u>
LIABILITIES						
Accounts payable	\$ 487,569	\$ 978,751	\$ 11,314	\$ --	\$ 245,230	\$ 1,722,864
Contracts payable	7,095	91,603	--	--	--	98,698
Accrued wages payable	501,723	362,772	--	--	20,204	884,699
Deposits	262,625	--	--	--	--	262,625
Unearned revenue	148,919	--	--	--	--	148,919
Due to other funds	58,844	--	1,075,000	--	375,500	1,509,344
Due to other governments	103,429	--	--	--	2,368	105,797
Advance payable to other funds	--	--	--	--	60,000	60,000
Total liabilities	<u>1,570,204</u>	<u>1,433,126</u>	<u>1,086,314</u>	<u>--</u>	<u>703,302</u>	<u>4,792,946</u>
FUND BALANCES						
Fund balances						
Reserved	2,108,206	4,197,146	--	--	6,100,607	12,405,959
Unreserved, reported in:						
General fund	17,823,783	--	--	--	--	17,823,783
Special revenue funds	--	10,279,970	188,075	7,497,934	7,351,103	25,317,082
Debt service fund	--	--	--	--	227,762	227,762
Capital project funds	--	--	--	--	5,839,991	5,839,991
Permanent fund	--	--	--	--	171,900	171,900
Total fund balances	<u>19,931,989</u>	<u>14,477,116</u>	<u>188,075</u>	<u>7,497,934</u>	<u>19,691,363</u>	<u>61,786,477</u>
Total liabilities and fund balances	<u>\$ 21,502,193</u>	<u>\$ 15,910,242</u>	<u>\$ 1,274,389</u>	<u>\$ 7,497,934</u>	<u>\$ 20,394,665</u>	<u>\$ 66,579,423</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, 2010

	General	Road and Bridge	Grants	Electricity Franchise Fee	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 46,482,388	\$ 5,647,398	\$ --	\$ --	\$ 1,013,387	\$ 53,143,173
Permits, fees and special assessments	1,309,712	15,251	--	6,074,075	5,739,519	13,138,557
Intergovernmental	9,952,255	6,844,690	1,887,741	--	8,801,517	27,486,203
Charges for services	4,706,748	76,324	27,413	--	1,575,897	6,386,382
Fines and forfeits	238,474	--	--	--	47,487	285,961
Miscellaneous	1,825,058	180,740	1,635	11,062	142,625	2,161,120
Total revenues	64,514,635	12,764,403	1,916,789	6,085,137	17,320,432	102,601,396
Expenditures						
Current						
General government	17,855,862	--	--	--	982,468	18,838,330
Public safety	33,701,093	--	59,002	--	3,828,736	37,588,831
Physical environment	1,138,760	571,825	178,957	--	623,649	2,513,191
Transportation	1,008,868	14,594,415	--	--	909,783	16,513,066
Economic environment	137,500	--	1,494,173	--	2,800,903	4,432,576
Human services	3,355,867	--	132,935	--	28,846	3,517,648
Culture and recreation	2,704,571	--	--	--	111,877	2,816,448
Capital outlay	--	--	--	--	7,543,886	7,543,886
Debt service	--	--	--	--	3,377,058	3,377,058
Total expenditures	59,902,521	15,166,240	1,865,067	--	20,207,206	97,141,034
Excess (deficiency) of revenues over expenditures	4,612,114	(2,401,837)	51,722	6,085,137	(2,886,774)	5,460,362
Other financing sources (uses)						
Transfer in	1,190,098	5,918,288	52,203	--	5,212,323	12,372,912
Transfer out	(1,059,579)	(93,732)	(17,712)	(8,425,742)	(2,776,147)	(12,372,912)
New debt issuance	--	--	--	--	1,287,870	1,287,870
Total other financing sources (uses)	130,519	5,824,556	34,491	(8,425,742)	3,724,046	1,287,870
Net change in fund balances	4,742,633	3,422,719	86,213	(2,340,605)	837,272	6,748,232
Fund balances, beginning of year	15,188,822	11,071,993	101,862	9,838,539	18,854,091	55,055,307
Change in reserve for inventory	534	(17,596)	--	--	--	(17,062)
Fund balances, end of year	\$ 19,931,989	\$ 14,477,116	\$ 188,075	\$ 7,497,934	\$ 19,691,363	\$ 61,786,477

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, 2010

	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	\$ 1,702,980	\$ 4,098,635	\$ 542,310	\$ 6,343,925	\$ 4,703,059
Investments	--	--	--	--	603,401
Accounts receivable	249,132	379,366	8,471	636,969	121,831
Interest	82	844	20	946	828
Due from other governments	--	--	10,338	10,338	1,236
Total current assets	1,952,194	4,478,845	561,139	6,992,178	5,430,355
Noncurrent assets					
Restricted investments	--	3,806,625	--	3,806,625	--
Deferred charges	--	25,950	--	25,950	--
Capital assets, net of accumulated depreciation	8,444,271	6,079,766	3,171,882	17,695,919	4,579
Total noncurrent assets	8,444,271	9,912,341	3,171,882	21,528,494	4,579
Total assets	\$ 10,396,465	\$ 14,391,186	\$ 3,733,021	\$ 28,520,672	\$ 5,434,934
LIABILITIES					
Current liabilities					
Accounts payable	\$ 65,467	\$ 66,940	\$ 15,688	\$ 148,095	\$ 946,161
Current portion of claims payable	--	--	--	--	930,746
Accrued wages payable	19,432	81,555	--	100,987	10,430
Due to other governments	--	--	1,200	1,200	--
Compensated absences - current	60,000	195,000	--	255,000	25,000
Revenue bonds - current	--	242,500	--	242,500	--
Note payable - current	381,935	--	--	381,935	--
Accrued interest	--	12,483	--	12,483	--
Deposits	8,398	35,899	300	44,597	--
Current portion of landfill closure costs	--	212,938	--	212,938	--
Total current liabilities	535,232	847,315	17,188	1,399,735	1,912,337
Noncurrent liabilities					
Long term portion of compensated absences	47,352	118,505	--	165,857	95,056
Long term portion of claims payable	--	--	--	--	1,861,102
Long term portion of landfill closure costs	--	8,856,266	--	8,856,266	--
Revenue bonds payable - net of discount	--	1,324,931	--	1,324,931	--
Note payable - noncurrent	4,719,802	--	--	4,719,802	--
OPEB liability	21,548	69,692	--	91,240	10,961
Total noncurrent liabilities	4,788,702	10,369,394	--	15,158,096	1,967,119
Total liabilities	5,323,934	11,216,709	17,188	16,557,831	3,879,456
NET ASSETS					
Invested in capital assets, net of related debt	3,342,534	4,512,335	3,171,882	11,026,751	4,579
Restricted for debt service	--	53,177	--	53,177	--
Restricted for landfill closure	--	3,753,448	--	3,753,448	--
Unrestricted	1,729,997	(5,144,483)	543,951	(2,870,535)	1,550,899
Total net assets	5,072,531	3,174,477	3,715,833	11,962,841	1,555,478
Total liabilities and net assets	\$ 10,396,465	\$ 14,391,186	\$ 3,733,021	\$ 28,520,672	\$ 5,434,934

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, 2010

	Business-type Activities			Total Enterprise Funds	Governmental
	Major Funds		Non-major		Activities
	Navarre Beach	Landfill	Peter Prince Field		Internal Service Fund
Operating revenues					
Licenses and permits	\$ --	\$ 1,900	\$ --	\$ 1,900	\$ --
Charges for services	1,740,672	4,062,636	227,890	6,031,198	1,954,550
Insurance proceeds	--	--	--	--	780,434
Miscellaneous	189	8,821	260	9,270	5,875
Total operating revenues	<u>1,740,861</u>	<u>4,073,357</u>	<u>228,150</u>	<u>6,042,368</u>	<u>2,740,859</u>
Operating expenses					
Personal services	527,545	1,957,339	--	2,484,884	267,870
Contract services	107,916	381,703	46,314	535,933	118,526
Supplies	174,253	50,348	177	224,778	13,854
Repairs and maintenance	139,183	306,635	42,237	488,055	350
Utilities	313,921	103,898	16,584	434,403	--
Depreciation	522,674	599,469	331,069	1,453,212	1,439
Travel and per diem	1,453	21,370	--	22,823	5,647
Insurance	9,480	17,480	--	26,960	74,514
Communications	4,694	15,085	631	20,410	718
Advertising	491	944	--	1,435	--
Fuel and oil	10,082	326,623	--	336,705	--
Rentals	--	4,355	--	4,355	--
Landfill closure and maintenance	--	(112,032)	--	(112,032)	--
Claims	--	--	--	--	1,342,809
State assessment	--	--	--	--	42,426
Bad debt	--	4,768	--	4,768	--
Miscellaneous	2,463	20,620	600	23,683	13,397
Total operating expenses	<u>1,814,155</u>	<u>3,698,605</u>	<u>437,612</u>	<u>5,950,372</u>	<u>1,881,550</u>
Operating income (loss)	(73,294)	374,752	(209,462)	91,996	859,309
Non-operating revenues (expenses)					
Investment income	3,948	111,237	1,251	116,436	27,202
Interest expense	(208,902)	(85,125)	--	(294,027)	--
Sale of recycled materials	--	206,982	--	206,982	--
Gain (loss) on sale of equipment	3,325	4,915	--	8,240	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(15,175)	--	(15,175)	--
Total non-operating revenues (expenses)	<u>(201,629)</u>	<u>162,834</u>	<u>1,251</u>	<u>(37,544)</u>	<u>27,202</u>
Income (loss) before capital contributions	(274,923)	537,586	(208,211)	54,452	886,511
Capital contribution	<u>3,613</u>	<u>19,293</u>	<u>111,498</u>	<u>134,404</u>	<u>45,961</u>
Change in net assets	(271,310)	556,879	(96,713)	188,856	932,472
Net assets, beginning 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>
Net assets, end of year	<u>\$ 5,072,531</u>	<u>\$ 3,174,477</u>	<u>\$ 3,715,833</u>	<u>\$ 11,962,841</u>	<u>\$ 1,555,478</u>

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, 2010

	Business-type Activities				Governmental
	Major Funds		Non-Major	Total	Activities
	Navarre Beach	Landfill	Peter Prince Field	Enterprise Funds	Internal Service Fund
Cash flows from operating activities					
Cash received from customers	\$ 1,764,524	\$ 4,104,735	\$ 226,215	\$ 6,095,474	\$ 5,875
Cash paid to suppliers	(801,833)	(1,276,218)	(97,054)	(2,175,105)	(227,006)
Cash paid to employees	(525,600)	(1,919,227)	--	(2,444,827)	(255,956)
Cash received from interfund services provided	--	--	--	--	2,637,742
Cash paid for internal services provided	--	--	--	--	(2,233,159)
Net cash provided (used) by operating activities	437,091	909,290	129,161	1,475,542	(72,504)
Cash flows from non capital financing activities					
Repayment of loans from other funds	18,544	--	--	18,544	--
Sale of recycled materials	--	206,982	--	206,982	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Net cash provided (used) by non capital financing activities	18,544	146,982	--	165,526	--
Cash flows from capital and related financing activities					
Federal/State grants	3,613	6,810	101,160	111,583	45,961
Proceeds from sale of assets	--	5,375	--	5,375	--
Purchases of capital assets	(56,083)	(250,137)	(154,970)	(461,190)	--
Principal paid on capital debt	(367,885)	(232,500)	--	(600,385)	--
Interest paid on capital debt	(208,902)	(86,793)	--	(295,695)	--
Net cash provided (used) by capital and related financing activities	(629,257)	(557,245)	(53,810)	(1,240,312)	45,961
Cash flows from investing activities					
Interest and dividends	3,866	110,393	1,231	115,490	26,374
Net sale (purchase) of investments	3,325	(188,951)	--	(185,626)	(16,647)
Net cash provided (used) by investing activities	7,191	(78,558)	1,231	(70,136)	9,727
Net increase (decrease) in cash and cash equivalents	(166,431)	420,469	76,582	330,620	(16,816)
Cash and cash equivalents at beginning of year	1,869,411	3,678,166	465,728	6,013,305	4,719,875
Cash and cash equivalents at end of year	\$ 1,702,980	\$ 4,098,635	\$ 542,310	\$ 6,343,925	\$ 4,703,059
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (73,294)	\$ 374,752	\$ (209,462)	\$ 91,996	\$ 859,309
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	523,276	599,469	331,069	1,453,814	1,438
Landfill closure costs	--	(112,032)	--	(112,032)	--
Changes in assets and liabilities:					
Accounts receivable	24,965	28,378	(1,935)	51,408	(97,242)
Due to other governments	--	--	(72)	(72)	(1,236)
Accounts payable	(12,199)	(22,389)	9,561	(25,027)	(191,321)
Contracts payable	(26,300)	--	--	(26,300)	--
Accrued compensation	688	19,267	--	19,955	777
Compensated absences	(10,854)	(21,722)	--	(32,576)	4,708
OPEB liability	12,111	40,567	--	52,678	6,429
Claims payable	--	--	--	--	(655,366)
Deposits	(1,302)	3,000	--	1,698	--
Net cash provided (used) by operating activities	\$ 437,091	\$ 909,290	\$ 129,161	\$ 1,475,542	\$ (72,504)
Noncash Investing, Capital and Financing Activities:					
Amortized bond refunding costs	\$ -	\$ 15,175	\$ -	\$ 15,175	\$ -
Amortized deferred charges	-	(4,449)	-	(4,449)	-
	\$ -	\$ 10,726	\$ -	\$ 10,726	\$ -

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, 2010

GUIDE TO NOTES

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

Dependent Special Districts

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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.
- Grants Fund – Accounts for state and federal funding not associated with any other fund.
- Electricity Franchise Fee Fund – Accounts for the collection and distribution of Electricity Franchise Fees.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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 GASB. 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, 2010

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 permitted by GASB Statement No. 31, short term money market investments are reported at amortized cost rather than fair value.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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
Intangibles	3 - 5 years

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

9. Compensated Absences

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

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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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, 2010 and expected to be collected during the period November 2010 through March 2011 are as follows:

General Fund	\$ 43,228,230
Road and Bridge Fund	\$ 751,880
Fine and Forfeiture Fund	\$ 86,760

These taxes, although measurable, are not recognized as revenue at September 30, 2010, 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, 2010

NOTE B - CASH AND INVESTMENTS

At September 30, 2010, the bank held deposits of \$61,536,173 (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, 2010

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, 2010 the Investment Trust managed \$671,227,756 for 30 local governmental entities. At a price per share of \$23.1855 the Investment Trust has produced a 12-month total return of 2.837% and a market yield of 2.02%. This short term bond fund invests in U.S. Treasuries and Agency Securities, Mortgages, Commercial Paper, Asset-Backed Securities, and "A" rated Corporate Securities.

The Day to Day Fund:

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

Schedule of Cash and Investments at September 30, 2010

	<u>Carrying Amount</u>
<u>Investments</u>	
FLGIT Investment Trust Fund	\$ 10,681,078
Total Investments	10,681,078
 <u>Cash</u>	
Cash in Bank	20,236,748
Day to Day Trust	40,210,366
Petty Cash	1,325
Total Cash	60,448,439
Total Cash and Investments	\$ 71,129,517
 <u>Financial Statement Presentation</u>	
Cash and Cash Equivalents:	
Governmental	\$ 49,401,455
Enterprise	6,343,925
Internal Service	4,703,059
Investments	
Governmental	6,271,052
Enterprise	3,806,625
Internal Service	603,401
Total Cash and Investments	\$ 71,129,517

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE B - CASH AND INVESTMENTS - Continued

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

Restricted investments by category and by fund are as follows:

	Landfill Fund
Debt service	\$ 53,177
Landfill escrow	3,753,448
	\$ 3,806,625

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS

At September 30, 2010, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 2,725,132
State of Florida – Grants	1,285,674
State of Florida – Taxes	913,003
Local taxes	459,513
Other elected officials	2,153,291
Other	46,746
Total	\$ 7,583,359

NOTE D – INTERFUND TRANSACTIONS

Interfund transactions for the year ended September 30, 2010 were as follows:

	Interfund Receivable	Interfund Payable	Interfund Transfers in	Interfund Transfers out
General fund	\$ --	\$ 58,844	\$ 1,190,098	\$ 1,059,579
Road & Bridge fund	1,133,844	--	5,918,288	93,732
Grants fund	--	1,075,000	52,203	17,712
Electric Franchise Fee fund	193,000	--	--	8,425,742
Nonmajor Governmental funds	182,500	375,500	5,212,323	2,776,147
Total	\$ 1,509,344	\$ 1,509,344	\$ 12,372,912	\$ 12,372,912

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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, 2010 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	\$ 21,052	\$ 69	\$ 263	\$ 20,858
Construction in progress	<u>12,260</u>	<u>8,167</u>	<u>13,506</u>	<u>6,921</u>
Total capital assets not being depreciated	33,312	8,236	13,769	27,779
Other capital assets:				
Buildings	55,346	5,091	205	60,232
Improvements other than buildings	101,398	12,644	2,398	111,644
Machinery and equipment	<u>29,182</u>	<u>817</u>	<u>2,562</u>	<u>27,437</u>
Total capital assets being depreciated	185,926	18,552	5,165	199,313
Less accumulated depreciation for:				
Buildings	26,673	2,435	189	28,919
Improvements other than buildings	33,111	3,774	834	36,051
Machinery and equipment	<u>17,210</u>	<u>2,237</u>	<u>2,162</u>	<u>17,285</u>
Total accumulated depreciation	<u>76,994</u>	<u>8,446</u>	<u>3,185</u>	<u>82,255</u>
Total capital assets being depreciated, net	<u>108,932</u>	<u>10,106</u>	<u>1,980</u>	<u>117,058</u>
Governmental activities capital assets, net	<u>\$ 142,244</u>	<u>\$ 18,342</u>	<u>\$ 15,749</u>	<u>\$ 144,837</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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>499</u>	<u>177</u>	<u>--</u>	<u>676</u>
Total capital assets not being depreciated	1,690	177	--	1,867
Other capital assets:				
Buildings	2,715	--	--	2,715
Improvements other than buildings	24,312	4	159	24,157
Furniture, fixtures and equipment	<u>5,855</u>	<u>406</u>	<u>203</u>	<u>6,058</u>
Total capital assets being depreciated	<u>32,882</u>	<u>410</u>	<u>362</u>	<u>32,930</u>
Less accumulated depreciation for:				
Buildings	1,120	141	--	1,261
Improvements other than buildings	11,296	915	159	12,052
Furniture, fixtures and equipment	<u>3,461</u>	<u>529</u>	<u>202</u>	<u>3,788</u>
Total accumulated depreciation	<u>15,877</u>	<u>1,585</u>	<u>361</u>	<u>17,101</u>
Total capital assets being depreciated, net	<u>17,005</u>	<u>(1,175)</u>	<u>1</u>	<u>15,829</u>
Business-type activities capital assets, net	<u>\$ 18,695</u>	<u>\$ (998)</u>	<u>\$ 1</u>	<u>\$ 17,696</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	\$ 2,360,713
Public safety	408,458
Physical environment	47,350
Transportation	3,224,198
Economic environment	74,837
Human services	111,996
Culture and recreation	<u>1,251,190</u>
Total governmental activities depreciation expense	<u>\$ 7,478,742</u>

Business-type activities

Water and sewer	\$ 522,674
Landfill	599,469
Hangar rental	<u>331,069</u>
Total business-type activities depreciation expense	<u>\$ 1,453,212</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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>2009</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2010</u>	Amount Due within <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 3,376,745	\$ 1,806,950	\$ 1,988,671	\$ 3,195,024	\$ 1,600,000
Claims payable	3,447,214	1,342,809	1,998,175	2,791,848	930,746
Revenue bonds	1,862,500	--	232,500	1,630,000	242,500
Notes payable	5,535,220	1,287,870	953,849	5,869,241	881,963
Special assessment notes	<u>8,107,660</u>	<u>--</u>	<u>1,553,909</u>	<u>6,553,751</u>	<u>1,534,510</u>
	<u>\$ 22,329,339</u>	<u>\$ 4,437,629</u>	<u>\$ 6,727,104</u>	<u>\$ 20,039,864</u>	<u>\$ 5,189,719</u>
Business-type activities:					
Compensated absences	\$ 453,433	\$ 223,434	\$ 256,010	\$ 420,857	\$ 255,000
Landfill closure costs	9,181,236	--	112,032	9,069,204	212,938
Revenue bonds	1,862,500	--	232,500	1,630,000	242,500
Notes payable	5,469,623	--	367,885	5,101,738	381,935
OPEB liability	<u>38,562</u>	<u>70,671</u>	<u>17,993</u>	<u>91,240</u>	<u>--</u>
	<u>\$ 17,005,354</u>	<u>\$ 294,105</u>	<u>\$ 986,420</u>	<u>\$ 16,313,039</u>	<u>\$ 1,092,373</u>

Unamortized bond discounts totaling \$4,905 and deferred losses on refunding of bonds totaling \$57,664 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$25,950 at year end.

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE F - LONG-TERM DEBT - Continued

2. Descriptions of Bonds and Notes

Bonds and notes payable at September 30, 2010 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.	923,157
\$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.	92,857
\$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 Third Cent tourist development tax revenues.	1,015,689
\$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.	1,550,893
\$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.	300,000
\$495,570 special assessment note payable to bank for the construction of certain road improvements in the Blackwater River and Smuggler's Cove subdivisions. The note is due in 36 quarterly payments of \$13,777 plus interest at 4.28%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	289,316

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE F - LONG-TERM DEBT - Continued

\$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.	47,217
\$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.	163,766
\$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.	245,083
\$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.	126,155
\$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.	272,475
\$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.	1,217,092

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE F - LONG-TERM DEBT - Continued

\$287,870 note payable to bank for the acquisition and construction of improvements for the Bagdad Heritage Trail Project. The note is due in 40 quarterly payments of \$5,888 to 9,370 plus interest at 3.98% with final payment due in 2020, secured by North Santa Rosa tourist development tax revenues. 281,982

\$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. 642,798

\$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. 452,824

\$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. 549,567

\$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. 96,565

\$4,000,000 capital improvement revenue note to bank for the jail expansion project. The note is due in 36 quarterly payments of \$111,111 and one payment of \$111,114 plus interest at 3.98% with final payment due in 2016 secured by non-ad valorem revenues. 3,555,556

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. 1,630,000

Total general government bonds and notes payable \$ 14,052,992

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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.

5,101,738

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.

1,630,000

Total proprietary fund type bonds and note payable

\$ 6,731,738

3. Debt Service Requirements

The annual requirements to amortize all bonds and notes outstanding at September 30, 2010 are as follows:

Governmental activities:

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30,</u>			
2011	\$ 2,654,271	\$ 506,873	\$ 3,161,144
2012	2,801,542	403,384	3,204,926
2013	1,721,137	304,396	2,025,533
2014	1,559,143	238,498	1,797,641
2015	1,504,665	173,007	1,677,672
2016-2020	3,070,116	324,863	3,394,979
2021-2025	<u>742,118</u>	<u>61,370</u>	<u>803,488</u>
	<u>\$ 14,052,992</u>	<u>\$ 2,012,391</u>	<u>\$ 16,065,383</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE F - LONG-TERM DEBT - Continued

Business-type activities:

Year ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	733,693	170,067	903,760
2016-2020	2,790,493	459,155	3,249,648
2021-2025	<u>555,570</u>	<u>42,104</u>	<u>597,674</u>
	<u>\$ 6,731,738</u>	<u>\$ 1,629,162</u>	<u>\$ 8,360,900</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, 2010, \$3.35 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, 2010 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 9/30/2010</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	3,165,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	980,451
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	<u>300,000</u>	<u>216,148</u>
Total			<u>\$63,519,000</u>	<u>\$62,266,599</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2010, 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	66%
Central Class III Landfill	27%
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 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 2010. The estimated remaining lives of the Central Class I and Class III landfills are 24 and 37 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, 2010, the Board held investments of \$3,753,448 to cover the escrow requirement of \$3,753,448. 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, 2010

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 2010, the Board contributed an average of 10.08% of each qualified regular employee's gross salary, 17.06% percent of the elected official's salary and 11.25% 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 \$1,658,290, \$1,639,475 and \$1,626,925 for the years ended September 30, 2010, 2009, and 2008, 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, 2010

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	\$ 109,695
Reserve for communications	1,188,043
Reserve for animal services education	43,753
Reserve for domestic violence	91,095
Reserve for Choose Life license plates	123,174
Reserve for long-term intergovernmental receivable	10,000
Reserve for boating improvements	<u>542,446</u>
	2,108,206

Road and Bridge Fund:

Reserve for Navarre Beach Bridge maintenance	3,843,127
Reserve for inventory	304,019
Reserve for long-term intergovernmental receivable	<u>50,000</u>
	4,197,146

Nonmajor Governmental Funds:

Reserve for gas and oil preservation	3,551,667
Reserve for crime prevention	184,585
Reserve for forfeited property	106,576
Reserve for law library	29,423
Reserve for court innovations	138,184
Reserve for tourist development	<u>2,090,172</u>
	<u>6,100,607</u>

Total Governmental Funds	<u>\$ 12,405,959</u>
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**Board of County Commissioners
Santa Rosa County, Florida**

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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, \$5,000 deductible
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board of County Commissioners and other County elected officials participate in the program and make payments to the Self Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$2,791,848 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 3.9 - 7 percent. These liabilities are reported at their present value of \$1,953,177 at September 30, 2010.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE K - RISK MANAGEMENT - Continued

Changes in the Fund's claims liability amount in fiscal years 2009 and 2010 were as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2008 - 2009	\$ 3,427,262	\$ 2,813,056	\$ 2,793,104	\$ 3,447,214
2009 - 2010	\$ 3,447,214	\$ 1,342,809	\$ 1,998,175	\$ 2,791,848

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

Current claims payable	\$ 838,671
Current claims – structured settlements	<u>92,075</u>
Total claims payable, current	930,746
Long-term claims – structured settlements	<u>1,861,102</u>
Total claims payable	<u>\$ 2,791,848</u>

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

NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS

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

Plan Description – Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the County and eligible dependents, may continue to participate in the County's purchased health and hospitalization insurance coverage (the Plan). The Plan is a single-employer plan. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The County also provides an insurance subsidy for employees with at least 10 years (8 years elected) creditable service. The subsidy pays \$3 per year

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS - Continued

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 2010 fiscal year, 193 retirees and eligible dependents received postemployment health care benefits. The County provided required contributions of \$416,853 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees insurance net of retiree contributions totaling \$467,361. 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)	\$ 1,100,000
Amortization of Unfunded Actuarial Accrued Liability	820,000
Annual Required Contribution	1,920,000
Amortization of Net OPEB Obligation	(87,000)
Interest on Net OPEB Obligation	59,000
Annual OPEB Cost (expense)	1,892,000
Contribution Towards the OPEB Cost	(416,853)
Increase in Net OPEB Obligation	1,475,147
Net OPEB Obligation, Beginning of Year	1,471,282
Net OPEB Obligation, End of Year	\$ 2,946,429

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, 2010, was as follows:

Fiscal Year	Annual OPEB	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning balance, October 1, 2008	\$ --		\$ --
2008-2009	\$ 1,777,000	17%	\$ 1,471,282
2009-2010	\$ 1,892,000	22%	\$ 2,946,429

Funded Status and Funding Progress – As of October 1, 2009, the date of the actuarial valuation, the actuarial accrued liability was \$13,934,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$13,934,000. Amortization of the accrued liability for the year ended September 30, 2010 was \$820,000. The annual covered payroll (annual payroll of active participating employees) was \$43,761,421 for the 2009-2010 fiscal year. The ratio of the unfunded actuarial liability to annual covered payroll is 32%.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS - Continued

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

The County's OPEB actuarial valuation as of October 1, 2009, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of September 30, 2010 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 assuming the benefits will continue to be funded on a pay-as-you-go basis and that the County's investments will earn 4% over the long term. The actuarial assumptions also include an annual healthcare cost trend rate of 8.5% initially for the 09-10 fiscal year, decreasing gradually per year to an ultimate rate of 5.4% in 2050. The unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining, closed, amortization period at September 30, 2010 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.

NOTE M – SUBSEQUENT EVENT

In December 2010, the Board issued \$3,057,579 of Sales Tax Revenue Refunding Bonds, Series 2010 maturing in August 2016 with an interest rate of 1.73 percent. The proceeds of the bonds will be used to refund the Capital Improvement Revenue Refunding Bonds, Series 2000.

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, 2010

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 45,945,900	\$ 45,945,900	\$ 46,482,388
Permits, fees and special assessments	1,195,410	1,195,410	1,309,712
Intergovernmental	9,696,480	10,669,354	9,952,255
Charges for services	3,207,010	3,598,691	4,706,748
Fines and forfeits	256,560	256,560	238,474
Miscellaneous	1,618,420	1,622,350	1,825,058
Total revenues	61,919,780	63,288,265	64,514,635
Expenditures			
Current			
General government	18,581,452	19,197,580	17,855,862
Public safety	33,649,248	33,888,129	33,701,093
Physical environment	1,243,675	1,252,235	1,138,760
Transportation	963,990	1,010,110	1,008,868
Economic environment	149,410	869,050	137,500
Human services	3,543,330	3,737,580	3,355,867
Culture and recreation	2,746,325	2,940,865	2,704,571
Reserve for contingencies	193,710	4,787	--
Total expenditures	61,071,140	62,900,336	59,902,521
Excess (deficiency) of revenues over expenditures	848,640	387,929	4,612,114
Other financing sources (uses)			
Transfers in	1,027,660	1,181,906	1,190,098
Transfers out	(876,540)	(1,058,276)	(1,059,579)
Total other financing sources (uses)	151,120	123,630	130,519
Net change in fund balances	999,760	511,559	4,742,633
Fund balance, beginning of year	216,470	635,293	15,188,822
Change in reserve for inventory	--	--	534
Fund balance, end of year	\$ 1,216,230	\$ 1,146,852	\$ 19,931,989

See accompanying notes to required supplementary information.

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

Year ended September 30, 2010

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 5,229,060	\$ 5,229,060	\$ 5,647,398
Permits, fees and special assessments	--	--	15,251
Intergovernmental	2,718,050	12,152,792	6,844,690
Charges for services	--	--	76,324
Miscellaneous	228,000	228,000	180,740
	<u>8,175,110</u>	<u>17,609,852</u>	<u>12,764,403</u>
Total revenues			
Expenditures			
Current			
Physical environment	--	6,771,105	571,825
Transportation	10,615,930	18,004,917	14,594,415
Reserve for contingencies	50,395	160,043	--
	<u>10,666,325</u>	<u>24,936,065</u>	<u>15,166,240</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(2,491,215)	(7,326,213)	(2,401,837)
Other financing sources (uses)			
Transfers in	2,532,775	5,930,701	5,918,288
Transfers out	--	(59,000)	(93,732)
	<u>2,532,775</u>	<u>5,871,701</u>	<u>5,824,556</u>
Total other financing sources (uses)			
Net change in fund balances	41,560	(1,454,512)	3,422,719
Fund balance, beginning of year	--	1,496,072	11,071,993
Change in reserve for inventory	--	--	(17,596)
	<u>--</u>	<u>--</u>	<u>(17,596)</u>
Fund balance, end of year	<u>\$ 41,560</u>	<u>\$ 41,560</u>	<u>\$ 14,477,116</u>

See accompanying notes to required supplementary information.

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

Year ended September 30, 2010

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 4,986,318	\$ 1,887,741
Charges for services	--	--	27,413
Miscellaneous	--	1,012	1,635
	<hr/>	<hr/>	<hr/>
Total revenues	--	4,987,330	1,916,789
Expenditures			
Current			
Public safety	--	79,595	59,002
Physical environment	--	998,200	178,957
Transportation	--	107,743	--
Economic environment	--	3,547,161	1,494,173
Human services	--	289,167	132,935
	<hr/>	<hr/>	<hr/>
Total expenditures	--	5,021,866	1,865,067
Excess (deficiency) of revenues over expenditures	--	(34,536)	51,722
Other financing sources (uses)			
Transfers in	--	52,203	52,203
Transfers out	--	(17,712)	(17,712)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	--	34,491	34,491
Net change in fund balances	--	(45)	86,213
Fund balance, beginning of year	--	45	101,862
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ --	\$ --	\$ 188,075
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to required supplementary information.

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

Year ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Permits, fees and special assessments	\$ 5,510,000	\$ 5,510,000	\$ 6,074,075
Miscellaneous	<u> --</u>	<u> --</u>	<u>11,062</u>
Total revenues	5,510,000	5,510,000	6,085,137
Expenditures			
Current	<u> --</u>	<u> --</u>	<u> --</u>
Total expenditures	<u> --</u>	<u> --</u>	<u> --</u>
Excess (deficiency) of revenues over expenditures	5,510,000	5,510,000	6,085,137
Other financing sources (uses)			
Transfers out	<u>(4,704,000)</u>	<u>(8,425,742)</u>	<u>(8,425,742)</u>
Total other financing sources (uses)	<u>(4,704,000)</u>	<u>(8,425,742)</u>	<u>(8,425,742)</u>
Net change in fund balances	806,000	(2,915,742)	(2,340,605)
Fund balance, beginning of year	<u> --</u>	<u>9,838,539</u>	<u>9,838,539</u>
Fund balance, end of year	<u>\$ 806,000</u>	<u>\$ 6,922,797</u>	<u>\$ 7,497,934</u>

See accompanying notes to required supplementary information.

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

Year ended September 30, 2010

Schedule of Funding Progress	Actuarial Valuation Date	
	10/1/2008	10/1/2009
1. Current retirees liability	\$ 10,436,000	\$ 11,455,000
2. Active employees	2,259,000	2,479,000
3. Actuarial Accrued Liability	12,695,000	13,934,000
4. Actuarial Value of Assets	--	--
5. Unfunded Actuarial Accrued Liability	12,695,000	13,934,000
6. Funded Ratio (4. divided by 3.)	0%	0%
7. Annual Covered Payroll	\$ 46,801,081	\$ 43,761,421
8. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	27%	32%
	Fiscal Year Ended	
	9/30/09	9/30/10
Annual OPEB Cost	\$ 1,777,000	\$ 1,892,000
Actual Contribution	305,718	416,853
Percentage Contributed	17%	22%
Net OPEB Obligation	\$ 1,471,282	\$ 2,946,429

See accompanying notes to required supplementary information.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2010

BUDGETARY INFORMATION

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

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

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

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

We have audited the special-purpose financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida, (hereinafter referred to as "Board"), as of and for the year ended September 30, 2010, which collectively comprise the Board's financial statements and have issued our report thereon dated March 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 28, 2011, 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 28, 2011

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, 2010, and have issued our report thereon dated March 28, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have also issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance with Requirements that Could have a Direct and Material Effect on each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule which are dated March 28, 2011, should be considered in conjunction with this management letter.

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

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

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

Section 10.554 (1) (i) 3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we are submitting for consideration the recommendation described in Attachment B – Current Year Recommendations.

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

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

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

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

O'Sullivan Creel, LLP

March 28, 2011

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
PRIOR YEAR FINDINGS AND COMMENTS (Attachment A)
September 30, 2010**

The following summarizes the status of the prior year findings and management letters comments issued by O’Sullivan Creel, LLP in fiscal year 2009:

2009-1 Year End Financial Reporting Process

Finding has been addressed.

2009-2 Article V Expenditures

Similar comment for fiscal year 2010 – see finding 2010-1 in Attachment B.

2009-3 Investment Policy

Similar comment for fiscal year 2010 – see finding 2010-2 in Attachment B.

2008-4 Landfill – Accounts Receivable and Deposits

In fiscal year 2008, several recommendations were made for the Board to establish an appropriate policy to monitor receivables and record reserves against accounts which are potentially uncollectible. Also recommendations were made for the Board to review its policies regarding the billing cycle for landfill charges, for the Board to follow its adopted resolution No. 87-34 regarding the establishment of payment accounts and for the Board to examine its policy for allowing security deposits to expire.

The Board agreed with the findings and recommendations but to date have not made any changes to policies or taken corrective action regarding accounts receivable and deposits for the landfill.

2008-5 Navarre Beach – Residential and Commercial Leases

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

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
PRIOR YEAR FINDINGS AND COMMENTS (Attachment A)
September 30, 2010**

2008-5 Navarre Beach – Residential and Commercial Leases -- (Continued)

The Board agreed with the findings and recommendations but to date has not developed written procedures for the items indentified in our testing.

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
CURRENT YEAR RECOMMENDATIONS (Attachment B)
September 30, 2010**

2010-1 Article V Expenditures

Annually the Board must submit a report to the Florida Department of Financial Services certifying its compliance with Sections 29.008 and 29.0085, Florida Statutes as related to county funded court-related functions. 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.

2010-2 Investment Policy

At September 30, 2010, 100% of the Board's investment portfolio was invested in the Florida Local Government Investment Trust which is an allowable investment per the Board's investment policy and Florida Statutes Section 218.415. However 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. We recommend that the Board change the investment policy as necessary to correspond with changes in the Board's investment risk tolerance.

2010-3 Tourist Development Council

Under the provisions of Chapter 125.0104, Florida Statutes, the Board has established tourist development districts within the County and levies and collects a tourist development tax, the authorized uses of which are specified in 125.0104(5). As provided by Chapter 125.0104(4)e. Florida Statutes, the Board has appointed a "Tourist Development Council" ("Council") to serve in an advisory role and assist the Board in administration of budgeting and expenditure of the tax proceeds.

The Board accounts for the collection and expenditure of the tourist development tax in a separate accounting fund ("Fund 107 – Local Option Tourist Tax"). Historically, on an annual basis, the Board has budgeted for and paid a monthly amount (\$13,000 per month in 2010) as "professional services" expenditures to the Council. However, the Council is not a separate legal entity and the monthly payments ultimately have been deposited into a bank account of the Santa Rosa Tourism Bureau, Inc. ("Bureau"), which has served in an administrative role in assisting the Council.

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
CURRENT YEAR RECOMMENDATIONS (Attachment B)
September 30, 2010**

2010-3 Tourist Development Council -- (Continued)

The monthly payments are used primarily to reimburse the Navarre Beach Chamber of Commerce for direct expenses of office personnel assigned to assist the Council and for other Council related expenses.

Because of the relationship between the Board and the Council (the Board provides the funding via the tourist development tax and also appoints the Council members), in accordance with governmental financial reporting standards, the activities of the Council are considered activities of the Board and should be reported in the financial statements of the Board. In order to combine the operations of the Council with the Board, various eliminations of revenues and expenditures are required in order to avoid double-counting of revenues and expenditures for transactions occurring between the Council and the Board and to reflect any residual fund balance at the end of each fiscal year as an asset of the Board. We determined that the Board has not been reporting the separate activities of the Council in its annual financial statements, under the belief that this annual appropriation was similar to funding under other third party funding agreements.

Historically, the omission of this adjustment is not estimated to have had a material effect on the financial statements of the Board. However, in 2010, BP Oil Spill reimbursement funding to support tourism of approximately \$551,000 was paid by the Board to the Council and could have resulted in a material adjustment being necessary to the Board's financial statements, if not expended prior to September 30, 2010. Through September 30th, the unaudited financial statements of the Council indicate that approximately \$547,000 of the \$551,000 was expended and that the Council had residual fund balance of approximately \$12,000.

Additionally, during the 2010 audit we learned that the Bureau had allowed its status as an active corporation in Florida to expire. Even though the use of entities such as the Bureau is authorized per Chapter 125.0104, there was some confusion over the relationship between the Bureau (formed in 1993) and the Board as no formal written agreement existed to outline the role of the Bureau in supporting the activities of the Board and the Council.

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
CURRENT YEAR RECOMMENDATIONS (Attachment B)
September 30, 2010**

2010-3 Tourist Development Council -- (Continued)

Near conclusion of the audit, various representatives of the Board, Clerk's Office, and the Executive Director of the Council met with us to review and gain an understanding of the history of the Council and its relationship with the Bureau. As a result of the meeting, all parties agreed that since the Bureau was no longer an active corporation, coupled with the fact that the operations of the Bureau should be included in the financial statements of the Board, that for 2011, all accounting activities of the Council currently being handled by the Bureau would be taken over by the Clerk's Office and accounted for in Fund 107. The Clerk's Office also has agreed to perform an internal audit of the financial activities of the Council since the disbursements made by the Bureau on behalf of the Council have not been subjected to independent audits and were not administered under the internal control systems of the Board. Additionally, we were advised the bank account of the Bureau will be closed and all funds transferred back to the Board.

Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*), provides guidance in determining the scope of a governmental reporting entity.

Although the above circumstances are unique, we recommend the Board review its process to insure that other entities which receive funding or are under Board oversight are evaluated under the criteria of GASB Statement Nos. 14 and 39 for inclusion in the Board's overall financial statements.

**Annual Audit Report
Board of County Commissioners
Santa Rosa County, Florida
MANAGEMENT'S RESPONSE TO COMMENTS
September 30, 2010**

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.

2010-1 Article V Expenditures

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

2010-2 Investment Policy

The Board agrees with the recommendation. In March 2011 the investment policy was amended to allow 100% of the investment portfolio to be invested in the Florida Local Government Investment Trust.

2010-3 Tourist Development Council

Subsequent to September 30, 2010, the Board has closed the bank account in the name of the Bureau and discontinued the monthly appropriation for administrative services to the Council. Also all receipts and disbursements of the Council are now processed by the Board's Finance Department and recorded in Fund 107.

The Board will evaluate all future funding or oversight relationships under the criteria of GASB Statement Nos. 14 and 39.