

**SANTA ROSA COUNTY, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

Santa Rosa County, Florida

FINANCIAL STATEMENTS

September 30, 2004

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Santa Rosa County'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of September 30, 2004, 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 January 28, 2004 on our consideration of Santa Rosa County, Florida's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 11 and budgetary comparison information on pages 46 through 51 are not a required part of the basic financial statements but are 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.

*O'Sullivan Creel, LLP*

January 28, 2005

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

**Santa Rosa County, Florida**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**September 30, 2004**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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**MANAGEMENT DISCUSSION AND ANALYSIS**  
**September 30, 2004**

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

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

## **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

### **Government-Wide Financial Analysis**

Net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$83 million as of September 30, 2004

The largest portion of the County's net assets (63%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase in net assets from governmental activities of \$2.8 million. This consisted of an increase of \$5.3 million to invested in capital assets net of related debt, a decrease of \$1.7 million to unrestricted net assets and a decrease of \$0.8 million to restricted net assets. The primary reason for this net increase was the County's investment in capital assets.

**Santa Rosa County, Florida**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**September 30, 2004**

There was an increase in net assets from business-type activities of \$2.2 million. This consisted of an increase of \$1.1 million to invested in capital assets net of related debt, an increase of \$1 million to unrestricted net assets and an increase of \$0.1 to restricted net assets. The primary reason for this net increase was the purchase of capital assets and paydown of related debt plus net income for the year.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Current and other assets	\$ 49,259	\$ 47,293	\$ 12,183	\$ 10,838	\$ 61,442	\$ 58,131
Capital assets	<u>49,082</u>	<u>43,619</u>	<u>9,618</u>	<u>8,695</u>	<u>58,700</u>	<u>52,314</u>
Total assets	98,341	90,912	21,801	19,533	120,142	110,445
Long-term liabilities outstanding	20,076	18,485	10,081	10,081	30,157	28,566
Other liabilities	<u>6,275</u>	<u>3,281</u>	<u>390</u>	<u>279</u>	<u>6,665</u>	<u>3,560</u>
Total liabilities	<u>26,351</u>	<u>21,766</u>	<u>10,471</u>	<u>10,360</u>	<u>36,822</u>	<u>32,126</u>
Net Assets:						
Invested in capital assets, net of related debt	45,823	40,552	6,858	5,765	52,681	46,317
Restricted	10,217	10,964	1,278	1,187	11,495	12,150
Unrestricted	<u>15,950</u>	<u>17,630</u>	<u>3,194</u>	<u>2,221</u>	<u>19,144</u>	<u>19,852</u>
Total net assets	<u>\$ 71,990</u>	<u>\$ 69,146</u>	<u>\$ 11,330</u>	<u>\$ 9,173</u>	<u>\$ 83,320</u>	<u>\$ 78,319</u>

**Financial Analysis of Governmental Funds**

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The County's governmental funds reported combined ending fund balances of \$39.8 million (75% is unreserved), a decrease of \$0.8 million from last year. The main reason for this decrease is the County's investment in capital assets. The investment in capital assets results in a decrease to net assets in the fund financial statements and an increase to net assets in the government wide financial statements.

**Santa Rosa County, Florida**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**September 30, 2004**

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:						
Program revenues						
Charges for services	\$19,844	\$19,101	\$4,521	\$3,765	\$24,365	\$22,866
Operating grants & contributions	8,500	10,297	--	--	8,500	10,297
Capital grants & contributions	373	574	496	--	869	574
General revenues:						
Property tax	33,899	31,386	--	--	33,899	31,386
Sales, use and fuel tax	4,322	4,017	--	--	4,322	4,017
Communication services	1,093	1,173	--	--	1,093	1,173
Grants & contributions	11,711	10,821	--	85	11,711	10,906
Investment earnings	719	830	215	228	934	1,058
Other	<u>1,603</u>	<u>290</u>	<u>417</u>	<u>270</u>	<u>2,020</u>	<u>560</u>
Total revenues	<u>82,064</u>	<u>78,489</u>	<u>5,649</u>	<u>4,348</u>	<u>87,713</u>	<u>82,837</u>
Expenses:						
General government	24,181	28,211	--	--	24,181	28,211
Public safety	30,503	26,397	--	--	30,503	26,397
Physical environment	1,587	1,156	--	--	1,587	1,156
Transportation	14,335	12,117	--	--	14,335	12,117
Economic environment	1,802	1,676	--	--	1,802	1,676
Human services	3,905	3,960	--	--	3,905	3,960
Culture and recreation	2,393	2,372	--	--	2,393	2,372
Interest on long-term debt	391	317	--	--	391	317
Water and sewer	--	--	1,104	1,477	1,104	1,477
Airport	--	--	227	216	227	216
Industrial park	--	--	129	48	129	48
Landfill	--	--	<u>2,155</u>	<u>1,934</u>	<u>2,155</u>	<u>1,934</u>
Total expenses	<u>79,097</u>	<u>76,206</u>	<u>3,615</u>	<u>3,675</u>	<u>82,712</u>	<u>79,881</u>
Increase in net assets						
before transfers	2,967	2,283	2,034	673	5,001	2,956
Transfers	<u>(123)</u>	<u>(482)</u>	<u>123</u>	<u>482</u>	<u>--</u>	<u>--</u>
Change in net assets	2,844	1,801	2,157	1,155	5,001	2,956
Net assets, beg. of year	69,146	67,344	9,173	7,973	78,319	75,317
Prior period adjustment	<u>--</u>	<u>--</u>	<u>--</u>	<u>46</u>	<u>--</u>	<u>46</u>
Net assets,						
beg. of year, restated	<u>69,146</u>	<u>67,344</u>	<u>9,173</u>	<u>8,019</u>	<u>78,319</u>	<u>75,363</u>
Net assets, end of year	<u>\$71,990</u>	<u>\$69,146</u>	<u>\$11,330</u>	<u>\$ 9,173</u>	<u>\$ 83,320</u>	<u>\$78,319</u>

**Santa Rosa County, Florida**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**September 30, 2004**

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The General fund is the primary operating fund of the County. At the elected official level the Board of County Commissioners receives revenues from ad valorem taxes, fines and forfeitures and incurs expenditures to contract for the Sheriff's operations in the Fine and Forfeiture fund. However, at the consolidated level the Sheriff's General Fund becomes a department of the County's General Fund and contract service expenditures become operating transfers to the Fine and Forfeiture Fund. As a result, during the year, expenditures exceeded revenues in the General fund by \$23.6 million.

The Road and Bridge fund accounts for fuel and other taxes designated for road improvements. During the year expenditures exceeded revenues by \$5.9 million. Planned net operating transfers reduced this deficit by \$4.3 million. The County budgeted a drawdown of the Road and Bridge Fund's fund balance.

The Fine and Forfeiture fund accounts for ad valorem taxes, fines, forfeitures and other assessments to be used for law enforcement. See the discussion above regarding the funding of public safety expenditures via transfers to the General Fund. Overall, the Fine and Forfeiture fund had an increase in fund balance of \$2.7 million, due to changes in the allocation of property tax revenues.

**Financial Analysis of Proprietary Funds**

The Navarre Beach fund accounts for the operations of the Navarre Beach water and sewer system. Operating income was \$905,000. Non-operating income and expenses and planned transfers increased the change in net assets to \$746,000. Charges for services were up 25% from the prior year. Contract services were down 90% due to the initial engineering costs in moving the sewer system off the beach to Eglin. Depreciation was down 33%, due to aging of assets.

The Landfill fund is used to account for the solid waste disposal operations at the County landfills. Although operations were profitable again this year, the fund continues to show a deficit net asset balance, primarily due to the accrual of landfill closure costs to cap the landfills when they are full and to maintain and monitor the sites for thirty years afterwards.

**Budgetary Analysis**

The General fund budget was increased by \$5 million from the original budget (an increase of 8.5%). The significant changes are summarized as follows:

- \$ 2,318,000 Reauthorize expenditures approved in prior year yet unspent.
- \$ 396,000 Whiting Field Infrastructure Grant.
- \$ 390,000 Local match to Whiting Field Infrastructure Grant.
- \$ 222,663 Local match to Navarre Beach Dune Restoration Grant.

Actual expenditures were less than the final budgeted expenditures by \$3.4 million. The reason for this variance is that the Board did not spend 1) \$1.3 million held in its reserve for contingencies, 2) \$200,000 of capital acquisitions for communications improvements, 3) \$100,000 for machinery and equipment and 4) \$1.1 in operating expenditures for the Sheriff's Department.

**Santa Rosa County, Florida**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**September 30, 2004**

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

As of September 30, 2004, the County had \$58.7 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads and other infrastructure.(See table below.) This amount represents a net increase (including additions and deductions) of over \$6.3 million from last year.

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Land	\$ 9,946	\$ 9,006	\$1,817	\$1,473	\$11,763	\$10,479
Construction in progress	1,168	578	1,186	-	2,354	578
Buildings	16,854	16,482	714	788	17,568	17,270
Improvements other than buildings	9,285	5,825	4,998	5,497	14,283	11,322
Machinery, furniture and equipment	<u>11,829</u>	<u>11,728</u>	<u>903</u>	<u>937</u>	<u>12,732</u>	<u>12,665</u>
Totals	<u>\$49,082</u>	<u>\$43,619</u>	<u>\$9,618</u>	<u>\$8,695</u>	<u>\$58,700</u>	<u>\$52,314</u>

This year's major additions included:

Improvements at Navarre Beach Boat Ramp	\$ 520,513
Veterans' Memorial	\$ 526,228
Land adjoining Whiting Field	\$ 1,266,922
Buildings at New Para Park	\$ 1,534,918
Improvements at New Para Park	\$ 2,776,252
Equipment for Road Department	\$ 767,029

**Outstanding Debt at Year-End**  
**(in Thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Revenue bonds	\$ 2,887	\$ 3,067	\$ 2,888	\$ 3,067	\$ 5,775	\$ 6,135
Notes payable	5,733	3,393	-	-	5,733	3,393
Special assessment notes	1,271	473	-	-	1,271	473
Capital lease	<u>180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180</u>	<u>-</u>
Totals	<u>\$10,071</u>	<u>\$6,933</u>	<u>\$2,888</u>	<u>\$3,067</u>	<u>\$12,959</u>	<u>\$10,001</u>

**Santa Rosa County, Florida**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**September 30, 2004**

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One note payable originally issued for capital improvements for \$575,000 was current refunded. Another note payable for \$3,700,000 for capital improvements at the Pace Athletic Field was issued. A special assessment note for infrastructure improvements at Polynesian Island Canal was issued. More detailed information about the County's capital assets and long-term liabilities is presented in Notes G & H to the financial statements, respectively.

**OTHER CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

On September 16, 2004, the County was struck by the leading edge of Hurricane Ivan. The County suffered significant damage to its facilities on Navarre Beach. In addition many of the hotels and condominiums, as well as individual homes, sustained considerable structural damage. As a result, the County's water and sewer revenues as well as lease revenues are expected to be lower in the coming year.

## **BASIC FINANCIAL STATEMENTS**

**Santa Rosa County, Florida**  
**STATEMENT OF NET ASSETS**  
**September 30, 2004**

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 27,146,191	\$ 5,019,563	\$ 32,165,754
Investments	15,043,226	5,123,915	20,167,141
Receivables (net)	6,616,000	1,986,494	8,602,494
Inventory	440,144	--	440,144
Deferred charges	--	52,642	52,642
Other assets	13,635	--	13,635
Capital assets, net			
Nondepreciable	11,114,191	3,002,705	14,116,896
Depreciable	37,967,803	6,615,545	44,583,348
Total assets	<u>98,341,190</u>	<u>21,800,864</u>	<u>120,142,054</u>
<b>LIABILITIES</b>			
Accounts payable	3,445,729	312,181	3,757,910
Accrued wages payable	2,298,045	25,696	2,323,741
Interest payable	50,623	21,748	72,371
Due to other governments	136,965	--	136,965
Deposits	201,081	29,372	230,453
Deferred revenue	142,979	--	142,979
Noncurrent liabilities			
Due within one year	4,264,996	440,721	4,705,717
Due in more than one year	15,811,018	9,640,921	25,451,939
Total liabilities	<u>26,351,436</u>	<u>10,470,639</u>	<u>36,822,075</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,823,493	6,857,676	52,681,169
Restricted for:			
Debt service	27,355	53,415	80,770
Landfill closure	--	1,225,390	1,225,390
Communications	637,125	--	637,125
Animal Services Education	40,576	--	40,576
Boating Improvement	363,134	--	363,134
Gas and Oil Preservation	5,074,977	--	5,074,977
Other purposes	4,072,802	--	4,072,802
Unrestricted	15,950,292	3,193,744	19,144,036
Total net assets	<u>\$ 71,989,754</u>	<u>\$ 11,330,225</u>	<u>\$ 83,319,979</u>

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

**Santa Rosa County, Florida**  
**STATEMENT OF ACTIVITIES**  
**Year ended September 30, 2004**

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 24,180,843	\$ 14,343,284	\$ 669,036	\$ --	\$ (9,168,523)		\$ (9,168,523)
Public safety	30,503,278	4,995,028	2,730,468	--	(22,777,782)		(22,777,782)
Physical environment	1,586,943	--	1,001,181	89,866	(495,896)		(495,896)
Transportation	14,334,831	449,299	394,394	283,018	(13,208,120)		(13,208,120)
Economic environment	1,802,557	--	1,324,256	--	(478,301)		(478,301)
Human services	3,904,708	38,912	1,975,214	--	(1,890,582)		(1,890,582)
Culture and recreation	2,392,743	17,313	405,520	--	(1,969,910)		(1,969,910)
Interest on long-term debt	390,678	--	--	--	(390,678)		(390,678)
Total governmental activities	79,096,581	19,843,836	8,500,069	372,884	(50,379,792)		(50,379,792)
<b>Business-type activities:</b>							
Navarre Beach water and sewer	1,104,198	2,001,050	--	--		\$ 896,852	896,852
Peter Prince Airport	226,410	152,539	--	59,094		(14,777)	(14,777)
Industrial park	129,098	--	--	50,000		(79,098)	(79,098)
Landfill	2,154,994	2,366,936	--	386,444		598,386	598,386
Total business-type activities	3,614,700	4,520,525	--	495,538		1,401,363	1,401,363
<b>Total</b>	<b>82,711,281</b>	<b>24,364,361</b>	<b>8,500,069</b>	<b>868,422</b>	<b>(50,379,792)</b>	<b>1,401,363</b>	<b>(48,978,429)</b>
<b>General revenues:</b>							
<b>Taxes</b>							
Property taxes					33,898,557	--	33,898,557
Sales, use and fuel taxes					4,321,621	--	4,321,621
Communication services taxes					1,093,224	--	1,093,224
Grants and contributions not restricted to specific programs					11,711,188	--	11,711,188
Unrestricted investment earnings					719,350	214,695	934,045
Miscellaneous					1,291,002	289,824	1,580,826
Gain on sale of assets					312,310	127,528	439,838
Transfers					(123,457)	123,457	--
Total general revenues and transfers					53,223,795	755,504	53,979,299
Change in net assets					2,844,003	2,156,867	5,000,870
Net assets - beginning					69,145,751	9,173,358	78,319,109
Net assets - ending					\$ 71,989,754	\$ 11,330,225	\$ 83,319,979

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

**Santa Rosa County, Florida  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2004**

ASSETS	General	Road and Bridge	Fine and Forfeiture	Electricity Franchise Fee	Gas and Oil Preservation	Disaster	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 4,821,248	\$ 834,104	\$ 1,964,406	\$ 6,138,843	\$ 964	\$ 5,634,584	\$ 7,512,958	\$ 26,907,107
Investments	5,335,709	250,088	1,330,118	1,362,269	174,118	--	3,780,785	12,233,087
Receivables, net of uncollectibles								
Accounts	59,304	9,235	1,199	605,810	1	--	331,191	1,006,740
Leases - current	32,341	--	--	--	--	--	--	32,341
Leases - noncurrent	73,409	--	--	--	--	--	--	73,409
Due from other governments	2,403,580	1,240,631	20,274	--	--	1,324,256	388,565	5,377,306
Due from other funds	822,095	--	1,235,417	900,000	5,000,000	100,106	133,068	8,190,686
Advances to other funds	--	107,357	--	--	--	--	--	107,357
Inventory	20,883	419,261	--	--	--	--	--	440,144
Other assets	13,635	--	--	--	--	--	--	13,635
Total assets	<u>\$ 13,582,204</u>	<u>\$ 2,860,676</u>	<u>\$ 4,551,414</u>	<u>\$ 9,006,922</u>	<u>\$ 5,175,083</u>	<u>\$ 7,058,946</u>	<u>\$ 12,146,567</u>	<u>\$ 54,381,812</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 1,403,681	\$ 498,859	\$ 51,418	\$ --	\$ --	\$ 993,179	\$ 339,456	\$ 3,286,593
Accrued wages payable	1,950,323	81,259	16,379	--	--	165,767	80,343	2,294,071
Deposits	201,081	--	--	--	--	--	--	201,081
Deferred revenue	119,793	--	--	--	--	--	23,186	142,979
Due to other funds	1,751,227	--	--	--	100,106	5,900,000	736,402	8,487,735
Due to other governments	91,820	--	--	--	--	--	5	91,825
Advance payable to other funds	--	--	--	--	--	--	107,357	107,357
Total liabilities	<u>5,517,925</u>	<u>580,118</u>	<u>67,797</u>	<u>--</u>	<u>100,106</u>	<u>7,058,946</u>	<u>1,286,749</u>	<u>14,611,641</u>
<b>FUND BALANCES</b>								
Fund balances								
Reserved	1,139,936	526,618	87,391	--	5,074,977	--	3,076,476	9,905,398
Unreserved, reported in:								
General fund	6,924,343	--	--	--	--	--	--	6,924,343
Special revenue funds	--	1,753,940	4,396,226	9,006,922	--	--	5,489,930	20,647,018
Debt service fund	--	--	--	--	--	--	37,039	37,039
Capital project funds	--	--	--	--	--	--	2,256,373	2,256,373
Total fund balances	<u>8,064,279</u>	<u>2,280,558</u>	<u>4,483,617</u>	<u>9,006,922</u>	<u>5,074,977</u>	<u>--</u>	<u>10,859,818</u>	<u>39,770,171</u>
Total liabilities and fund balances	<u>\$ 13,582,204</u>	<u>\$ 2,860,676</u>	<u>\$ 4,551,414</u>	<u>\$ 9,006,922</u>	<u>\$ 5,175,083</u>	<u>\$ 7,058,946</u>	<u>\$ 12,146,567</u>	<u>\$ 54,381,812</u>

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

**Santa Rosa County, Florida**  
**RECONCILIATION OF THE BALANCE SHEET**  
**OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET ASSETS**  
**September 30, 2004**

**Total Governmental Funds Balances** \$ 39,770,171

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

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

Prior periods investment in capital assets	70,868,954
Less accumulated depreciation	(27,259,036)
Current period additions to capital assets	9,659,422
Current period depreciation	(4,127,584)
Current period loss on disposal of capital assets	(70,341)

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

Revenue bonds	(3,067,500)
Notes payable	(3,393,088)
Compensated absences	(7,167,102)
Special assessment notes payable	(473,271)
Interest payable	(50,623)
Current period revenue bond payments	180,000
Current period note payments	1,935,332
Current period change in compensated absences	258,331
Current period special assessment note payments	102,146
Current period capital lease payments	55,774
Current period debt proceeds	(5,411,196)

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

Assets	3,483,055
Liabilities	(3,303,690)

**Net Assets of Governmental Activities** \$ 71,989,754

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

**Santa Rosa County, Florida**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year ended September 30, 2004**

	General	Road and Bridge	Fine and Forfeiture	Electricity Franchise Fee	Gas and Oil Preservation	Disaster	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Taxes	\$ 11,159,587	\$ 3,752,805	\$ 23,653,701	\$ 3,820,742	\$ --	\$ --	\$ 752,882	\$ 43,139,717
Licenses and permits	2,567,340	--	--	--	--	--	--	2,567,340
Intergovernmental	12,336,033	3,689,952	100,991	--	--	1,324,256	2,883,742	20,334,974
Charges for services	3,524,772	--	3,003,642	--	--	--	852,576	7,380,990
Fines and forfeits	172,757	--	880,713	--	--	--	--	1,053,470
Miscellaneous	1,341,495	197,286	104,256	312,742	49,880	--	2,986,319	4,991,978
<b>Total revenues</b>	<b>31,101,984</b>	<b>7,640,043</b>	<b>27,743,303</b>	<b>4,133,484</b>	<b>49,880</b>	<b>1,324,256</b>	<b>7,475,519</b>	<b>79,468,469</b>
<b>Expenditures</b>								
<b>Current</b>								
General government	21,196,454	--	1,035,967	--	--	--	20,287	22,252,708
Public safety	26,075,684	--	1,110,116	--	--	1,424,362	3,278,757	31,888,919
Physical environment	833,220	597,119	--	--	--	--	77,866	1,508,205
Transportation	833,188	12,971,520	--	--	--	--	340,988	14,145,696
Economic environment	144,705	--	--	--	--	--	1,684,184	1,828,889
Human services	3,598,530	--	--	--	--	--	153,049	3,751,579
Culture and recreation	1,943,727	--	--	--	--	--	24,677	1,968,404
Capital outlay	--	--	--	--	--	--	5,457,868	5,457,868
Debt service	64,653	--	--	--	--	--	2,020,315	2,084,968
<b>Total expenditures</b>	<b>54,690,161</b>	<b>13,568,639</b>	<b>2,146,083</b>	<b>--</b>	<b>--</b>	<b>1,424,362</b>	<b>13,057,991</b>	<b>84,887,236</b>
<b>Excess (deficiency) of revenues     over expenditures</b>	<b>(23,588,177)</b>	<b>(5,928,596)</b>	<b>25,597,220</b>	<b>4,133,484</b>	<b>49,880</b>	<b>(100,106)</b>	<b>(5,582,472)</b>	<b>(5,418,767)</b>
<b>Other financing sources (uses)</b>								
Transfers in	24,905,934	4,263,404	1,107,218	--	--	100,106	3,375,145	33,751,807
Transfers out	(1,884,258)	(3,570)	(23,983,538)	(6,425,406)	(385,106)	--	(1,303,803)	(33,985,681)
Proceeds from refunded debt	--	--	--	--	--	--	575,000	575,000
Proceeds from new debt	--	--	--	--	--	--	4,600,000	4,600,000
Proceeds from captial lease	236,196	--	--	--	--	--	--	236,196
Payments to escrow agent on debt refunding	--	--	--	--	--	--	(575,000)	(575,000)
<b>Total other financing sources (uses)</b>	<b>23,257,872</b>	<b>4,259,834</b>	<b>(22,876,320)</b>	<b>(6,425,406)</b>	<b>(385,106)</b>	<b>100,106</b>	<b>6,671,342</b>	<b>4,602,322</b>
<b>Net change in fund balances</b>	<b>(330,305)</b>	<b>(1,668,762)</b>	<b>2,720,900</b>	<b>(2,291,922)</b>	<b>(335,226)</b>	<b>--</b>	<b>1,088,870</b>	<b>(816,445)</b>
<b>Fund balances, beginning of year</b>	<b>8,394,584</b>	<b>3,949,320</b>	<b>1,762,717</b>	<b>11,298,844</b>	<b>5,410,203</b>	<b>--</b>	<b>9,770,948</b>	<b>40,586,616</b>
<b>Fund balances, end of year</b>	<b>\$ 8,064,279</b>	<b>\$ 2,280,558</b>	<b>\$ 4,483,617</b>	<b>\$ 9,006,922</b>	<b>\$ 5,074,977</b>	<b>\$ --</b>	<b>\$ 10,859,818</b>	<b>\$ 39,770,171</b>

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

**Santa Rosa County, Florida**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$ (816,445)

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

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

Current period investment in capital assets	9,659,422
Current period depreciation	(4,127,584)
Current period loss on disposal of capital assets	(70,341)

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

Change in interest payable	(3,962)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also debt proceeds are an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets.

Current period change in compensated absences	258,331
Current period note payments	1,935,332
Current period revenue bond payments	180,000
Current period special assessment note payments	102,146
Current period capital lease payments	55,774
Current period debt proceeds	(5,411,196)

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

1,082,526

**Change in Net Assets of Governmental Activities**

\$ 2,844,003

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

**Santa Rosa County, Florida**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2004**

	Business-type Activities					Governmental
	Major Funds			Nonmajor Fund		Activities
	Navarre Beach	Landfill	Industrial Park	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,963,245	\$ 1,871,813	\$ 1,010,712	\$ 173,793	\$ 5,019,563	\$ 239,084
Investments	1,832,368	1,017,168	781,767	213,807	3,845,110	2,810,139
Accounts receivable	112,585	349,954	50,870	1,407	514,816	40,581
Notes receivable - current portion	--	--	41,853	--	41,853	--
Interest	--	--	33,200	--	33,200	--
Leases - current portion	11,164	--	--	--	11,164	--
Due from other governments	--	--	--	30,000	30,000	--
Due from other funds	--	--	--	--	--	382,672
Total current assets	<u>3,919,362</u>	<u>3,238,935</u>	<u>1,918,402</u>	<u>419,007</u>	<u>9,495,706</u>	<u>3,472,476</u>
Noncurrent assets						
Restricted investments	--	1,278,805	--	--	1,278,805	--
Notes receivable - long-term portion	--	--	1,355,461	--	1,355,461	--
Deferred charges	--	52,642	--	--	52,642	--
Fixed assets, net of accumulated depreciation	3,080,668	3,777,688	697,286	2,062,608	9,618,250	10,579
Total noncurrent assets	<u>3,080,668</u>	<u>5,109,135</u>	<u>2,052,747</u>	<u>2,062,608</u>	<u>12,305,158</u>	<u>10,579</u>
Total assets	<u>\$ 7,000,030</u>	<u>\$ 8,348,070</u>	<u>\$ 3,971,149</u>	<u>\$ 2,481,615</u>	<u>\$ 21,800,864</u>	<u>\$ 3,483,055</u>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 253,375	\$ 38,195	\$ 855	\$ 19,756	\$ 312,181	\$ 159,136
Current portion of claims payable	--	--	--	--	--	1,911,686
Accrued wages payable	6,842	18,854	--	--	25,696	3,974
Due to other governments	--	--	--	--	--	45,140
Compensated absences - current portion	42,852	21,517	--	--	64,369	--
Revenue bonds - current portion	--	190,000	--	--	190,000	--
Accrued interest	--	21,748	--	--	21,748	--
Deposits	6,300	23,072	--	--	29,372	--
Current portion of landfill closure costs	--	186,352	--	--	186,352	--
Total current liabilities	<u>309,369</u>	<u>499,738</u>	<u>855</u>	<u>19,756</u>	<u>829,718</u>	<u>2,119,936</u>
Noncurrent liabilities						
Long term portion of compensated absences	25,615	219,593	--	--	245,208	81,151
Long term portion of claims payable	--	--	--	--	--	1,102,603
Long term portion of landfill closure costs	--	6,825,139	--	--	6,825,139	--
Revenue bonds payable - net of discount	--	2,570,574	--	--	2,570,574	--
Total noncurrent liabilities	<u>25,615</u>	<u>9,615,306</u>	<u>--</u>	<u>--</u>	<u>9,640,921</u>	<u>1,183,754</u>
Total liabilities	<u>334,984</u>	<u>10,115,044</u>	<u>855</u>	<u>19,756</u>	<u>10,470,639</u>	<u>3,303,690</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	3,080,668	1,017,114	697,286	2,062,608	6,857,676	10,579
Restricted for debt service	--	53,415	--	--	53,415	--
Restricted for landfill closure and debt service	--	1,225,390	--	--	1,225,390	--
Unrestricted	<u>3,584,378</u>	<u>(4,062,893)</u>	<u>3,273,008</u>	<u>399,251</u>	<u>3,193,744</u>	<u>168,786</u>
Total net assets	<u>6,665,046</u>	<u>(1,766,974)</u>	<u>3,970,294</u>	<u>2,461,859</u>	<u>11,330,225</u>	<u>179,365</u>
Total liabilities and net assets	<u>\$ 7,000,030</u>	<u>\$ 8,348,070</u>	<u>\$ 3,971,149</u>	<u>\$ 2,481,615</u>	<u>\$ 21,800,864</u>	<u>\$ 3,483,055</u>

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

**Santa Rosa County, Florida**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS - PROPRIETARY FUNDS**  
**Year ended September 30, 2004**

	Business-type Activities					Governmental
	Major Funds			Nonmajor Fund		Activities
	Navarre Beach	Landfill	Industrial Park	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Operating revenues						
Licenses and permits	\$ --	\$ 1,200	\$ --	\$ --	\$ 1,200	\$ --
Charges for services	2,001,050	2,365,736	--	152,539	4,519,325	--
Premiums received	--	--	--	--	--	2,033,703
Insurance proceeds	--	--	--	--	--	519,257
Miscellaneous	4,976	280,293	3,842	713	289,824	111
Total operating revenues	<u>2,006,026</u>	<u>2,647,229</u>	<u>3,842</u>	<u>153,252</u>	<u>4,810,349</u>	<u>2,553,071</u>
Operating expenses						
Personal services	297,665	879,273	23,813	--	1,200,751	205,964
Contract services	29,013	128,568	61,779	8,923	228,283	59,871
Supplies	115,345	31,713	--	180	147,238	11,289
Repairs and maintenance	207,925	161,775	35,316	13,562	418,578	766
Utilities	200,412	51,485	7,653	7,308	266,858	--
Depreciation	209,336	398,642	537	196,100	804,615	1,181
Travel and per diem	906	5,666	--	--	6,572	182
Insurance	9,375	17,425	--	--	26,800	549,202
Communications	7,054	5,353	--	337	12,744	1,254
Advertising	326	1,675	--	--	2,001	--
Fuel and oil	6,882	112,113	--	--	118,995	--
Rentals	--	360	--	--	360	--
Landfill closure and maintenance	--	152,231	--	--	152,231	--
Claims	--	--	--	--	--	686,150
State assessment	--	--	--	--	--	89,241
Miscellaneous	16,667	12,438	--	--	29,105	14,802
Total operating expenses	<u>1,100,906</u>	<u>1,958,717</u>	<u>129,098</u>	<u>226,410</u>	<u>3,415,131</u>	<u>1,619,902</u>
Operating income (loss)	905,120	688,512	(125,256)	(73,158)	1,395,218	933,169
Non-operating revenues (expenses)						
Sale of land	--	--	127,528	--	127,528	--
Interest income	47,798	48,790	113,461	4,646	214,695	42,500
Interest expense	--	(135,522)	--	--	(135,522)	--
Gain (loss) on sale of equipment	(3,292)	(5,582)	--	--	(8,874)	--
Federal and State grants	--	--	50,000	59,094	109,094	--
Aid to private organizations	--	(40,000)	--	--	(40,000)	--
Amortization & other bond costs	--	(15,173)	--	--	(15,173)	--
Total non-operating revenues (expenses)	<u>44,506</u>	<u>(147,487)</u>	<u>290,989</u>	<u>63,740</u>	<u>251,748</u>	<u>42,500</u>
Income (loss) before operating transfers	949,626	541,025	165,733	(9,418)	1,646,966	975,669
Transfers in	--	878	329,792	--	330,670	160,000
Transfers out	(203,653)	(3,560)	--	--	(207,213)	(53,143)
Capital contribution	--	386,444	--	--	386,444	--
Change in net assets	745,973	924,787	495,525	(9,418)	2,156,867	1,082,526
Net assets, beginning of year	<u>5,919,073</u>	<u>(2,691,761)</u>	<u>3,474,769</u>	<u>2,471,277</u>	<u>9,173,358</u>	<u>(903,161)</u>
Net assets, end of year	<u>\$ 6,665,046</u>	<u>\$ (1,766,974)</u>	<u>\$ 3,970,294</u>	<u>\$ 2,461,859</u>	<u>\$ 11,330,225</u>	<u>\$ 179,365</u>

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

**Santa Rosa County, Florida**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year ended September 30, 2004**

	Business-type Activities				Total Enterprise Funds	Governmental Activities
	Major Funds			Nonmajor Fund		Internal Service Fund
	Navarre Beach	Landfill	Industrial Park	Peter Prince Field		
Cash flows from operating activities						
Cash received from customers	\$ 2,094,567	\$ 2,516,544	\$ 3,313	\$ 166,296	\$ 4,780,720	\$ --
Cash paid to suppliers	(510,104)	(529,351)	(118,796)	(14,280)	(1,172,531)	(88,164)
Cash paid to employees	(301,778)	(842,537)	(23,813)	--	(1,168,128)	(200,751)
Cash received from interfund services provided	--	--	--	--	--	2,129,818
Cash paid for internal services provided	--	--	--	--	--	(2,866,854)
Net cash provided (used) by operating activities	<u>1,282,685</u>	<u>1,144,656</u>	<u>(139,296)</u>	<u>152,016</u>	<u>2,440,061</u>	<u>(1,025,951)</u>
Cash flows from noncapital financing activities						
Transfers in (out)	(203,653)	(2,682)	329,792	--	123,457	106,857
State grants	--	--	--	47,326	47,326	--
Aid to private organizations	--	(40,000)	--	--	(40,000)	--
Net cash provided (used) by noncapital financing activities	<u>(203,653)</u>	<u>(42,682)</u>	<u>329,792</u>	<u>47,326</u>	<u>130,783</u>	<u>106,857</u>
Cash flows from capital and related financing activities						
Proceeds from sale of assets	--	7,353	127,528	--	134,881	--
Purchases of capital assets	(836,077)	(79,254)	(208,260)	(234,200)	(1,357,791)	(2,294)
Principal paid on capital debt	--	(169,275)	--	--	(169,275)	--
Interest paid on capital debt	--	(153,133)	--	--	(153,133)	--
Net cash provided (used) by capital and related financing activities	<u>(836,077)</u>	<u>(394,309)</u>	<u>(80,732)</u>	<u>(234,200)</u>	<u>(1,545,318)</u>	<u>(2,294)</u>
Cash flows from investing activities						
Interest and dividends	47,798	48,790	113,461	4,646	214,695	42,500
Payments received on notes receivable	--	--	45,398	--	45,398	--
Net sale (purchase) of investments	(104,143)	(334,757)	414,092	(2,809)	(27,617)	96,553
Net cash provided (used) by investing activities	<u>(56,345)</u>	<u>(285,967)</u>	<u>572,951</u>	<u>1,837</u>	<u>232,476</u>	<u>139,053</u>
Net increase (decrease) in cash and cash equivalents	186,610	421,698	682,715	(33,021)	1,258,002	(782,335)
Cash and cash equivalents at beginning of year	1,776,635	1,450,115	327,997	206,814	3,761,561	1,021,419
Cash and cash equivalents at end of year	<u>\$ 1,963,245</u>	<u>\$ 1,871,813</u>	<u>\$ 1,010,712</u>	<u>\$ 173,793</u>	<u>\$ 5,019,563</u>	<u>\$ 239,084</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 905,120	\$ 688,512	\$ (125,256)	\$ (73,158)	\$ 1,395,218	\$ 933,169
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation expense	209,336	398,642	537	196,100	804,615	1,181
Landfill closure costs	--	152,231	--	--	152,231	--
Changes in assets and liabilities:						
Accounts receivable	67,691	(126,882)	(529)	13,044	(46,676)	(40,581)
Due from other funds	--	--	--	--	--	(161,950)
Due from other governments	--	--	--	--	--	(220,722)
Deferred charges	--	4,447	--	--	4,447	--
Accounts payable	138,595	(780)	(14,048)	16,030	139,797	94,679
Accrued compensation	4,071	11,096	--	--	15,167	1,630
Annual and sick leave	(8,184)	25,640	--	--	17,456	3,583
Claims payable	--	--	--	--	--	(1,291,885)
Deposits	(150)	(8,250)	--	--	(8,400)	--
Due to other funds	--	--	--	--	--	(345,056)
Due to other governments	(33,794)	--	--	--	(33,794)	1
Net cash provided (used) by operating activities	<u>\$ 1,282,685</u>	<u>\$ 1,144,656</u>	<u>\$ (139,296)</u>	<u>\$ 152,016</u>	<u>\$ 2,440,061</u>	<u>\$ (1,025,951)</u>

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

**Santa Rosa County, Florida**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**September 30, 2004**

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,862,737
Due from other funds	70
Accounts receivable	29,077
Total assets	<u>\$ 4,891,884</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 107,105
Escrow deposits	2,564,876
Due to other governments	2,124,647
Due to other funds	85,693
Miscellaneous	9,563
Total liabilities	<u>\$ 4,891,884</u>

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

**Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

**GUIDE TO NOTES**

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**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

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

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

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

**Dependent Special Districts**

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

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

***Santa Rosa County Health Facilities Authority*** - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of Santa Rosa County. The Board of County Commissioners (Board) appoints the five (5) members of the Authority. Additionally, the Board may abolish the Authority at any time by ordinance or resolution as long as all bonded indebtedness incurred by the Authority has been paid. The Authority exists solely to assist health facilities within Santa Rosa County with the acquisition, construction, financing, and refinancing of projects. The Authority issued approximately \$15.8 million in bonds in 1983, lending the proceeds of the bonds to Gulf Breeze Hospital. These bonds were subsequently defeased in 1988 when the Authority issued approximately \$17.3 million in new bonds. The 1988 bonds were defeased in 1993 when the Authority issued approximately \$18.6 million in new bonds. The 1993 bonds were defeased in 2003 when the Authority issued approximately \$58 million in new bonds. The debt outstanding is a limited obligation of the Authority and not a general obligation of the Authority or Santa Rosa County. The Authority is not obligated to pay the principal and interest on the bonds except from the revenues of the Authority pursuant to its loan agreement with Gulf Breeze Hospital. The Authority has no financial activity and the bonds issued under the Authority's name are recorded in the books of the hospital.

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

**2. Basis of Presentation - Fund Accounting**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

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 and capital projects funds. Proprietary funds include enterprise funds and an internal service fund.

**3. Basis of Accounting**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

**GOVERNMENTAL FUNDS**

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

The major governmental funds are:

- General Fund – This is the County’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Road and Bridge Fund – Accounts for that portion of state fuel taxes and fees designated for road improvement projects.
- Fine and Forfeiture Fund – Accounts for fines, forfeitures and various other assessments used for law enforcement purposes.
- Electricity Franchise Fee Fund – Accounts for the collection and distribution of Electricity Franchise Fees.
- Gas and Oil Revenue Preservation Fund – Accounts for assets collected in prior years attributable to non-recurring gas and oil tax revenues.
- Disaster Fund – Accounts for revenues and expenditures related to significant events such as Hurricane Ivan.

**Revenue Recognition**

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

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

**Expenditure Recognition**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

**PROPRIETARY FUNDS**

All proprietary funds use the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility service receivables are recorded at each year-end. Proprietary funds have selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No. 20.

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

The major proprietary funds are:

- Navarre Beach Fund – Accounts for the operation and maintenance of the water and sewer system of Navarre Beach.
- Landfill Fund – Accounts for the operation of the solid waste disposal facilities of the County.
- Industrial Park Fund – Accounts for the assets and operations at the County's industrial park.

The Board's only internal service fund is the Self-Insurance Fund. This fund accounts for the risk management activities of the Board and the other elected officials. Costs are billed to the departments and other elected officials at the actual and estimated costs of providing insurance coverage. At year-end, uncovered costs are billed to the departments, if necessary. Billings in excess of costs are credited to the departments.

**FIDUCIARY FUNDS**

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

**4. Budgets and Budgetary Accounting**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

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

**5. Cash and Cash Equivalents**

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

**6. Investments**

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

**7. Inventory**

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

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

**8. Accounting for Capital Assets**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

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

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

**9. Compensated Absences**

It is the policy of the County to permit employees to accumulate a limited amount of earned by unused leave benefits which will be paid to employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the government-wide and proprietary fund financial statements. For governmental funds, there is no legal requirement to accumulated expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16. The majority of the compensated absences liability has been paid out of the General (75%) and the Road and Bridge (25%) funds.

**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% 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, 2004, and expected to be collected during the period November 2004 through March 2005 as follows:

General Fund	\$ 34,630,070
Road and Bridge Fund	\$ 2,591,020
Fine and Forfeiture Fund	\$ 207,580

These taxes, although measurable, are not recognized as revenue at September 30, 2004, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

**11. Landfill Closure Costs**

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

**12. Allowance for Uncollectible Amounts**

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

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2004, the bank held deposits of \$39,992,733 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

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

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

- a. The Local Government Surplus Funds Trust Fund (SBA) (State Pool);
- b. Florida Local Government Investment Trust (FLGIT) (State Investment Trust);
- c. Qualified money market mutual funds;
- d. U.S. Treasury bills, notes and bonds;
- e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA);
- f. Non-callable Government Agency securities:
  - (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;
- h. Tax-exempt obligations of the State of Florida and its various local governments;
- i. Repurchase agreements for investments authorized in categories d, e or f above.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**NOTE B - CASH AND INVESTMENTS - Continued**

Certain investments are required to be categorized in accordance with GASB Statement No. 3 to indicate the level of credit risk assumed by the County. The County had no investments at year-end that should be categorized. Investments in the Local Government Surplus Funds Trust Fund and the Florida Local Government Investment Trust Fund are not categorized since the investments are not evidenced by securities that exist in physical or book entry form.

The Local Government Surplus Funds Trust Fund is similar to a mutual fund in that funds are available on a same day basis. The Local Government Surplus Trust Fund is a "2a-7" like pool and is subject to regulatory oversight as specified in Chapter 19-7 of the Florida Administrative Code. As of September 30, 2004, the Local Government Surplus Funds Trust Fund had total investments of approximately \$19 billion. The County allocates interest earned on investments held in the Local Government Surplus Trust Fund based on individual funds' principal balances.

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Comptroller, and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At September 30, 2004, the FLGIT was invested in money markets, treasury notes, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAA by Standard & Poor's.

Schedule of Cash and Investments at September 30, 2004

	<u>Carrying Amount</u>
<u>Non-Categorized Investments</u>	
Florida Local Government Investment Trust Fund	\$ 4,727,889
Local Government Surplus Funds Trust Fund	<u>15,439,252</u>
Total Investments	20,167,141
 <u>Cash</u>	
Cash in Bank	32,164,629
Petty Cash	<u>1,125</u>
Total Cash	<u>32,165,754</u>
Total Cash and Investments	<u>\$ 52,332,895</u>

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**NOTE B - CASH AND INVESTMENTS - Continued**

Restricted investments by category and by fund are as follows:

	Landfill Fund
Debt service	\$ 53,415
Landfill escrow	1,225,390
	\$ 1,278,805

**NOTE C - NONCASH INVESTING, FINANCING AND CAPITAL ACTIVITIES**

There were no noncash investing, financing and capital activities during the year ended September 30, 2004.

**NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS**

At September 30, 2004, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 2,851,046
State of Florida – Taxes	1,167,214
State of Florida – Grants	822,511
Other	566,535
Total	\$ 5,407,306

**NOTE E - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended September 30, 2004 were as follows:

Transfer From	Transfer To								Total
	General	Road & Bridge	Fine & Forfeiture	Disaster	Non-Major Govern- mental	Landfill	Non-Major Business- Type	Self Insurance	
General	\$ --	\$ 15,900	\$ 1,087,178	\$ --	\$ 621,180	\$ --	\$ --	\$ 160,000	\$ 1,884,258
Road & Bridge	--	--	--	--	3,570	--	--	--	3,570
Fine & Forfeiture	23,983,538	--	--	--	--	--	--	--	23,983,538
Electric									
Franchise Fee	431,922	4,120,667	--	--	1,543,025	--	329,792	--	6,425,406
Gas & Oil	285,000	--	--	100,106	--	--	--	--	385,106
Nonmajor									
Governmental	151,371	126,837	--	--	1,025,595	--	--	--	1,303,803
Navarre Beach	21,000	--	--	--	181,775	878	--	--	203,653
Landfill	3,560*	--	--	--	--	--	--	--	3,560
Self-Insurance	33,103	--	20,040	--	--	--	--	--	53,143
Total	\$24,909,494	\$4,263,404	\$1,107,218	\$ 100,106	\$ 3,375,145	\$ 878	\$ 329,792	\$ 160,000	\$ 34,246,037

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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

Interfund balances at September 30, 2004 consisted of the following:

		Receivable Fund							
<u>Payable Fund</u>	<u>General</u>	<u>Fine and Forfeiture</u>	<u>Electric Franchise Fee</u>	<u>Gas &amp; Oil</u>	<u>Disaster</u>	<u>Nonmajor Govern-mental</u>	<u>Self Insurance</u>	<u>Agency</u>	<u>Total</u>
General	\$ --	\$ 1,235,417	\$ --	\$ --	\$ --	\$ 133,068	\$ 382,672	\$ 70	\$ 1,751,227
Gas & Oil	--	--	--	--	100,106	--	--	--	100,106
Disaster fund	--	--	900,000	5,000,000	--	--	--	--	5,900,000
Nonmajor governmental	736,402	--	--	--	--	--	--	--	736,402
Agency	85,693	--	--	--	--	--	--	--	85,693
<b>Total</b>	<u>\$ 822,095</u>	<u>\$ 1,235,417</u>	<u>\$ 900,000</u>	<u>\$ 5,000,000</u>	<u>\$ 100,106</u>	<u>\$ 133,068</u>	<u>\$ 382,672</u>	<u>\$ 70</u>	<u>\$ 8,573,428</u>

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

**NOTE F - RECEIVABLES**

<u>Governmental</u>	<u>General</u>	<u>Road and Bridge</u>	<u>Fine and Forfeiture</u>	<u>Electric Franchise Fee</u>	<u>Gas and Oil</u>	<u>Disaster</u>	<u>Nonmajor Govern-mental</u>	<u>Self Insurance</u>	<u>Total</u>
Accounts	\$ 59,304	\$ 9,235	\$ 1,199	\$ 605,810	\$ 1	\$ --	\$ 331,191	\$ 40,581	\$ 1,047,321
Leases	105,750	--	--	--	--	--	--	--	105,750
Inter-governmental	2,403,580	1,240,631	20,274	--	--	1,324,256	388,565	--	5,377,306
<b>Total</b>	<u>\$ 2,568,634</u>	<u>\$ 1,249,866</u>	<u>\$ 21,473</u>	<u>\$ 605,810</u>	<u>\$ 1</u>	<u>\$ 1,324,256</u>	<u>\$ 719,756</u>	<u>\$ 40,581</u>	<u>\$ 6,530,377</u>

<u>Business-Type</u>	<u>Navarre Beach</u>	<u>Landfill</u>	<u>Industrial Park</u>	<u>Nonmajor Business-Type</u>	<u>Total</u>
Accounts	\$ 112,585	\$ 349,954	\$ 50,870	\$ 1,407	\$ 514,816
Interest	-	-	33,200	-	33,200
Notes	-	-	1,397,314	-	1,397,314
Leases	11,164	-	-	-	11,164
Intergovernmental	-	-	-	30,000	30,000
<b>Total</b>	<u>\$ 123,749</u>	<u>\$ 349,954</u>	<u>\$ 1,481,384</u>	<u>\$ 31,407</u>	<u>\$ 1,986,494</u>

The Board has a \$393,908 note receivable due from a company relating to the sale of land in the Industrial Park. The note is payable in monthly installments of \$4,620 including interest at 7% through September 2014.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**NOTE F - RECEIVABLES - Continued**

The Board has a \$1,003,406 note receivable due from a company relating to the sale of a building and land in the Industrial Park. The note is payable in monthly installments of \$7,521 including interest at 7% through April 2008. A balloon payment of \$968,498 is due in May 2008.

**NOTE G - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2004 was as follows (in thousands):

<b>Governmental activities:</b>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 9,006	\$ 988	\$ 48	\$ 9,946
Construction in progress	<u>578</u>	<u>673</u>	<u>83</u>	<u>1,168</u>
Total capital assets not being depreciated	9,584	1,661	131	11,114
Other capital assets:				
Buildings	28,727	1,651	--	30,378
Improvements other than buildings	6,307	3,827	--	10,134
Machinery and equipment	<u>26,261</u>	<u>2,903</u>	<u>1,059</u>	<u>28,105</u>
Total capital assets being depreciated	61,295	8,381	1,059	68,617
Less accumulated depreciation for:				
Buildings	12,245	1,405	126	13,524
Improvements other than buildings	482	367	--	849
Machinery and equipment	<u>14,533</u>	<u>2,901</u>	<u>1,158</u>	<u>16,276</u>
Total accumulated depreciation	<u>27,260</u>	<u>4,673</u>	<u>1,284</u>	<u>30,649</u>
Total capital assets, being depreciated, net	<u>34,035</u>	<u>3,708</u>	<u>(225)</u>	<u>37,968</u>
Governmental activities capital assets, net	<u>\$ 43,619</u>	<u>\$ 5,369</u>	<u>\$ (94)</u>	<u>\$ 49,082</u>
 <b>Business-type activities:</b>				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,473	\$ 344	\$ --	\$ 1,817
Construction in progress	<u>--</u>	<u>1,186</u>	<u>--</u>	<u>1,186</u>
Total capital assets not being depreciated	1,473	1,530	--	3,003
Other capital assets:				
Buildings	1,366	--	--	1,366
Improvements other than buildings	13,552	19	--	13,571
Furniture, fixtures and equipment	<u>3,207</u>	<u>393</u>	<u>34</u>	<u>3,566</u>
Total capital assets being depreciated	<u>18,125</u>	<u>412</u>	<u>34</u>	<u>18,503</u>
Less accumulated depreciation for:				
Buildings	578	74	--	652
Improvements other than buildings	8,055	518	--	8,573
Furniture, fixtures and equipment	<u>2,270</u>	<u>423</u>	<u>30</u>	<u>2,663</u>
Total accumulated depreciation	<u>10,903</u>	<u>1,015</u>	<u>30</u>	<u>11,888</u>
Total capital assets, being depreciated, net	<u>7,222</u>	<u>(603)</u>	<u>4</u>	<u>6,615</u>
Business-type activities capital assets, net	<u>\$ 8,695</u>	<u>\$ 927</u>	<u>\$ 4</u>	<u>\$ 9,618</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**NOTE G - CAPITAL ASSETS - Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 1,406,342
Public safety	1,071,732
Physical environment	78,380
Transportation	954,820
Economic environment	1,666
Human services	132,009
Culture and recreation	<u>483,816</u>
Total governmental activities depreciation expense	<u>\$ 4,128,765</u>

Business-type activities

Water and sewer	\$ 209,336
Landfill	398,642
Industrial park	537
Hangar rental	<u>196,100</u>
Total business-type activities depreciation expense	<u>\$ 804,615</u>

**NOTE H - 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>2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2004</u>	Amount Due within <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 7,244,670	\$ 57,229	\$ 311,977	\$ 6,989,922	\$ 574,553
Claims payable	4,306,174	--	1,291,885	3,014,289	1,911,686
Capital lease	--	236,196	55,774	180,422	57,432
Revenue bonds	3,067,500	--	180,000	2,887,500	190,000
Notes payable	3,393,088	4,275,000	1,935,332	5,732,756	1,349,562
Special assessment notes	<u>473,271</u>	<u>900,000</u>	<u>102,146</u>	<u>1,271,125</u>	<u>181,763</u>
	<u>\$ 18,484,703</u>	<u>\$ 5,468,425</u>	<u>\$ 3,877,114</u>	<u>\$ 20,076,014</u>	<u>\$ 4,264,996</u>
Business-type activities:					
Compensated absences	\$ 292,121	\$ 25,640	\$ 8,184	\$ 309,577	\$ 64,369
Landfill closure costs	6,859,260	152,231	--	7,011,491	186,352
Revenue bonds	<u>3,067,500</u>	<u>--</u>	<u>180,000</u>	<u>2,887,500</u>	<u>190,000</u>
	<u>\$ 10,218,881</u>	<u>\$ 177,871</u>	<u>\$ 188,184</u>	<u>\$ 10,208,568</u>	<u>\$ 440,721</u>

Unamortized bond discounts totaling \$9,951 and deferred losses on refunding of bonds totaling \$116,975 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$52,642 at year-end.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE H - LONG-TERM DEBT - Continued**

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

**2. Descriptions of Bonds and Notes**

Bonds and notes payable at September 30, 2003 are comprised of the following:

General government - notes payable

\$575,000 Capital Improvement Refunding Revenue Note, Series 2003B payable to bank for refunding certain indebtedness of the County - due in quarterly payments of \$28,750 plus interest at 4.15%, secured by non-ad valorem revenues.	\$ 488,750
\$39,920 note payable to bank with a fixed rate of 6.75% for the Santa Rosa Clean Community System, Inc. (SRCCS) - due in annual payments of \$5,000 with a final payment due in 2006. The note is secured by a lien on the SRCCS property. Although this note is between the SRCCS and the bank, the obligation is recorded as a long-term liability of Santa Rosa County as the County committed to funding this note at \$5,000 per year for fifteen years.	15,814
\$45,541 Capital Improvement Refunding Revenue Note, Series 2003B payable to bank for refunding certain indebtedness of the County - due in 20 quarterly payments of \$2,277 plus interest at 3.43%, secured by non-ad valorem revenues.	34,156
\$562,324 Capital Improvement Refunding Revenue Note, Series 2003A payable to bank for refunding certain indebtedness of the County - due in 12 quarterly payments of \$46,860 plus interest at 1.63%, secured by non-ad valorem revenues.	328,022
\$1,340,693 Capital Improvement Refunding Revenue Note, Series 2003A payable to bank for refunding certain indebtedness of the County - due in 15 quarterly payments of \$71,528 to \$105,000 plus interest at 1.94%, secured by non-ad valorem revenues.	815,693
\$1,074,596 Capital Improvement Refunding Revenue Note, Series 2003A payable to bank for refunding certain indebtedness of the County - due in 16 quarterly payments of \$63,514 to \$70,000 plus interest at 1.94%, secured by non-ad valorem revenues.	724,596

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE H - LONG-TERM DEBT - Continued**

\$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. 3,325,725

\$250,000 special assessment note payable to bank for the construction of certain improvements to the Navarre Beach Fire Station and the purchase of certain fire equipment. Principal is due in 10 annual payments of \$25,000 with interest payable quarterly in arrears at 5.98%. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. All assessments were collected by year-end. 25,000

\$72,800 special assessment note payable to bank for the construction of a residential sewage system along Del Mar Drive. The note is due in 36 quarterly payments of \$2,600 including principal and interest at 5.71% with final payment due in 2006. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 52,491

\$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. 320,618

\$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. 873,016

General government - bonds payable

\$6,535,000 Capital Improvement Refunding Revenue Bonds, Series 2000-4.5 – 4.875% serial bonds due in annual installments of \$55,000 to \$610,000 from 2001 through 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. 2,887,500

Total general government bonds and notes payable \$ 9,891,381

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**NOTE H - LONG-TERM DEBT - Continued**

Proprietary fund type - bonds payable

*Enterprise Fund - Landfill*

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

\$ 2,887,500

Total proprietary fund type bonds payable

\$ 2,887,500

**3. Debt Service Requirements**

The annual requirements to amortize all bonds and notes outstanding at September 30, 2004 are as follows:

Governmental activities:

<u>Year ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,721,325	\$ 335,076	\$ 2,056,401
2006	1,546,884	286,720	1,833,604
2007	1,229,095	242,507	1,471,602
2008	922,253	205,706	1,127,959
2009	850,937	171,176	1,022,113
2010-2014	3,025,887	416,291	3,442,178
2015-2019	<u>595,000</u>	<u>43,658</u>	<u>638,658</u>
	<u>\$ 9,891,381</u>	<u>\$ 1,701,134</u>	<u>\$ 11,592,515</u>

Business-type activities:

<u>Year ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 190,000	\$ 130,490	\$ 320,490
2006	195,000	122,510	317,510
2007	205,000	114,320	319,320
2008	215,000	105,607	320,607
2009	220,000	96,363	316,363
2010-2014	1,267,500	324,639	1,592,139
2015-2019	<u>595,000</u>	<u>43,658</u>	<u>638,658</u>
	<u>\$ 2,887,500</u>	<u>\$ 937,587</u>	<u>\$ 3,825,087</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE H - LONG-TERM DEBT - Continued**

The annual requirements to amortize capital leases outstanding at September 30, 2004 are as follows:

Governmental activities:

Year ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 57,432	\$ 7,021	\$ 64,453
2006	60,100	4,353	64,453
2007	62,890	1,561	64,451
2008	--	--	--
2009	--	--	--
	<u>\$ 180,422</u>	<u>\$ 12,935</u>	<u>\$ 193,357</u>

**4. Defeased Debt Outstanding**

In prior years the County defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2004, \$8.2 million of bonds are considered defeased.

**5. Current Refunding**

On November 26, 2003, the County issued \$575,000 Capital Improvement Refunding Revenue Note, Series 2003B with an average interest rate of 4.15% to current refund the Gulf Breeze Government Loan debt issues at 7.75% interest rate totaling \$575,000. The Board completed the current refunding to reduce its total debt service payments over the next four (4) years by \$78,400 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$73,600.

**6. Capital Lease**

The Sheriff entered into a capital lease related to the lease-purchase of automobiles for \$236,196. Payments of \$5,371, including interest at 4.55 %, are due monthly beginning October 31, 2003 until September 30, 2007.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**NOTE I - CONDUIT DEBT OBLIGATIONS**

From time to time Santa Rosa County has issued Industrial Development Revenue Bonds under the provisions of Chapter 159, Part II, Florida Statutes, 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. The bonds 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 bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Debt issues related to conduit financings outstanding at September 30, 2004 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 09/30/2004</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	<u>4,145,000</u>	<u>4,145,000</u>
Total			<u>\$ 62,050,000</u>	<u>\$ 62,050,000</u>

**NOTE J - OPERATING LEASES**

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

<u>Year ending September 30,</u>	
2005	\$ 67,506
2006	67,506
2007	64,498
2008	36,811
2009	--
Thereafter	--
Total minimum payments required	<u>\$ 236,321</u>

Rental expense for the year ended September 30, 2003 was \$102,461.

**NOTE K - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the County 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 County 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 \$7

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE K - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - Continued**

million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2004, represents the cumulative amount reported to date based on the following percentage usage of the estimated capacity of each of the County's landfills:

Central Class I Landfill	46%
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 County will recognize the remaining estimated cost of closure and postclosure care for the Central Class I Landfill in the amount of \$3.8 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 2004. The estimated remaining life of the Central Class I Landfill is 15 years. 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 County 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, 2004, the County held investments of \$1,233,263 to cover the escrow requirement of \$1,225,390. These investments are reported as restricted assets. The County 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 L - COMMITMENTS AND CONTINGENCIES**

**1. Retirement Plan**

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

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2004, the County contributed an average of 7.39% of each qualified regular employee's gross salary, 15.23% percent of the elected officials' salary, 18.53% of each special risk employee's salary and 9.11% for each DROP participant. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$3,464,172, \$2,676,639 and 2,825,308 for the years ended September 30, 2004, 2003 and 2002, respectively.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE L - COMMITMENTS AND CONTINGENCIES - Continued**

**Benefit Provisions** - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 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. For DROP participants, the deferred monthly benefit plus interest compounded monthly, accrues for the specified period of the DROP participation. Upon retirement, the participant receives the total accumulated DROP benefits and begins to receive current benefits at the previously determined rate.

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

**2. Litigation**

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

**3. Federal and State Grants**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE M - RESERVES AND DESIGNATIONS**

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

**General Fund:**

Reserve for inventory	\$ 9,724
Reserve for communications	637,125
Reserve for animal services education	40,576
Reserve for debt service	64,377
Reserve for boating improvements	363,134
Reserve for long-term intergovernmental receivable	<u>25,000</u>
	1,139,936

**Road and Bridge Fund:**

Reserve for inventory	419,261
Reserve for long-term intergovernmental receivable	<u>107,357</u>
	526,618

**Fine and Forfeiture Fund:**

Reserve for forfeited property	87,391
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**Gas and Oil Preservation Fund:**

Reserve for gas and oil preservation	5,074,977
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**Nonmajor Governmental Funds:**

Reserve for tourist development	1,020,926
Reserve for records modernization trust fund	702,475
Reserve for law enforcement training	94,243
Reserve for construction commitments	<u>1,258,832</u>
	<u>3,076,476</u>

<b>Total Governmental Funds</b>	<b><u>\$ 9,905,398</u></b>
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**NOTE N - RISK MANAGEMENT**

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**NOTE N - RISK MANAGEMENT - Continued**

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

- Portable Communication Equipment
- Boats
- Employee Fidelity
- General Liability, \$100,000 deductible
- Public Officials' Liability, \$100,000 deductible

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board of County Commissioners and other County elected officials participate in the program and make payments to the Self-Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$3,014,289 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 8 percent.

These liabilities are reported at their present value of \$1,210,552 at September 30, 2004. Changes in the Fund's claims liability amount in fiscal years 2003 and 2004 were as follows:

	Beginning-of- Fiscal-Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year-End</u>
2002 - 2003	\$ 2,822,895	\$ 2,687,501	\$ 1,204,222	\$ 4,306,174
2003 - 2004	\$ 4,306,174	\$ 686,150	\$ 1,978,035	\$ 3,014,289

The following is a summary of the claims payable liability at year-end:

Current claims payable	\$1,803,738
Current claims – structured settlements	<u>107,948</u>
Total claims payable, current	1,911,686
Long-term claims – structured settlements	<u>1,102,603</u>
Total claims payable	<u>\$3,014,289</u>

The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public officials' liability coverage, excluding the Sheriff. The County pays an annual premium as a participant of the pooled liability program. During 1994, the first year of participation, the County paid an extraordinary loss fund payment of \$249,886. The liability coverage is not designed to

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE N - RISK MANAGEMENT - Continued**

be assessable; however, should the pool fail to meet its obligations, the County may be required to contribute additional funds or cover its own obligations. No accrual for future assessments has been recorded in the financial statements as such assessments do not appear probable based on past experience of the pool, and experience of the pool subsequent to the County's fiscal year-end through the date of these financial statements. In the event the County elected to terminate its participation in the pool, the extraordinary loss fund payment would be refunded to the County, given adequate funding of the pool.

**NOTE O - COMPLIANCE AND ACCOUNTABILITY**

**Accumulated Deficits**

The Landfill Fund had a deficit in net assets due to the cumulative effect of the following:

Adoption of GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", which requires recognition of costs of closure and postclosure maintenance over the active life of each landfill area, based on landfill capacity used during the period.

Depreciation charged against operations.

Loss on bond refunding of \$443,769 in 1992.

Transfer of working capital to other funds.

The Board of County Commissioners and the Directors of this fund will evaluate the operation to determine if an increase in fees will be necessary to generate enough revenues to offset expenses.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Santa Rosa County, Florida**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year ended September 30, 2004**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 11,194,170	\$ 11,194,170	\$ 11,159,587
Licenses and permits	1,919,000	1,924,000	2,567,340
Intergovernmental	8,366,987	10,429,193	12,336,033
Charges for services	2,665,539	2,875,013	3,524,772
Fines and forfeits	152,000	152,000	172,757
Miscellaneous	1,458,200	1,454,067	1,341,495
Total revenues	<u>25,755,896</u>	<u>28,028,443</u>	<u>31,101,984</u>
<b>Expenditures</b>			
Current			
General government	18,020,070	21,832,071	21,196,454
Public safety	26,970,894	27,414,525	26,075,684
Physical environment	946,155	946,155	833,220
Transportation	861,970	861,970	833,188
Economic environment	139,320	139,320	144,705
Human services	3,597,163	3,604,963	3,598,530
Culture and recreation	1,934,705	1,971,765	1,943,727
Debt service	--	200	64,653
Reserve for contingencies	1,041,449	1,325,449	--
Total expenditures	<u>53,511,726</u>	<u>58,096,418</u>	<u>54,690,161</u>
Excess (deficiency) of revenues over expenditures	(27,755,830)	(30,067,975)	(23,588,177)
<b>Other financing sources (uses)</b>			
Transfers in	25,102,465	25,809,299	24,905,934
Transfers out	(781,180)	(797,080)	(1,884,258)
Proceeds from capital lease	--	--	236,196
Total other financing sources (uses)	<u>24,321,285</u>	<u>25,012,219</u>	<u>23,257,872</u>
Net change in fund balances	(3,434,545)	(5,055,756)	(330,305)
Fund balance, beginning of year	<u>3,434,545</u>	<u>5,055,756</u>	<u>8,394,584</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 8,064,279</u>

**Santa Rosa County, Florida**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**ROAD AND BRIDGE FUND**  
**Year ended September 30, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 3,166,870	\$ 3,166,870	\$ 3,752,805
Intergovernmental	2,758,250	3,379,300	3,689,952
Miscellaneous	199,500	199,500	197,286
Total revenues	<u>6,124,620</u>	<u>6,745,670</u>	<u>7,640,043</u>
Expenditures			
Current			
Physical environment	-	668,000	597,119
Transportation	9,482,295	14,760,803	12,971,520
Reserve for contingencies	209,878	85,247	-
Total expenditures	<u>9,692,173</u>	<u>15,514,050</u>	<u>13,568,639</u>
Excess (deficiency) of revenues over expenditures	(3,567,553)	(8,768,380)	(5,928,596)
Other financing sources (uses)			
Transfers in	875,600	4,278,584	4,263,404
Transfers out	(3,570)	(3,570)	(3,570)
Total other financing sources (uses)	<u>872,030</u>	<u>4,275,014</u>	<u>4,259,834</u>
Net change in fund balances	(2,695,523)	(4,493,366)	(1,668,762)
Fund balance, beginning of year	<u>2,695,523</u>	<u>4,493,366</u>	<u>3,949,320</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,280,558</u>

**Santa Rosa County, Florida**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FINE AND FORFEITURE FUND**  
**Year ended September 30, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 24,113,900	\$ 24,113,900	\$ 23,653,701
Intergovernmental	81,700	102,330	100,991
Charges for services	2,902,310	3,237,091	3,003,642
Fines and forfeits	938,600	938,600	880,713
Miscellaneous	38,000	38,000	104,256
Total revenues	<u>28,074,510</u>	<u>28,429,921</u>	<u>27,743,303</u>
Expenditures			
Current			
General government	1,089,128	1,334,642	1,035,967
Public safety	661,680	672,443	1,110,116
Reserve for contingencies	2,208,222	2,169,410	--
Total expenditures	<u>3,959,030</u>	<u>4,176,495</u>	<u>2,146,083</u>
Excess (deficiency) of revenues over expenditures	24,115,480	24,253,426	25,597,220
Other financing sources (uses)			
Transfers in	--	20,040	1,107,218
Transfers out	(24,781,465)	(24,950,214)	(23,983,538)
Total other financing sources (uses)	<u>(24,781,465)</u>	<u>(24,930,174)</u>	<u>(22,876,320)</u>
Net change in fund balances	(665,985)	(676,748)	2,720,900
Fund balance, beginning of year	<u>665,985</u>	<u>676,748</u>	<u>1,762,717</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,483,617</u>

**Santa Rosa County, Florida**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**ELECTRICITY FRANCHISE FEE FUND**  
**Year ended September 30, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 3,515,000	\$ 3,515,000	\$ 3,820,742
Miscellaneous	--	--	312,742
Total revenues	<u>3,515,000</u>	<u>3,515,000</u>	<u>4,133,484</u>
Expenditures	--		
Reserve for contingencies	1,351,500	8,388,421	--
Total expenditures	<u>1,351,500</u>	<u>8,388,421</u>	<u>--</u>
Excess (deficiency) of revenues over expenditures	2,163,500	(4,873,421)	4,133,484
Other financing sources (uses)			
Transfer out	(2,163,500)	(6,425,406)	(6,425,406)
Total other financing sources (uses)	<u>(2,163,500)</u>	<u>(6,425,406)</u>	<u>(6,425,406)</u>
Net change in fund balances	--	(11,298,827)	(2,291,922)
Fund balance, beginning of year	--	11,298,827	11,298,844
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,006,922</u>

**Santa Rosa County, Florida**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GAS AND OIL REVENUE PRESERVATION FUND**  
**Year ended September 30, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Miscellaneous	\$ 285,000	\$ 285,000	\$ 49,880
Total revenues	285,000	285,000	49,880
Expenditures	--	--	--
Total expenditures	--	--	--
Excess (deficiency) of revenues over expenditures	285,000	285,000	49,880
Other financing sources (uses)			
Transfer out	(285,000)	(415,687)	(385,106)
Total other financing sources (uses)	(285,000)	(415,687)	(385,106)
Net change in fund balances	--	(130,687)	(335,226)
Fund balance, beginning of year	--	130,687	5,410,203
Fund balance, end of year	\$ --	\$ --	\$ 5,074,977

**Santa Rosa County, Florida**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DISASTER FUND**  
**Year ended September 30, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 1,324,256	\$ 1,324,256
Total revenues	--	1,324,256	1,324,256
Expenditures			
Current			
Public safety	--	1,424,362	1,424,362
Total expenditures	--	1,424,362	1,424,362
Excess (deficiency) of revenues over expenditures	--	(100,106)	(100,106)
Other financing sources (uses)			
Transfer in	--	100,106	100,106
Total other financing sources (uses)	--	100,106	100,106
Net change in fund balances	--	--	--
Fund balance, beginning of year	--	--	--
Fund balance, end of year	\$ --	\$ --	\$ --

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

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

We have audited the financial statements of Santa Rosa County, Florida, as of and for the year ended September 30, 2004, and have issued our report thereon dated January 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Santa Rosa County, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Rosa County, Florida's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

As required by provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated January 28, 2005, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Board of County Commissioners, management and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

January 28, 2005

## 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 basic financial statements of Santa Rosa County, Florida, as of and for the fiscal year ended September 30, 2004, and have issued our report thereon dated January 28, 2005.

We have issued our Independent Auditor's Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards* dated January 28, 2005. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter. Items under Chapter 10.554 (1) (h) 1-5, Rules of the Auditor General, are addressed in the separately issued management letters of the Board of County Commissioners, Sheriff, Clerk, Tax Collector, Property Appraiser and Supervisor of Elections. For the County as a whole, items under the Rules of the Auditor General Chapter 10.554 (1) (h) 6 are addressed as follows:

As required by the Rules of the Auditor General (Section 10.554 (1) (h) 6. a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that Santa Rosa County, Florida has not met any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554 (1) (h) 6. b.), we determined that the financial information for Santa Rosa County, Florida included in the financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with Santa County, Florida's audited basic financial statements.

As required by the Rules of the Auditor General (Section 10.554 (1) (h) 6. c.), the scope of our audit included the use of financial condition assessment procedures pursuant to Rule 10.556 (8), to aid in the detection of deteriorating financial conditions.

This management letter is intended solely for the information and use of the Board, management and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

January 28, 2005

**Annual Audit Report  
County-Wide  
Santa Rosa County, Florida  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
September 30, 2004**

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

**BOARD OF COUNTY COMMISSIONERS**

**SANTA ROSA COUNTY, FLORIDA  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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

**FINANCIAL STATEMENTS**

**September 30, 2004**

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

**FINANCIAL STATEMENTS**

**September 30, 2004**

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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, as listed in the table of contents, 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, 2004. These special purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these special purpose 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 examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes 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 opinion.

As discussed in Note A to the financial statements, the Board's financial statements are special purpose financial statements presenting only the financial position and results of operations of the Board. These special purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Board.

In our opinion, the special purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Board, as of September 30, 2004, and the results of its operations and cash flows of its business type activities 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 January 28, 2005 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 34 through 39 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*O'Sullivan Creel, LLP*

January 28, 2005

**SPECIAL PURPOSE  
FINANCIAL STATEMENTS**

**Board of County Commissioners  
Santa Rosa County, Florida  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2004**

ASSETS	General	Road and Bridge	Fine and Forfeiture	Electricity Franchise Fee	Gas and Oil Preservation	Disaster	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,117,133	\$ 834,104	\$ 1,964,406	\$ 6,138,843	\$ 964	\$ 5,634,584	\$ 5,130,124	\$ 21,820,158
Investments	5,335,709	250,088	1,330,118	1,362,269	174,118	--	3,780,785	12,233,087
Receivables, net of uncollectibles								
Accounts	56,657	9,235	1,199	605,810	1	--	305,941	978,843
Leases - current	32,341	--	--	--	--	--	--	32,341
Leases - noncurrent	73,409	--	--	--	--	--	--	73,409
Due from other governments	2,457,827	1,240,631	1,255,691	--	--	1,324,256	179,867	6,458,272
Due from other funds	109,430	--	--	900,000	5,000,000	100,106	--	6,109,536
Advances to other funds	--	107,357	--	--	--	--	--	107,357
Inventory	9,724	419,261	--	--	--	--	--	428,985
Other assets	13,635	--	--	--	--	--	--	13,635
Total assets	<u>\$ 10,205,865</u>	<u>\$ 2,860,676</u>	<u>\$ 4,551,414</u>	<u>\$ 9,006,922</u>	<u>\$ 5,175,083</u>	<u>\$ 7,058,946</u>	<u>\$ 9,396,717</u>	<u>\$ 48,255,623</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 992,443	\$ 498,859	\$ 51,418	\$ --	\$ --	\$ 993,179	\$ 309,414	\$ 2,845,313
Accrued wages payable	603,158	81,259	16,379	--	--	165,767	4,300	870,863
Deposits	201,081	--	--	--	--	--	--	201,081
Deferred revenue	82,401	--	--	--	--	--	--	82,401
Due to other funds	161,950	--	--	--	100,106	5,900,000	109,430	6,271,486
Due to other governments	100,553	--	--	--	--	--	--	100,553
Advance payable to other funds	--	--	--	--	--	--	107,357	107,357
Total liabilities	<u>2,141,586</u>	<u>580,118</u>	<u>67,797</u>	<u>--</u>	<u>100,106</u>	<u>7,058,946</u>	<u>530,501</u>	<u>10,479,054</u>
<b>FUND BALANCES</b>								
Fund balances								
Reserved	1,139,936	526,618	87,391	--	5,074,977	--	2,279,758	9,108,680
Unreserved, reported in:								
General fund	6,924,343	--	--	--	--	--	--	6,924,343
Special revenue funds	--	1,753,940	4,396,226	9,006,922	--	--	4,293,046	19,450,134
Debt service fund	--	--	--	--	--	--	37,039	37,039
Capital project funds	--	--	--	--	--	--	2,256,373	2,256,373
Total fund balances	<u>8,064,279</u>	<u>2,280,558</u>	<u>4,483,617</u>	<u>9,006,922</u>	<u>5,074,977</u>	<u>--</u>	<u>8,866,216</u>	<u>37,776,569</u>
Total liabilities and fund balances	<u>\$ 10,205,865</u>	<u>\$ 2,860,676</u>	<u>\$ 4,551,414</u>	<u>\$ 9,006,922</u>	<u>\$ 5,175,083</u>	<u>\$ 7,058,946</u>	<u>\$ 9,396,717</u>	<u>\$ 48,255,623</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, 2004**

	General	Road and Bridge	Fine and Forfeiture	Electricity Franchise Fee	Gas and Oil Preservation	Disaster	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Taxes	\$ 11,159,587	\$ 3,752,805	\$ 23,653,701	\$ 3,820,742	\$ --	\$ --	\$ 752,882	\$ 43,139,717
Licenses and permits	2,567,340	--	--	--	--	--	--	2,567,340
Intergovernmental	11,434,802	3,689,952	100,991	--	--	1,324,256	1,683,356	18,233,357
Charges for services	1,158,343	--	4,090,820	--	--	--	509,006	5,758,169
Fines and forfeits	172,757	--	880,713	--	--	--	--	1,053,470
Miscellaneous	1,365,413	197,286	104,256	312,742	49,880	--	2,407,626	4,437,203
<b>Total revenues</b>	<b>27,858,242</b>	<b>7,640,043</b>	<b>28,830,481</b>	<b>4,133,484</b>	<b>49,880</b>	<b>1,324,256</b>	<b>5,352,870</b>	<b>75,189,256</b>
<b>Expenditures</b>								
<b>Current</b>								
General government	16,958,314	--	2,627,749	--	--	--	--	19,586,063
Public safety	3,914,898	--	23,468,644	--	--	1,424,362	1,605,344	30,413,248
Physical environment	833,220	597,119	--	--	--	--	77,866	1,508,205
Transportation	833,188	12,971,520	--	--	--	--	340,988	14,145,696
Economic environment	144,705	--	--	--	--	--	1,684,184	1,828,889
Human services	3,598,530	--	--	--	--	--	153,049	3,751,579
Culture and recreation	1,943,727	--	--	--	--	--	24,677	1,968,404
Capital outlay	--	--	--	--	--	--	5,457,868	5,457,868
Debt service	--	--	--	--	--	--	2,020,315	2,020,315
<b>Total expenditures</b>	<b>28,226,582</b>	<b>13,568,639</b>	<b>26,096,393</b>	<b>--</b>	<b>--</b>	<b>1,424,362</b>	<b>11,364,291</b>	<b>80,680,267</b>
Excess (deficiency) of revenues over expenditures	(368,340)	(5,928,596)	2,734,088	4,133,484	49,880	(100,106)	(6,011,421)	(5,491,011)
<b>Other financing sources (uses)</b>								
Transfer in	892,313	4,263,404	20,040	--	--	100,106	3,375,145	8,651,008
Transfer out	(797,080)	(3,570)	(33,228)	(6,425,406)	(385,106)	--	(1,261,492)	(8,905,882)
Proceeds from refunding debt	--	--	--	--	--	--	575,000	575,000
Proceeds from new debt	--	--	--	--	--	--	4,600,000	4,600,000
Payments to escrow agent on debt refunding	--	--	--	--	--	--	(575,000)	(575,000)
<b>Total other financing sources (uses)</b>	<b>95,233</b>	<b>4,259,834</b>	<b>(13,188)</b>	<b>(6,425,406)</b>	<b>(385,106)</b>	<b>100,106</b>	<b>6,713,653</b>	<b>4,345,126</b>
<b>Net change in fund balances</b>	<b>(273,107)</b>	<b>(1,668,762)</b>	<b>2,720,900</b>	<b>(2,291,922)</b>	<b>(335,226)</b>	<b>--</b>	<b>702,232</b>	<b>(1,145,885)</b>
Fund balances, beginning of year	8,337,386	3,949,320	1,762,717	11,298,844	5,410,203	--	8,163,984	38,922,454
Fund balances, end of year	\$ 8,064,279	\$ 2,280,558	\$ 4,483,617	\$ 9,006,922	\$ 5,074,977	\$ --	\$ 8,866,216	\$ 37,776,569

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, 2004**

	Business-Type Activities					Governmental
	Major Funds			Nonmajor Fund		Activities
	Navarre Beach	Landfill	Industrial Park	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,963,245	\$ 1,871,813	\$ 1,010,712	\$ 173,793	\$ 5,019,563	\$ 239,084
Investments	1,832,368	1,017,168	781,767	213,807	3,845,110	2,810,139
Accounts receivable	112,585	349,954	50,870	1,407	514,816	40,581
Notes receivable - current	--	--	41,853	--	41,853	--
Interest	--	--	33,200	--	33,200	--
Leases - current	11,164	--	--	--	11,164	--
Due from other governments	--	--	--	30,000	30,000	220,722
Due from other funds	--	--	--	--	--	161,950
Total current assets	<u>3,919,362</u>	<u>3,238,935</u>	<u>1,918,402</u>	<u>419,007</u>	<u>9,495,706</u>	<u>3,472,476</u>
Noncurrent assets						
Restricted investments	--	1,278,805	--	--	1,278,805	--
Notes receivable - long-term	--	--	1,355,461	--	1,355,461	--
Deferred charges	--	52,642	--	--	52,642	--
Fixed assets, net of accumulated depreciation	3,080,668	3,777,688	697,286	2,062,608	9,618,250	10,579
Total assets	<u>\$ 7,000,030</u>	<u>\$ 8,348,070</u>	<u>\$ 3,971,149</u>	<u>\$ 2,481,615</u>	<u>\$ 21,800,864</u>	<u>\$ 3,483,055</u>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 253,375	\$ 38,195	\$ 855	\$ 19,756	\$ 312,181	\$ 159,136
Current portion of claims payable	--	--	--	--	--	1,911,686
Accrued wages payable	6,842	18,854	--	--	25,696	3,974
Due to other governments	--	--	--	--	--	45,140
Compensated absences - current	42,852	21,517	--	--	64,369	--
Revenue bonds - current	--	190,000	--	--	190,000	--
Accrued interest	--	21,748	--	--	21,748	--
Deposits	6,300	23,072	--	--	29,372	--
Current portion of landfill closure costs	--	186,352	--	--	186,352	--
Total current liabilities	<u>309,369</u>	<u>499,738</u>	<u>855</u>	<u>19,756</u>	<u>829,718</u>	<u>2,119,936</u>
Noncurrent liabilities						
Long term portion of compensated absences	25,615	219,593	--	--	245,208	81,151
Long term portion of claims payable	--	--	--	--	--	1,102,603
Long term portion of landfill closure costs	--	6,825,139	--	--	6,825,139	--
Revenue bonds payable - net of discount	--	2,570,574	--	--	2,570,574	--
Total noncurrent liabilities	<u>25,615</u>	<u>9,615,306</u>	<u>--</u>	<u>--</u>	<u>9,640,921</u>	<u>1,183,754</u>
Total liabilities	<u>334,984</u>	<u>10,115,044</u>	<u>855</u>	<u>19,756</u>	<u>10,470,639</u>	<u>3,303,690</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	3,080,668	1,017,114	697,286	2,062,608	6,857,676	10,579
Restricted for debt service	--	53,415	--	--	53,415	--
Restricted for landfill closure	--	1,225,390	--	--	1,225,390	--
Unrestricted	<u>3,584,378</u>	<u>(4,062,893)</u>	<u>3,273,008</u>	<u>399,251</u>	<u>3,193,744</u>	<u>168,786</u>
Total net assets	<u>6,665,046</u>	<u>(1,766,974)</u>	<u>3,970,294</u>	<u>2,461,859</u>	<u>11,330,225</u>	<u>179,365</u>
Total liabilities and net assets	<u>\$ 7,000,030</u>	<u>\$ 8,348,070</u>	<u>\$ 3,971,149</u>	<u>\$ 2,481,615</u>	<u>\$ 21,800,864</u>	<u>\$ 3,483,055</u>

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

**Board of County Commissioners**  
**Santa Rosa County, Florida**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS - PROPRIETARY FUNDS**  
**Year ended September 30, 2004**

	Business-Type Activities					Governmental Activities
	Major Funds			Nonmajor Fund		
	Navarre Beach	Landfill	Industrial Park	Peter Prince Field	Total Enterprise Funds	
Operating revenues						
Licenses and permits	\$ --	\$ 1,200	\$ --	\$ --	\$ 1,200	\$ --
Charges for services	2,001,050	2,365,736	--	152,539	4,519,325	--
Premiums received	--	--	--	--	--	2,033,703
Insurance proceeds	--	--	--	--	--	519,257
Miscellaneous	4,976	280,293	3,842	713	289,824	111
Total operating revenues	<u>2,006,026</u>	<u>2,647,229</u>	<u>3,842</u>	<u>153,252</u>	<u>4,810,349</u>	<u>2,553,071</u>
Operating expenses						
Personal services	297,665	879,273	23,813	--	1,200,751	205,964
Contract services	50,013	128,568	61,779	8,923	249,283	59,871
Supplies	115,345	31,713	--	180	147,238	11,289
Repairs and maintenance	207,925	161,775	35,316	13,562	418,578	766
Utilities	200,412	51,485	7,653	7,308	266,858	--
Depreciation	209,336	398,642	537	196,100	804,615	1,181
Travel and per diem	906	5,666	--	--	6,572	182
Insurance	9,375	17,425	--	--	26,800	549,202
Communications	7,054	5,353	--	337	12,744	1,254
Advertising	326	1,675	--	--	2,001	--
Fuel and oil	6,882	112,113	--	--	118,995	--
Rentals	--	360	--	--	360	--
Landfill closure and maintenance	--	152,231	--	--	152,231	--
Claims	--	--	--	--	--	686,150
State assessment	--	--	--	--	--	89,241
Miscellaneous	16,667	12,438	--	--	29,105	14,802
Total operating expenses	<u>1,121,906</u>	<u>1,958,717</u>	<u>129,098</u>	<u>226,410</u>	<u>3,436,131</u>	<u>1,619,902</u>
Operating income (loss)	884,120	688,512	(125,256)	(73,158)	1,374,218	933,169
Non-operating revenues (expenses)						
Sale of land	--	--	127,528	--	127,528	--
Interest income	47,798	48,790	113,461	4,646	214,695	42,500
Interest expense	--	(135,522)	--	--	(135,522)	--
Loss on disposal of equipment	(3,292)	(5,582)	--	--	(8,874)	--
Federal and State grants	--	--	50,000	59,094	109,094	--
Aid to private organizations	--	(40,000)	--	--	(40,000)	--
Amortization & other bond costs	--	(15,173)	--	--	(15,173)	--
Total non-operating revenues (expenses)	<u>44,506</u>	<u>(147,487)</u>	<u>290,989</u>	<u>63,740</u>	<u>251,748</u>	<u>42,500</u>
Income (loss) before operating transfers	928,626	541,025	165,733	(9,418)	1,625,966	975,669
Transfer in	--	878	329,792	--	330,670	160,000
Transfer out	(182,653)	(3,560)	--	--	(186,213)	(53,143)
Capital contribution	--	386,444	--	--	386,444	--
Change in net assets	745,973	924,787	495,525	(9,418)	2,156,867	1,082,526
Net assets, beginning of year	<u>5,919,073</u>	<u>(2,691,761)</u>	<u>3,474,769</u>	<u>2,471,277</u>	<u>9,173,358</u>	<u>(903,161)</u>
Net assets, end of year	<u>\$ 6,665,046</u>	<u>\$ (1,766,974)</u>	<u>\$ 3,970,294</u>	<u>\$ 2,461,859</u>	<u>\$ 11,330,225</u>	<u>\$ 179,365</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, 2004**

	Business-Type Activities					Governmental Activities
	Major Funds			Nonmajor Fund		
	Navarre Beach	Landfill	Industrial Park	Peter Prince Field	Total Enterprise Funds	
Cash flows from operating activities						
Cash received from customers	\$ 2,073,567	\$ 2,516,544	\$ 3,313	\$ 166,296	\$ 4,759,720	\$ --
Cash paid to suppliers	(510,104)	(529,351)	(118,796)	(14,280)	(1,172,531)	(88,164)
Cash paid to employees	(301,778)	(842,537)	(23,813)	--	(1,168,128)	(200,751)
Cash received from interfund services provided	--	--	--	--	--	2,129,818
Cash paid for internal services provided	--	--	--	--	--	(2,866,854)
Net cash provided (used) by operating activities	<u>1,261,685</u>	<u>1,144,656</u>	<u>(139,296)</u>	<u>152,016</u>	<u>2,419,061</u>	<u>(1,025,951)</u>
Cash flows from non capital financing activities						
Transfers in (out)	(182,653)	(2,682)	329,792	--	144,457	106,857
State grants	--	--	--	47,326	47,326	--
Aid to private organizations	--	(40,000)	--	--	(40,000)	--
Net cash provided (used) by non capital financing activities	<u>(182,653)</u>	<u>(42,682)</u>	<u>329,792</u>	<u>47,326</u>	<u>151,783</u>	<u>106,857</u>
Cash flows from capital and related financing activities						
Proceeds from sale of assets	--	7,353	127,528	--	134,881	--
Purchases of capital assets	(836,077)	(79,254)	(208,260)	(234,200)	(1,357,791)	(2,294)
Principal paid on capital debt	--	(169,275)	--	--	(169,275)	--
Interest paid on capital debt	--	(153,133)	--	--	(153,133)	--
Net cash provided (used) by capital and related financing activities	<u>(836,077)</u>	<u>(394,309)</u>	<u>(80,732)</u>	<u>(234,200)</u>	<u>(1,545,318)</u>	<u>(2,294)</u>
Cash flows from investing activities						
Interest and dividends	47,798	48,790	113,461	4,646	214,695	42,500
Payments received on notes receivable	--	--	45,398	--	45,398	--
Net sale (purchase) of investments	(104,143)	(334,757)	414,092	(2,809)	(27,617)	96,553
Net cash provided (used) by investing activities	<u>(56,345)</u>	<u>(285,967)</u>	<u>572,951</u>	<u>1,837</u>	<u>232,476</u>	<u>139,053</u>
Net increase (decrease) in cash and cash equivalents	186,610	421,698	682,715	(33,021)	1,258,002	(782,335)
Cash and cash equivalents at beginning of year	1,776,635	1,450,115	327,997	206,814	3,761,561	1,021,419
Cash and cash equivalents at end of year	<u>\$ 1,963,245</u>	<u>\$ 1,871,813</u>	<u>\$ 1,010,712</u>	<u>\$ 173,793</u>	<u>\$ 5,019,563</u>	<u>\$ 239,084</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 884,120	\$ 688,512	\$ (125,256)	\$ (73,158)	\$ 1,374,218	\$ 933,169
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation expense	209,336	398,642	537	196,100	804,615	1,181
Landfill closure costs	--	152,231	--	--	152,231	--
Changes in assets and liabilities:						
Accounts receivable	67,691	(126,882)	(529)	13,044	(46,676)	(40,581)
Due from other funds	--	--	--	--	--	(161,950)
Due from other governments	--	--	--	--	--	(220,722)
Deferred charges	--	4,447	--	--	4,447	--
Accounts payable	138,595	(780)	(14,048)	16,030	139,797	94,679
Accrued compensation	4,071	11,096	--	--	15,167	1,630
Annual and sick leave	(8,184)	25,640	--	--	17,456	3,583
Claims payable	--	--	--	--	--	(1,291,885)
Deposits	(150)	(8,250)	--	--	(8,400)	--
Due to other funds	--	--	--	--	--	(345,056)
Due to other governments	(33,794)	--	--	--	(33,794)	1
Net cash provided (used) by operating activities	<u>\$ 1,261,685</u>	<u>\$ 1,144,656</u>	<u>\$ (139,296)</u>	<u>\$ 152,016</u>	<u>\$ 2,419,061</u>	<u>\$ (1,025,951)</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

**GUIDE TO NOTES**

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

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

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

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

**Dependent Special Districts**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**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 fixed assets are part of an interconnected system. Finally, the Authority's debt was issued solely to finance the Pace water/sewer system improvements. Based on these facts, management has decided to include the Authority in the combined financial statements of Pace Water System rather than as a component unit of the Board.

***Santa Rosa County Health Facilities Authority*** - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of Santa Rosa County. The Board of County Commissioners (Board) appoints the five (5) members of the Authority. Additionally, the Board may abolish the Authority at any time by ordinance or resolution as long as all bonded indebtedness incurred by the Authority has been paid. The Authority exists solely to assist health facilities within Santa Rosa County with the acquisition, construction, financing and refinancing of projects. The Authority issued approximately \$15.8 million in bonds in 1983, lending the proceeds of the bonds to Gulf Breeze Hospital. These bonds were subsequently defeased in 1988 when the Authority issued approximately \$17.3 million in new bonds. The 1988 bonds were defeased in 1993 when the Authority issued approximately \$18.6 million in new bonds. The 1993 bonds were defeased in 2003 when the Authority issued approximately \$58 million in new bonds. The debt outstanding is a limited obligation of the Authority and not a general obligation of the Authority or the Board. The Authority is not obligated to pay the principal and interest on the bonds except from the revenues of the Authority pursuant to its loan agreement with Gulf Breeze Hospital. The Authority has no financial activity and the bonds issued under the Authority's name are recorded in the books of the hospital.

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**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 and capital projects funds. Proprietary funds include enterprise funds and an internal service fund.

**3. Basis of Accounting**

**FUND FINANCIAL STATEMENTS**

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

**GOVERNMENTAL FUNDS**

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

The major governmental funds are:

- General Fund – This is the County’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Road and Bridge Fund – Accounts for that portion of state fuel taxes and fees designated for road improvement projects.
- Fine and Forfeiture Fund – Accounts for fines, forfeitures and various other assessments used for law enforcement purposes.
- Electricity Franchise Fee Fund – Accounts for the collection and distribution of Electricity Franchise Fees.
- Gas and Oil Revenue Preservation Fund – Accounts for assets collected in prior years attributable to non-recurring gas and oil tax revenues.
- Disaster Fund – Accounts for revenues and expenditures related to significant events such as Hurricane Ivan.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**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, 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 federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

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

**Expenditure Recognition**

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

**PROPRIETARY FUNDS**

All proprietary funds use the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility service receivables are recorded at each year end. Proprietary funds have selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No. 20.

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, 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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

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.
- Industrial Park Fund – Accounts for the assets and operations at the industrial park.

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. Investments in the Local Government Surplus Funds Trust Fund are recorded at the Board's equity position in the fund's share price.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**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. As required by Chapter 10.557 (3)(i), Rules of the Auditor General, State of Florida, these special purpose statements do not reflect governmental capital assets in the governmental fund financial statements. Rather these assets are reported in the County's government-wide financial statements.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized and are reported in the proprietary fund financial statements as well as the government-wide financial statements.

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

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**

In governmental fund types, the Board accrues the current portion of the liability for accumulated unpaid sick leave, annual leave or compensatory time that will be paid within the next fiscal year in the appropriate governmental funds. As required by Chapter 10.557 (3) (i), Rules of the Auditor General, State of Florida, these special purpose statements do not reflect long-term debt in the governmental fund financial

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

statements. The long-term debt is reflected as a component of the government-wide Statement of Net Assets. Proprietary fund types accrue benefits in the period they are earned. The majority of the compensated absences liability has been paid out of the General (75%) and the Road and Bridge (25%) funds.

**10. Property Taxes**

Real and personal property valuations are determined each year as of January 1 by the Property Appraiser's office. Florida Statutes require that all property be assessed at 100% 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, 2004, and expected to be collected during the period November 2004 through March 2005 are as follows:

General Fund	\$ 34,630,070
Road and Bridge Fund	\$ 2,591,020
Fine and Forfeiture Fund	\$ 207,580

These taxes, although measurable, are not recognized as revenue at September 30, 2004, 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**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE B - CASH AND INVESTMENTS**

At September 30, 2004, the bank held deposits of \$28,721,707 (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) (State Pool);
- b. Florida Local Government Investment Trust (FLGIT) (State Investment Trust);
- c. Qualified money market mutual funds;
- d. U.S. Treasury bills, notes and bonds;
- e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA);
- f. Non-callable Government Agency securities:
  - (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;
- h. Tax-exempt obligations of the State of Florida and its various local governments;
- i. Repurchase agreements for investments authorized in categories d, e, or f above.

Certain investments are required to be categorized in accordance with GASB Statement No. 3 to indicate the level of credit risk assumed by the Board. The Board had no investments at year end that should be categorized. Investments in the Local Government Surplus Funds Trust Fund and the Florida Local Government Investment Trust Fund are not categorized since the investments are not evidenced by securities that exist in physical or book entry form.

The Local Government Surplus Funds Trust Fund is similar to a mutual fund in that funds are available on a same day basis. The Local Government Surplus Trust Fund is a "2a-7" like pool and is subject to regulatory oversight as specified in Chapter 19-7 of the Florida Administrative Code. As of September 30, 2004, the Local Government Surplus Funds Trust Fund had total investments of approximately \$19 billion. The Board allocates interest earned on investments held in the Local Government Surplus Trust Fund based on individual funds' principal balances.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

**NOTE B - CASH AND INVESTMENTS - Continued**

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Comptroller, and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At September 30, 2004, the FLGIT was invested in money markets, treasury notes, asset-backed securities and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAA by Standard & Poor's.

Schedule of Cash and Investments at September 30, 2004

	<u>Carrying Amount</u>
<u>Non-Categorized Investments</u>	
Florida Local Government Investment Trust Fund	\$ 4,727,889
Local Government Surplus Funds Trust Fund	<u>15,439,252</u>
Total Investments	20,167,141
 <u>Cash</u>	
Cash in Bank	27,077,680
Petty Cash	<u>1,125</u>
Total Cash	<u>27,078,805</u>
Total Cash and Investments	<u>\$ 47,245,946</u>
 <u>Financial Statement Presentation</u>	
Cash and Cash Equivalents:	
Governmental	\$ 21,820,158
Enterprise	5,019,563
Internal Service	239,084
Investments	
Governmental	12,233,087
Enterprise	5,123,915
Internal Service	<u>2,810,139</u>
Total Cash and Investments	<u>\$ 47,245,946</u>

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

**Board of County Commissioners  
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**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

**NOTE B - CASH AND INVESTMENTS - Continued**

Restricted investments by category and by fund are as follows:

	Landfill Fund
Debt service	\$ 53,415
Landfill escrow	1,225,390
	\$ 1,278,805

**NOTE C - NONCASH INVESTING, FINANCING AND CAPITAL ACTIVITIES**

There were no noncash investing, financing and capital activities during the year ended September 30, 2004.

**NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS**

At September 30, 2004, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 1,772,095
State of Florida – Taxes	1,167,214
State of Florida – Grants	822,511
Other elected officials	2,567,695
Other	379,479
Total	\$ 6,708,994

**NOTE E - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended September 30, 2004 were as follows:

Transfer From	Transfer To								Total
	General	Road & Bridge	Fine & Forfeiture	Disaster	Non-Major Govern- mental	Landfill	Non-Major Business- Type	Self Insurance	
General	\$ --	\$ 15,900	\$ --	\$ --	\$ 621,180	\$ --	\$ --	\$ 160,000	\$ 797,080
Road & Bridge	--	--	--	--	3,570	--	--	--	3,570
Fine & Forfeiture	33,228	--	--	--	--	--	--	--	33,228
Electric									
Franchise Fee	431,922	4,120,667	--	--	1,543,025	--	329,792	--	6,425,406
Gas & Oil	285,000	--	--	100,106	--	--	--	--	385,106
Nonmajor									
Governmental	109,060	126,837	--	--	1,025,595	--	--	--	1,261,492
Navarre Beach	--	--	--	--	181,775	878	--	--	182,653
Landfill	3,560*	--	--	--	--	--	--	--	3,560
Self-Insurance	33,103	--	20,040	--	--	--	--	--	53,143
Total	\$ 895,873	\$ 4,263,404	\$ 20,040	\$ 100,106	\$ 3,375,145	\$ 878	\$ 329,792	\$ 160,000	\$ 9,145,238

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

**NOTE E - INTERFUND TRANSACTIONS - Continued**

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

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

Interfund balances at September 30, 2004 consisted of the following:

Payable Fund	<u>Receivable Fund</u>					<u>Total</u>
	<u>General</u>	<u>Electric Franchise Fee</u>	<u>Gas &amp; Oil</u>	<u>Disaster</u>	<u>Self- Insurance</u>	
General	\$ --	\$ --	\$ --	\$ --	\$ 161,950	\$ 161,950
Gas & Oil	--	--	--	100,106	--	100,106
Disaster fund	--	900,000	5,000,000	--	--	5,900,000
Nonmajor governmental	<u>109,430</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>109,430</u>
Total	<u>\$ 109,430</u>	<u>\$ 900,000</u>	<u>\$ 5,000,000</u>	<u>\$ 100,106</u>	<u>\$ 161,950</u>	<u>\$ 6,271,486</u>

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

**NOTE F - NOTES RECEIVABLE**

The Board has a \$393,908 note receivable due from a company relating to the sale of land in the Industrial Park. The note is payable in monthly installments of \$4,620 including interest at 7% through September 2014.

The Board has a \$1,003,406 note receivable due from a company relating to the sale of a building and land in the Industrial Park. The note is payable in monthly installments of \$7,521 including interest at 7% through April 2008. A balloon payment of \$968,498 is due in May 2008.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

**NOTE G - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2004 was as follows (in thousands):

<b>Governmental activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 9,006	\$ 988	\$ 48	\$ 9,946
Construction in progress	<u>578</u>	<u>673</u>	<u>83</u>	<u>1,168</u>
Total capital assets not being depreciated	9,584	1,661	131	11,114
Other capital assets:				
Buildings	28,727	1,651	--	30,378
Improvements other than buildings	6,307	3,827	--	10,134
Machinery and equipment	<u>19,253</u>	<u>1,401</u>	<u>410</u>	<u>20,244</u>
Total capital assets being depreciated	54,287	6,879	410	60,756
Less accumulated depreciation for:				
Buildings	12,245	1,405	126	13,524
Improvements other than buildings	482	367	--	849
Machinery and equipment	<u>10,126</u>	<u>1,857</u>	<u>513</u>	<u>11,470</u>
Total accumulated depreciation	<u>22,853</u>	<u>3,629</u>	<u>639</u>	<u>25,843</u>
Total capital assets, being depreciated, net	<u>31,434</u>	<u>3,250</u>	<u>(229)</u>	<u>34,913</u>
Governmental activities capital assets, net	<u>\$ 41,018</u>	<u>\$ 4,911</u>	<u>\$ (98)</u>	<u>\$ 46,027</u>
<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,473	\$ 344	\$ --	\$ 1,817
Construction in progress	<u>--</u>	<u>1,186</u>	<u>--</u>	<u>1,186</u>
Total capital assets not being depreciated	1,473	1,530	--	3,003
Other capital assets:				
Buildings	1,366	--	--	1,366
Improvements other than buildings	13,552	19	--	13,571
Furniture, fixtures and equipment	<u>3,207</u>	<u>393</u>	<u>34</u>	<u>3,566</u>
Total capital assets being depreciated	<u>18,125</u>	<u>412</u>	<u>34</u>	<u>18,503</u>
Less accumulated depreciation for:				
Buildings	578	74	--	652
Improvements other than buildings	8,055	518	--	8,573
Furniture, fixtures and equipment	<u>2,270</u>	<u>423</u>	<u>30</u>	<u>2,663</u>
Total accumulated depreciation	<u>10,903</u>	<u>1,015</u>	<u>30</u>	<u>11,888</u>
Total capital assets, being depreciated, net	<u>7,222</u>	<u>(603)</u>	<u>4</u>	<u>6,615</u>
Business-type activities capital assets, net	<u>\$ 8,695</u>	<u>\$ 927</u>	<u>\$ 4</u>	<u>\$ 9,618</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

**NOTE G - CAPITAL ASSETS - Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 1,406,342
Public safety	28,768
Physical environment	78,380
Transportation	954,820
Economic environment	1,666
Human services	132,009
Culture and recreation	<u>483,816</u>

Total governmental activities depreciation expense \$ 3,085,801

Business-type activities

Water and sewer	\$ 209,336
Landfill	398,642
Industrial park	537
Hangar rental	<u>196,100</u>

Total business-type activities depreciation expense \$ 804,615

**NOTE H - 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, 2003	Additions	Deductions	Balance September 30, 2004	Amount Due Within One Year
Governmental activities:					
Compensated absences	\$ 3,034,065	\$ 3,583	\$ 185,516	\$ 2,852,132	\$ 287,277
Claims payable	4,306,174	--	1,291,885	3,014,289	1,911,686
Revenue bonds	3,067,500	--	180,000	2,887,500	190,000
Notes payable	3,393,088	4,275,000	1,935,332	5,732,756	1,349,562
Special assessment notes	473,271	900,000	102,146	1,271,125	181,763
	<u>\$ 14,274,098</u>	<u>\$ 5,178,583</u>	<u>\$ 3,694,879</u>	<u>\$ 15,757,802</u>	<u>\$ 3,920,288</u>
Business-type activities:					
Compensated absences	\$ 292,121	\$ 25,640	\$ 8,184	\$ 309,577	\$ 64,369
Landfill closure costs	6,859,260	152,231	--	7,011,491	186,352
Revenue bonds	3,067,500	--	180,000	2,887,500	190,000
	<u>\$ 10,218,881</u>	<u>\$ 177,871</u>	<u>\$ 188,184</u>	<u>\$ 10,208,568</u>	<u>\$ 440,721</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE H - LONG-TERM DEBT - Continued**

Unamortized bond discounts totaling \$9,951 and deferred losses on refunding of bonds totaling \$116,975 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$52,642 at year end.

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

**2. Descriptions of Bonds and Notes**

Bonds and notes payable at September 30, 2004 are comprised of the following:

General government - notes payable

\$575,000 Capital Improvement Refunding Revenue Note, Series 2003B payable to bank for refunding certain indebtedness of the County – due in quarterly payments of \$28,750 plus interest at 4.15%, secured by non-ad valorem revenues.	\$ 488,750
\$39,920 note payable to bank with a fixed rate of 6.75% for the Santa Rosa Clean Community System, Inc. (SRCCS) - due in annual payments of \$5,000 with a final payment due in 2006. The note is secured by a lien on the SRCCS property. Although this note is between the SRCCS and the bank, the obligation is recorded as a long term liability of Santa Rosa County as the County committed to funding this note at \$5,000 per year for fifteen years.	15,814
\$45,541 Capital Improvement Refunding Revenue Note, Series 2003B payable to bank for refunding certain indebtedness of the County – due in 20 quarterly payments of \$2,277 plus interest at 3.43%, secured by non-ad valorem revenues.	34,156
\$562,324 Capital Improvement Refunding Revenue Note, Series 2003A payable to bank for refunding certain indebtedness of the County - due in 12 quarterly payments of \$46,860 plus interest at 1.63%, secured by non-ad valorem revenues.	328,022
\$1,340,693 Capital Improvement Refunding Revenue Note, Series 2003A payable to bank for refunding certain indebtedness of the County - due in 15 quarterly payments of \$71,528 to \$105,000 plus interest at 1.94%, secured by non-ad valorem revenues.	815,693
\$1,074,596 Capital Improvement Refunding Revenue Note, Series 2003A payable to bank for refunding certain indebtedness of the County - due in 16 quarterly payments of \$63,514 to \$70,000 plus interest at 1.94%, secured by non-ad valorem revenues.	724,596

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE H - LONG-TERM DEBT - Continued**

\$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.	3,325,725
\$250,000 special assessment note payable to bank for the construction of certain improvements to the Navarre Beach Fire Station and the purchase of certain fire equipment. Principal is due in 10 annual payments of \$25,000 with interest payable quarterly in arrears at 5.98%. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. All assessments were collected by year end.	25,000
\$72,800 special assessment note payable to bank for the construction of a residential sewage system along Del Mar Drive. The note is due in 36 quarterly payments of \$2,600 including principal and interest at 5.71% with final payment due in 2006. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	52,491
\$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.	320,618
\$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.	873,016
<u>General government - bonds payable</u>	
\$6,535,000 Capital Improvement Refunding Revenue Bonds, Series 2000-4.5 – 4.875% serial bonds due in annual installments of \$55,000 to \$610,000 from 2001 through 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund.	<u>2,887,500</u>
Total general government bonds and notes payable	<u>\$ 9,891,381</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

**NOTE H - LONG-TERM DEBT - Continued**

Proprietary fund type - bonds payable

*Enterprise Fund - Landfill*

\$6,535,000 Capital Improvement Refunding Revenue Bonds, Series 2000-4.5 – 4.875% serial bonds due in annual installments of \$55,000 to \$610,000 from 2001 through 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. \$ 2,887,500

Total proprietary fund type bonds payable \$ 2,887,500

**3. Debt Service Requirements**

The annual requirements to amortize all bonds and notes outstanding at September 30, 2004 are as follows:

Governmental activities:

Year Ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,721,325	\$ 335,076	\$ 2,056,401
2006	1,546,884	286,720	1,833,604
2007	1,229,095	242,507	1,471,602
2008	922,253	205,706	1,127,959
2009	850,937	171,176	1,022,113
2010-2014	3,025,887	416,291	3,442,178
2015-2019	<u>595,000</u>	<u>43,658</u>	<u>638,658</u>
	<u>\$ 9,891,381</u>	<u>\$ 1,701,134</u>	<u>\$ 11,592,515</u>

Business-type activities:

Year Ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 190,000	\$ 130,490	\$ 320,490
2006	195,000	122,510	317,510
2007	205,000	114,320	319,320
2008	215,000	105,607	320,607
2009	220,000	96,363	316,363
2010-2014	1,267,500	324,639	1,592,139
2015-2019	<u>595,000</u>	<u>43,658</u>	<u>638,658</u>
	<u>\$ 2,887,500</u>	<u>\$ 937,587</u>	<u>\$ 3,825,087</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE H - LONG-TERM DEBT - Continued**

**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, 2004, \$8.2 million of bonds are considered defeased.

**5. Current Refunding**

On November 26, 2003, the County issued \$575,000 Capital Improvement Refunding Revenue Note, Series 2003B with an average interest rate of 4.15% to current refund the Gulf Breeze Government Loan debt issues at 7.75% interest rate totaling \$575,000. The Board completed the current refunding to reduce its total debt service payments over the next four (4) years by \$78,400 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$73,600.

**NOTE I - CONDUIT DEBT OBLIGATIONS**

From time to time Santa Rosa County has issued Industrial Development Revenue Bonds under the provisions of Chapter 159, Part II, Florida Statutes, 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. The bonds 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 bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Debt issues related to conduit financings outstanding at September 30, 2004 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 09/30/2004</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	<u>4,145,000</u>	<u>4,145,000</u>
Total			<u>\$ 62,050,000</u>	<u>\$ 62,050,000</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE J - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2004, 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	46%
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 Landfill in the amount of \$3.8 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 2004. The estimated remaining life of the Central Class I Landfill is 15 years. 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, 2004, the Board held investments of \$1,233,263 to cover the escrow requirement of \$1,225,390. These investments are reported as restricted assets in the notes. 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 K - 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, 2004**

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**NOTE K - COMMITMENTS AND CONTINGENCIES - Continued**

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2004, the Board contributed an average of 7.39% of each qualified regular employee's gross salary, 15.23% percent of the elected official's salary and 9.11% for each DROP participant. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$1,081,929, \$781,927 and \$816,254 for the years ended September 30, 2004, 2003 and 2002, respectively.

**Benefit Provisions** - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 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. For DROP participants, the deferred monthly benefit plus interest compounded monthly, accrues for the specified period of the DROP participation. Upon retirement, the participant receives the total accumulated DROP benefits and begins to receive current benefits at the previously determined rate.

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

**2. Litigation**

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

**3. Federal and State Grants**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE L - RESERVES AND DESIGNATIONS**

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

**General Fund:**

Reserve for inventory	\$ 9,724
Reserve for communications	637,125
Reserve for animal services education	40,576
Reserve for debt service	64,377
Reserve for boating improvements	363,134
Reserve for long-term intergovernmental receivable	<u>25,000</u>
	1,139,936

**Road and Bridge Fund:**

Reserve for inventory	419,261
Reserve for long-term intergovernmental receivable	<u>107,357</u>
	526,618

**Fine and Forfeiture Fund:**

Reserve for forfeited property	87,391
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**Gas and Oil Preservation Fund:**

Reserve for gas and oil preservation	5,074,977
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**Nonmajor Governmental Funds:**

Reserve for tourist development	1,020,926
Reserve for construction commitments	<u>1,258,832</u>
	<u>2,279,758</u>

**Total Governmental Funds** \$ 9,108,680

**NOTE M - 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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

**NOTE M - RISK MANAGEMENT - Continued**

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

- Portable Communication Equipment
- Boats
- Employee Fidelity
- General Liability, \$100,000 deductible
- Public Officials' Liability, \$100,000 deductible

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board of County Commissioners and other County elected officials participate in the program and make payments to the Self-Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$3,014,289 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 8%. These liabilities are reported at their present value of \$1,210,552 at September 30, 2004.

Changes in the Fund's claims liability amount in fiscal years 2003 and 2004 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>
2002 - 2003	\$ 2,822,895	\$ 2,687,501	\$ 1,204,222	\$ 4,306,174
2003 - 2004	\$ 4,306,174	\$ 686,150	\$ 1,978,035	\$ 3,014,289

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

Current claims payable	\$ 1,803,738
Current claims – structured settlements	<u>107,948</u>
Total claims payable, current	1,911,686
Long-term claims – structured settlements	<u>1,102,603</u>
Total claims payable	<u>\$ 3,014,289</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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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**NOTE M - RISK MANAGEMENT - Continued**

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 N - COMPLIANCE AND ACCOUNTABILITY**

**Accumulated Deficits**

The Landfill Fund had a deficit in net assets due to the cumulative effect of the following:

Adoption of GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", which requires recognition of costs of closure and postclosure maintenance over the active life of each landfill area, based on landfill capacity used during the period.

Depreciation charged against operations.

Loss on bond refunding of \$443,769 in 1992.

Transfer of working capital to other funds.

The Board of County Commissioners and the Directors of this fund will evaluate the operation to determine if an increase in fees will be necessary to generate enough revenues to offset expenses.

**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, 2004**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 11,194,170	\$ 11,194,170	\$ 11,159,587
Licenses and permits	1,919,000	1,924,000	2,567,340
Intergovernmental	8,322,500	10,306,644	11,434,802
Charges for services	213,580	213,580	1,158,343
Fines and forfeits	152,000	152,000	172,757
Miscellaneous	1,434,500	1,434,500	1,365,413
<b>Total revenues</b>	<b>23,235,750</b>	<b>25,224,894</b>	<b>27,858,242</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	13,817,522	17,320,979	16,958,314
Public safety	3,871,432	4,205,282	3,914,898
Physical environment	946,155	946,155	833,220
Transportation	861,970	861,970	833,188
Economic environment	139,320	139,320	144,705
Human services	3,597,163	3,604,963	3,598,530
Culture and recreation	1,934,705	1,971,765	1,943,727
Reserve for contingencies	1,020,848	1,325,449	--
<b>Total expenditures</b>	<b>26,189,115</b>	<b>30,375,883</b>	<b>28,226,582</b>
Excess (deficiency) of revenues over expenditures	(2,953,365)	(5,150,989)	(368,340)
<b>Other financing sources (uses)</b>			
Transfers in	300,000	892,313	892,313
Transfers out	(781,180)	(797,080)	(797,080)
<b>Total other financing sources (uses)</b>	<b>(481,180)</b>	<b>95,233</b>	<b>95,233</b>
<b>Net change in fund balances</b>	<b>(3,434,545)</b>	<b>(5,055,756)</b>	<b>(273,107)</b>
Fund balance, beginning of year	3,434,545	5,055,756	8,337,386
Fund balance, end of year	\$ --	\$ --	\$ 8,064,279

**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, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 3,166,870	\$ 3,166,870	\$ 3,752,805
Intergovernmental	2,758,250	3,379,300	3,689,952
Miscellaneous	199,500	199,500	197,286
Total revenues	6,124,620	6,745,670	7,640,043
Expenditures			
Current			
Physical environment	--	668,000	597,119
Transportation	9,482,295	14,760,803	12,971,520
Reserve for contingencies	209,878	85,247	--
Total expenditures	9,692,173	15,514,050	13,568,639
Excess (deficiency) of revenues over expenditures	(3,567,553)	(8,768,380)	(5,928,596)
Other financing sources (uses)			
Transfers in	875,600	4,278,584	4,263,404
Transfers out	(3,570)	(3,570)	(3,570)
Total other financing sources (uses)	872,030	4,275,014	4,259,834
Net change in fund balances	(2,695,523)	(4,493,366)	(1,668,762)
Fund balance, beginning of year	2,695,523	4,493,366	3,949,320
Fund balance, end of year	\$ --	\$ --	\$ 2,280,558

**Board of County Commissioners  
Santa Rosa County, Florida  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FINE AND FORFEITURE FUND  
Year ended September 30, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 24,113,900	\$ 24,113,900	\$ 23,653,701
Intergovernmental	81,700	102,330	100,991
Charges for services	2,902,310	3,237,091	4,090,820
Fines and forfeits	938,600	938,600	880,713
Miscellaneous	38,000	38,000	104,256
Total revenues	28,074,510	28,429,921	28,830,481
Expenditures			
Current			
General government	2,245,778	2,517,032	2,627,749
Public safety	24,286,495	24,407,039	23,468,644
Reserve for contingencies	2,208,222	2,169,410	--
Total expenditures	28,740,495	29,093,481	26,096,393
Excess (deficiency) of revenues over expenditures	(665,985)	(663,560)	2,734,088
Other financing sources (uses)			
Transfers in	--	20,040	20,040
Transfers out	--	(33,228)	(33,228)
Total other financing sources (uses)	--	(13,188)	(13,188)
Net change in fund balances	(665,985)	(676,748)	2,720,900
Fund balance, beginning of year	665,985	676,748	1,762,717
Fund balance, end of year	\$ --	\$ --	\$ 4,483,617

**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, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 3,515,000	\$ 3,515,000	\$ 3,820,742
Miscellaneous	--	--	312,742
Total revenues	3,515,000	3,515,000	4,133,484
Expenditures			
Current			
Reserve for contingencies	1,351,500	8,388,421	--
Total expenditures	1,351,500	8,388,421	--
Excess (deficiency) of revenues over expenditures	2,163,500	(4,873,421)	4,133,484
Other financing sources (uses)			
Transfers out	(2,163,500)	(6,425,406)	(6,425,406)
Total other financing sources (uses)	(2,163,500)	(6,425,406)	(6,425,406)
Net change in fund balances	--	(11,298,827)	(2,291,922)
Fund balance, beginning of year	--	11,298,827	11,298,844
Fund balance, end of year	\$ --	\$ --	\$ 9,006,922

**Board of County Commissioners  
Santa Rosa County, Florida  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GAS AND OIL REVENUE PRESERVATION FUND  
Year ended September 30, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Miscellaneous	\$ 285,000	\$ 285,000	\$ 49,880
Total revenues	285,000	285,000	49,880
Expenditures	--	--	--
Total expenditures	--	--	--
Excess (deficiency) of revenues over expenditures	285,000	285,000	49,880
Other financing sources (uses)			
Transfers out	(285,000)	(415,687)	(385,106)
Total other financing sources (uses)	(285,000)	(415,687)	(385,106)
Net change in fund balances	--	(130,687)	(335,226)
Fund balance, beginning of year	--	130,687	5,410,203
Fund balance, end of year	\$ --	\$ --	\$ 5,074,977

**Santa Rosa County, Florida**  
**Board of County Commissioners**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DISASTER FUND**  
**Year ended September 30, 2004**

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 1,324,256	\$ 1,324,256
Total revenues	--	1,324,256	1,324,256
Expenditures			
Current			
Public safety	--	1,424,362	1,424,362
Total expenditures	--	1,424,362	1,424,362
Excess (deficiency) of revenues over expenditures	--	(100,106)	(100,106)
Other financing sources (uses)			
Transfers in	--	100,106	100,106
Total other financing sources (uses)	--	100,106	100,106
Net change in fund balances	--	--	--
Fund balance, beginning of year	--	--	--
Fund balance, end of year	\$ --	\$ --	\$ --

**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 of the Board of County Commissioners of Santa Rosa County, Florida, (Board), as of and for the year ended September 30, 2004, and have issued our report thereon dated January 28, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated January 28, 2005, 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 appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

January 28, 2005

## MANAGEMENT LETTER

Honorable County Commissioners  
Gordon Goodin, Chairman  
Robert A. "Bob" Cole, Vice Chairman  
W.D. "Don" Salter  
Tom Stewart  
John Broxson  
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 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, 2004, and have issued our report thereon dated January 28, 2005.

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* dated January 28, 2005. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

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

The Rules of the Auditor General Section 10.554 (1) (h) 3.) require that we comment as to whether or not there were any recommendations made to improve the Board's financial management, accounting procedures, and internal controls. No such recommendations are being made this year.

The Rules of Auditor General (Sections 10.554 (1) (h) 4.) require disclosure in the management letter of matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit which may or may not materially affect the financial statements; and deficiencies in internal control that are not reportable conditions, including, but not limited to: improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements), failures to properly record financial transactions, and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. Our audit disclosed no matters required to be disclosed by Rules of the Auditor General (Sections 10.554 (1) (h) 4).

This management letter is intended for the information of the Board and management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

January 28, 2005

**Annual Audit Report  
Board of County Commissioners  
Santa Rosa County, Florida  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
September 30, 2004**

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

**SINGLE AUDIT REPORT**  
**SANTA ROSA COUNTY, FLORIDA**  
**SEPTEMBER 30, 2004**

**SINGLE AUDIT REPORT**  
**SANTA ROSA COUNTY, FLORIDA**

**SEPTEMBER 30, 2004**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
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10.550, RULES OF THE AUDITOR GENERAL**

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

Compliance

We have audited the compliance of Santa Rosa County, Florida, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's *State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2004. The County's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2004.

#### Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the special purpose financial statements of Santa Rosa County, Florida, as of and for the year ended September 30, 2004, and have issued our report thereon dated January 28, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special purpose financial statements taken as a whole.

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

*O'Sullivan Creel, LLP*

January 28, 2005

**Santa Rosa County Florida**  
**Board of County Commissioners**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**Year ended September 30, 2004**

<b>Federal and State Grantor/Pass-through Grantor/Program Title</b>	<b>CFDA/ CSFA Number</b>	<b>Contract / Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Florida Dept. of Community Affairs			
Hazard Mitigation - Floridatown Drainage	97.039	03HM-2T-01-67-15-001	198,109
Flood Mitigation Assistance	97.029	03FM-52-01-67-01-238	21,311
State & Local All Hazards Emergency Operations Planning	97.051	03-FT-1B-01-67-01-337	50,000
Public Assistance	97.036	05-PA-G-01-67-01-541	1,254,558
Public Assistance	97.036	05-PA-G-01-67-00-553	661,456
<b>U.S. Department of Justice</b>			
Direct Programs:			
COPS Ahead	16.710	1997-CM-WX-0788	32,151
COPS In Schools	16.710	2000-SH-WX-0652	48,786
COPS In Schools	16.710	2002-SH-WX-0055	146,881
COPS Universal Hiring	16.710	2003-UM-WX-0031	327,924
COPS Homeland Security Overtime Program	16.710	2003-OM-WX-0197	10,587
			566,329
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-0258	29,200
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0287	68,881
			98,081
Passed Through Florida Office of the Attorney General Victims of Crime Act	16.575	V2193	27,308
Passed Through Florida Dept. of Law Enforcement: Santa Rosa Narcotics Task Force	16.579	04-CJ-J3-01-67-01-172	80,840
Passed Through Florida Dept. of Juvenile Justice Title V Delinquency Prevention Program	16.548	Q4015	200,000
<b>U.S. Department of Health and Human Services</b>			
Passed Through Florida Dept. of Revenue			
Child Support Enforcement Program	93.563	T0257	39,709
Child Support Enforcement Program	93.563	CC357	71,103
Child Support Hearing Officer	93.563	QJ315	14,930
			125,742
Passed Through Florida Dept. of Elder Affairs/Northwest Florida Area Agency on Aging Medical Assistance Program	93.778	AS003-SR	32,353
<b>U.S. Department of Transportation</b>			
Passed Through Florida Dept. of Transportation			
Joint Participation Agreement	20.509	AM521/AN543	96,085
Checkpoint Santa Rosa	20.601	J8-04-06-07	65,254
Santa Rosa Aggressive Driving Program	20.605	FS-04-27-13	72,002

**Santa Rosa County Florida**  
**Board of County Commissioners**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**Year ended September 30, 2004**

<b>Federal and State Grantor/Pass-through Grantor/Program Title</b>	<b>CFDA/ CSFA Number</b>	<b>Contract / Grant Number</b>	<b>Expenditures</b>
<u>U.S. Department of Commerce</u>			
Passed Through Florida Department of Community Affairs Coastal Impact Assistance Program	11.419	NA170Z2134	19,780
<u>U.S. Department of Agriculture</u>			
Emergency Watershed Protection Program	10.68420931604	68-4209-3-1604	447,839
<u>U.S. Department of Interior</u>			
Sport Fish Restoration Program	15.605	03055	18,008
<u>General Services Administration</u>			
Passed Through the Florida Department of State Election Reform Payments	39.011	N/A	<u>17,114</u>
Total Federal Awards			<u>\$ 4,052,169</u>

**Santa Rosa County Florida**  
**Board of County Commissioners**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**Year ended September 30, 2004**

<u>Federal and State Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>Florida Department of Environmental Protection</u>			
Beach Erosion Control Program	37.003	00SR1/04SR1	68,188
Waste Tire and Playground Surfacing Grant	37.015	WT357/WT430	19,548
<u>Florida Department of Agriculture and Consumer Services</u>			
Mosquito Control	42.003	SA004	45,191
<u>Florida Department of Community Affairs</u>			
Emergency Management Programs	52.008	03-BG-04-01-67-01-057	50,495
Emergency Management Programs	52.008	04-BG-04-01-67-01-057	133,678
			<u>184,173</u>
<u>Florida Housing Finance Corporation</u>			
State Housing Initiative Partnership Program	52.901	HFC01	1,459,803
<u>Florida Department of Transportation</u>			
Aviation Development Grant	55.004	AH523	59,094
County Incentive Grant Program	55.008	410302015401	21,000
County Incentive Grant Program	55.008	410302715401	18,798
County Incentive Grant Program	55.008	410302915401	15,890
County Incentive Grant Program	55.008	410303015401	14,118
County Incentive Grant Program	55.008	410303315401	25,200
County Incentive Grant Program	55.008	410302615401	21,700
County Incentive Grant Program	55.008	410302415401	22,750
County Incentive Grant Program	55.008	410303515401	25,200
County Incentive Grant Program	55.008	410302815401	25,200
County Incentive Grant Program	55.008	410303715401	15,750
County Incentive Grant Program	55.008	410303615401	22,705
County Incentive Grant Program	55.008	410303215401	25,200
County Incentive Grant Program	55.008	410302115401	12,904
County Incentive Grant Program	55.008	410303415401	21,895
			<u>288,310</u>
<u>Florida Department of Health</u>			
EMS Matching Grant	64.003	M4094	7,333
EMS Matching Grant	64.003	M4048	7,333
			<u>14,666</u>
County Grant Award	64.005	C3055	37,483
<u>Florida Department of Elder Affairs</u>			
Passed through Northwest Florida Area Agency on Aging			
Home Care for the Elderly	65.001	AM003-SR/AM004-SR/AM005-SR	1,729
Alzheimer's Disease Initiative	65.004	AM003-SR/AM004-SR/AM005-SR	6,615
Community Care for the Elderly	65.010	AM003-SR/AM004-SR/AM005-SR	36,350
<u>Florida Department of Management Services</u>			
Wireless 911 Emergency Telephone System	72.001	N/A	113,517
<u>Florida Fish and Wildlife Conservation Commission</u>			
Florida Boating Improvement Program	77.006	1064	22,457
<u>Florida Department of State</u>			
State Aid to Libraries	45.030	E2907	359,303
<u>Florida Executive Office of the Governor</u>			
Enterprise Florida, Inc.	31.003	DIG-00-02	150,000
Enterprise Florida, Inc.	31.003	DIG-03-12	297,262
Enterprise Florida, Inc.	31.003	DIG-04-02	390,000
Passed through Team Santa Rosa Economic Development Council			
Enterprise Florida, Inc.	31.003	DRG-04-04	50,000
			<u>887,262</u>
<u>Justice Administration Commission</u>			
Child Dependency	21.001	N/A	45,719
Total State Financial Assistance			<u>\$ 3,649,408</u>

**Santa Rosa County, Florida**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the year ended September 30, 2004**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**Santa Rosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended September 30, 2004**

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**A. SUMMARY OF AUDITOR RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified Opinion  
Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  no  
Reportable condition(s) identified that are  
not considered to be material weakness(es)? \_\_\_\_\_ yes  none reported  
  
Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes  no

**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

Internal control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes  no  
Reportable condition(s) identified that are  
not considered to be material weakness(es)? \_\_\_\_\_ yes  none reported  
  
Type of auditor's report issued on compliance  
for major programs: Unqualified Opinion  
  
Any audit findings disclosed that are required  
to be reported in accordance with section 510(a) of  
Circular A-133? \_\_\_\_\_ yes  no

**IDENTIFICATION OF MAJOR PROGRAMS**

**Federal Program**

Public Assistance CFDA No. 97.036  
Emergency Watershed Protection Program

Dollar threshold used to distinguish  
between type A and type B programs: \$ 300,000  
  
Auditee qualified as low-risk auditee?  yes \_\_\_\_\_ no



**SANTA ROSA COUNTY, FLORIDA SHERIFF**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**SANTA ROSA COUNTY, FLORIDA SHERIFF**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**SANTA ROSA COUNTY, FLORIDA SHERIFF**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Wendell Hall  
Sheriff  
Santa Rosa County, Florida

We have audited the accompanying special purpose financial statements of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as "Sheriff") as of and for the year ended September 30, 2004, as listed in the table of contents. These special purpose financial statements are the responsibility of the Sheriff's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes 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 opinion.

As discussed in Note A to the financial statements, the Sheriff's financial statements are special purpose financial statements presenting only the financial position and results of operations of the Sheriff. These special purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Sheriff.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sheriff, as of September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2004 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on page 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the special purpose financial statements of the Sheriff taken as a whole. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the special purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special purpose financial statements taken as a whole.

*O'Sullivan Creel, LLP*

December 15, 2004

**Santa Rosa County, Florida Sheriff**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2004**

	General Fund	Jail Commissary Fund	Grants Fund	Other Non-major Governmental Funds	Totals Governmental Funds
<b>ASSETS</b>					
Cash	\$ 1,430,440	\$ 1,200,371	\$ 398,865	\$ 101,792	\$ 3,131,468
Due from other funds	604,269	808	69,281	--	674,358
Due from other governmental units	864,215	--	208,698	--	1,072,913
Accounts receivable	419	25,250	--	--	25,669
Inventory	11,159	--	--	--	11,159
Total assets	<u>\$ 2,910,502</u>	<u>\$ 1,226,429</u>	<u>\$ 676,844</u>	<u>\$ 101,792</u>	<u>\$ 4,915,567</u>
<b>LIABILITIES</b>					
Accounts payable and accrued payroll	\$ 1,580,542	\$ 18,549	\$ 87,536	\$ --	\$ 1,686,627
Due to other funds	70,159	10,995	572,558	1,108	654,820
Due to other governmental units	1,259,801	--	5	--	1,259,806
Deferred revenue	--	--	16,745	6,441	23,186
Total liabilities	<u>2,910,502</u>	<u>29,544</u>	<u>676,844</u>	<u>7,549</u>	<u>3,624,439</u>
<b>FUND BALANCE</b>					
Fund balance					
Unreserved	--	1,196,885	--	--	1,196,885
Reserved for law enforcement training	--	--	--	94,243	94,243
Total fund balance	<u>--</u>	<u>1,196,885</u>	<u>--</u>	<u>94,243</u>	<u>1,291,128</u>
 Total liabilities and fund balance	 <u>\$ 2,910,502</u>	 <u>\$ 1,226,429</u>	 <u>\$ 676,844</u>	 <u>\$ 101,792</u>	 <u>\$ 4,915,567</u>

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

**Santa Rosa County, Florida Sheriff**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2004**

	General Fund	Jail Commissary Fund	Grants Fund	Other Non-major Governmental Funds	Totals Governmental Funds
<b>REVENUES</b>					
Intergovernmental	\$ 717,693	\$ --	\$ 1,169,745	\$ 30,641	\$ 1,918,079
Miscellaneous	--	577,856	--	837	578,693
Total revenues	<u>717,693</u>	<u>577,856</u>	<u>1,169,745</u>	<u>31,478</u>	<u>2,496,772</u>
<b>EXPENDITURES</b>					
Current					
General government					
Judicial					
Personal services	408,046	--	--	--	408,046
Operating	27,086	--	--	--	27,086
Public safety					
Law enforcement					
Personal services	11,389,248	--	961,137	--	12,350,385
Operating	2,096,693	--	121,499	18,845	2,237,037
Capital outlay	1,355,875	--	87,109	--	1,442,984
Correction and detention					
Personal services	5,204,303	--	--	--	5,204,303
Operating	2,114,667	484,823	--	--	2,599,490
Debt service					
Principal	55,774	--	--	--	55,774
Interest	8,679	--	--	--	8,679
Total expenditures	<u>22,660,371</u>	<u>484,823</u>	<u>1,169,745</u>	<u>18,845</u>	<u>24,333,784</u>
Excess (deficiency) of revenues over expenditures	(21,942,678)	93,033	--	12,633	(21,837,012)
<b>OTHER FINANCING SOURCES (USES)</b>					
BOCC appropriation	22,793,660	--	--	--	22,793,660
Capital lease proceeds	236,196	--	--	--	236,196
BOCC excess fees	(1,087,178)	--	--	--	(1,087,178)
Total other financing sources (uses)	<u>21,942,678</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>21,942,678</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	--	93,033	--	12,633	105,666
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>--</u>	<u>1,103,852</u>	<u>--</u>	<u>81,610</u>	<u>1,185,462</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ --</u>	<u>\$ 1,196,885</u>	<u>\$ --</u>	<u>\$ 94,243</u>	<u>\$ 1,291,128</u>

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

**Santa Rosa County, Florida Sheriff**  
**STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS**  
**September 30, 2004**

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**ASSETS**

Cash	\$ 130,924
Miscellaneous receivable	20
Due from other funds	70
Total assets	<u>\$ 131,014</u>

**LIABILITIES**

Accounts payable	\$ 58,451
Due to other governmental units	4,427
Due to other funds	19,608
Deposits	48,528
Total liabilities	<u>\$ 131,014</u>

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

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

These *special purpose financial statements* are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special-purpose financial statements consist of only the *fund level* financial statements as defined in GASB 34, and do not include presentations of *government-wide* financial statements of the Sheriff.

**2. Fund Accounting**

The accounting system of the Sheriff is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The funds utilized by the Sheriff's office are as follows:

**Governmental Funds**

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

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

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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

**2. Fund Accounting -- (Continued)**

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

**Grants Fund** accounts for grant revenues and expenditures from several grantors which are used according to the terms of each grant.

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

- 1) **Second Dollar** accounts for shared fine revenues from the Santa Rosa Board of County Commissioners which are used for law enforcement training purposes.
- 2) **Federal Seizure** accounts for shared seizure revenues from the United States Department of Justice which are to be used for law enforcement purposes.

**Agency Funds**

Agency Funds account for assets held in a custodial capacity for others. Assets equal liabilities in agency funds, and results of operations are not measured. The agency funds utilized are:

- 1) **Individual Depositors** accounts for the collection and disbursement of monies deposited primarily by insurance companies and attorneys awaiting civil process.
- 2) **Suspense** accounts for the collection of monies obtained from the Sheriff's sale of abandoned and confiscated property, various court levies, writs of execution, and miscellaneous receipts and the subsequent disbursements to individuals, state agencies, and the Board of County Commissioners.
- 3) **Prisoners' Personal** accounts for receipts and disbursements of prisoners' personal funds during the period of incarceration.
- 4) **Seizure** accounts for cash confiscated by the Sheriff's department which is held pending disposition.
- 5) **Flower** accounts for the collection and disbursement of funds donated by employees to purchase flowers for certain occasions.

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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

**2. Fund Accounting -- (Continued)**

- 6) Cash Bond accounts for old outstanding checks issued prior to transfer of the responsibility for handling bond monies to the Clerk of Courts.

**3. Basis of Accounting**

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

**4. Inventory**

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

**5. Accounting for Capital Assets**

Capital assets (vehicles, equipment and other tangible property costing at least \$750 with a useful life of more than one year) are recorded as expenditures by the acquiring fund at the time of purchase. The Sheriff does not engage in the acquisition of public domain (infrastructure) assets.

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

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

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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

**5. Accounting for Capital Assets -- (Continued)**

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

**6. Budgets and Budgetary Accounting**

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

**7. Compensated Absences**

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the Santa Rosa County government-wide financial statements. For the governmental fund statements, there is no requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees.

**8. Excess Revenue**

In accordance with Section 218.36, Florida Statutes, excess revenue is remitted to the Board of County Commissioners at fiscal year end. Excess revenue due to the Board of County Commissioners at September 30, 2004 is reported as due to other governmental units. Charges for services, interest income and other miscellaneous revenues collected by the Sheriff are considered to be "agency" transactions, not available for expenditure by the Sheriff, and are remitted to the Board on a monthly basis.

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**NOTE B - CASH AND INVESTMENTS**

The Sheriff's deposits at year-end were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes.

Statutes authorize the Sheriff to invest in direct obligations of the U.S. Treasury, interest bearing time deposits or savings accounts in banks participating in the multiple financial institution collateral pool, the Local Government Surplus Funds, and SEC registered money market funds.

**NOTE C - CAPITAL ASSETS**

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

	Balance 10/01/03	Additions	Reductions	Balance 9/30/04
Vehicles, equipment and furniture	\$ 7,008,006	\$ 1,502,162	\$ (661,257)	\$ 7,848,911
Less accumulated depreciation	<u>(4,406,670)</u>	<u>(1,042,964)</u>	<u>644,856</u>	<u>(4,804,778)</u>
Net Total	<u>\$ 2,601,336</u>	<u>\$ 459,198</u>	<u>\$ (16,401)</u>	<u>\$ 3,044,133</u>

Depreciation expense for the year ended September 30, 2004 was \$1,042,964.

**NOTE D - LONG-TERM DEBT OBLIGATIONS**

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

Compensated Absences	
Balance - October 1, 2003	\$ 3,269,805
Net decrease	<u>(88,573)</u>
Balance - September 30, 2004	<u>\$ 3,181,232</u>

**Santa Rosa County, Florida Sheriff  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004**

**NOTE D - LONG-TERM DEBT OBLIGATIONS -- (Continued)**

The general fund has typically been used to liquidate liabilities for compensated absences.

Long-Term Debt - Capital Lease	
Balance - October 1, 2003	\$ --
Additions	236,196
Principal payments	<u>(55,774)</u>
Balance - September 30, 2004	<u>\$ 180,422</u>
Future Lease Payments	
2005	\$ 64,453
2006	64,453
2007	<u>64,451</u>
Total minimum lease payments	193,357
Less amount representing interest	<u>(12,935)</u>
Net minimum lease payments	<u>\$ 180,422</u>

The Sheriff is obligated under a lease-purchase agreement with Ford Motor Credit related to the lease-purchase of automobiles. The lease qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments at the inception of the lease. The acquired assets have been recorded as capital assets of the Board of County Commissioners of Santa Rosa County, Florida.

**NOTE E - INTERFUND BALANCES**

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 604,269	\$ 70,159
Special Revenue Funds:		
Jail Commissary	808	10,995
Grants	69,281	572,558
Second Dollar	--	1,108
Agency Funds:		
Individual Depositor	--	8,048
Suspense	70	3,436
Seizure	--	4,690
Flower	--	102
Bond	<u>--</u>	<u>3,332</u>
	<u>\$ 674,428</u>	<u>\$ 674,428</u>

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE E - INTERFUND BALANCES -- (Continued)**

The balance of \$604,269 due to the General Fund primarily consists of advances to the Grant Fund which will be paid back to the General Fund after reimbursement is received from grantors. The remainder consists of expenditures made for the various other funds which are typically reimbursed to the General Fund on a monthly basis. The balance of \$70,159 consists primarily of amounts owed by the General Fund to the Grant Fund for expenses allocable to the General Fund.

**NOTE F - RETIREMENT PLAN**

**Participation** - Employees of the Sheriff participate in the Florida Retirement System (FRS), 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.

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2004, the Sheriff contributed an average of 7.39% of each qualified regular employee's gross salary, 15.23% of the elected official's salary, 18.53% of each special risk employee's salary, and 9.11% for each DROP participant. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$1,943,059, \$1,549,059, and \$1,564,318 for the years ended September 30, 2004, 2003, and 2002, respectively.

**Benefit Provisions** - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE F - RETIREMENT PLAN -- (Continued)**

retirement is available after 10 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.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**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.

**NOTE G - OPERATING LEASES**

Certain office equipment is leased under noncancelable operating leases expiring in various years through 2009.

Year ending <u>September 30,</u>	
2005	\$ 67,506
2006	67,506
2007	64,498
2008	<u>36,811</u>
Total minimum payments required	<u>\$ 236,321</u>

Rental expense for the year ended September 30, 2004 amounted to \$102,461.

**NOTE H - GRANT ASSISTANCE**

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

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE I - RISK MANAGEMENT**

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

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

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

- Portable Communication Equipment
- Boats
- Employee Fidelity
- General Liability, \$100,000 deductible
- Public Officials' Liability, \$100,000 deductible

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

**NOTE J - HURRICANE IVAN**

In September 2004, the Sheriff's Office incurred significant payroll and operating costs related to overtime worked by Sheriff's Office employees engaging in the aid of public safety during the aftermath of Hurricane Ivan. Santa Rosa County, Florida was subsequently identified to be included in a major disaster declaration, issued by the U.S. Department of Homeland Security. In addition, the State of Florida Office of the Governor issued an Executive Order to declare a state of emergency for areas affected by Hurricane Ivan. These Federal and State declarations provide for the reimbursement of related costs at 90% of eligible costs from Federal funding and 5% from State funding sources. The remaining 5% will be paid for by the affected local government. The Sheriff's Office has estimated and

**Santa Rosa County, Florida Sheriff  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004**

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**NOTE J - HURRICANE IVAN -- (Continued)**

included in the General Fund those costs expected to be reimbursed from Federal and State sources. Final disposition of these costs is subject to review and approval by the Federal and State agencies prior to payment. The amount expected to be reimbursed by Federal and State Funding sources at September 30, 2004 is estimated to be approximately \$700,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Santa Rosa County, Florida Sheriff**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) TO ACTUAL**  
**GENERAL FUND**  
**For the year ended September 30, 2004**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ --	\$ --	\$ 717,693	\$ 717,693
Miscellaneous	--	--	--	--
Total revenues	--	--	717,693	717,693
<b>EXPENDITURES</b>				
Current				
General government				
Judicial				
Personal services	491,220	491,220	408,046	83,174
Operating	34,133	34,133	27,086	7,047
Public safety				
Law enforcement				
Personal services	12,252,560	12,252,560	11,389,248	863,312
Operating	2,326,731	2,371,731	2,096,693	275,038
Capital outlay	1,223,870	1,178,870	1,355,875	(177,005)
Correction and detention				
Personal services	5,598,395	5,178,176	5,204,303	(26,127)
Operating	1,697,906	2,227,906	2,114,667	113,239
Debt service				
Principal	--	--	55,774	(55,774)
Interest	--	--	8,679	(8,679)
Total expenditures	23,624,815	23,734,596	22,660,371	1,074,225
Excess (deficiency) of revenues over expenditures	(23,624,815)	(23,734,596)	(21,942,678)	1,791,918
<b>OTHER FINANCING SOURCES (USES)</b>				
BOCC appropriation	23,624,815	23,734,596	22,793,660	(940,936)
Capital lease proceeds	--	--	236,196	236,196
BOCC excess fees	--	--	(1,087,178)	(1,087,178)
Total other financing sources (uses)	23,624,815	23,734,596	21,942,678	(1,791,918)
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	--	--	--	--
<b>FUND BALANCE, BEGINNING OF YEAR</b>	--	--	--	--
<b>FUND BALANCE, END OF YEAR</b>	\$ --	\$ --	\$ --	\$ --

**SUPPLEMENTARY INFORMATION - COMBINING FUND FINANCIAL STATEMENTS**

**Santa Rosa County, Florida Sheriff**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2004**

	Second Dollar Fund	Federal Seizure Fund	Totals
<b>ASSETS</b>			
Cash	\$ 95,351	\$ 6,441	\$ 101,792
Total assets	\$ 95,351	\$ 6,441	\$ 101,792
<b>LIABILITIES</b>			
Due to other funds	\$ 1,108	\$ --	\$ 1,108
Deferred revenue	--	6,441	6,441
Total liabilities	1,108	6,441	7,549
<b>FUND BALANCE</b>			
Fund balance			
Reserved for law enforcement training	94,243	--	94,243
Total liabilities and fund balance	\$ 95,351	\$ 6,441	\$ 101,792

**Santa Rosa County, Florida Sheriff**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2004**

	Second Dollar Fund	Federal Seizure Fund	Totals
<b>REVENUES</b>			
Intergovernmental	\$ 30,641	\$ --	\$ 30,641
Miscellaneous	837	--	837
Total revenues	<u>31,478</u>	<u>--</u>	<u>31,478</u>
<b>EXPENDITURES</b>			
Current			
Public safety			
Law enforcement			
Operating	<u>18,845</u>	<u>--</u>	<u>18,845</u>
Total expenditures	<u>18,845</u>	<u>--</u>	<u>18,845</u>
Excess (deficiency) of revenues over expenditures	12,633	--	12,633
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>81,610</u>	<u>--</u>	<u>81,610</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 94,243</u>	<u>\$ --</u>	<u>\$ 94,243</u>

**Santa Rosa County, Florida Sheriff**  
**COMBINING SCHEDULE OF FIDUCIARY NET ASSETS**  
**ALL AGENCY FUNDS**  
**For the year ended September 30, 2004**

	Individual Depositors Fund	Suspense Fund	Prisoner Personal Fund	Seizure Fund	Flower Fund	Bond Fund	Totals
<b>ASSETS</b>							
Cash	\$ 12,104	\$ 61,817	\$ 29,064	\$ 18,037	\$ 6,570	\$ 3,332	\$ 130,924
Miscellaneous receivable	20	--	--	--	--	--	20
Due from other funds	--	70	--	--	--	--	70
Total assets	<u>\$ 12,124</u>	<u>\$ 61,887</u>	<u>\$ 29,064</u>	<u>\$ 18,037</u>	<u>\$ 6,570</u>	<u>\$ 3,332</u>	<u>\$ 131,014</u>
<b>LIABILITIES</b>							
Accounts payable	\$ --	\$ 58,451	\$ --	\$ --	\$ --	\$ --	\$ 58,451
Due to other governments	4,076	-	--	351	--	--	4,427
Due to other funds	8,048	3,436	--	4,690	102	3,332	19,608
Deposits	--	--	29,064	12,996	6,468	-	48,528
Total liabilities	<u>\$ 12,124</u>	<u>\$ 61,887</u>	<u>\$ 29,064</u>	<u>\$ 18,037</u>	<u>\$ 6,570</u>	<u>\$ 3,332</u>	<u>\$ 131,014</u>

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

Honorable Wendell Hall  
Sheriff  
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Office of Sheriff of Santa Rosa County, Florida, (Sheriff), as of and for the year ended September 30, 2004, and have issued our report thereon dated December 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's special purpose 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 December 15, 2004, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Sheriff, management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

December 15, 2004

## MANAGEMENT LETTER

Honorable Wendell Hall  
Sheriff  
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as "Sheriff"), as of and for the year ended September 30, 2004, and have, issued our report thereon dated December 15, 2004.

We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 15, 2004. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

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

The Rules of the Auditor General (Section 10.554 (1) (h) 3.) require that we comment as to whether or not there were any recommendations made to improve the Sheriff's financial management, accounting procedures, and internal controls. No items were identified which are required to be disclosed by the Rules of the Auditor General (Section 10.554 (1) (h) 3.).

The Rules of Auditor General (Sections 10.554 (1) (h) 4.) require disclosure in the management letter of the following matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations and contractual provisions that have occurred, or were likely to have occurred and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit which may or may not materially affect the financial statements; and deficiencies in internal control that are not reportable conditions including but not limited to: improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters required to be disclosed by Rules of the Auditor General (Sections 10.554 (1) (h) 4).

This report is intended solely for the information and use of the Sheriff, management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

December 15, 2004

**Santa Rosa County, Florida Sheriff  
RESPONSE TO MANAGEMENT LETTER  
For the year ended September 30, 2004**

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

**SANTA ROSA COUNTY, FLORIDA TAX COLLECTOR**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**SANTA ROSA COUNTY, FLORIDA TAX COLLECTOR**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Robert McClure  
Tax Collector  
Santa Rosa County, Florida

We have audited the accompanying special purpose financial statements of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2004, as listed in the table of contents. These special purpose financial statements are the responsibility of the Tax Collector's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note A to the financial statements, the Tax Collector's financial statements are special purpose financial statements presenting only the financial position and results of operations of the Tax Collector. These special purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Tax Collector.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tax Collector at September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2004, on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on page 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*O'Sullivan Creel, LLP*

November 22, 2004

**Santa Rosa County, Florida Tax Collector  
BALANCE SHEET - GENERAL FUND  
September 30, 2004**

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**ASSETS**

Cash and cash equivalents	\$ 392,024
Due from tax fund	61,664
Other receivable	1,470
Total assets	<u>\$ 455,158</u>

**LIABILITIES**

Due to other governmental units	\$ 455,158
Total liabilities	<u>455,158</u>

**FUND BALANCE**

Fund balance	<u>--</u>
Total liabilities and fund balance	<u>\$ 455,158</u>

**Santa Rosa County, Florida Tax Collector  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GENERAL FUND  
For the year ended September 30, 2004**

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**REVENUES**

Charges for services	\$ 2,453,718
Miscellaneous	<u>8,732</u>
Total revenues	2,462,450

**EXPENDITURES**

Current	
General government	
Personal services	1,497,781
Operating	435,183
Capital outlay	<u>88,517</u>
Total expenditures	<u>2,021,481</u>

Excess (deficiency) of revenues over expenditures	440,969
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**OTHER FINANCING SOURCES (USES)**

BOCC excess fees	<u>(440,969)</u>
Total other financing sources (uses)	<u>(440,969)</u>

Excess (deficiency) of revenues and other financing sources over expenditures and other uses	--
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<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>          --</u>
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<b>FUND BALANCE, END OF YEAR</b>	<u><u>          \$ --</u></u>
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**Santa Rosa County, Florida Tax Collector**  
**STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS**  
**TAX FUND**  
**For the year ended September 30, 2004**

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**ASSETS**

Cash	\$ 2,148,472
Miscellaneous receivables (payables)	<u>29,057</u>
Total assets	<u><u>\$ 2,177,529</u></u>

**LIABILITIES**

Escrow deposits	\$ 522,288
Due to other governmental units	1,580,774
Due to general fund	61,664
DMV deposits	3,240
Miscellaneous	<u>9,563</u>
Total liabilities	<u><u>\$ 2,177,529</u></u>

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

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

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

These *special purpose financial statements* of the Tax Collector are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special purpose financial statements consist of only the fund level financial statements as defined in GASB 34, and do not include presentations of government-wide financial statements of the Tax Collector.

**2. Fund Accounting**

The accounting system of the Tax Collector is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The funds utilized by the Tax Collector are as follows:

**Governmental Funds**

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

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

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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

**2. Fund Accounting -- (Continued)**

**Fiduciary Funds**

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

**3. Basis of Accounting**

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

**4. Cash and Cash Equivalents**

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

**5. Accounting for Capital Assets**

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

**Santa Rosa County, Florida Tax Collector  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2004**

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

**6. Budgets and Budgetary Accounting**

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

**7. Compensated Absences**

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the Santa Rosa County government-wide financial statements. For the governmental fund statements, there is no requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees.

**8. Excess Revenue**

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

**NOTE B - CASH AND INVESTMENTS**

The Tax Collector's deposits at year-end are reported at cost and were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes.

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

**Santa Rosa County, Florida Tax Collector  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2004**

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**NOTE C - LONG-TERM DEBT -- COMPENSATED ABSENCES**

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

	Balance October 1, <u>2003</u>	Net Deletions	Balance September 30, <u>2004</u>
Compensated absences	\$ <u>175,610</u>	\$ <u>3,817</u>	\$ <u>171,793</u>

Compensated absences are paid by the General Fund.

**NOTE D - INTERFUND BALANCES**

Interfund balances primarily relate to the payment of commissions (generally based upon statutory rates) earned by the Tax Collector for processing and handling various transactions occurring in the Tax Fund. These interfund balances are typically liquidated on a monthly basis.

**NOTE E - RETIREMENT PLAN**

**Participation** - Employees of the Tax Collector’s office 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.

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon rates established by the State of Florida. During 2004, the Tax Collector contributed an average of 7.39% of each qualified regular employee’s gross salary, 15.23% of the elected official’s salary, 9.37% of each senior manager’s salary, and 9.11% of each DROP participant’s salary. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$100,304, \$78,131, and \$146,832 for the years ended September 30, 2004, 2003, and 2002, respectively.

**Santa Rosa County, Florida Tax Collector  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2004**

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**NOTE E - RETIREMENT PLAN -- (Continued)**

**Benefit Provisions** - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 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.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**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.

**NOTE F - OPERATING LEASES**

The Tax Collector has an operating lease agreement for the rental of the Gulf Breeze branch office. The Pace branch office lease expired during the year ended September 30, 2003 and the facility is rented on a month to month basis. The Gulf Breeze lease expires during the year ended September 30, 2005 and future minimum lease payments under this non-cancelable operating lease are \$18,568. Lease payments on the Gulf Breeze office have been abated due to damage from Hurricane Ivan which has rendered the building temporarily untenable.

Rental expense for the offices for the year-ended September 30, 2004 was \$24,679.

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE G - RISK MANAGEMENT**

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

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

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

- Portable Communication Equipment
- Boats
- Employee Fidelity
- General Liability, \$100,000 deductible
- Public Officials' Liability, \$100,000 deductible

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**Santa Rosa County, Florida Tax Collector  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) TO ACTUAL  
GENERAL FUND  
For the year ended September 30, 2004**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 2,472,000	\$ 2,472,000	\$ 2,453,718	\$ (18,282)
Miscellaneous	14,000	14,000	8,732	(5,268)
Total revenues	<u>2,486,000</u>	<u>2,486,000</u>	<u>2,462,450</u>	<u>(23,550)</u>
<b>EXPENDITURES</b>				
Current				
General government				
Personal services	1,559,905	1,497,435	1,497,781	(346)
Operating	414,500	435,192	435,183	9
Capital outlay	48,560	88,518	88,517	1
Total expenditures	<u>2,022,965</u>	<u>2,021,145</u>	<u>2,021,481</u>	<u>(336)</u>
Excess (deficiency) of revenues over expenditures	463,035	464,855	440,969	(23,886)
<b>OTHER FINANCING SOURCES (USES)</b>				
BOCC excess fees	<u>(463,035)</u>	<u>(464,855)</u>	<u>(440,969)</u>	<u>23,886</u>
Total other financing sources (uses)	<u>(463,035)</u>	<u>(464,855)</u>	<u>(440,969)</u>	<u>23,886</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	--	--	--	--
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**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 Robert McClure  
Tax Collector  
Santa Rosa County, Florida

We have audited the financial statements of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2004, and have issued our report thereon dated November 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tax Collector's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Tax Collector's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described below.

**2004-1 RECONCILIATION OF TAX DISTRIBUTION LIABILITIES**

Finding - The Tax Collector collects taxes and makes distributions to numerous taxing authorities. Amounts collected are accumulated in the tax fund until amounts to be distributed to the taxing authorities are calculated and ultimately paid based upon varying schedules for the different taxes collected. As a control to insure that all taxes collected are distributed, an annual reconciliation of the amount accumulated in the tax fund is performed. In January 2004, the Tax Collector's office began a transition from manually posting of the tax distribution liabilities to the tax fund to a ledger interface posting system. At the beginning of the transition, a miscommunication between staff members caused

certain tax warrant collections to be left out of the distribution process. Because the reconciliation is only done annually, considerable difficulty was encountered in the effort to identify the undistributed funds and there was considerable delay in the distribution of the funds.

Recommendation - Reconciliation of the amount accumulated in the tax fund should be performed at least monthly rather than annually. The Tax Collector should establish time lines for updating the various applications and should balance distributions of funds with the receipts posted to the tax fund general ledger. Implementation of these recommendations should help to insure that all funds are timely and accurately distributed.

Response of Management - In order to insure accuracy and timeliness in the tax distribution process, we continue to implement the ledger interface program. Full implementation is anticipated during 2005. This program will not allow proper interfacing unless all tax applications are updated. In response to your identification of the need for improved controls in this area, we have established and implemented time lines for updating the various applications and we balance distributions to the receipts posted to the tax fund general ledger. We have begun preparing monthly reconciliations of the amount accumulated in the tax fund. We have also identified areas in need of improved communication between staff and have implemented procedures to insure proper communication.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

#### Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated November 22, 2004, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Tax Collector, management and appropriate governmental agencies and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

November 22, 2004

## MANAGEMENT LETTER

Honorable Robert McClure  
Tax Collector  
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2004, and have issued our report thereon dated November 22, 2004.

We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, dated November 22, 2004. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

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

The Rules of the Auditor General (Section 10.554 (1) (h) 3.) require that we comment as to whether or not there were any recommendations made to improve the Tax Collector's financial management, accounting procedures, and internal controls. Other than the item identified in the 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*, no items were identified which are required to be disclosed by the Rules of the Auditor General (Section 10.554 (1) (h) 3.).

The Rules of the Auditor General (Sections 10.554 (1) (h) 4.) require disclosure in the management letter of matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations, and contractual provisions that have occurred or were likely to have occurred and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit which may or may not materially affect the financial statements; and deficiencies in internal control that are not reportable conditions, including but not limited to: improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. Our audit disclosed no matters which are required to be disclosed by the Rules of the Auditor General (Sections 10.554 (1) (h) 4.).

This management letter is intended solely for the information and use of the Tax Collector, management and appropriate governmental agencies and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

November 22, 2004

**Santa Rosa County, Florida Tax Collector  
RESPONSE TO MANAGEMENT LETTER  
For the year ended September 30, 2004**

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Other than management's response to the finding in the 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, there were no comments which require management's written response.

**SANTA ROSA COUNTY, FLORIDA CLERK OF COURTS**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**SANTA ROSA COUNTY, FLORIDA CLERK OF COURTS**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special-purpose financial statements of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Clerk's management. Our responsibility is to express an opinion on these special-purpose 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 special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note A to the financial statements, the Clerk's financial statements are special-purpose financial statements presenting only the financial position and results of operations of the Clerk. These special-purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Clerk.

In our opinion, the special-purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Clerk at September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2005 on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on page 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*O'Sullivan Creel, LLP*

February 1, 2005

**Santa Rosa County, Florida Clerk of Courts**  
**BALANCE SHEET - ALL GOVERNMENTAL FUNDS**  
**September 30, 2004**

	General Fund	Records Modernization Trust Fund	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 534,326	\$ 639,497	\$ 42,311	\$ 1,216,134
Accounts receivable	758	-	-	758
Due from other governmental units	63,764	-	-	63,764
Due from other funds	4,421	62,978	-	67,399
Total assets	<u>\$ 603,269</u>	<u>\$ 702,475</u>	<u>\$ 42,311</u>	<u>\$ 1,348,055</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,865	\$ -	\$ -	\$ 3,865
Accrued wages and salaries	85,535	-	-	85,535
Due to other governmental units	413,499	-	42,311	455,810
Due to other funds	62,978	-	-	62,978
Deferred income	37,392	-	-	37,392
Total liabilities	<u>603,269</u>	<u>-</u>	<u>42,311</u>	<u>645,580</u>
<b>FUND BALANCES</b>				
Reserved for records modernization trust fund	-	702,475	-	702,475
Total fund balances	<u>-</u>	<u>702,475</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 603,269</u>	<u>\$ 702,475</u>	<u>\$ 42,311</u>	<u>\$ 1,348,055</u>

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

**Santa Rosa County, Florida Clerk of Courts**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2004**

	General Fund	Records Modernization Trust Fund	Other Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 183,538	\$ -	\$ -	\$ 183,538
Charges for services	2,546,054	314,060	29,510	2,889,624
Miscellaneous	5,567	-	-	5,567
Total revenues	<u>2,735,159</u>	<u>314,060</u>	<u>29,510</u>	<u>2,764,669</u>
<b>EXPENDITURES</b>				
Current				
General government				
Financial and administrative				
Personal services	1,698,413	-	-	1,698,413
Operating	369,407	-	-	369,407
Capital outlay	11,634	-	-	11,634
Judicial				
Personal services	2,270,277	-	-	2,270,277
Operating	305,657	-	20,287	325,944
Capital outlay	3,000	-	-	3,000
Debt service				
Interest	200	-	-	200
Total expenditures	<u>4,658,588</u>	<u>-</u>	<u>20,287</u>	<u>4,678,875</u>
Excess (deficiency) of revenues over expenditures	<u>(1,923,429)</u>	<u>314,060</u>	<u>9,223</u>	<u>(1,600,146)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
BOCC appropriation	2,276,280	-	-	2,276,280
BOCC excess fees	(352,851)	-	-	(352,851)
Transfers to BOCC	-	-	(42,311)	(42,311)
Total other financing sources (uses)	<u>1,923,429</u>	<u>-</u>	<u>(42,311)</u>	<u>1,881,118</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>-</u>	<u>314,060</u>	<u>(33,088)</u>	<u>280,972</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>-</u>	<u>388,415</u>	<u>33,088</u>	<u>421,503</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 702,475</u>	<u>\$ -</u>	<u>\$ 702,475</u>

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

**Santa Rosa County, Florida Clerk of Courts  
STATEMENT OF FIDUCIARY NET ASSETS -  
AGENCY FUNDS  
For the year ended September 30, 2004**

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**ASSETS**

Cash and cash equivalents	<u>\$ 2,583,340</u>
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**LIABILITIES**

Accounts payable	\$ 48,654
Due to other governmental units	539,446
Due to other funds	4,421
Deposits	<u>1,990,819</u>
Total liabilities	<u>\$ 2,583,340</u>

**Santa Rosa County, Florida Clerk of Courts**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

These *special purpose financial statements* of the Clerk are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special-purpose financial statements consists of only the *fund level* financial statements as defined in GASB Statement No. 34, and do not include presentations of *government-wide* financial statements of the Clerk of Court.

**B. Fund Accounting**

The accounting system of the Clerk's office is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The funds utilized by the Clerk are as follows:

**Governmental Funds**

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

**Santa Rosa County, Florida Clerk of Courts**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES -- (Continued)**

**B. Fund Accounting -- (Continued)**

The Clerk reports the following major governmental funds:

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

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

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

**Law Library Special Revenue Fund** is used to account for certain designated court fees. These monies are used to purchase books, publications, and subscriptions for the Santa Rosa County Law Library. Effective July 1, 2004, the operations of the Law Library were transferred to the Board of County Commissioners' control.

**Fiduciary Funds**

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

**Court Registry** - Funds are deposited pursuant to court order pending the outcome of legal action and are distributed by order of the court.

**Documentary Stamp** - The Clerk collects documentary stamps tax as an agent for the State of Florida and remits the revenue, less commission, to the Department of Revenue.

**Uniform Support** - The Clerk collects child support and other payments required by court order and remits to the appropriate individuals or organizations.

**Intangible Tax** - The Clerk collects intangible tax and remits to the Department of Revenue.

**Santa Rosa County, Florida Clerk of Courts**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES -- (Continued)**

**B. Fund Accounting -- (Continued)**

**Tax Redemption** - The Clerk collects tax deed application fees and tax deed bids and makes distributions on payments as appropriate.

**Juror and Witness** - State funding for payment of juror and witness fees is held in this fund. The balance is returned to the State at the end of each judicial quarter.

**Fine and Cost** - Traffic and other fines are collected by the Clerk and remitted to the various governmental agencies.

**Suspense** - The Clerk collects fees for marriage licenses, spousal abuse and restitution. Also, the Clerk collects money for the State co-educational trust fund and attorney's fees. Distributions on payments and remittances are made as appropriate to the various agencies or individuals.

**Bail Bonds** - The Clerk holds cash bonds collected by the Jail pending appearance of individuals before the court. Such bonds are ultimately disbursed pursuant to order of the court.

**C. Basis of Accounting**

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

**D. Cash and Investments**

The Clerk's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value in accordance with GASB Statement No. 31.

**Santa Rosa County, Florida Clerk of Courts**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES -- (Continued)**

**D. Cash and Investments -- (Continued)**

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

- a. The Local Government Surplus Funds Trust Fund (SBA) (State Pool);
- b. Florida Counties Investment Trust (FCIT) (State Investment Trust);
- c. Qualified money market mutual funds;
- d. U.S. Treasury bills, notes and bonds;
- e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA);
- f. Non-callable Government Agency securities with stated maturities that fall within parameters put forth by the investment policy, including the following:
  - (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;
- h. Tax-exempt obligations of the State of Florida and its various local governments;
- i. Repurchase agreements for investments authorized in categories d, e, or f above.

**E. Accounting for Capital Assets**

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

**F. Budgets and Budgetary Accounting**

The Clerk establishes an annual budget for the general fund and the records modernization trust fund pursuant to Section 218.35, Florida Statutes. The budget is prepared in two parts. The first part includes the budget for funds necessary to perform court-related functions as provided

**Santa Rosa County, Florida Clerk of Courts**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES -- (Continued)**

**F. Budgets and Budgetary Accounting -- (Continued)**

in Section 28.36, Florida Statutes. The second part includes the budget relating to the requirements of the Clerk as clerk of the board of county commissioners, county auditor, and custodian or treasurer of all county funds and other county-related duties. The budget is submitted to the Board of County Commissioners (BOCC) and is incorporated into the overall County budget. The Clerk's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**G. Documentary Stamps**

Documentary stamps are issued by the Clerk as an agent for the State of Florida. The stamps are recorded and sold at cost.

**H. Compensated Absences**

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the Santa Rosa County government-wide financial statements. For the governmental fund statements, there is no requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees.

**I. Excess Revenue**

Annually, the Clerk must calculate and remit to the Department of Revenue for deposit into the General Revenue Fund the excess revenues attributable to court-related functions per Section 28.37(4), Florida Statutes. In addition, the Clerk must also remit to the Board of County Commissioners any excess revenues attributable to non court-related functions per Section 218.36(2), Florida Statutes. These amounts are reported as due to other governmental units at year end.

**Santa Rosa County, Florida Clerk of Courts**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE 2 - CASH AND INVESTMENTS**

At September 30, 2004, the banks reported deposits before outstanding checks of \$4,661,219, all of which were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes.

**NOTE 3 - LONG-TERM DEBT - COMPENSATED ABSENCES**

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

Balance - October 1, 2003	\$ 558,914
Net change	<u>(37,654)</u>
Balance - September 30, 2004	<u>\$ 521,260</u>

Compensated absences are paid from the General Fund.

**NOTE 4 - INTERFUND BALANCES**

Interfund balances primarily relate to the payment of commissions (generally based upon statutory rates) earned by the Clerk for processing and handling various transactions occurring in the Agency Funds. These interfund balances are typically liquidated on a monthly basis.

**NOTE 5 - RETIREMENT PLAN**

**Participation** - Employees of the Clerk participate in the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan, established by Chapter 121, Florida Statutes, and administered by the Florida Department of Administration, Division of Retirement. Changes to the FRS can be made only by an act to the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. 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.

**Santa Rosa County, Florida Clerk of Courts**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE 5 - RETIREMENT PLAN -- (Continued)**

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During fiscal year 2004, the Clerk contributed an average of 7.39% of each qualified regular employee's gross salary, 15.23% of the elected official's salary, and 9.11% for each DROP participant. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$226,630, \$181,519, and \$192,810, for the years ended September 30, 2004, 2003, and 2002, respectively.

**Benefit Provisions** - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 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.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**Financial Report of the Plan** - The Florida Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

**NOTE 6 - CLAIMS AND CONTINGENCIES**

The Clerk is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of management, based on the advice of legal counsel, there are no lawsuits or claims outstanding which will have a material adverse effect on the financial position of the Clerk's Office.

**Santa Rosa County, Florida Clerk of Courts**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2004**

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**NOTE 7 - RISK MANAGEMENT**

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

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

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

- Portable Communication Equipment
- Boats
- General Liability, \$100,000 deductible
- Employee Fidelity
- Public Officials' Liability, \$100,000 deductible

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**Santa Rosa County, Florida Clerk of Courts  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GENERAL FUND AND RECORDS MODERNIZATION TRUST FUND  
BUDGET(GAAP BASIS) TO ACTUAL  
For the year ended September 30, 2004**

	General Fund				Special Revenue Fund Records Modernization Trust Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
	<b>REVENUES</b>							
Intergovernmental	\$ 44,487	\$ 122,549	\$ 183,538	\$ 60,989	\$ -	\$ -	\$ -	\$ -
Charges for services	2,042,994	2,546,091	2,546,054	(37)	314,060	314,060	314,060	-
Miscellaneous	9,700	5,567	5,567	-	-	-	-	-
Total revenues	<u>2,097,181</u>	<u>2,674,207</u>	<u>2,735,159</u>	<u>60,952</u>	<u>314,060</u>	<u>314,060</u>	<u>314,060</u>	<u>-</u>
<b>EXPENDITURES</b>								
Current								
General government								
Financial and administrative								
Personal services	1,811,246	1,698,428	1,698,413	15	-	-	-	-
Operating	358,350	369,433	369,407	26	-	-	-	-
Capital outlay	50,000	11,635	11,634	1	-	-	-	-
Judicial								
Personal services	2,411,634	2,270,297	2,270,277	20	-	-	-	-
Operating	294,717	303,924	305,657	(1,733)	-	-	-	-
Capital outlay	32,820	4,769	3,000	1,769	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	200	200	-	-	-	-	-
Reserve for contingencies	20,601	-	-	-	(314,060)	(314,060)	-	(314,060)
Total expenditures	<u>4,979,368</u>	<u>4,658,686</u>	<u>4,658,588</u>	<u>98</u>	<u>(314,060)</u>	<u>(314,060)</u>	<u>-</u>	<u>(314,060)</u>
Excess (deficiency) of revenues over expenditures	(2,882,187)	(1,984,479)	(1,923,429)	61,050	628,120	628,120	314,060	(314,060)
<b>OTHER FINANCING SOURCES (USES)</b>								
BOCC appropriation	2,882,187	2,276,282	2,276,280	(2)	-	-	-	-
BOCC excess fees	-	(291,803)	(352,851)	(61,048)	-	-	-	-
Total other financing sources (uses)	<u>2,882,187</u>	<u>1,984,479</u>	<u>1,923,429</u>	<u>(61,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</b>	-	-	-	-	628,120	628,120	314,060	(314,060)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	-	-	-	253,696	208,989	388,415	179,426
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 881,816</u>	<u>\$ 837,109</u>	<u>\$ 702,475</u>	<u>\$ (134,634)</u>

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

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

We have audited the special-purpose financial statements of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 2004, and have issued our report thereon dated February 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters that we have reported to the management of the Clerk in a separate letter dated February 1, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly,

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated February 1, 2005, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Clerk and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

February 1, 2005

## MANAGEMENT LETTER

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

We have audited the special purpose financial statements of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 2004, and have issued our report thereon dated February 1, 2005.

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated February 1, 2005. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

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

The Rules of Auditor General (Sections 10.554 (1) (h) 3. and 4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's report on internal control structure and on compliance with laws and regulations: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit which may or may not materially affect the financial

statements; and deficiencies in internal control that are not reportable conditions, including, but not limited to: improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements), failures to properly record financial transactions, and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. We are submitting for consideration the recommendations described in Attachment A, as required to be disclosed by Rules of Auditor General (Sections 10.554 (1) (h) 3. and 4.).

As required by the Rules of the Auditor General (Section 10.554 (1) (h) 7. a.) we determined that the Clerk is in compliance with Section 28.35, Florida Statutes, regarding the budget certified by the Florida Clerk of Courts Operations Corporation.

As required by the Rules of the Auditor General (Section 10.554 (1) (h) 7. b.) we determined that the Clerk is in compliance with the performance standards developed and certified pursuant to Section 28.35, Florida Statutes.

This report is intended solely for the information and use of the Clerk, management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

February 1, 2005

**CURRENT YEAR RECOMMENDATIONS**

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**2004-1 CREDIT CARD RECEIPTS AND BANK ACCOUNT**

*Finding* - We noted that the Clerk does not record customer credit card revenue at the time the transaction occurs, but rather records the revenue two to four days later at the time of receipt of the payment from the credit card clearing agency. Also, the Clerk's general ledger does not have a corresponding account for this bank account.

*Recommendation* - We recommend recording revenue from customer credit card payments on the day the transaction occurs in order to record the revenue timely. Although the balances in the credit card bank account are transferred to other operating accounts daily, to strengthen internal controls, we recommend establishing a general ledger account to track activity for this bank account.

**2004-2 SEGREGATION OF DUTIES - REVENUES**

*Finding* - We noted that the same person who opens mail and receipts monies also posts receipts into the general ledger.

*Recommendation* - We recommend that duties of handling receipts be segregated from the recording of receipts into the general ledger.

**2004-3 SEGREGATION OF DUTIES - EXPENDITURES**

*Finding* - We noted that the same person who enters vendor invoices into the system for payment also has authority to print checks with electronic signatures and mail the payments to the vendors.

*Recommendation* - We recommend the Clerk determine if these duties can be segregated in order to strengthen internal controls in this area.

**Santa Rosa County, Florida Clerk of Courts  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
For the year ended September 30, 2004**

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**2004-1 CREDIT CARD RECEIPTS AND BANK ACCOUNT**

The Clerk's office is currently recording the revenue from credit card transactions as soon as the payment is received by the credit card clearing agency and the transactions are being recorded in the expense clearing account general ledger at that time.

**2004-2 SEGREGATION OF DUTIES - REVENUES**

The Clerk's office has modified the daily financial procedures segregating the duties of opening mail and posting receipts between separate deputy clerks.

**2004-3 SEGREGATION OF DUTIES - EXPENDITURES**

The Clerk's office has modified the daily financial procedures segregating the duties of entering vendor invoices for payment and printing checks and mailing the payments.

**SANTA ROSA COUNTY, FLORIDA PROPERTY APPRAISER**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**SANTA ROSA COUNTY, FLORIDA PROPERTY APPRAISER**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special purpose financial statements of the Office of the Property Appraiser of Santa Rosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the year ended September 30, 2004, as listed in the table of contents. These special purpose financial statements are the responsibility of the Property Appraiser's management. Our responsibility is to express an opinion on these special purpose 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 special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes 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 opinion.

As discussed in Note A to the financial statements, the Property Appraiser's financial statements are special purpose financial statements presenting only the financial position and results of operations of the Property Appraiser. These special purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Property Appraiser.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Property Appraiser, as of September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2004 on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*O'Sullivan Creel, LLP*

November 24, 2004

**Santa Rosa County, Florida Property Appraiser  
BALANCE SHEET - GENERAL FUND  
September 30, 2004**

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**ASSETS AND OTHER DEBITS**

Cash	\$ 347,324
Total assets	<u>\$ 347,324</u>

**LIABILITIES**

Accounts Payable	\$ 13,048
Due to BOCC	258,863
Salaries and wages	<u>75,413</u>
Total liabilities	347,324

**FUND BALANCE**

Fund balance	
Unreserved	<u>    --</u>
Total fund balance	--
Total liabilities and fund balance	<u>\$ 347,324</u>

**Santa Rosa County, Florida Property Appraiser  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GENERAL FUND  
For the year ended September 30, 2004**

<b>REVENUES</b>	
Charges for services	\$ 28,353
Miscellaneous	4,094
Total revenues	32,447
<b>EXPENDITURES</b>	
Current:	
Personal services	1,828,973
Operating expenditures	465,869
Capital outlay	31,731
Total expenditures	2,326,573
Excess (deficiency) of revenues over expenditures	(2,294,126)
<b>OTHER FINANCING SOURCES (USES)</b>	
BOCC appropriation	2,553,370
BOCC excess fees	(259,244)
Total other financing sources (uses)	2,294,126
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</b>	--
<b>FUND BALANCE, BEGINNING OF YEAR</b>	--
<b>FUND BALANCE, END OF YEAR</b>	\$ --

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

**Santa Rosa County, Florida Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

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

These *special purpose financial statements* of the Property Appraiser are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida the special purpose financial statements consist of only the *fund level* financial statements as defined in GASB 34, and do not include presentations of *government-wide* financial statements of the Property Appraiser.

**2. Fund Accounting**

The accounting system of the Property Appraiser is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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

**Santa Rosa County, Florida Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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

**3. Basis of Accounting**

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

**4. Accounting for Capital Assets**

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

**5. Budget and Budgetary Accounting**

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

**6. 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. Unpaid compensated absences are recorded as a liability when the benefits are earned in the Santa Rosa County government-wide financial statements. For the governmental fund statements, there is no requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees.

**Santa Rosa County, Florida Property Appraiser  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004**

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

**7. Excess Revenue**

In accordance with Section 218.36(2), Florida Statutes, excess revenue is remitted to the Board of County Commissioners at fiscal year end. Excess revenue due to the Board of County Commissioners at September 30, 2004 is reported as due to other governmental units.

**NOTE B - CASH**

The Property Appraiser's deposits at year-end were held by a financial institution designated as "a qualified public depository" by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes.

**NOTE C - LONG-TERM DEBT - COMPENSATED ABSENCES**

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

	Balance October 1, 2003	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2004
Compensated absences	<u>\$ 235,905</u>	<u>\$ 10,846</u>	<u>\$ --</u>	<u>\$ 246,751</u>

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

**NOTE D - RETIREMENT PLAN**

**Participation** - Employees participate in the Florida Retirement System (FRS), 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.

**Santa Rosa County, Florida Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE D - RETIREMENT PLAN -- (Continued)**

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2004, the Property Appraiser contributed an average of 7.39% of each qualified regular employee's gross salary, 9.11% of each DROP participant's salary, 9.37% of each senior manager's salary, and 15.23% of the elected official's salary. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$112,250, \$86,003, and \$105,094, for the years ended September 30, 2004, 2003, and 2002, respectively.

**Benefit Provisions** - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 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.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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

**Santa Rosa County, Florida Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE E - RISK MANAGEMENT**

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

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

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

- Portable Communication Equipment
- Boats
- Employee Fidelity
- General Liability, \$100,000 deductible
- Public Officials' Liability, \$100,000 deductible

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**Santa Rosa County, Florida Property Appraiser  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP) BASIS  
AND ACTUAL GENERAL FUND - (Unaudited)  
For the year ended September 30, 2004**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ --	\$ --	\$ --	\$ --
Miscellaneous	--	--	4,094	4,094
Total revenues	--	--	4,094	4,094
<b>EXPENDITURES</b>				
Current:				
Personal services	1,976,871	1,899,928	1,828,973	70,955
Operating expenditures	632,561	565,306	437,516	127,790
Capital outlay	99,750	41,000	31,731	9,269
Non-operating	48,000	48,000	--	48,000
Total expenditures	2,757,182	2,554,234	2,298,220	256,014
Excess (deficiency) of revenues over expenditures	(2,757,182)	(2,554,234)	(2,294,126)	260,108
<b>OTHER FINANCING SOURCES (USES)</b>				
BOCC appropriation	2,757,182	2,554,234	2,553,370	(864)
BOCC excess fees	--	--	(259,244)	(259,244)
Total other financing sources (uses)	2,757,182	2,554,234	2,294,126	(260,108)
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</b>	--	--	--	--
<b>FUND BALANCE, BUDGETARY BASIS, BEGINNING OF YEAR</b>	--	--	--	--
<b>FUND BALANCE, BUDGETARY BASIS, END OF YEAR</b>	\$ --	\$ --	--	\$ --
Adjustment for revenues not budgeted			28,353	
Adjustment for expenditures allowed under Florida Statute 195.087			(28,353)	
<b>FUND BALANCE, GAAP BASIS, END OF YEAR</b>			\$ --	



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

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

We have audited the financial statements of the Office of the Property Appraiser of Santa Rosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the year ended September 30, 2004, and have issued our report thereon dated November 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Property Appraiser's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Property Appraiser in a separate letter dated November 24, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property Appraiser's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated November 24, 2004, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Property Appraiser and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

November 24, 2004

## MANAGEMENT LETTER

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

We have audited the special purpose financial statements of the Office of the Property Appraiser of Santa Rosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the year ended September 30, 2004, and have issued our report thereon dated November 24, 2004.

We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* dated November 24, 2004. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

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

The Rules of the Auditor General (Section 10.554 (1) (h) 3.) require that we comment as to whether or not there were any recommendations made to improve the Property Appraiser's financial management, accounting procedures, and internal controls. See Attachment A for our recommendation to improve internal controls over miscellaneous cash receipts.

The Rules of Auditor General (Sections 10.554 (1) (h) 4.) require disclosure in the management letter of the following matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations and contractual provisions that have occurred or were likely to have occurred and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit that may or may not materially affect the financial statements; and deficiencies in internal control that are not reportable conditions, including but not limited to: improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages and defalcations and instances of fraud discovered by, or that came to the attention of, the auditor. Management has been made aware of limited segregation of duties in previous communications. Also, see Attachment A for our recommendation to improve internal controls over miscellaneous cash receipts.

This report is intended solely for the information and use of the Property Appraiser and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

November 24, 2004

**Santa Rosa County, Florida Property Appraiser  
CURRENT YEAR RECOMMENDATIONS (Attachment A)  
For the year ended September 30, 2004**

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**2004-1 - SEGREGATION OF DUTIES**

*Finding* - We noted limited segregation of duties within the accounting function related to the area of cash receipts. Currently, the payroll manager reconciles cash receipts to reports, prepares and makes deposits, maintains the receipt books, and records the receipts in the general ledger. In an ideal internal control environment, employee duties should be segregated so that no single employee has access to both physical assets and the related accounting records over those assets. Such lack of segregated duties may create an environment where unintentional errors or irregularities could occur and not be promptly detected.

*Recommendation* - Because of a limited number of available personnel within the office, it is not always possible to segregate incompatible duties. However, we recommend consideration be given to the following changes in procedures to strengthen internal controls in this area.

- After balancing the collections to the receipts, departments should prepare a summary recap or listing of the cash receipts and forward one copy along with the cash to the payroll manager, and forward a second copy of the recap to the manager who has the responsibility for opening and reviewing the bank statement. The manager should compare amounts actually deposited per the bank statement to the amounts on the daily recap sheet. As evidence that this control function is being performed, the manager should document such review and comparison by placing their initials and date on the recap sheet.
- The residential supervisor should maintain the receipt books and log the books as they are issued to the departments. Upon completion and forwarding to the payroll manager, the books should be reconciled to the recap reports to insure that all receipts are properly accounted for.

**Santa Rosa County, Florida Property Appraiser  
RESPONSE TO MANAGEMENT LETTER  
For the year ended September 30, 2004**

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**2004-1 - SEGREGATION OF DUTIES**

In order to strengthen internal controls within the accounting function related to the area of cash receipts, the Property Appraiser's office will segregate certain incompatible duties. The Exemption & Public Service Supervisor will prepare a daily summary recap of cash receipts that should balance to collections. The Chief Deputy / Office Manager, responsible for reviewing the bank statements, will review and initial the recap and compare amounts deposited to the amounts per the daily recap sheets. A second copy of the recap will be forwarded along with cash receipts to the Payroll Manager for deposit. The Residential Supervisor will maintain the receipt books and log the books as they are issued to the Exemption & Public Service Supervisor. Upon completion, the books will be forwarded to the Payroll Manager, who will reconcile the books to the Exemption & Public Service Supervisor's recap to insure that all receipts are properly accounted for.

**SANTA ROSA COUNTY, FLORIDA SUPERVISOR OF ELECTIONS**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**SANTA ROSA COUNTY, FLORIDA SUPERVISOR OF ELECTIONS**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Ann Bodenstein  
Supervisor of Elections  
Santa Rosa County, Florida

We have audited the accompanying special purpose financial statements of the Office of the Supervisor of Elections of Santa Rosa County, Florida (hereinafter referred to as "Supervisor of Elections"), as of and for the year ended September 30, 2004, as listed in the table of contents. These special purpose financial statements are the responsibility of the Supervisor of Elections' management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the Supervisor of Elections' financial statements are special purpose financial statements presenting only the financial position and results of operations of the Supervisor of Elections. These special purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Supervisor of Elections.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Supervisor of Elections as of September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2004 on our consideration of the Supervisor of Elections' internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*O'Sullivan Creel, LLP*

December 7, 2004

**Santa Rosa County, Florida Supervisor of Elections**  
**BALANCE SHEET - GENERAL FUND**  
**September 30, 2004**

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**ASSETS**

Due from Board of County Commissioners	\$ 24,356
Total assets	<u>\$ 24,356</u>

**LIABILITIES AND FUND BALANCE**

Accounts payable	\$ 11,725
Accrued expenses	3,639
Deferred revenue	8,992
Total liabilities	<u>24,356</u>
Fund balance	<u>--</u>
Total liabilities and fund balance	<u>\$ 24,356</u>

**Santa Rosa County, Florida Supervisor of Elections**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GENERAL FUND**  
**For the year ended September 30, 2004**

<b>REVENUES</b>	
Miscellaneous	\$ 27,807
Total revenues	<u>27,807</u>
<b>EXPENDITURES</b>	
Current	
General government	
Personal services	388,600
Operating	276,416
Capital outlay	21,883
Total expenditures	<u>686,899</u>
Excess (deficiency) of revenues over expenditures	(659,092)
<b>OTHER FINANCING SOURCES</b>	
BOCC appropriation	659,092
Total other financing sources	<u>659,092</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>--</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b><u>--</u></b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ --</u></b>

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

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**A. Principles Used in Determining the Scope of Entity for Financial Reporting Purposes**

The Supervisor of Elections, as established by Article VIII of the Constitution of the State of Florida, is an elected official of the County. Although the Supervisor of Elections Office is operationally autonomous from the Board, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Supervisor of Elections is reported as a part of the primary government of Santa Rosa County, Florida.

These *special purpose financial statements* are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special purpose financial statements consists of only the *fund level* financial statements as defined in GASB Statement No. 34, and do not include presentations of *government-wide* financial statements of the Supervisor of Elections.

Pursuant to the provisions of 129.202, Florida Statutes, the Supervisor of Elections has elected to have the Office of the Clerk of the Circuit and County Courts of Santa Rosa County maintain the books and records pertaining to the operation of the Office.

**B. Fund Accounting**

The accounting system of the Supervisor of Elections is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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

**B. Fund Accounting -- (Continued)**

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

**C. Basis of Accounting**

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

**D. Accounting for Capital Assets**

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

**E. Budgets and Budgetary Accounting**

The Office of the Supervisor of Elections operates under budget procedures pursuant to Section 195.087, Florida Statutes. The Supervisor of Elections' budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budget appropriations lapse at the end of the year, and are not carried over to the following year.

**F. Compensated Absences**

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the Santa Rosa County

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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

**F. Compensated Absences -- (Continued)**

government-wide financial statements. For the governmental fund statements, there is no requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the general fund when payments are made to employees.

**NOTE B - LONG-TERM DEBT**

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

Balance - October 1, 2003	\$ 29,591
Net change	<u>12,292</u>
Balance - September 30, 2004	<u>\$ 41,883</u>

**NOTE C - RETIREMENT PLAN**

**Participation** - Employees of the Supervisor of Election's Office 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.

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2004, the Supervisor of Election's Office contributed an average of 7.39% of each qualified regular employee's gross salary and 15.23% of the elected official's salary. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$26,143, \$22,292, and \$24,746 for the years ended September 30, 2004, 2003, and 2002, respectively.

**Benefit Provisions** - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE C - RETIREMENT PLAN -- (Continued)**

available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 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.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**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.

**NOTE D - RISK MANAGEMENT**

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

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

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

- Portable Communication Equipment
- Boats
- Employee Fidelity
- General Liability, \$100,000 deductible
- Public Officials' Liability, \$100,000 deductible

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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**NOTE D - RISK MANAGEMENT -- (Continued)**

Conventional insurance remains in effect for buildings and contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public officials' liability coverage. The Supervisor of Elections participates in the program and makes payments to the Self-Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

**NOTE E - CANDIDATE QUALIFYING FEES**

Every other year, the Supervisor of Elections' office, serving in a custodial capacity, collects candidate qualifying fees in accordance with Florida Statutes. The fees collected are disbursed pursuant to applicable Florida Statutes to the appropriate state party and to the Division of Elections. Qualifying fees in the amount of \$2,483 were collected during the year ended September 30, 2004.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Santa Rosa County, Florida Supervisor of Elections**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**For the year ended September 30, 2004**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Miscellaneous	\$ --	\$ --	\$ 27,807	\$ 27,807
Total revenues	<u>--</u>	<u>--</u>	<u>27,807</u>	<u>27,807</u>
<b>EXPENDITURES</b>				
Current				
General government				
Personal services	411,260	411,260	388,600	22,660
Operating	349,350	348,850	276,416	72,434
Capital outlay	22,850	23,350	21,883	1,467
Total expenditures	<u>783,460</u>	<u>783,460</u>	<u>686,899</u>	<u>96,561</u>
Excess (deficiency) of revenues over expenditures	(783,460)	(783,460)	(659,092)	124,368
<b>OTHER FINANCING SOURCES</b>				
BOCC appropriation	783,460	783,460	659,092	(124,368)
Total other financing sources	<u>783,460</u>	<u>783,460</u>	<u>659,092</u>	<u>(124,368)</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Honorable Ann Bodenstein  
Supervisor of Elections  
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Office of the Supervisor of Elections of Santa Rosa County, Florida (hereinafter referred to as "Supervisor of Elections"), as of and for the year ended September 30, 2004, and have issued our unqualified report thereon dated December 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Supervisor of Elections' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisor of Election's special purpose 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 December 7, 2004 which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Supervisor of Elections, management, and appropriate governmental agencies and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

December 7, 2004

## MANAGEMENT LETTER

Honorable Ann Bodenstein  
Supervisor of Elections  
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Office of the Supervisor of Elections of Santa Rosa County, Florida (hereinafter referred to as "Supervisor of Elections"), as of and for the year ended September 30, 2004, and have issued our unqualified report thereon dated December 7, 2004.

We also issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, dated December 7, 2004. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

The Rules of the Auditor General (Section 10.554 (1) (h) 3.) require that we comment as to whether or not there were any recommendations made to improve the Supervisor of Elections' financial management, accounting procedures, and internal controls. No items were identified which are required to be disclosed by Rules of the Auditor General (Section 10.554 (1) (h) 3.).

The Rules of the Auditor General (Section 10.554 (1) (h) 4.) require disclosure in the management letter of the following matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations and contractual provisions that have occurred, or were likely to have occurred and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit which may or may not materially affect the financial statements; and deficiencies in internal control that are not

reportable conditions including but not limited to: improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters required to be disclosed by Rules of the Auditor General (Section 10.554 (1) (h) 4).

This management letter is intended solely for the information and use of the Supervisor of Elections, management, and appropriate governmental agencies and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

December 7, 2004

**Santa Rosa County, Florida Supervisor of Elections  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
For the year ended September 30, 2004**

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