

**SANTA ROSA COUNTY, FLORIDA  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008**

**Santa Rosa County, Florida  
FINANCIAL STATEMENTS  
September 30, 2008**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Santa Rosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009 on our consideration of Santa Rosa County, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 11 and budgetary comparison information on pages 47 through 50 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*O'Sullivan Creel, LLP*

March 30, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Santa Rosa County, Florida**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**September 30, 2008**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

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

Net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$180 million as of September 30, 2008.

The largest portion of the County's net assets (80%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

There was an increase in net assets from governmental activities of \$10 million. This consisted of an increase of \$2.1 million to invested in capital assets net of related debt, an increase of \$8.2 million to unrestricted net assets and a decrease of \$300,000 to restricted net assets. The primary reason for this relatively small net increase was the decrease in both revenues and expenditures due to the downturn in the economy and the decrease in property tax revenues mandated by the state legislature. There was an increase in net assets from business-type activities of \$300,000. This consisted of an increase of \$3.4 million to net assets invested in capital assets net of related debt, a decrease of \$3.3 million in unrestricted net assets and an increase of \$246,000 to restricted net

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**MANAGEMENT DISCUSSION AND ANALYSIS**  
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assets. The primary reason for this net increase was the increased expenditure in capital assets and debt related to those assets. In addition, while revenues were down, expenditures for completing repairs to the wastewater facilities damaged in prior years by hurricanes were up.

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>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Current and other assets	\$ 64,181	\$ 58,075	\$ 9,862	\$ 12,165	\$ 74,043	\$ 70,240
Capital assets	<u>135,470</u>	<u>133,550</u>	<u>19,746</u>	<u>16,666</u>	<u>155,216</u>	<u>150,216</u>
Total assets	199,651	191,625	29,608	28,831	229,259	220,456
Long-term liabilities outstanding	24,589	22,728	17,246	17,119	41,835	39,847
Other liabilities	<u>6,477</u>	<u>10,309</u>	<u>551</u>	<u>207</u>	<u>7,028</u>	<u>10,516</u>
Total liabilities	<u>31,066</u>	<u>33,037</u>	<u>17,797</u>	<u>17,326</u>	<u>48,863</u>	<u>50,363</u>
Net Assets:						
Invested in capital assets, net of related debt	133,388	131,253	11,705	8,299	145,093	139,552
Restricted	12,599	12,900	3,355	3,109	15,954	16,009
Unrestricted	<u>22,598</u>	<u>14,435</u>	<u>(3,249)</u>	<u>97</u>	<u>19,349</u>	<u>14,532</u>
Total net assets	<u>\$ 168,585</u>	<u>\$ 158,588</u>	<u>\$ 11,811</u>	<u>\$ 11,505</u>	<u>\$ 180,396</u>	<u>\$ 170,093</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 \$53 million (74% is unreserved), an increase of \$9 million from last year. The bulk of the increase was from the cost cutting measures enacted in anticipation of reduced tax revenues due to state mandated property tax rate reductions.

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 23,736	\$ 30,148	\$ 6,030	\$ 6,055	\$ 29,766	\$ 36,203
Operating grants & contributions	15,698	25,140	-	-	15,698	25,140
Capital grants & contributions	3,858	667	965	406	4,823	1,073
<b>General revenues:</b>						
Property tax	54,443	56,309	-	-	54,443	56,309
Sales, use and fuel tax	4,721	4,917	-	-	4,721	4,917
Franchise fees	5,224	5,111	-	-	5,224	5,111
Communication services	1,418	1,274	-	-	1,418	1,274
Grants & contributions	12,562	12,675	-	-	12,562	12,675
Investment earnings	2,028	3,517	277	439	2,305	3,956
Other	987	1,870	310	340	1,297	2,210
Total revenues	<u>124,675</u>	<u>141,628</u>	<u>7,582</u>	<u>7,240</u>	<u>132,257</u>	<u>148,868</u>
<b>Expenses:</b>						
General government	33,628	34,196	-	-	33,628	34,196
Public safety	46,286	48,885	-	-	46,286	48,885
Physical environment	2,963	6,989	-	-	2,963	6,989
Transportation	19,776	16,514	-	-	19,776	16,514
Economic environment	5,018	9,328	-	-	5,018	9,328
Human services	4,209	4,522	-	-	4,209	4,522
Culture and recreation	2,281	3,291	-	-	2,281	3,291
Interest on long-term debt	517	447	-	-	517	447
Water and sewer	-	-	2,731	1,865	2,731	1,865
Airport	-	-	340	226	340	226
Landfill	-	-	4,047	3,767	4,047	3,767
Total expenses	<u>114,678</u>	<u>124,172</u>	<u>7,118</u>	<u>5,858</u>	<u>121,796</u>	<u>130,030</u>
<b>Increase in net assets</b>						
before transfers	9,997	17,456	464	1,382	10,461	18,838
Transfers	-	-	(158)	-	(158)	-
Change in net assets	9,997	17,456	306	1,382	10,303	18,838
Net assets, beg. of year	158,588	88,909	11,505	10,123	170,093	99,032
Prior period adjustment	-	52,223	-	-	-	52,223
Net assets,						
beg. of year, restated	<u>158,588</u>	<u>141,132</u>	<u>11,505</u>	<u>10,123</u>	<u>170,093</u>	<u>151,255</u>
Net assets, end of year	<u>\$ 168,585</u>	<u>\$ 158,588</u>	<u>\$ 11,811</u>	<u>\$ 11,505</u>	<u>\$ 180,396</u>	<u>\$ 170,093</u>

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The General fund is the primary operating fund of the County. Revenues exceeded expenditures by \$4.5 million.

The Road and Bridge fund accounts for fuel and other taxes designated for road improvements. During the year expenditures exceeded revenues by \$40,000. Planned operating transfers restored the deficit.

The Electricity Franchise Fee fund is use to finance many projects. Transfers of \$3.4 million from this fund were made to the Road and Bridge fund and all the District Capital Improvement funds.

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

**Financial Analysis of Proprietary Funds**

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

The Landfill fund is used to account for the solid waste disposal operations at the County landfills. The upgrade and expansion of the Central Landfill has been completed. While net assets have increased by \$472,000, the increased capital outlay required an increase to invested in capital assets, net of related debt of \$2 million.

**Budgetary Analysis**

The General fund budget was increased by \$500,000 from the original budget (an increase of 0.69%). There were no significant changes.

Actual expenditures were less than the final budgeted expenditures by \$4 million. The reason for this variance is that the Board did not spend 1) \$1.8 million of available reserves, 2) \$800,000 for the insurance 3) \$322,000 for building inspection, 4) \$288,000 in emergency management and 5) \$188,000 in juvenile circuit court.

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

As of September 30, 2008 the County had \$155 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads and other infrastructure. (See table below.) This amount represents a net increase (including additions, discoveries and deductions) of \$5 million from last year.

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<u>Activities</u>		<u>Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 15,537	\$ 13,938	\$ 1,191	\$ 1,191	\$ 16,728	\$ 15,129
Construction in progress	7,401	9,029	477	8,642	7,878	17,671
Buildings	30,501	27,754	1,720	594	32,221	28,348
Improvements other than buildings	68,185	67,521	13,947	3,761	82,132	71,282
Machinery, furniture and equip.	13,847	15,310	2,411	2,478	16,258	17,788
<b>Totals</b>	<u>\$ 135,471</u>	<u>\$ 133,552</u>	<u>\$19,746</u>	<u>\$16,666</u>	<u>\$ 155,217</u>	<u>\$150,218</u>

This year's major additions included:

Landfill expansion	\$ 1,859,525
Land around Whiting Field	\$ 1,580,241
Hangers at Peter Prince Field	\$ 1,108,000
Equipment for Sheriff	\$ 936,892
Water reclamation project	\$ 865,638
Five Points Intersection	\$ 772,564
Lift station	\$ 237,075
Navarre Visitor Center	\$ 196,253

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<u>Activities</u>		<u>Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue bonds	\$ 2,082	\$ 2,297	\$ 2,083	\$ 2,298	\$ 4,165	\$ 4,595
Notes payable	3,172	3,767	6,042	6,165	9,214	9,932
Special assessment notes	7,527	5,693	-	-	7,527	5,693
<b>Totals</b>	<u>\$ 12,781</u>	<u>\$11,757</u>	<u>\$ 8,125</u>	<u>\$ 8,463</u>	<u>\$ 20,906</u>	<u>\$ 20,220</u>

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**MANAGEMENT DISCUSSION AND ANALYSIS**  
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Six (6) special assessment notes were issued this year. Five were for MSBU subdivisions for paving or canal maintenance. The other was to provide equipment for the volunteer fire departments. A revenue note payable for the Peter Prince Airport improvement project was also issued. More detailed information about the County's capital assets and long term liabilities is presented in Notes F & G to the financial statements, respectively.

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

Given the current economy and the state mandated rollback of property taxes, the County is looking for ways to reduce costs. One of those ways under current investigation is the combining of Board, Property Appraiser and Sheriff GIS services. In addition, the County is looking at combining Emergency Management and Sheriff dispatch operations.

## **BASIC FINANCIAL STATEMENTS**

**Santa Rosa County, Florida**

**STATEMENT OF NET ASSETS**

**September 30, 2008**

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 31,554,712	\$ 3,841,635	\$ 35,396,347
Investments	25,805,088	4,176,864	29,981,952
Receivables, net	6,316,975	1,874,071	8,191,046
Internal balances	65,000	(65,000)	--
Inventory	381,399	--	381,399
Deferred charges	56,936	34,848	91,784
Capital assets, net			
Nondepreciable	22,938,367	1,667,979	24,606,346
Depreciable	112,532,299	18,078,233	130,610,532
Total assets	<u>199,650,776</u>	<u>29,608,630</u>	<u>229,259,406</u>
<b>LIABILITIES</b>			
Accounts payable	3,711,811	383,228	4,095,039
Contracts payable	71,040	26,300	97,340
Accrued wages payable	1,578,428	63,881	1,642,309
Interest payable	57,307	16,532	73,839
Due to other governments	3,345	697	4,042
Deposits	347,015	60,411	407,426
Unearned revenue	708,061	--	708,061
Noncurrent liabilities			
Due within one year	8,503,192	950,272	9,453,464
Due in more than one year	16,086,079	16,295,993	32,382,072
Total liabilities	<u>31,066,278</u>	<u>17,797,314</u>	<u>48,863,592</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	133,388,166	11,705,307	145,093,473
Restricted for:			
Debt service	7,002	52,727	59,729
Landfill closure	--	3,302,553	3,302,553
Communications	988,351	--	988,351
Animal Services education	42,012	--	42,012
Boating improvement	427,070	--	427,070
Gas and Oil Preservation	3,551,667	--	3,551,667
Law Enforcement Trust Fund	68,337	--	68,337
Crime prevention	226,219	--	226,219
Domestic violence	66,894	--	66,894
Law Library	28,053	--	28,053
Law enforcement training	87,284	--	87,284
Court innovation	68,741	--	68,741
Tourist development	2,003,821	--	2,003,821
Records modernization	568,601	--	568,601
Court technology	293,897	--	293,897
Navarre Beach Bridge maintenance	4,170,811	--	4,170,811
Unrestricted	22,597,572	(3,249,271)	19,348,301
Total net assets	<u>\$ 168,584,498</u>	<u>\$ 11,811,316</u>	<u>\$ 180,395,814</u>

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

**Santa Rosa County, Florida**

**STATEMENT OF ACTIVITIES**

**Year ended September 30, 2008**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 33,627,656	\$ 15,416,507	\$ 406,735	\$ --	\$ (17,804,414)		\$ (17,804,414)
Public safety	46,286,380	6,471,548	1,170,360	1,307,389	(37,337,083)		(37,337,083)
Physical environment	2,963,362	1,037,211	921,678	9,456	(995,017)		(995,017)
Transportation	19,775,619	730,496	3,587,329	2,541,312	(12,916,482)		(12,916,482)
Economic environment	5,018,423	--	7,596,079	--	2,577,656		2,577,656
Human services	4,209,362	42,266	1,212,820	--	(2,954,276)		(2,954,276)
Culture and recreation	2,281,334	37,548	802,587	--	(1,441,199)		(1,441,199)
Interest on long-term debt	516,752	--	--	--	(516,752)		(516,752)
Total governmental activities	114,678,888	23,735,576	15,697,588	3,858,157	(71,387,567)		(71,387,567)
<b>Business-type activities:</b>							
Navarre Beach water and sewer	2,731,219	1,846,469	--	197,250		\$ (687,500)	(687,500)
Peter Prince Airport	339,894	134,995	--	767,900		563,001	563,001
Landfill	4,046,622	4,048,874	--	--		2,252	2,252
Total business-type activities	7,117,735	6,030,338	--	965,150		(122,247)	(122,247)
<b>Total</b>	<b>121,796,623</b>	<b>29,765,914</b>	<b>15,697,588</b>	<b>4,823,307</b>	<b>(71,387,567)</b>	<b>(122,247)</b>	<b>(71,509,814)</b>
<b>General revenues:</b>							
<b>Taxes</b>							
Property taxes					54,443,406	--	54,443,406
Sales, use and fuel taxes					4,720,820	--	4,720,820
Franchise fees					5,224,408	--	5,224,408
Communication services taxes					1,418,106	--	1,418,106
Grants and contributions not restricted to specific programs					12,562,005	--	12,562,005
Unrestricted investment earnings					2,028,081	276,965	2,305,046
Miscellaneous					747,062	22,409	769,471
Gain on sale of assets					240,354	287,053	527,407
Transfers					--	(157,714)	(157,714)
Total general revenues and transfers					81,384,242	428,713	81,812,955
Change in net assets					9,996,675	306,466	10,303,141
Net assets - beginning					158,587,823	11,504,850	170,092,673
Net assets - ending					\$ 168,584,498	\$ 11,811,316	\$ 180,395,814

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

**Santa Rosa County, Florida**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**September 30, 2008**

ASSETS	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 4,798,308	\$ 3,591,043	\$ 4,343,029	\$ 325,458	\$ 16,545,702	\$ 29,603,540
Investments	8,913,315	5,151,075	--	--	8,429,467	22,493,857
Receivables, net of uncollectibles						
Accounts	89,152	62,665	480,107	--	159,937	791,861
Leases - current	511,197	--	--	--	--	511,197
Leases - noncurrent	9,906	--	--	--	--	9,906
Due from other governments	1,172,469	1,266,206	--	470,763	2,067,273	4,976,711
Due from other funds	1,261,411	406,890	3,800,000	--	163,046	5,631,347
Advances to other funds	--	76,997	--	--	--	76,997
Inventory	101,522	279,877	--	--	--	381,399
Prepaid assets	--	--	--	--	56,936	56,936
Total assets	<u>\$ 16,857,280</u>	<u>\$ 10,834,753</u>	<u>\$ 8,623,136</u>	<u>\$ 796,221</u>	<u>\$ 27,422,361</u>	<u>\$ 64,533,751</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,219,935	\$ 497,148	\$ 68	\$ --	\$ 1,248,981	\$ 2,966,132
Contracts payable	--	--	--	--	71,040	71,040
Deferred credits	49,015	--	--	--	--	49,015
Accrued wages payable	1,291,634	188,633	--	--	90,847	1,571,114
Deposits	347,015	--	--	--	--	347,015
Unearned revenue	136,697	--	--	--	522,349	659,046
Due to other funds	160,937	--	--	3,800,000	1,605,410	5,566,347
Due to other governments	--	--	--	--	3,345	3,345
Advance payable to other funds	--	--	--	--	76,997	76,997
Total liabilities	<u>3,205,233</u>	<u>685,781</u>	<u>68</u>	<u>3,800,000</u>	<u>3,618,969</u>	<u>11,310,051</u>
<b>FUND BALANCES</b>						
Fund balances						
Reserved	1,588,445	4,527,685	--	--	7,682,828	13,798,958
Unreserved, reported in:						
General fund	12,063,602	--	--	--	--	12,063,602
Special revenue funds	--	5,621,287	8,623,068	(3,003,779)	11,757,531	22,998,107
Debt service fund	--	--	--	--	93,726	93,726
Capital project funds	--	--	--	--	4,137,869	4,137,869
Permanent fund	--	--	--	--	131,438	131,438
Total fund balances	<u>13,652,047</u>	<u>10,148,972</u>	<u>8,623,068</u>	<u>(3,003,779)</u>	<u>23,803,392</u>	<u>53,223,700</u>
Total liabilities and fund balances	<u>\$ 16,857,280</u>	<u>\$ 10,834,753</u>	<u>\$ 8,623,136</u>	<u>\$ 796,221</u>	<u>\$ 27,422,361</u>	<u>\$ 64,533,751</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, 2008**

<b>Total Governmental Funds Balances</b>	<b>\$ 53,223,700</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Prior periods investment in capital assets	207,234,681
Less accumulated depreciation	(73,693,233)
Current period transfers of capital assets to governmental from business type	157,714
Current period investment in capital assets	10,626,866
Current period depreciation	(8,402,858)
Current period loss on disposal of capital assets	(459,960)
 Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Revenue bonds	(2,297,500)
Notes payable	(3,766,521)
Compensated absences	(8,224,836)
Special assessment notes payable	(5,693,011)
Interest payable	(57,307)
Current period revenue bond payments	215,000
Current period note payments	594,651
Current period change in compensated absences	(46,210)
Current period special assessment note payments	1,178,459
Current period debt proceeds	(3,012,232)
 Internal service funds are used by management to charge the costs of providing insurance coverage to individual funds and therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	
Assets	5,297,159
Liabilities	(4,290,064)
 <b>Net Assets of Governmental Activities</b>	 <b><u><u>\$ 168,584,498</u></u></b>

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, 2008

	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 50,850,673	\$ 8,603,335	\$ 5,224,408	\$ --	\$ 1,128,324	\$ 65,806,740
Licenses and permits	1,630,515	--	--	--	--	1,630,515
Intergovernmental	10,788,817	5,765,426	--	1,374,500	11,945,796	29,874,539
Charges for services	6,833,492	229,350	--	--	4,451,240	11,514,082
Fines and forfeits	274,498	--	--	--	965,946	1,240,444
Miscellaneous	2,298,067	493,006	60,589	5,453	8,625,369	11,482,484
Total revenues	<u>72,676,062</u>	<u>15,091,117</u>	<u>5,284,997</u>	<u>1,379,953</u>	<u>27,116,675</u>	<u>121,548,804</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	22,256,282	--	--	--	5,554,059	27,810,341
Public safety	36,728,799	--	--	273,024	8,964,819	45,966,642
Physical environment	1,100,067	30,000	--	--	1,246,770	2,376,837
Transportation	1,157,456	15,100,969	--	--	3,982,095	20,240,520
Economic environment	134,602	--	125,000	--	6,171,741	6,431,343
Human services	3,892,722	--	--	--	220,094	4,112,816
Culture and recreation	2,881,695	--	--	--	61,462	2,943,157
Capital outlay	--	--	--	--	3,160,826	3,160,826
Debt service	--	--	--	--	2,504,473	2,504,473
Total expenditures	<u>68,151,623</u>	<u>15,130,969</u>	<u>125,000</u>	<u>273,024</u>	<u>31,866,339</u>	<u>115,546,955</u>
Excess (deficiency) of revenues over expenditures	4,524,439	(39,852)	5,159,997	1,106,929	(4,749,664)	6,001,849
<b>Other financing sources (uses)</b>						
Transfers in	590,692	1,281,291	--	--	4,954,910	6,826,893
Transfers out	(534,717)	--	(3,392,541)	--	(2,899,635)	(6,826,893)
New debt issuance	--	--	--	--	3,012,232	3,012,232
Total other financing sources (uses)	<u>55,975</u>	<u>1,281,291</u>	<u>(3,392,541)</u>	<u>--</u>	<u>5,067,507</u>	<u>3,012,232</u>
Net change in fund balances	4,580,414	1,241,439	1,767,456	1,106,929	317,843	9,014,081
Fund balances, beginning of year	9,068,609	8,830,909	6,855,612	(4,110,708)	23,485,549	44,129,971
Change in reserve for inventory	3,024	76,624	--	--	--	79,648
Fund balances, end of year	<u>\$ 13,652,047</u>	<u>\$ 10,148,972</u>	<u>\$ 8,623,068</u>	<u>\$ (3,003,779)</u>	<u>\$ 23,803,392</u>	<u>\$ 53,223,700</u>

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

**Santa Rosa County, Florida**

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

**For the year ended September 30, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 9,014,081</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	10,626,866
Current period transfers of capital assets to governmental from business type	157,714
Current period depreciation	(8,402,858)
Current period loss on disposal of capital assets	(459,960)
 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	(389)
 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	(46,210)
Current period note payments	594,651
Current period revenue bond payments	215,000
Current period special assessment note payments	1,178,459
Current period debt proceeds	(3,012,232)
 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.	
	51,905
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds	
Change in reserve for inventory	79,648
 <b>Change in Net Assets of Governmental Activities</b>	 <b>\$ 9,996,675</b>

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

**Santa Rosa County, Florida**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**September 30, 2008**

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

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

**Santa Rosa County, Florida**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS - PROPRIETARY FUNDS**

**Year ended September 30, 2008**

	Business-type Activities				Governmental
	Major Funds		Nonmajor Fund		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Operating revenues					
Licenses and permits	\$ --	\$ 1,700	\$ --	\$ 1,700	\$ --
Charges for services	1,846,469	4,047,174	134,995	6,028,638	2,989,554
Insurance proceeds	--	--	--	--	990,677
Miscellaneous	22,227	25	157	22,409	98
Total operating revenues	<u>1,868,696</u>	<u>4,048,899</u>	<u>135,152</u>	<u>6,052,747</u>	<u>3,980,329</u>
Operating expenses					
Personal services	531,608	1,615,264	--	2,146,872	266,900
Contract services	66,694	298,050	3,057	367,801	62,319
Supplies	134,308	51,073	977	186,358	15,748
Repairs and maintenance	901,908	329,783	16,488	1,248,179	1,625
Utilities	300,090	82,001	11,497	393,588	--
Depreciation	356,563	502,860	285,284	1,144,707	1,438
Travel and per diem	109	22,173	--	22,282	--
Insurance	9,480	17,480	--	26,960	1,075,781
Communications	7,097	13,129	609	20,835	1,414
Advertising	2,031	6,623	--	8,654	--
Fuel and oil	21,709	417,295	--	439,004	--
Rentals	--	130	--	130	--
Landfill closure and maintenance	--	433,057	--	433,057	--
Claims	--	--	--	--	2,537,485
State assessment	--	--	--	--	92,122
Miscellaneous	163,514	97,155	--	260,669	10,699
Total operating expenses	<u>2,495,111</u>	<u>3,886,073</u>	<u>317,912</u>	<u>6,699,096</u>	<u>4,065,531</u>
Operating income (loss)	(626,415)	162,826	(182,760)	(646,349)	(85,202)
Non-operating revenues (expenses)					
Interest income	89,887	177,092	9,986	276,965	137,107
Interest expense	(236,093)	(104,100)	(16,143)	(356,336)	--
Sale of recycled materials	--	287,053	--	287,053	--
Gain (loss) on sale of equipment	(15)	(1,274)	--	(1,289)	--
Aid to private organizations	--	(40,000)	--	(40,000)	--
Amortization & other bond costs	--	(15,175)	(5,839)	(21,014)	--
Total non-operating revenues (expenses)	<u>(146,221)</u>	<u>303,596</u>	<u>(11,996)</u>	<u>145,379</u>	<u>137,107</u>
Income (loss) before transfers	(772,636)	466,422	(194,756)	(500,970)	51,905
Transfers in	--	4,773	--	4,773	--
Transfers out	(162,487)	--	--	(162,487)	--
Capital contribution	197,250	--	767,900	965,150	--
Change in net assets	(737,873)	471,195	573,144	306,466	51,905
Net assets, beginning of year	<u>6,251,608</u>	<u>1,801,571</u>	<u>3,451,671</u>	<u>11,504,850</u>	<u>955,190</u>
Net assets, end of year	<u>\$ 5,513,735</u>	<u>\$ 2,272,766</u>	<u>\$ 4,024,815</u>	<u>\$ 11,811,316</u>	<u>\$ 1,007,095</u>

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

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

	Business-type Activities				Governmental
	Major Funds		Nonmajor Fund		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities					
Cash received from customers	\$ 1,876,930	\$ 4,183,320	\$ 142,571	\$ 6,202,821	\$ 98
Cash paid to suppliers	(1,381,472)	(1,228,258)	(35,975)	(2,645,705)	(1,167,586)
Cash paid to employees	(512,715)	(1,588,786)	--	(2,101,501)	(260,864)
Cash received from interfund services provided	--	--	--	--	5,201,969
Cash paid for internal services provided	--	--	--	--	(2,036,191)
Net cash provided (used) by operating activities	(17,257)	1,366,276	106,596	1,455,615	1,737,426
Cash flows from noncapital financing activities					
Repayment of loans from other funds	--	975,000	--	975,000	--
Proceeds from recycling operations	--	287,053	--	287,053	--
Loans to other funds	--	--	365,000	365,000	--
Aid to private organizations	--	(40,000)	--	(40,000)	--
Net cash provided (used) by noncapital financing activities	--	1,222,053	365,000	1,587,053	--
Cash flows from capital and related financing activities					
Proceeds from capital debt	--	--	1,139,000	1,139,000	--
Federal/State grants	--	--	426,011	426,011	--
Purchases of capital assets	(1,108,398)	(2,167,597)	(1,108,000)	(4,383,995)	--
Principal paid on capital debt	(340,693)	(215,000)	(920,547)	(1,476,240)	--
Interest paid on capital debt	(236,093)	(105,608)	(15,322)	(357,023)	--
Debt issue costs	--	--	(5,839)	(5,839)	--
Net cash provided (used) by capital and related financing activities	(1,685,184)	(2,488,205)	(484,697)	(4,658,086)	--
Cash flows from investing activities					
Interest and dividends	89,887	177,092	9,986	276,965	137,107
Net sale (purchase) of investments	482,145	259,945	763	742,853	(664,737)
Net cash provided (used) by investing activities	572,032	437,037	10,749	1,019,818	(527,630)
Net increase (decrease) in cash and cash equivalents	(1,130,409)	537,161	(2,352)	(595,600)	1,209,796
Cash and cash equivalents at beginning of year	2,239,365	2,183,144	14,726	4,437,235	741,376
Cash and cash equivalents at end of year	<u>\$ 1,108,956</u>	<u>\$ 2,720,305</u>	<u>\$ 12,374</u>	<u>\$ 3,841,635</u>	<u>\$ 1,951,172</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (626,415)	\$ 162,826	\$ (182,760)	\$ (646,349)	\$ (85,202)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	356,563	502,860	285,284	1,144,707	1,438
Landfill closure costs	--	433,057	--	433,057	--
Changes in assets and liabilities:					
Accounts receivable	16,678	134,584	7,419	158,681	1,221,738
Due from other governments	--	--	(918)	(918)	--
Accounts payable	188,004	106,634	1,071	295,709	(103,348)
Contracts payable	26,300	--	(3,500)	22,800	--
Accrued compensation	5,877	18,918	--	24,795	1,516
Compensated absences	13,016	7,560	--	20,576	4,520
Claims payable	--	--	--	--	696,764
Deposits	2,720	(163)	--	2,557	--
Net cash provided (used) by operating activities	<u>\$ (17,257)</u>	<u>\$ 1,366,276</u>	<u>\$ 106,596</u>	<u>\$ 1,455,615</u>	<u>\$ 1,737,426</u>
Noncash Investing, Capital and Financing Activities:					
Federal/state grant revenue accrual	\$ 197,250	\$ -	\$ 767,900	\$ 965,150	\$ -
Amortized bond refunding costs	-	15,175	-	15,175	-
Capital assets transferred from proprietary to governmental funds	162,487	-	-	162,487	-
Capital assets transferred from governmental to proprietary funds	-	4,773	-	4,773	-
	<u>\$ 359,737</u>	<u>\$ 19,948</u>	<u>\$ 767,900</u>	<u>\$ 1,147,585</u>	<u>\$ -</u>

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

**Santa Rosa County, Florida**

**STATEMENT OF FIDUCIARY NET ASSETS**

**September 30, 2008**

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,403,352
Accounts receivable	64,592
Total assets	<u>\$ 3,467,944</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 60,900
Escrow deposits	1,433,303
Due to other governments	1,949,724
Miscellaneous	24,017
Total liabilities	<u>\$ 3,467,944</u>

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

**SANTA ROSA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**  
**GUIDE TO NOTES**

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**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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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. The County was established as the local governing authority and is Blackwater's only source of funding. Blackwater does not meet the criteria as a legally separate entity in that it cannot buy, sell, own, lease and mortgage property in its own name. The activities of Blackwater are included in these financial statements as a department of the Board within the General Fund.

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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

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

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

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

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

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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

**3. Basis of Accounting**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the County and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses are not allocated to the various functions and activities. 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, 2008**

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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.
- Electricity Franchise Fee Fund – Accounts for the collection and distribution of Electricity Franchise Fees.
- Disaster Fund – Accounts for revenues and expenditures related to significant events such as Hurricanes Ivan, Dennis and Katrina.

**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, 2008**

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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.

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

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

The major proprietary funds are:

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

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

**FIDUCIARY FUNDS**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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

**4. Budgets and Budgetary Accounting**

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

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

**5. Cash and Cash Equivalents**

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

**6. Investments**

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

**7. Inventory**

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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

**8. Accounting for Capital Assets**

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

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

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

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

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

**9. Compensated Absences**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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

**10. Property Taxes**

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

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

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

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

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

**11. Landfill Closure Costs**

Under the terms of current state and federal regulations, the 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**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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

**13. Effect on New Pronouncements**

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

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2008, the bank held deposits of \$40,523,114 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

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

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

- a. The Local Government Surplus Funds Trust Fund (SBA) (Maximum of 80%)\*;
- b. Florida Local Government Investment Trust (FLGIT) (State Investment Trust) (Maximum of 40%)\*;
- c. Qualified money market mutual funds (Maximum of 50%)\*;
- d. U.S. Treasury bills, notes and bonds (100% allowed);
- e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA) (Maximum of 5%)\*;
- f. Non-callable Government Agency securities (Maximum of 25%)\*:
  - (i) Federal Farm Credit Bank (FFCB),
  - (ii) Federal Home Loan Mortgage Corporation (FHLMC),
  - (iii) Federal Home Loan Bank (FHLB),
  - (iv) Federal National Mortgage Association (FNMA).

This classification of government agency securities does not include any mortgage debt of any government agency;

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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

- g. Time deposits and savings accounts in banks or savings and loan associations doing business in Florida (Maximum of 50%)\*;
- h. Repurchase agreements for investments authorized in categories d, e, or f above. (Maximum of 40%)\*

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

Interest rate risk is limited by no security having a maturity exceeding 2 years. The weighted average to maturity for the portfolio shall be less than 365 days or 1 year. Investments placed with the FLGIT, which typically invests in instruments with maturities of less than 5 years, are exempt from this limitation.

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Comptroller, and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At September 30, 2008, the FLGIT was invested in money markets, treasury notes, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAA by Standard & Poor's.

Schedule of Cash and Investments at September 30, 2008

	<u>Carrying Amount</u>
<u>Investments</u>	
US Agencies Notes, Aaa credit rating, October 2008 Maturity	\$ 19,976,360
Local Government Investment Pool	<u>10,005,592</u>
Total Investments	29,981,952
 <u>Cash</u>	
Cash in Bank	35,395,022
Petty Cash	<u>1,325</u>
Total Cash	<u>35,396,347</u>
Total Cash and Investments	<u>\$ 65,378,299</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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

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

Restricted investments by category and by fund are as follows:

	Landfill Fund
Debt service	\$ 52,727
Landfill escrow	3,302,553
	\$ 3,355,280

**NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS**

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

Federal Government – Grants	\$ 849,132
State of Florida – Grants	3,786,677
State of Florida – Taxes	1,001,949
Local – Taxes	350,019
Other	103,484
Total	\$ 6,091,261

**NOTE D – INTERFUND TRANSACTIONS**

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

	Interfund Receivable	Interfund Payable	Interfund Transfers in	Interfund Transfers out
General fund	\$ 1,261,411	\$ 160,937	\$ 590,692	\$ 534,717
Road & Bridge fund	406,890	--	1,281,291	--
Electric Franchise Fee fund	3,800,000	--	--	3,392,541
Disaster fund	--	3,800,000	--	--
Nonmajor Governmental funds	163,046	1,605,410	4,934,910	2,899,635
Navarre Beach fund	--	--	--	162,487
Landfill fund	300,000	--	4,773	--
Nonmajor Business-type funds	--	365,000	--	--
Total	\$ 5,931,347	\$ 5,931,347	\$ 6,831,666	\$ 6,989,380 *

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE D – INTERFUND TRANSACTIONS - Continued**

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

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

**NOTE E – RECEIVABLES**

<u>Governmental</u>	<u>Accounts</u>	<u>Leases</u>	<u>Intergov- ernmental</u>	<u>Total</u>
General	\$ 89,152	\$ 521,103	\$ 1,172,469	\$ 1,782,724
Road and Bridge	62,665	--	1,266,206	1,328,871
Electric Franchise Fee	480,107	--	--	480,107
Disaster	--	--	470,763	470,763
NonMajor Govt.	159,937	--	2,067,273	2,227,210
Self Insurance	<u>25,400</u>	<u>--</u>	<u>1,900</u>	<u>27,300</u>
Subtotal	817,261	521,103	4,978,611	6,316,975
 <u>Business-Type</u>				
Navarre Beach	229,676	--	197,250	426,926
Landfill	526,817	--	--	526,817
NonMajor Business	<u>4,928</u>	<u>--</u>	<u>915,400</u>	<u>920,328</u>
Subtotal	<u>761,421</u>	<u>--</u>	<u>1,112,650</u>	<u>1,874,071</u>
 Total	 <u>\$ 1,578,682</u>	 <u>\$ 521,103</u>	 <u>\$ 6,091,261</u>	 <u>\$ 8,191,046</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE F – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2008 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	\$ 13,938	\$ 1,605	\$ 6	\$ 15,537
Construction in progress	<u>9,029</u>	<u>4,731</u>	<u>6,359</u>	<u>7,401</u>
Total capital assets not being depreciated	22,967	6,336	6,365	22,938
Other capital assets:				
Buildings	54,246	5,031	4,698	54,579
Improvements other than buildings	94,309	3,868	--	98,177
Machinery and equipment	<u>35,728</u>	<u>2,087</u>	<u>975</u>	<u>36,840</u>
Total capital assets being depreciated	184,283	10,986	5,673	189,596
Less accumulated depreciation for:				
Buildings	26,492	2,274	4,688	24,078
Improvements other than buildings	26,788	3,204	--	29,992
Machinery and equipment	<u>20,418</u>	<u>3,369</u>	<u>794</u>	<u>22,993</u>
Total accumulated depreciation	<u>73,698</u>	<u>8,847</u>	<u>5,482</u>	<u>77,063</u>
Total capital assets being depreciated, net	<u>110,585</u>	<u>2,139</u>	<u>191</u>	<u>112,533</u>
Governmental activities capital assets, net	<u>\$ 133,552</u>	<u>\$ 8,475</u>	<u>\$ 6,556</u>	<u>\$ 135,471</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	\$ 1,191	\$ --	\$ --	\$ 1,191
Construction in progress	<u>8,642</u>	<u>1,127</u>	<u>9,292</u>	<u>477</u>
Total capital assets not being depreciated	9,833	1,127	9,292	1,668
Other capital assets:				
Buildings	1,478	1,221	--	2,699
Improvements other than buildings	13,857	10,446	--	24,303
Furniture, fixtures and equipment	<u>5,341</u>	<u>292</u>	<u>14</u>	<u>5,619</u>
Total capital assets being depreciated	<u>20,676</u>	<u>11,959</u>	<u>14</u>	<u>32,621</u>
Less accumulated depreciation for:				
Buildings	884	95	--	979
Improvements other than buildings	10,096	697	437	10,356
Furniture, fixtures and equipment	<u>2,863</u>	<u>357</u>	<u>12</u>	<u>3,208</u>
Total accumulated depreciation	<u>13,843</u>	<u>1,149</u>	<u>449</u>	<u>14,543</u>
Total capital assets being depreciated, net	<u>6,833</u>	<u>10,810</u>	<u>(435)</u>	<u>18,078</u>
Business-type activities capital assets, net	<u>\$ 16,666</u>	<u>\$ 11,937</u>	<u>\$ 8,857</u>	<u>\$ 19,746</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE F – CAPITAL ASSETS - Continued**

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

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,269,031
Public safety	1,637,288
Physical environment	75,125
Transportation	3,258,142
Economic environment	44,872
Human services	128,755
Culture and recreation	<u>991,083</u>
Total governmental activities depreciation expense	<u>\$ 8,404,296</u>

Business-type activities

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

**NOTE G- LONG-TERM DEBT**

**1. Changes in Long-Term Debt**

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

	Balance October 1, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2008</u>	Amount Due within <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 8,330,125	\$ 4,071,680	\$ 4,020,950	\$ 8,380,855	\$ 4,000,000
Claims payable	2,730,499	2,537,486	1,840,723	3,427,262	2,563,582
Revenue bonds	2,297,500	--	215,000	2,082,500	220,000
Notes payable	3,766,521	--	594,651	3,171,870	516,651
Special assessment notes	<u>5,693,011</u>	<u>3,012,232</u>	<u>1,178,459</u>	<u>7,526,784</u>	<u>1,333,504</u>
	<u>\$ 22,817,656</u>	<u>\$ 9,621,398</u>	<u>\$ 7,849,783</u>	<u>\$ 24,589,271</u>	<u>\$ 8,633,737</u>
Business-type activities:					
Compensated absences	\$ 412,276	\$ 179,817	\$ 159,238	\$ 432,854	\$ 150,000
Landfill closure costs	8,339,449	433,057	--	8,772,506	206,696
Revenue bonds	2,297,500	--	215,000	2,082,500	220,000
Notes payable	<u>6,164,667</u>	<u>1,139,000</u>	<u>1,261,241</u>	<u>6,042,427</u>	<u>373,576</u>
	<u>\$ 17,213,892</u>	<u>\$ 1,751,874</u>	<u>\$ 1,635,479</u>	<u>\$ 17,330,287</u>	<u>\$ 950,272</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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**NOTE G - LONG-TERM DEBT – Continued**

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

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

**2. Descriptions of Bonds and Notes**

Bonds and notes payable at September 30, 2008 are comprised of the following:

General government - notes payable

\$575,000 Capital Improvement Refunding Revenue Note, Series 2003B payable to bank for refunding certain indebtedness of the County – due in quarterly payments of \$28,750 plus interest at 4.15%, secured by non-ad valorem revenues.	\$ 28,750
\$3,700,000 note payable to bank for the acquisition and construction of facilities at the Pace Athletic Field. The note is due in 36 quarterly payments of \$90,763 to \$187,521 plus interest at 3.43%, secured by non-ad valorem revenues.	1,780,971
\$325,000 note payable to bank for the acquisition and construction of facilities in the Bagdad Community Center. The note is due in 28 quarterly payments of \$11,607 plus interest at 3.74%, secured by non-ad valorem revenues.	185,714
\$1,200,000 Third Cent Tourist Development Tax Revenue Note payable to bank for the construction of a tourist information center in Navarre. The note is due in 60 quarterly payments of \$4,601 to \$9,069, with a balloon payment of \$817,832 in January 2022, plus interest at 4.79%, secured by non-ad valorem revenues.	1,176,435
\$4,825,000 special assessment note payable to bank for the construction of certain restoration improvements to Navarre Beach. The note is due in 28 quarterly payments of \$172,321 plus interest at 3.66%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	2,929,464

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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**NOTE G - LONG-TERM DEBT - Continued**

<p>\$900,000 special assessment note payable to bank for the construction of certain restoration improvements to Navarre Beach. The note is due in 27 quarterly payments of \$33,333 plus interest at 3.76%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	566,667
<p>\$495,570 special assessment note payable to bank for the construction of certain road improvements in the Blackwater River and Smuggler's Cove subdivisions. The note is due in 36 quarterly payments of \$13,777 plus interest at 4.28%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	399,531
<p>\$72,800 special assessment note payable to bank for the construction of a residential sewage system along Del Mar Drive. The note is due in 36 quarterly payments of \$2,600 including principal and interest at 5.71% with final payment due in 2010. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	19,623
<p>\$363,500 special assessment note payable to bank for the construction of infrastructure improvements on Grande Navarre Canal. The note is due in 32 quarterly payments of \$13,590 including principal and interest at 4.43% with final payment due in 2011. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	146,608
<p>\$250,000 special assessment note payable to bank for the construction of infrastructure improvements on Grande Navarre Canal. The note is due in 20 quarterly payments of \$10,925 to \$14,211 plus interest at 5.46% with final payment due in 2010. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	82,392
<p>\$900,000 special assessment note payable to bank for the construction of infrastructure improvements on Polynesian Island Canal. The note is due in 30 quarterly payments of \$26,984 to \$33,225 plus interest at 2.88% with final payment due in 2011. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	413,874
<p>\$341,000 special assessment note payable to bank for the construction of infrastructure improvements for Duke Drive MSBU. The note is due in 32 quarterly payments of \$9,243 to \$12,225 plus interest at 3.74% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	322,497

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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**NOTE G - LONG-TERM DEBT - Continued**

\$600,000 special assessment note payable to bank for the construction of infrastructure improvements on Polynesian Island Canal. The note is due in 28 quarterly payments. Payments are interest only at 4.05% until 2012 then principal payments of \$36,085 to \$48,931 plus interest with final payment due in 2015. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 600,000

\$169,100 special assessment note payable to bank for the construction of infrastructure improvements for Joseph Circle MSBU. The note is due in 36 quarterly payments of \$3,636 to \$5,941 plus interest at 5.65% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 158,036

\$1,582,132 special assessment note payable to bank for the acquisition and installation of fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 96 monthly payments of \$14,040 to \$19,186 plus interest at 3.95% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 1,568,092

\$200,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Santa Rosa Shores MSBU. The note is due in 12 quarterly interest payments at 3.55% with the principal payment due in 2011. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 200,000

\$120,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Ski Watch Estates MSBU. The note is due in 36 quarterly payments of \$2,829 to \$3,883 including interest at 3.55% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 120,000

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. 2,082,500

Total general government bonds and notes payable \$ 12,781,154

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE G - LONG-TERM DEBT - Continued**

Proprietary fund type - note payable

Navarre Beach

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

Peter Prince Field

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

Proprietary fund type - bonds payable

Landfill

\$6,535,000 Capital Improvement Refunding Revenue Bonds, Series 2000-4.5 – 4.875% serial bonds due in annual installments of \$55,000 to \$610,000 from 2001 through 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. 2,082,500

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

**3. Debt Service Requirements**

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

Governmental activities:

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30,</u>			
2009	\$ 2,070,155	\$ 489,812	\$ 2,559,967
2010	2,089,810	409,888	2,499,698
2011	2,78,810	327,435	2,605,568
2012	2,100,683	244,448	2,345,131
2013	1,009,721	174,433	1,184,154
2014-2018	2,304,937	403,400	2,708,337
2019-2023	<u>927,715</u>	<u>148,864</u>	<u>1,076,579</u>
	<u>\$ 12,781,154</u>	<u>\$ 2,198,280</u>	<u>\$ 14,979,434</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE G - LONG-TERM DEBT - Continued**

Business-type activities:

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

**4. Defeased Debt Outstanding**

In prior years the 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, 2008, \$4.21 million of bonds are considered defeased.

**NOTE H - CONDUIT DEBT OBLIGATIONS**

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

Debt issues related to conduit financings outstanding at September 30, 2008 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 9/30/2008</u>
Baptist Hospital, 2003	8/21/2003	10/1/2021	\$57,905,000	\$57,905,000
Holley Navarre Water System, 2004	6/2/2004	5/1/2024	4,145,000	3,510,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	1,169,000
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	<u>300,000</u>	<u>269,118</u>
Total			<u>\$63,519,000</u>	<u>\$62,853,118</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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**NOTE I - 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 \$8.7 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2008, represents the cumulative amount reported to date based on the following percentage usage of the estimated capacity of each of the County's landfills:

Central Class I Landfill	57%
Central Class III Landfill	24%
Central Class III Landfill	Closed 10/98
Holley Landfill	Closed 06/94
Northwest Landfill	Closed 02/91

The estimated cost of postclosure care for the Central Class III, Holley and Northwest landfills have been recognized in prior years with any changes in estimates being recorded in the current year. The County will recognize the remaining estimated cost of closure and postclosure care for the Central Class I and Class III landfills in the amount of \$7.7 million as its remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. The estimated remaining lives of the Central Class I and Class III landfills are 26 and 39 years, respectively. Cost of closure and life estimates are based on the areas currently in use, and not on potential areas of expansion. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The 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, 2008, the County held investments of \$3,302,553 to cover the escrow requirement of \$3,302,553. These investments are reported as restricted assets in these financial statements. The 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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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**NOTE J - COMMITMENTS AND CONTINGENCIES**

**1. Retirement Plan**

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

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2007, the County contributed an average of 9.85% of each qualified regular employee's gross salary, 16.53% percent of the elected officials' salary, 20.92% of each special risk employee's salary, and 10.91% for each DROP participant. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$5,304,052, \$5,368,935 and \$4,358,868 for the years ended September 30, 2008, 2007 and 2006, respectively.

**Benefit Provisions** - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who are vested and have reached the age of 62, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after the employee is vested with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings. For DROP participants, the deferred monthly benefit plus interest compounded monthly, accrues for the specified period of the DROP participation. Upon retirement, the participant receives the total accumulated DROP benefits and begins to receive current benefits at the previously determined rate.

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

**2. Litigation**

The 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, 2008**

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

**Road and Bridge Fund:**

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

**Nonmajor Governmental Funds:**

Reserve for forfeited property	68,337
Reserve for crime prevention	192,532
Reserve for domestic violence	66,894
Reserve for court innovations	68,741
Reserve for law library	28,053
Reserve for tourist development	2,003,821
Reserve for gas and oil preservation	3,551,667
Reserve for court technology	293,897
Reserve for hurricane housing recovery	753,001
Reserve for records modernization trust fund	568,601
Reserve for law enforcement training	<u>87,284</u>
	<u>7,682,828</u>

**Total Governmental Funds** \$ 13,798,958

**NOTE L - RISK MANAGEMENT**

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE L - RISK MANAGEMENT - Continued**

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

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

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board of County Commissioners and other County elected officials participate in the program and make payments to the Self-Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$3,427,262 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 5.5 to 8 percent. The undiscounted liability of these structured settlements is \$1,741,579. These liabilities are reported at their present value of \$892,283 at September 30, 2008.

Changes in the Fund's claims liability amount in fiscal years 2007 and 2008 were as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2006 - 2007	\$ 3,343,573	\$ 1,087,367	\$ 1,700,441	\$ 2,730,499
2007 - 2008	\$ 2,730,499	\$ 2,537,456	\$ 1,840,693	\$ 3,427,262

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

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**NOTE L - RISK MANAGEMENT - Continued**

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

**NOTE M - COMPLIANCE AND ACCOUNTABILITY**

**Accumulated Deficits**

The Disaster Fund has a deficit in fund balance due to the costs associated with Hurricanes Ivan, Dennis and Katrina. Revenues from Federal and State sources covered 87.5% to 95% of allowable costs. Disallowed costs and the County's local match portion have yet to be fully funded from local sources.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Santa Rosa County, Florida**

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

**Year ended September 30, 2008**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 50,419,560	\$ 50,419,560	\$ 50,850,673
Licenses and permits	2,493,750	2,493,750	1,630,515
Intergovernmental	10,167,470	10,714,226	10,788,817
Charges for services	6,214,372	6,338,900	6,833,492
Fines and forfeits	285,000	285,000	274,498
Miscellaneous	1,526,803	1,535,803	2,298,067
Total revenues	<u>71,106,955</u>	<u>71,787,239</u>	<u>72,676,062</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	23,375,673	24,912,659	22,256,282
Public safety	37,302,535	37,508,977	36,728,799
Physical environment	1,208,100	1,208,100	1,100,067
Transportation	1,168,610	1,168,610	1,157,456
Economic environment	140,910	140,910	134,602
Human services	4,119,090	4,137,090	3,892,722
Culture and recreation	3,089,830	3,111,178	2,881,695
Reserve for contingencies	1,590,775	215,956	--
Total expenditures	<u>71,995,523</u>	<u>72,403,480</u>	<u>68,151,623</u>
Excess (deficiency) of revenues over expenditures	(888,568)	(616,241)	4,524,439
<b>Other financing sources (uses)</b>			
Transfers in	16,500	590,692	590,692
Transfers out	(440,220)	(534,717)	(534,717)
Total other financing sources (uses)	<u>(423,720)</u>	<u>55,975</u>	<u>55,975</u>
Net change in fund balances	(1,312,288)	(560,266)	4,580,414
Fund balance, beginning of year	1,312,288	2,217,743	9,068,609
Change in reserve for inventory	--	--	3,024
Fund balance, end of year	<u>\$ --</u>	<u>\$ 1,657,477</u>	<u>\$ 13,652,047</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, 2008**

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

**Santa Rosa County, Florida**

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

**Year ended September 30, 2008**

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

**Santa Rosa County, Florida**

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

**Year ended September 30, 2008**

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

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

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

We have audited the 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, 2008, and have issued our report thereon dated March 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Santa Rosa County, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of Santa Rosa County, Florida's financial statements that is more than inconsequential will not be prevented or detected by Santa Rosa County, Florida's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

#### 2008-01 – Timely Identification of Reimbursable Grant Expenditures

##### Criteria or specific requirement

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

##### Condition

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

##### Context

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

##### Effect

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

##### Cause

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

##### Recommendation

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

##### View of responsible officials and planned corrective action

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

## 2008-02 – Year End Financial Reporting Process

### Criteria or specific requirement

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

### Condition

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

### Context

Several adjustments were made as a result of the audit.

### Effect

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

### Cause

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

### Recommendation

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

### View of responsible officials and planned corrective action

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

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

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

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

*O'Sullivan Creel, LLP*

March 30, 2009

## MANAGEMENT LETTER

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 26, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard*. Disclosures in that report, which is dated March 30, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter. Items under Chapter 10.554 (1) (i) 1-5, Rules of the Auditor General, are addressed in the separately issued management letters of the Board of County Commissioners, Sheriff, Clerk, Tax Collector, Property Appraiser and Supervisor of Elections. For the County as a whole, items under the Rules of the Auditor General Chapter 10.554 (1) (i) 7 are addressed as follows:

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 7. a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that Santa Rosa County did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. Although Santa Rosa County reported deficit unrestricted net assets in the disaster fund of \$3,003,779 as of September 30, 2008, Santa Rosa County had unrestricted capital assets available to cover the reported deficit and the disposal of such assets would not impair Santa Rosa County's ability to carry out its functions.

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

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

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

*O'Sullivan Creel, LLP*

March 30, 2009

**Annual Audit Report  
County-Wide  
Santa Rosa County, Florida  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
September 30, 2008**

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