

**SANTA ROSA COUNTY, FLORIDA  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**Santa Rosa County, Florida  
FINANCIAL STATEMENTS  
September 30, 2009**

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## INDEPENDENT AUDITOR'S REPORT

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

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

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2010 on our consideration of Santa Rosa County, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*O'Sullivan Creel, LLP*

March 30, 2010

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

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Financial Analysis of Governmental Funds**

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

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

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

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

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

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

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

**Financial Analysis of Proprietary Funds**

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

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

**Budgetary Analysis**

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

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

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**MANAGEMENT DISCUSSION AND ANALYSIS**  
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**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

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

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

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

This year's major additions included:

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

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

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

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

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

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

## **BASIC FINANCIAL STATEMENTS**

**Santa Rosa County, Florida**

**STATEMENT OF NET ASSETS**

**September 30, 2009**

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

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

**Santa Rosa County, Florida**

**STATEMENT OF ACTIVITIES**

**Year ended September 30, 2009**

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

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

**Santa Rosa County, Florida**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**September 30, 2009**

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

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

**Santa Rosa County, Florida**

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

**September 30, 2009**

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

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

**Santa Rosa County, Florida**

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

**Year ended September 30, 2009**

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

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

## Santa Rosa County, Florida

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

For the year ended September 30, 2009

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 3,527,325</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	18,517,872
Current period depreciation	(8,909,759)
Current period loss on disposal of capital assets	(30,483)
In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due.	
Change in interest payable	(39,988)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also debt proceeds are an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets.	
Current period change in compensated absences	(15,213)
Current period note payments	636,650
Current period revenue bond payments	220,000
Current period special assessment note payments	1,613,624
Current period debt proceeds	(5,194,500)
Current period increase in other post employment benefits liability	(1,428,188)
Internal service funds are used by management to charge the costs of providing insurance coverage and therefore, the change in net assets of the internal service fund is included in governmental activities in the Statement of Activities.	
	(384,089)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds	
Change in reserve for inventory	<u>85,576</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 8,598,827</u></b>

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

**Santa Rosa County, Florida**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**September 30, 2009**

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

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

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

	Business-type Activities				Governmental
	Major Funds		Non-Major Fund		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Operating revenues					
Permits, fees and special assessments	\$ --	\$ 10,018	\$ --	\$ 10,018	\$ --
Charges for services	1,892,873	4,306,695	204,100	6,403,668	2,203,771
Insurance proceeds	--	--	--	--	665,133
Miscellaneous	--	387	271	658	1,943
Total operating revenues	<u>1,892,873</u>	<u>4,317,100</u>	<u>204,371</u>	<u>6,414,344</u>	<u>2,870,847</u>
Operating expenses					
Personal services	581,722	1,949,702	--	2,531,424	264,691
Contract services	29,535	207,708	1,700	238,943	52,721
Supplies	146,610	47,660	912	195,182	18,062
Repairs and maintenance	227,973	329,634	16,519	574,126	725
Utilities	320,327	85,720	16,140	422,187	1,438
Depreciation	522,357	607,479	331,069	1,460,905	--
Travel and per diem	60	33,790	--	33,850	--
Insurance	9,480	17,480	--	26,960	76,801
Communications	5,599	14,719	620	20,938	1,885
Advertising	841	1,145	--	1,986	--
Fuel and oil	8,824	279,433	--	288,257	--
Rentals	--	972	--	972	--
Landfill closure and maintenance	--	408,730	--	408,730	--
Claims	--	--	--	--	2,813,056
State assessment	--	--	--	--	60,790
Miscellaneous	4,486	15,264	--	19,750	14,157
Total operating expenses	<u>1,857,814</u>	<u>3,999,436</u>	<u>366,960</u>	<u>6,224,210</u>	<u>3,304,326</u>
Operating income (loss)	35,059	317,664	(162,589)	190,134	(433,479)
Non-operating revenues (expenses)					
Investment income	13,426	147,404	1,769	162,599	49,390
Interest expense	(222,436)	(94,802)	(50,449)	(367,687)	--
Sale of recycled materials	--	53,013	--	53,013	--
Gain (loss) on sale of equipment	(415)	(3,272)	--	(3,687)	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(15,175)	--	(15,175)	--
Total non-operating revenues (expenses)	<u>(209,425)</u>	<u>27,168</u>	<u>(48,680)</u>	<u>(230,937)</u>	<u>49,390</u>
Income (loss) before transfers	(174,366)	344,832	(211,269)	(40,803)	(384,089)
Capital contribution	4,472	--	(1,000)	3,472	--
Change in net assets	(169,894)	344,832	(212,269)	(37,331)	(384,089)
Net assets, beginning of year	<u>5,513,735</u>	<u>2,272,766</u>	<u>4,024,815</u>	<u>11,811,316</u>	<u>1,007,095</u>
Net assets, end of year	<u>\$ 5,343,841</u>	<u>\$ 2,617,598</u>	<u>\$ 3,812,546</u>	<u>\$ 11,773,985</u>	<u>\$ 623,006</u>

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

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

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

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

**Santa Rosa County, Florida**

**STATEMENT OF FIDUCIARY NET ASSETS**

**September 30, 2009**

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

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

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

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

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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, Clerk of Courts, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections.

**Dependent Special Districts**

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

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

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

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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 Santa Rosa County. The Board appoints the five (5) members of the Authority. Additionally, the Board may abolish the Authority at any time by ordinance or resolution as long as all bonded indebtedness incurred by the Authority has been paid. The Authority exists solely to assist health facilities within the County with the acquisition, construction, financing, and refinancing of projects. The Authority issued approximately \$15.8 million in bonds in 1983, lending the proceeds of the bonds to Gulf Breeze Hospital. These bonds were subsequently defeased in 1988 when the Authority issued approximately \$17.3 million in new bonds. The 1988 bonds were defeased in 1993 when the Authority issued approximately \$18.6 million in new bonds. The 1993 bonds were defeased in 2003 when the Authority issued approximately \$58 million in new bonds. The debt outstanding is a limited obligation of the Authority and not a general obligation of the Authority or the County. The Authority is not obligated to pay the principal and interest on the bonds except from the revenues of the Authority pursuant to its loan agreement with Gulf Breeze Hospital. The Authority has no financial activity and the bonds issued under the Authority's name are recorded in the books of the hospital.

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

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

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

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

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

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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. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County.

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

**FUND FINANCIAL STATEMENTS**

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

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

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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.
- Other Capital Projects – Accounts for the purchase or construction of other capital facilities which are not financed by proprietary funds or trust funds.

**Revenue Recognition**

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

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

**Expenditure Recognition**

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

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

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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 the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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

The major proprietary funds are:

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

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

**FIDUCIARY FUNDS**

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

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

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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, 2009**

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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. The majority of the compensated absences liability has been paid out of the General (75%) and the Road and Bridge (25%) funds.

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

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

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

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

**11. Landfill Closure Costs**

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

**12. Allowance for Uncollectible Amounts**

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

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

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**NOTE B - CASH AND INVESTMENTS**

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

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

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

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

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

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

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

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

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

**The Investment Trust:**

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

**The Day to Day Fund:**

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

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

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

Schedule of Cash and Investments at September 30, 2009

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

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

Restricted investments by category and by fund are as follows:

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

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

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

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

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

**NOTE D – INTERFUND TRANSACTIONS**

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

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

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

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

**NOTE E – RECEIVABLES**

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

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

**NOTE F – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows (in thousands):

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE F – CAPITAL ASSETS - Continued**

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

Depreciation expense was charged to functions as follows:

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

**NOTE G- LONG-TERM DEBT**

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

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE G - LONG-TERM DEBT – Continued**

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

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

**2. Descriptions of Bonds and Notes**

Bonds and notes payable at September 30, 2009 are comprised of the following:

General government - notes payable

\$3,700,000 note payable to bank for the acquisition and construction of facilities at the Pace Athletic Field. The note is due in 36 quarterly payments of \$90,763 to \$187,521 plus interest at 3.43%, secured by non-ad valorem revenues.	1,359,387
\$325,000 note payable to bank for the acquisition and construction of facilities in the Bagdad Community Center. The note is due in 28 quarterly payments of \$11,607 plus interest at 3.74%, secured by non-ad valorem revenues.	139,286
\$1,200,000 Third Cent Tourist Development Tax Revenue Note payable to bank for the construction of a tourist information center in Navarre. The note is due in 60 quarterly payments of \$4,601 to \$9,069, with a balloon payment of \$817,832 in January 2022, plus interest at 4.79%, secured by non-ad valorem revenues.	1,036,547
\$4,825,000 special assessment note payable to bank for the construction of certain restoration improvements to Navarre Beach. The note is due in 28 quarterly payments of \$172,321 plus interest at 3.66%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	2,240,178

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
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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>	433,333
<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>	344,424
<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>	10,161
<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>	98,006
<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>	28,227
<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>	290,614
<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>	284,506

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

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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.	142,543
\$324,500 special assessment note payable to bank for the construction of infrastructure improvements for Central Parkway MSBU. The note is due in 36 quarterly payments of \$7,112 to \$11,146 plus interest at 5.14% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	302,752
\$1,582,132 special assessment note payable to bank for the acquisition and installation of fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 96 monthly payments of \$14,040 to \$19,186 plus interest at 3.95% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	1,396,099
\$770,000 special assessment note payable to bank for the acquisition and installation of fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 32 quarterly payments of \$20,860 to \$27,664 plus interest at 3.83% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	728,321
\$500,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Bernath Place MSBU. The note is due in 36 quarterly payments of \$11,686 to \$16,363 plus interest at 3.98% with final payment due in 2018. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	500,000
\$600,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Santa Rosa Shores MSBU. The note is due in 40 quarterly payments of \$12,432 to \$17,890 payments plus interest at 3.75% with final payment due in 2019. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	600,000

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

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

\$120,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Ski Watch Estates MSBU. The note is due in 36 quarterly payments of \$2,829 to \$3,883 including interest at 3.55% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 108,496

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

General government - bonds payable

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

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

Proprietary fund type - note payable

Navarre Beach

\$6,500,000 Utility System Revenue Note, Series 2006 payable to bank for the construction of certain improvements and additions to the Navarre Beach Utility System. The note is due in 15 annual payments of \$335,333 to \$555,568 plus interest at 3.767%, adjusted every 3 years, secured by non-ad valorem revenues. 5,469,623

Proprietary fund type - bonds payable

Landfill

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

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

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

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

**3. Debt Service Requirements**

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

Governmental activities:

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

Business-type activities:

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

**4. Defeased Debt Outstanding**

In prior years the Board defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the Board's financial statements. At September 30, 2009, \$3.795 million of bonds are considered defeased.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE H - CONDUIT DEBT OBLIGATIONS**

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

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

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 9/30/2009</u>
Baptist Hospital, 2003	8/21/2003	10/1/2021	\$57,905,000	\$57,905,000
Holley Navarre Water System, 2004	6/2/2004	5/1/2024	4,145,000	3,340,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	1,131,290
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	<u>300,000</u>	<u>243,198</u>
Total			<u>\$63,519,000</u>	<u>\$62,619,488</u>

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

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9.2 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2009, represents the cumulative amount reported to date based on the following percentage usage of the estimated capacity of each of the Board's landfills:

Central Class I Landfill	62%
Central Class III Landfill	26%
Central Class III Landfill	Closed 10/98
Holley Landfill	Closed 06/94
Northwest Landfill	Closed 02/91

The estimated cost of postclosure care for the Central Class III, Holley and Northwest landfills have been recognized in prior years with any changes in estimates being recorded in the current year. The Board will recognize the remaining estimated cost of closure and postclosure care for the Central Class I and Class III landfills in the amount of \$7.4 million as its remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. The estimated remaining lives of the Central Class I and Class III landfills are 25 and 38 years, respectively. Cost of closure and life

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

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

estimates are based on the areas currently in use, and not on potential areas of expansion. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Board is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. At September 30, 2009, the Board held investments of \$3,564,459 to cover the escrow requirement of \$3,542,445. These investments are reported as restricted assets in the notes. These investments are reported as restricted assets in these financial statements. The Board expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

**1. Retirement Plan**

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

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

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

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

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

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

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**NOTE J - COMMITMENTS AND CONTINGENCIES - Continued**

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2009, the County contributed an average of 9.85% of each qualified regular employee's gross salary, 16.53% percent of the elected officials' salary, 20.92% of each special risk employee's salary, and 10.91% for each DROP participant. The County's contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for the year. The County's contributions to the Investment Plan were equal to the legislature-mandated contribution rate, which are equal to a percentage of the members' gross monthly salary based on members' membership class. Contributions to both plans totaled \$5,322,881, \$5,304,052 and \$5,368,935 for the years ended September 30, 2009, 2008, and 2007, respectively.

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

**2. Litigation**

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

**3. Federal and State Grants**

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

**NOTE K - RESERVES**

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

**General Fund:**

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

**Road and Bridge Fund:**

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

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

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**NOTE K - RESERVES - Continued**

**Nonmajor Governmental Funds:**

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

**Total Governmental Funds** \$ 12,866,168

**NOTE L - RISK MANAGEMENT**

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

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

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE L - RISK MANAGEMENT - Continued**

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board and other County elected officials participate in the program and make payments to the Self-Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$3,447,214 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

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

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

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

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE M – POST EMPLOYMENT HEALTH CARE BENEFITS**

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

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

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

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

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

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

**NOTE M – POST EMPLOYMENT HEALTH CARE BENEFITS – Continued**

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

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

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

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

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

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

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

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

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**NOTE N - COMPLIANCE AND ACCOUNTABILITY**

**Accumulated Deficits**

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

**REQUIRED SUPPLEMENTAL INFORMATION**

**Santa Rosa County, Florida**

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

**Year ended September 30, 2009**

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

**Santa Rosa County, Florida**

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

**Year ended September 30, 2009**

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

**Santa Rosa County, Florida**

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

**Year ended September 30, 2009**

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

**Santa Rosa County, Florida**

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

**Year ended September 30, 2009**

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

**Santa Rosa County, Florida**

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

**Year ended September 30, 2009**

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

**Santa Rosa County, Florida**

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

**Year ended September 30, 2009**

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

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

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

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**BUDGETARY INFORMATION**

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

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

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



O'SULLIVAN CREEL, LLP

Certified Public Accountants & Consultants

316 South Baylen Street - Suite 200 - Pensacola, FL 32502

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

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

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

Internal Control Over Financial Reporting

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

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

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

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

#### 2009-01 – Year End Financial Reporting Process

##### Criteria or specific requirement

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

##### Condition

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

##### Context

Several adjustments were made as a result of the audit.

##### Effect

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

##### Cause

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

##### Recommendation

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

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

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

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

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

Compliance and Other Matters

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

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

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

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

*O'Sullivan Creel, LLP*

March 30, 2010

## MANAGEMENT LETTER

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard*. Disclosures in that report, which is dated March 30, 2010, should be considered in conjunction with this management letter.

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

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

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

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

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

*O'Sullivan Creel, LLP*

March 30, 2010

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

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