

BOARD OF COUNTY COMMISSIONERS

**SANTA ROSA COUNTY, FLORIDA
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015



BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2015

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	3
SPECIAL PURPOSE FINANCIAL STATEMENTS	
Fund Financial Statements:	
Balance Sheet – Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Statement of Net Position – Proprietary Funds	8
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	9
Statement of Cash Flows – Proprietary Funds	10
Notes to the Financial Statements.....	11
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	44
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge Fund	45
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Disaster Fund.....	46
Schedules of Funding Progress and Employer Contributions for Other Post Employment Benefits	47
Notes to Required Supplemental Information.....	48

BOARD OF COUNTY COMMISSIONERS
Santa Rosa County, Florida
FINANCIAL STATEMENTS
September 30, 2015

CONTENTS

OTHER SUPPLEMENTAL INFORMATION

Schedule of Receipts and Expenditures of Funds Related to the
Deepwater Horizon Oil Spill51

**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*52**

**INDEPENDENT ACCOUNTANTS’ REPORT ON EXAMINATION OF COMPLIANCE
REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, *RULES OF THE
AUDITOR GENERAL*54**

MANAGEMENT LETTER55

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of County Commissioners
Santa Rosa County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida (hereinafter referred to as "Board"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information of the Board, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with the Rules of the Auditor General, State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Santa Rosa County, Florida that is attributable to the Board. They do not purport to, and do not, present fairly the financial position of Santa Rosa County, Florida as of September 30, 2015, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 44 through 46, and the schedules of funding progress and employer contributions for other post-employment benefits on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill is presented for purposes of additional analysis as required by the *Rules of the Auditor General*, State of Florida, and is not a required part of the basic financial statements. The schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2016, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Board's internal control over financial reporting and compliance.

Warren Averett, LLC

May 26, 2016
Pensacola, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

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

September 30, 2015

ASSETS	General	Road and Bridge	Disaster	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 31,228,454	\$ 6,940,673	\$ 171,833	\$ 17,322,175	\$ 55,663,135
Investments	5,337,752	--	--	--	5,337,752
Receivables, net of uncollectibles					
Notes	436,375	--	--	--	436,375
Accounts	407,936	3,630	--	613,716	1,025,282
Due from other governments	3,434,693	724,680	--	1,341,472	5,500,845
Due from other funds	1,596,700	47,260	992,000	--	2,635,960
Inventory	58,546	318,926	--	--	377,472
Total assets	<u>\$ 42,500,456</u>	<u>\$ 8,035,169</u>	<u>\$1,163,833</u>	<u>\$ 19,277,363</u>	<u>\$ 70,976,821</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 615,290	\$ 682,066	\$ --	\$ 189,208	\$ 1,486,564
Contracts payable	6,826	89,975	31,905	--	128,706
Accrued wages payable	753,462	315,109	--	41,595	1,110,166
Deposits	355,747	--	--	--	355,747
Unearned revenue	98,931	--	--	--	98,931
Due to other funds	992,000	--	1,000,000	643,960	2,635,960
Due to other governments	177,249	--	--	--	177,249
Total liabilities	<u>2,999,505</u>	<u>1,087,150</u>	<u>1,031,905</u>	<u>874,763</u>	<u>5,993,323</u>
Deferred inflows of resources:					
Deferred inflows of resources related to note receivable	436,375	--	--	--	436,375
Combined liabilities and deferred inflows of resources	3,435,880	1,087,150	1,031,905	874,763	6,429,698
Fund balances:					
Nonspendable	58,546	318,926	--	--	377,472
Restricted	1,901,139	309,691	131,928	8,663,231	11,005,989
Committed	3,599,211	--	--	9,008,363	12,607,574
Assigned	8,805,007	6,319,402	--	939,084	16,063,493
Unassigned	24,700,673	--	--	(208,078)	24,492,595
Total fund balances	<u>39,064,576</u>	<u>6,948,019</u>	<u>131,928</u>	<u>18,402,600</u>	<u>64,547,123</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,500,456</u>	<u>\$ 8,035,169</u>	<u>\$1,163,833</u>	<u>\$ 19,277,363</u>	<u>\$ 70,976,821</u>

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

**Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year ended September 30, 2015

	General	Road and Bridge	Disaster	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 48,082,107	\$ 4,071,511	\$ --	\$ 1,727,568	\$ 53,881,186
Permits, fees and special assessments	1,926,198	--	--	11,287,357	13,213,555
Intergovernmental	12,428,577	3,857,474	1,109,826	1,801,744	19,197,621
Charges for services	7,507,853	100,147	--	2,028,470	9,636,470
Fines and forfeits	338,372	--	--	95,822	434,194
Miscellaneous	2,199,481	366,433	48	251,118	2,817,080
Total revenues	72,482,588	8,395,565	1,109,874	17,192,079	99,180,106
Expenditures					
Current					
General government	19,504,129	--	--	946,233	20,450,362
Public safety	40,419,225	--	991,990	4,070,073	45,481,288
Physical environment	1,240,944	1,122,582	--	893,599	3,257,125
Transportation	994,357	11,704,409	--	186,292	12,885,058
Economic environment	1,371,744	--	--	2,697,093	4,068,837
Human services	5,794,708	--	--	150,163	5,944,871
Culture and recreation	3,205,069	--	--	30,625	3,235,694
Capital outlay	--	--	--	349,049	349,049
Debt service	--	--	--	1,327,926	1,327,926
Total expenditures	72,530,176	12,826,991	991,990	10,651,053	97,000,210
Excess (deficiency) of revenues over expenditures	(47,588)	(4,431,426)	117,884	6,541,026	2,179,896
Other financing sources (uses)					
Transfer in	3,553,293	4,902,237	992,000	2,976,007	12,423,537
Transfer out	(2,024,698)	(63,964)	--	(10,976,941)	(13,065,603)
Total other financing sources (uses)	1,528,595	4,838,273	992,000	(8,000,934)	(642,066)
Net change in fund balances	1,481,007	406,847	1,109,884	(1,459,908)	1,537,830
Fund balances, beginning of year	37,592,643	6,527,131	(977,956)	19,862,508	63,004,326
Change in reserve for inventory	(9,074)	14,041	--	--	4,967
Fund balances, end of year	\$ 39,064,576	\$ 6,948,019	\$ 131,928	\$ 18,402,600	\$ 64,547,123

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

**Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

September 30, 2015

	Business-type Activities				Governmental
	Major Funds			Total Enterprise Funds	Internal Service Fund
	Navarre Beach	Landfill	Peter Prince Field		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,950,179	\$ 7,513,691	\$ 893,031	\$ 11,356,901	\$ 5,031,224
Investments	--	--	--	--	632,524
Accounts receivable	187,238	689,856	7,358	884,452	13,335
Due from other governments	--	--	50,859	50,859	--
Total current assets	<u>3,137,417</u>	<u>8,203,547</u>	<u>951,248</u>	<u>12,292,212</u>	<u>5,677,083</u>
Noncurrent assets					
Restricted investments	--	5,226,306	--	5,226,306	--
Capital assets, net of accumulated depreciation	5,720,016	5,295,163	4,492,614	15,507,793	5,328
Total noncurrent assets	<u>5,720,016</u>	<u>10,521,469</u>	<u>4,492,614</u>	<u>20,734,099</u>	<u>5,328</u>
Total assets	<u>8,857,433</u>	<u>18,725,016</u>	<u>5,443,862</u>	<u>33,026,311</u>	<u>5,682,411</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on bond refunding	--	18,329	--	18,329	--
Deferred outflow on pension	54,327	163,278	3,519	221,124	29,920
Deferred outflow on health insurance	13,410	40,305	869	54,584	7,386
Total deferred outflows of resources	<u>67,737</u>	<u>221,912</u>	<u>4,388</u>	<u>294,037</u>	<u>37,306</u>
LIABILITIES					
Current liabilities					
Accounts payable	56,586	62,112	3,961	122,659	241,575
Current portion of claims payable	--	--	--	--	1,526,239
Accrued wages payable	25,142	96,080	1,917	123,139	13,642
Due to other governments	--	--	1,583	1,583	--
Compensated absences - current	51,304	195,000	--	246,304	40,000
Revenue bonds - current	--	289,294	--	289,294	--
Note payable - current	460,321	--	--	460,321	--
Deposits	11,600	56,753	850	69,203	--
Current portion of landfill closure costs	--	17,105	--	17,105	--
Total current liabilities	<u>604,953</u>	<u>716,344</u>	<u>8,311</u>	<u>1,329,608</u>	<u>1,821,456</u>
Noncurrent liabilities					
Long term portion of compensated absences	--	92,273	--	92,273	1,747
Long term portion of claims payable	--	--	--	--	745,349
Long term portion of landfill closure costs	--	9,498,760	--	9,498,760	--
Note payable - noncurrent	2,580,741	--	--	2,580,741	--
Net pension liability	151,961	456,713	9,845	618,519	83,691
Net health insurance subsidy liability	123,059	369,848	7,972	500,879	67,773
OPEB liability	58,660	178,158	2,196	239,014	29,536
Total noncurrent liabilities	<u>2,914,421</u>	<u>10,595,752</u>	<u>20,013</u>	<u>13,530,186</u>	<u>928,096</u>
Total liabilities	<u>3,519,374</u>	<u>11,312,096</u>	<u>28,324</u>	<u>14,859,794</u>	<u>2,749,552</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow on pension	39,890	119,888	2,585	162,363	21,969
Deferred inflow on health insurance subsidy	953	2,864	62	3,879	525
Total deferred inflows of resources	<u>40,843</u>	<u>122,752</u>	<u>2,647</u>	<u>166,242</u>	<u>22,494</u>
NET POSITION					
Invested in capital assets, net of related debt	2,678,954	5,005,869	4,492,614	12,177,437	5,328
Restricted for landfill closure	--	5,226,306	--	5,226,306	--
Unrestricted	2,685,999	(2,720,095)	924,665	890,569	2,942,343
Total net position	<u>\$ 5,364,953</u>	<u>\$ 7,512,080</u>	<u>\$ 5,417,279</u>	<u>\$ 18,294,312</u>	<u>\$ 2,947,671</u>

Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS

Year ended September 30, 2015

	Business-type Activities				Governmental
	Major Funds			Total Enterprise Funds	Activities
	Navarre Beach	Landfill	Peter Prince Field		Internal Service Fund
Operating revenues					
Licenses and permits	\$ --	\$ 76,650	\$ --	\$ 76,650	\$ --
Charges for services	2,091,096	5,810,141	269,440	8,170,677	869,941
Insurance proceeds	--	--	--	--	1,634,768
Miscellaneous	6,020	389	251	6,660	203
Total operating revenues	<u>2,097,116</u>	<u>5,887,180</u>	<u>269,691</u>	<u>8,253,987</u>	<u>2,504,912</u>
Operating expenses					
Personal services	563,651	1,824,653	35,594	2,423,898	299,942
Contract services	115,477	292,443	40,383	448,303	142,912
Supplies	75,230	39,025	27	114,282	18,652
Repairs and maintenance	255,276	437,992	47,742	741,010	1,782
Utilities	249,847	57,712	19,766	327,325	--
Depreciation	543,152	616,823	291,016	1,450,991	2,162
Travel and per diem	71	6,425	--	6,496	7,310
Insurance	8,050	9,280	--	17,330	79,342
Communications	10,941	16,003	216	27,160	694
Advertising	144	1,087	--	1,231	--
Fuel and oil	12,830	249,482	--	262,312	--
Rentals	236	133,600	--	133,836	--
Landfill closure and maintenance	--	871,422	--	871,422	--
Claims	--	--	--	--	1,796,377
State assessment	--	--	--	--	11,511
Miscellaneous	5,372	18,223	59	23,654	3,045
Total operating expenses	<u>1,840,277</u>	<u>4,574,170</u>	<u>434,803</u>	<u>6,849,250</u>	<u>2,363,729</u>
Operating income (loss)	256,839	1,313,010	(165,112)	1,404,737	141,183
Non-operating revenues (expenses)					
Investment income	4,320	53,379	195	57,894	12,972
Interest expense	--	(5,549)	--	(5,549)	--
Sale of recycled materials	--	69,414	--	69,414	--
Gain (loss) on disposal of assets	--	165,687	--	165,687	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(21,996)	--	(21,996)	--
Total non-operating revenues (expenses)	<u>4,320</u>	<u>200,935</u>	<u>195</u>	<u>205,450</u>	<u>12,972</u>
Income (loss) before contributions and transfers	261,159	1,513,945	(164,917)	1,610,187	154,155
Transfer in	142,066	--	--	142,066	500,000
Capital contribution	4,861	--	810,544	815,405	--
Change in net position	408,086	1,513,945	645,627	2,567,658	654,155
Net position, beginning of year	5,213,328	6,768,920	4,788,267	16,770,515	2,434,759
Adjustment for change in accounting principle	(256,461)	(770,785)	(16,615)	(1,043,861)	(141,243)
Net assets, beginning of year restated	<u>4,956,867</u>	<u>5,998,135</u>	<u>4,771,652</u>	<u>15,726,654</u>	<u>2,293,516</u>
Net position, end of year	<u>\$ 5,364,953</u>	<u>\$ 7,512,080</u>	<u>\$ 5,417,279</u>	<u>\$ 18,294,312</u>	<u>\$ 2,947,671</u>

**Board of County Commissioners
Santa Rosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Year ended September 30, 2015

	Business-type Activities				Governmental
	Major Funds			Total	Internal
	Navarre Beach	Landfill	Peter Prince Field	Enterprise Funds	Service Fund
Cash flows from operating activities					
Cash received from customers	\$ 2,118,494	\$ 5,879,316	\$ 569,178	\$ 8,566,988	\$ 203
Cash paid to suppliers	(710,098)	(1,298,144)	(362,458)	(2,370,700)	(253,737)
Cash paid to employees	(591,414)	(1,798,413)	(35,698)	(2,425,525)	(312,153)
Cash received from interfund services provided	--	--	--	--	2,545,222
Cash paid for internal services provided	--	--	--	--	(2,581,529)
Net cash provided (used) by operating activities	<u>816,982</u>	<u>2,782,759</u>	<u>171,022</u>	<u>3,770,763</u>	<u>(601,994)</u>
Cash flows from non capital financing activities					
Transfers in	142,066	--	--	142,066	500,000
Transfers out	--	--	--	--	--
Sale of recycled materials	--	69,414	--	69,414	--
Lease on recycling building	--	--	--	--	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Net cash provided (used) by non capital financing activities	<u>142,066</u>	<u>9,414</u>	<u>--</u>	<u>151,480</u>	<u>500,000</u>
Cash flows from capital and related financing activities					
Proceeds from sale of assets	--	322,430	--	322,430	--
Capital contributions	4,861	--	810,544	815,405	--
Purchases of capital assets	(15,985)	(114,515)	(999,664)	(1,130,164)	--
Principal paid on capital debt	(443,693)	(284,343)	--	(728,036)	--
Interest paid on capital debt	--	(8,085)	--	(8,085)	--
Net cash provided (used) by capital and related financing activities	<u>(454,817)</u>	<u>(84,513)</u>	<u>(189,120)</u>	<u>(728,450)</u>	<u>--</u>
Cash flows from investing activities					
Interest and dividends	4,320	53,379	195	57,894	12,972
Net sale (purchase) of investments	--	(259,972)	--	(259,972)	(5,533)
Net cash provided (used) by investing activities	<u>4,320</u>	<u>(206,593)</u>	<u>195</u>	<u>(202,078)</u>	<u>7,439</u>
Net increase (decrease) in cash and cash equivalents	508,551	2,501,067	(17,903)	2,991,715	(94,555)
Cash and cash equivalents at beginning of year	2,441,628	5,012,624	910,934	8,365,186	5,125,779
Cash and cash equivalents at end of year	<u>\$ 2,950,179</u>	<u>\$ 7,513,691</u>	<u>\$ 893,031</u>	<u>\$ 11,356,901</u>	<u>\$ 5,031,224</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 256,839	\$ 1,313,010	\$ (165,112)	\$ 1,404,737	\$ 141,183
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	543,152	616,823	291,016	1,450,991	2,162
Landfill closure costs	--	871,422	--	871,422	--
Changes in assets and liabilities:					
Accounts receivable	10,967	(20,625)	3,325	(6,333)	40,513
Due to other governments	--	--	215	215	--
Accounts payable	42,179	(36,871)	(214,931)	(209,623)	(777,283)
Contracts payable	(18,803)	--	(39,549)	(58,352)	--
Accrued compensation	(1,683)	12,355	174	10,846	1,776
Compensated absences	(21,776)	26,824	--	5,048	(11,616)
Due from other governments	10,611	--	296,062	306,673	--
OPEB liability	4,031	12,116	261	16,408	2,220
Claims payable	--	--	--	--	3,642
Deposits	(200)	12,760	100	12,660	--
Change in net pension liability	96,053	288,679	6,223	390,955	52,899
Change in deferred outflows of resources	(24,992)	(75,110)	(1,619)	(101,721)	(13,763)
Change in deferred inflows of resources	(79,396)	(238,624)	(5,143)	(323,163)	(43,727)
Net cash provided (used) by operating activities	<u>\$ 816,982</u>	<u>\$ 2,782,759</u>	<u>\$ 171,022</u>	<u>\$ 3,770,763</u>	<u>\$ (601,994)</u>
Noncash Investing, Capital and Financing Activities:					
Amortized deferred charges	\$ --	\$ 21,996	\$ --	\$ 21,996	\$ --

**BOARD OF COUNTY COMMISSIONERS
SANTA ROSA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

GUIDE TO NOTES

	<u>Page</u>
Note A Summary of Accounting Policies	12
Note B Cash and Investments	20
Note C Due From Other Governmental Units	22
Note D Interfund Transactions	23
Note E Capital Assets	24
Note F Long-Term Debt	26
Note G Conduit Debt Obligations	32
Note H Landfill Closure and Postclosure Care Costs	34
Note I Commitments and Contingencies	34
Note J Net Pension Liability – Proportionate Share	36
Note K Risk Management	36
Note L Fund Balances	38
Note M Post Employment Benefits	40
Note N Commitment	42

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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) established standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations. As concluded by the GASB, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

The Board is considered part of the County's primary government for purposes of GASB. These special purpose financial statements of the Board are issued separately to comply with Section 10.557(3), Rules of the Auditor General for Local Governmental Entity Audits, pursuant to Section 11.45(8), Florida Statutes and do not include the Clerk of Courts, Sheriff, Tax Collector, Property Appraiser or Supervisor of Elections (collectively known as County officers), or other independent authorities and boards. The Board's financial statements do not purport to reflect the financial position or the results of operations of the County taken as a whole.

Dependent Special Districts

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Basis of Presentation - Fund Accounting

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

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

3. Basis of Accounting

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

The major governmental funds are:

- General Fund – This is the Board’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Road and Bridge Fund – Accounts for that portion of state fuel taxes and fees designated for road improvement projects.
- Disaster Fund – Accounts for revenues and expenditures related to significant events such as hurricanes.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Revenue Recognition

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

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

Expenditure Recognition

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

PROPRIETARY FUNDS

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the Board's enterprise funds and internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services,

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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

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

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.
- Peter Prince Field Fund – Accounts for the operations of the Peter Prince airport.

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

4. Budgets and Budgetary Accounting

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

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

5. Cash and Cash Equivalents

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

6. Investments

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

7. Inventory

Inventory consists of gas, oil, automotive parts, road signs, culverts, and various other items used by the road department and insecticides used by mosquito control operations. Inventory is valued at cost (first in, first out). The cost is recorded as an expenditure at the time the inventory is purchased. Reported inventories are equally offset by a nonspendable fund balance since such amounts will not convert to cash even though they are a component of net current assets.

8. Accounting for Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Constructed or purchased capital assets are recorded at historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000 and a useful life of one year or more.

Capital assets in governmental funds, including infrastructure such as streets, drainage systems, culverts, traffic signals, and signs are recorded as expenditures in the governmental funds.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 - 50 years
Water Distribution System	20 years
Improvements	10 - 20 years
Equipment	3 - 10 years
Infrastructure	40 years
Intangibles	3 - 5 years

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

9. Compensated Absences

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Proprietary fund types accrue benefits in the period they are earned. The majority of the compensated absences liability has been paid out of the General (75%) and the Road and Bridge (25%) funds.

10. Property Taxes

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

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

Property taxes levied on property valuations as of January 1, 2015 and expected to be collected during the period November 2015 through March 2016 are as follows:

General Fund	\$ 48,889,600
--------------	---------------

These taxes, although measurable, are not recognized as revenue at September 30, 2015, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

11. Landfill Closure Costs

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

12. Allowance for Uncollectible Amounts

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

13. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Board to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Board can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or a County official delegated that authority by Board resolution or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B - CASH AND INVESTMENTS

At September 30, 2015, the bank held deposits of \$73,501,286 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B - CASH AND INVESTMENTS - Continued

The Investment Trust:

A short term bond fund with an investment portfolio structured to maintain safety of principal and maximize available yield through a balance of quality and diversification. As of September 30, 2015 the Investment Trust managed \$949.53 million and had a price per share of \$24.30. This short term bond fund invests in U.S. Treasuries and Agency Securities, Mortgages, Commercial Paper, Asset-Backed Securities, and "A" rated Corporate Securities.

The Day to Day Fund:

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

Schedule of Cash and Investments at September 30, 2015

	<u>Carrying Amount</u>
<u>Investments</u>	
FLGIT Investment Trust Fund	\$ 11,196,582
Total Investments	<u>11,196,582</u>
 <u>Cash</u>	
Cash in Bank	11,043,700
Day to Day Trust	61,006,235
Petty Cash	<u>1,325</u>
Total Cash	<u>72,051,260</u>
Total Cash and Investments	<u><u>\$ 83,247,842</u></u>
 <u>Financial Statement Presentation</u>	
Cash and Cash Equivalents:	
Governmental	\$ 55,663,135
Enterprise	11,356,901
Internal Service	5,031,224
Investments	
Governmental	5,337,752
Enterprise	5,226,306
Internal Service	<u>632,524</u>
Total Cash and Investments	<u><u>\$ 83,247,842</u></u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B - CASH AND INVESTMENTS - Continued

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

Restricted investments by category and by fund are as follows:

	Landfill
	Fund
Landfill escrow	<u>\$ 5,226,306</u>

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS

At September 30, 2015, amounts due from other governmental units were as follows:

Federal Government - Grants	\$ 975
State of Florida - Grants	1,184,843
State of Florida - Taxes	1,856,826
Local taxes	773,671
Other Elected Officials	1,649,688
Other	85,701
Total	<u>\$ 5,551,704</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE D – INTERFUND TRANSACTIONS

Interfund transactions for the year ended September 30, 2015 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Transfers in</u>	<u>Interfund Transfers out</u>
General fund	\$ 1,596,700	\$ 992,000	\$ 3,553,293	\$ 2,024,698
Road & Bridge fund	47,260	-	4,902,237	63,964
Disaster fund	992,000	1,000,000	992,000	-
Nonmajor Governmental funds	-	643,960	2,976,007	10,976,941
Navarre Beach fund	-	-	142,066	-
Self Insurance fund	-	-	500,000	-
Total	<u>\$ 2,635,960</u>	<u>\$ 2,635,960</u>	<u>\$ 13,065,603</u>	<u>\$ 13,065,603</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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows (in thousands):

Governmental activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 19,574	\$ 31	\$ -	\$ 19,605
Construction in progress	830	727	390	1,167
Total capital assets not being depreciated	<u>20,404</u>	<u>758</u>	<u>390</u>	<u>20,772</u>
Other capital assets:				
Buildings	64,545	113	-	64,658
Improvements other than buildings	130,116	10,348	575	139,889
Machinery and equipment	29,516	1,803	267	31,052
Total capital assets being depreciated	<u>224,177</u>	<u>12,264</u>	<u>842</u>	<u>235,599</u>
Less accumulated depreciation for:				
Buildings	39,873	2,824	-	42,697
Improvements other than buildings	50,242	3,972	-	54,214
Machinery and equipment	21,826	2,161	184	23,803
Total accumulated depreciation	<u>111,941</u>	<u>8,957</u>	<u>184</u>	<u>120,714</u>
Total capital assets being depreciated, net	<u>112,236</u>	<u>3,307</u>	<u>658</u>	<u>114,885</u>
Governmental activities capital assets, net	<u>\$ 132,640</u>	<u>\$ 4,065</u>	<u>\$ 1,048</u>	<u>\$ 135,657</u>
Business like activities	<u>Ending 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	525	9	494	40
Total capital assets not being depreciated	<u>1,716</u>	<u>9</u>	<u>494</u>	<u>1,231</u>
Other capital assets:				
Buildings	2,941	990	-	3,931
Improvements other than buildings	26,778	502	-	27,280
Furniture and fixtures	6,103	147	2,029	4,221
Total capital assets being depreciated	<u>35,822</u>	<u>1,639</u>	<u>2,029</u>	<u>35,432</u>
Less accumulated depreciation for:				
Buildings	1,766	117	-	1,883
Improvements other than buildings	15,397	935	-	16,332
Furniture and fixtures	4,390	399	1,848	2,941
Total accumulated depreciation	<u>21,553</u>	<u>1,451</u>	<u>1,848</u>	<u>21,156</u>
Total capital assets being depreciated, net	<u>14,269</u>	<u>188</u>	<u>181</u>	<u>14,276</u>
Business like activities capital assets, net	<u>\$ 15,985</u>	<u>\$ 197</u>	<u>\$ 675</u>	<u>\$ 15,507</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE E – CAPITAL ASSETS - Continued

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

Depreciation expense was charged to functions as follows:

Government activities:

General government	\$2,636,903
Public Safety	746,582
Physical environment	128,927
Transportation	3,485,521
Economic environment	80,112
Human services	135,858
Culture and recreation	<u>1,743,087</u>
Total governmental activities depreciation expense	<u><u>\$8,956,990</u></u>

Business type activities

Water and sewer	\$ 543,152
Landfill	616,823
Hanger rental	<u>291,016</u>
Total business-type activities depreciation expense	<u><u>\$1,450,991</u></u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE F - LONG-TERM DEBT

1. Changes in Long-Term Debt

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

	Balance October 1, 2014	Additions	Deductions	Balance September 30, 2015	Amount Due within One Year
Governmental activities:					
Compensated absences	\$ 2,991,977	\$ 1,847,336	\$ 1,895,265	\$ 2,944,048	\$ 1,800,000
Claims payable	2,267,946	1,768,614	1,764,972	2,271,588	1,526,239
Revenue bonds	573,637	-	284,342	289,295	289,295
Notes payable	1,007,069	-	85,456	921,613	88,723
Special assessment notes	3,192,184	-	823,396	2,368,788	680,733
Net pension liability	37,915	45,776	-	83,691	-
Net health insurance liability	60,650	7,123	-	67,773	-
Total	<u>\$ 10,131,378</u>	<u>\$ 3,668,849</u>	<u>\$ 4,853,431</u>	<u>\$ 8,946,796</u>	<u>\$ 4,384,990</u>
Business type activities:					
Compensated absences	\$ 333,529	\$ 203,505	\$ 198,457	\$ 338,577	\$ 246,304
Landfill closure costs	8,644,443	871,422	-	9,515,865	17,105
Revenue bonds	573,637	-	284,343	289,294	289,294
Notes payable	3,484,755	-	443,693	3,041,062	460,321
OPEB Liability	222,606	38,391	21,983	239,014	-
Net pension liability	280,211	338,308	-	618,519	-
Net health insurance liability	448,233	52,647	-	500,880	-
Total	<u>\$ 13,987,414</u>	<u>\$ 1,504,273</u>	<u>\$ 948,476</u>	<u>\$ 14,543,211</u>	<u>\$ 1,013,024</u>

Deferred charges on refunding of bonds totaling \$18,329 are reported as deferred outflow of resources in the proprietary funds.

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE F - LONG-TERM DEBT - Continued

2. Descriptions of Bonds and Notes

Bonds and notes payable at September 30, 2015 are comprised of the following:

General government - notes payable

\$999,380 Third Cent Tourist Development Tax Refunding Revenue Note, Series 2011, payable to bank to refinance the \$1,200,000 Third Cent Tourist Development Tax Refunding Revenue Note, Series 2007 payable for the construction of a tourist information center in Navarre. The note is due in 60 quarterly payments of \$12,445 to \$21,708, plus interest at 3.79%, with final payment due in 2026 secured by Third Cent tourist development tax revenues.	\$ 770,999
\$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.	13,777
\$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.	24,374
\$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.	28,888
\$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.	96,281

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE F - LONG-TERM DEBT - Continued

<p>\$1,872,038 special assessment note payable to bank to refinance the \$1,582,132 and \$770,000 special assessment notes payable 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 \$53,061 to \$64,128 plus interest at 2.44% with final payment due in 2018. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	804,615
<p>\$287,870 note payable to bank for the acquisition and construction of improvements for the Bagdad Heritage Trail Project. The note is due in 40 quarterly payments of \$5,888 to 9,370 plus interest at 3.98% with final payment due in 2020, secured by North Santa Rosa tourist development tax revenues.</p>	150,614
<p>\$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.</p>	186,766
<p>\$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.</p>	252,080
<p>\$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.</p>	30,101
<p>\$412,000 special assessment note payable to bank for the acquisition and installation fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 28 quarterly payments of \$13,565 to \$15,891 plus interest at 2.34% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	139,820
<p>\$700,000 special assessment note payable to bank for the acquisition and installation fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 60 quarterly payments of \$9,134 to \$14,526 plus interest at 3.14% with final payment due in 2025. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	512,671

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE F - LONG-TERM DEBT - Continued

\$395,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Longhorn Trail MSBU. The note is due in 24 quarterly payments of \$15,423 to \$17,537 plus interest at 2.24% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 103,767

\$268,350 special assessment note payable to bank for the construction of certain infrastructure improvements in the Skiwatch Estates MSBU. The note is due in 40 quarterly payments of \$7,625 including interest at 2.56% with final payment due in 2021. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 175,648

General government - bonds payable

\$3,057,579 Capital Improvement Refunding Revenue Bonds, Series 2010 bonds due in quarterly installments of \$128,435 to \$145,585 plus interest at 1.73% with final payment due in 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. Secured by Sales Tax revenues. 289,295

Total general government bonds and notes payable \$ 3,579,696

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 0.0%, adjusted every 3 years, secured by non-ad valorem revenues. 3,041,062

Proprietary fund type - bonds payable

Landfill

\$3,057,579 Capital Improvement Refunding Revenue Bonds, Series 2010 bonds due in quarterly installments of \$128,435 to \$145,585 plus interest at 1.73% with final payment due in 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. Secured by Sales Tax revenues. 289,294

Total proprietary fund type bonds and note payable \$ 3,330,356

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE F - LONG-TERM DEBT - Continued

3. Pledged Revenues

The Santa Rosa County Board of County Commissioners has pledged certain revenues to repay certain bonds and notes outstanding at September 30, 2015. The following table reports the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amount of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2015.

Governmental Activities	Revenue Pledged	Current Year Total Revenue	Pledged Outstanding Principal & Interest	Estimated Revenue Percentage Pledged	Principal & Interest Paid	Maturity Calendar Year
Special Assessment Notes						
Central Parkway II (Plus) Road Paving MSBU Revenue Note, Series 2008	Special assessments	\$ 43,438	\$ 102,528	96%	\$ 45,261	2018
Bernath Place MSBU Revenue Note, Series 2009	Special assessments	74,725	199,060	112%	66,498	2018
Longhorn Trail Road Paving MSBU Revenue Note, Series 2011	Special assessments	83,262	105,810	118%	70,540	2017
Polynesian Isles Canal Maintenance MSBU Revenue Note, Series 2008	Special assessments	169,706	-	171%	99,260	2015
Fire Protection MSBU Revenue Note, Series 2010-A	Special assessments	64,034	143,941	100%	64,034	2018
Fire Protection MSBU Revenue Note, Series 2010-B	Special assessments	58,926	601,581	100%	58,926	2016
Fire Protection MSBU Revenue Note, Series 2010-C	Special assessments	258,600	839,390	100%	258,600	2019
Santa Rosa Shores Canal Maintenance MSBU Refunding Revenue Note, Series 2009	Special assessments	77,419	273,864	107%	72,229	2019
Skiwatch Estates Subdivision Underground Utilities MSBU Revenue Note, Series 2008	Special assessments	47,977	31,320	306%	15,671	2017

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

Governmental Activities	Revenue Pledged	Current Year Total Revenue	Pledged Outstanding Principal & Interest	Estimated Revenue Percentage Pledged	Principal & Interest Paid	Maturity Calendar Year
Special Assessment Notes continued						
Skiwatch Estates Canal Maintenance						
Dredging MSBU Revenue Note, Series 2011	Special assessments	See below	\$ 190,634	0%	\$ 30,501	2022
Joseph Circle Road Paving MSBU Revenue Note, Series 2007	Special assessments	24,773	30,146	103%	24,131	2017
Duke Drive Paving, Water and Sewer MSBU Revenue Note, Series 2008	Special assessments	24,773	24,724	50%	49,506	2016
Blackwater River and Smuggler's Cove Road Paving MSBU Revenue Note, Series 2006	Special assessments	63,719	13,925	111%	57,198	2016
Notes Payable						
Third Cent Tourist Development Tax Revenue Note, Series 2007	3rd Cent Tourist Development Tax	1,059,745	942,295	1203%	88,064	2026
Bagdad Heritage Trail Project Capital Improvement Revenue Note, Series 2010	North SRC Tourist Development Tax	234,642	166,155	669%	35,075	2020
Revenue Bonds						
Sales Tax Refunding Revenue Bond, Series 2010	1/2 Cent Sales Tax	<u>6,780,568</u>	<u>292,432</u>	2319%	<u>292,429</u>	2016
Total Revenue Bonds and Notes - Governmental Activities		<u>\$ 9,066,307</u>	<u>\$ 3,957,805</u>		<u>\$ 1,327,923</u>	

Business-type Activities	Revenue Pledged	Current Year Total Revenue	Pledged Outstanding Principal & Interest	Estimated Revenue Percentage Pledged	Principal & Interest Paid	Maturity Calendar Year
Revenue Bonds						
Utility Service Revenue Note, Series 2007	Navarre Beach operations	\$ 800,837	\$ 3,402,489	180%	\$ 443,693	2021
Sales Tax Refunding Revenue Bond, Series 2010	1/2 Cent Sales Tax	<u>6,780,568</u>	<u>292,432</u>	2339%	<u>289,893</u>	2016
Total Revenue Bonds and Notes - Business-type Activities		<u>\$ 7,581,405</u>	<u>\$ 3,694,921</u>		<u>\$ 733,586</u>	

Note on Skiwatch Estates Canal Maintenance Dredging - Sufficient funds have already been assessed and collected to cover debt service.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

4. Debt Service Requirements

The annual requirements to amortize all bonds and notes outstanding at September 30, 2015 are as follows:

Governmental activities:

Year ended	Principal	Interest	Total
<u>September 30,</u>	<u> </u>	<u> </u>	<u> </u>
2016	\$ 1,058,751	\$ 101,243	\$ 1,159,994
2017	700,967	74,667	775,634
2018	583,243	54,116	637,359
2019	293,038	38,714	331,752
2020	171,831	30,526	202,357
2021-2025	692,374	77,503	769,877
2026-2030	79,492	1,340	80,832
	<u>\$ 3,579,696</u>	<u>\$ 378,109</u>	<u>\$ 3,957,805</u>

Business-type activities:

Year ended	Principal	Interest	Total
<u>September 30,</u>	<u> </u>	<u> </u>	<u> </u>
2016	\$ 749,615	\$ 110,518	\$ 860,133
2017	478,220	89,459	567,679
2018	496,485	70,847	567,332
2019	515,447	51,637	567,084
2020	535,020	31,464	566,484
2021-2025	555,569	10,639	566,208
	<u>\$ 3,330,356</u>	<u>\$ 364,564</u>	<u>\$ 3,694,920</u>

5. 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, 2015, \$650,000 of bonds are considered defeased.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - CONDUIT DEBT OBLIGATIONS

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

Debt issues related to conduit financings outstanding at September 30, 2015 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 9/30/2015</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	2,205,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	226,256
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	300,000	62,146
Total			<u>\$ 63,519,000</u>	<u>\$ 60,398,402</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE H - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9.5 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2015, 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	90%
Central Class III Landfill (New)	39%
Central Class III Landfill (Old)	Closed 10/98

The estimated cost of postclosure care for the Central Class III and Holley landfills has 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 \$4.8 million as its remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. The estimated remaining lives of the Central Class I and Class III landfills are 15 and 30 years, respectively. Cost of closure and life estimates are based on the areas currently in use, and not on potential areas of expansion. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Board is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. At September 30, 2015, the Board held investments of \$5,226,306 to cover the escrow requirement of \$5,226,306. These investments are reported as restricted assets in these financial statements. The Board expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

NOTE I - COMMITMENTS AND CONTINGENCIES

1. Retirement Plan

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

Benefit Provisions – The Florida retirement system offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans. Both plans, effective July 1, 2011, are funded monthly by a combination of employer and employee contributions.

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 or 65 (depending on hire date) with 6 or 8 (depending on hire date) or more years of service, or to those employees who have at least 30 or 33 (depending on hire date) 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 (if enrolled prior to July 1, 2011) or eight (if enrolled on or after July 1, 2011) highest years of earnings.

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

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

Contributions - Chapter 121 requires the employer to pay contributions based upon state-wide rates established by the State of Florida. Employees contribute 3% of their salary. During 2015, the Board contributed an average of 7.34% of each qualified regular employee's gross salary, 42.27% percent of the elected official's salary and 12.43% for each DROP participant. The Board's contributions to the pension plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for the year. The Board's contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on membership class. Contributions to the Investment plan totaled \$239,269, \$153,341 and \$84,557 for the years ended September 30, 2015, 2014, and 2013, respectively. Contributions to the Pension plan totaled \$1,256,567, \$1,212,284 and \$838,980 for the years ended September 30, 2015, 2014, and 2013, 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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

2. Litigation

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

3. Federal and State Grants

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

NOTE J – NET PENSION LIABILITY – PROPORTIONATE SHARE

During the year ended September 30, 2015, the Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Under GASB 68, the Board has a net pension liability that is only applicable in the government wide financial statements and in the proprietary fund financial statements.

These optional separately issued financial statements of the Board are not required to present government wide financial statements. The net pension liabilities allocable to the proprietary funds are appropriately recorded in these financial statements. The overall county-wide net pension liability and required disclosures and schedules may be found in the separately issued county-wide financial statements.

NOTE K - RISK MANAGEMENT

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

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE K - RISK MANAGEMENT - Continued

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

- Boats
- Employee Fidelity
- Buildings and Contents, \$5,000 deductible
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board of County Commissioners and other County elected officials participate in the program and make payments to the Self Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$2,252,112 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 3.9 - 7 percent. These liabilities are reported at their present value of \$825,976 at September 30, 2015.

Changes in the Fund's claims liability amount in fiscal years 2014 and 2015 were as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2013 - 2014	\$ 2,231,939	\$ 1,610,755	\$ 1,574,748	\$ 2,267,946
2014 - 2015	\$ 2,267,946	\$ 1,768,614	\$ 1,764,972	\$ 2,271,588

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

Current claims payable	\$ 1,445,612
Current claims-structured settlements	80,627
Total claims payable, current	<u>1,526,239</u>
Long-term claims-structured settlements	745,349
Total claims payable	<u><u>\$ 2,271,588</u></u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE K - RISK MANAGEMENT - Continued

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

NOTE L - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on the following page.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE L - FUND BALANCES – Continued

Fund balances	Major Funds				Total
	General Fund	Road and Bridge Fund	Disaster	Other Funds	
Nonspendable					
Inventory	\$ 58,546	\$ 318,926	\$ -	\$ -	\$ 377,472
Restricted for:					
Communications	1,309,901	-	-	-	1,309,901
Boating improvement	332,027	-	-	-	332,027
Domestic violence	148,194	-	-	-	148,194
Voter education	8,924	-	-	-	8,924
Pollworker recruitment	1,887	-	-	-	1,887
Federal elections	11,548	-	-	-	11,548
Partners for pets	88,658	-	-	-	88,658
Navarre Beach Bridge maintenance	-	309,691	-	-	309,691
Law Enforcement Trust Fund	-	-	-	129,404	129,404
Crime prevention	-	-	-	368,940	368,940
Mosquito control	-	-	-	27,469	27,469
Federal and state grants	-	-	-	1,554,946	1,554,946
Enhanced 911 system	-	-	-	1,163,201	1,163,201
Tourist development	-	-	-	2,355,699	2,355,699
Infrastructure development	-	-	-	1,578,493	1,578,493
State Housing Improvement Program	-	-	-	894,092	894,092
Flood mitigation	-	-	131,928	-	131,928
Road and sewer construction	-	-	-	302,099	302,099
Canal maintenance	-	-	-	223,897	223,897
Street lighting	-	-	-	64,991	64,991
Committed to:					
Animal service education	47,544	-	-	-	47,544
Court innovations	-	-	-	301,347	301,347
Transportation, recreation and economic development	-	-	-	3,611,767	3,611,767
Gas and oil preservation	3,551,667	-	-	-	3,551,667
Capital construction projects	-	-	-	5,095,249	5,095,249
Assigned to:					
Road and bridge construction and maintenance	-	6,319,402	-	-	6,319,402
Debt service	-	-	-	82,920	82,920
Berm restoration	8,200,000	-	-	-	8,200,000
Law library	-	-	-	28,788	28,788
Court operations	-	-	-	827,376	827,376
Gas and oil preservation	199,251	-	-	-	199,251
Berm restoration	190,756	-	-	-	190,756
Navarre Beach Community Center	215,000	-	-	-	215,000
Unassigned	24,700,673	-	-	(208,078)	24,492,595
	<u>\$ 39,064,576</u>	<u>\$ 6,948,019</u>	<u>\$ 131,928</u>	<u>\$ 18,402,600</u>	<u>\$ 64,547,123</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE M – POST EMPLOYMENT HEALTH CARE BENEFITS

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

Plan Description – Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the County and eligible dependents, may continue to participate in the County’s purchased health and hospitalization insurance coverage (the Plan) at the same group rate as for active employees and participating retirees are required to reimburse the Board 100% of the health insurance premium a month in advance. The Plan is a single-employer plan. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The County also provides an insurance subsidy for employees with at least 10 years (8 years elected) creditable service. The subsidy pays \$3 per year of service limited to the individual’s premium payment up to a maximum of \$90 per year. No stand-alone financial report is issued.

Funding Policy – The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2015 fiscal year, 234 retirees and eligible dependents received postemployment health care benefits. The County provided required contributions of \$170,670 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees insurance net of retiree contributions totaling \$347,369. 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)	\$ 447,000
Amortization of Unfunded Actuarial Accrued Liability	515,000
Annual Required Contribution	962,000
Amortization of Net OPEB Obligation	(413,000)
Interest on Net OPEB Obligation	232,000
Annual OPEB Cost (expense)	781,000
Contribution Towards the OPEB Cost	(270,670)
Increase in Net OPEB Obligation	510,330
Net OPEB Obligation, Beginning of Year	6,626,808
Net OPEB Obligation, End of Year	\$ 7,137,138

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015, was as follows:

Fiscal Year	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-2013	\$ 991,000	27%	\$ 5,878,137
2013-2014	\$ 1,040,000	28%	\$ 6,626,808
2014-2015	\$ 781,000	35%	\$ 7,137,138

Funded Status and Funding Progress – As of September 30, 2015, the date of the actuarial valuation, the actuarial accrued liability was \$8,276,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$8,276,000. Amortization of the accrued liability for the year ended September 30, 2015 was \$515,000. The annual covered payroll (annual payroll of active participating employees) was \$49,439,596 for the 2014-2015 fiscal year. The ratio of the unfunded actuarial liability to annual covered payroll is 17%.

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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE M – POST EMPLOYMENT HEALTH CARE BENEFITS - Continued

The County's OPEB actuarial valuation as of September 30, 2015, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of September 30, 2015 and to estimate the County's 2014-2015 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 3.5% rate of return on invested assets assuming the benefits will continue to be funded on a pay-as-you-go basis and that the County's investments will earn 3.5% over the long term. The actuarial assumptions also include an annual healthcare cost trend rate of 8.5% initially for the 09-10 fiscal year, decreasing gradually per year to an ultimate rate of 4.3% in 2070. The inflation rate assumption is 2.4%. The unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining, closed, amortization period at September 30, 2015 is 24 years.

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

NOTE M – COMMITMENT

In 2015, the Board entered into an agreement for the purchase and installation of equipment for a new 911 system with a total contract price of \$7,279,240. The terms of the agreement required a \$1,000,000 payment upon installation and an additional \$1,000,000 payment upon system acceptance. The remaining \$5,279,240 will be financed over 7 years at an interest rate of 1.786%, requiring annual payments of \$809,011. During the year ended September 30, 2015, \$500,000 was paid toward the initial payment. The installation of the system was completed subsequent to year end and the first payment on the financing will begin in fiscal year 2016.

REQUIRED SUPPLEMENTAL INFORMATION

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

Year ended September 30, 2015

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 46,006,350	\$ 46,006,350	\$ 48,082,107
Permits, fees and special assessments	1,520,000	1,520,000	1,926,198
Intergovernmental	10,430,930	10,460,326	12,428,577
Charges for services	3,519,100	3,519,100	7,507,853
Fines and forfeits	243,060	283,910	338,372
Miscellaneous	2,644,950	2,644,950	2,199,481
Total revenues	64,364,390	64,434,636	72,482,588
Expenditures			
Current			
General government	19,264,306	20,114,111	19,504,129
Public safety	37,277,832	41,091,393	40,419,225
Physical environment	1,407,648	1,484,411	1,240,944
Transportation	961,559	1,024,219	994,357
Economic environment	160,679	1,425,938	1,371,744
Human services	5,506,578	5,771,984	5,794,708
Culture and recreation	2,961,654	3,460,076	3,205,069
Reserve for contingencies	--	35,858	--
Total expenditures	67,540,256	74,407,990	72,530,176
Excess (deficiency) of revenues over expenditures	(3,175,866)	(9,973,354)	(47,588)
Other financing sources (uses)			
Transfers in	2,220,727	3,553,293	3,553,293
Transfers out	(791,996)	(2,024,698)	(2,024,698)
Total other financing sources (uses)	1,428,731	1,528,595	1,528,595
Net change in fund balances	(1,747,135)	(8,444,759)	1,481,007
Fund balance, beginning of year	2,185,885	8,943,420	37,592,643
Change in reserve for inventory	--	--	(9,074)
Fund balance, end of year	\$ 438,750	\$ 498,661	\$ 39,064,576

See accompanying notes to required supplementary information.

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

Year ended September 30, 2015

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 3,689,940	\$ 3,689,940	\$ 4,071,511
Intergovernmental	3,036,160	3,605,143	3,857,474
Charges for services	--	--	100,147
Miscellaneous	254,130	254,130	366,433
Total revenues	6,980,230	7,549,213	8,395,565
Expenditures			
Current			
Physical environment	--	1,912,474	1,122,582
Transportation	10,609,250	14,109,940	11,704,409
Reserve for contingencies	10,045	524,745	--
Total expenditures	10,619,295	16,547,159	12,826,991
Excess (deficiency) of revenues over expenditures	(3,639,065)	(8,997,946)	(4,431,426)
Other financing sources (uses)			
Transfers in	2,362,925	4,902,237	4,902,237
Transfers out	(46,084)	(63,964)	(63,964)
Total other financing sources (uses)	2,316,841	4,838,273	4,838,273
Net change in fund balances	(1,322,224)	(4,159,673)	406,847
Fund balance, beginning of year	1,322,224	4,159,673	6,527,131
Change in reserve for inventory	--	--	14,041
Fund balance, end of year	\$ --	\$ --	\$ 6,948,019

See accompanying notes to required supplementary information.

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

Year ended September 30, 2015

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ --	\$ 1,109,826
Miscellaneous	--	--	48
Total revenues	--	--	1,109,874
Expenditures			
Current			
Public safety	--	992,000	991,990
Total expenditures	--	992,000	991,990
Excess (deficiency) of revenues over expenditures	--	(992,000)	117,884
Other financing sources (uses)			
Transfers in	--	992,000	992,000
Total other financing sources (uses)	--	992,000	992,000
Net change in fund balances	--	--	1,109,884
Fund balance, beginning of year	--	--	(977,956)
Fund balance, end of year	\$ --	\$ --	\$ 131,928

See accompanying notes to required supplementary information.

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

**SCHEDULES OF FUNDING PROGRESS
AND EMPLOYER CONTRIBUTIONS FOR
OTHER POST EMPLOYMENT BENEFITS**

Year ended September 30, 2015

Schedule of Funding Progress	Actuarial Valuation Date		
	9/30/13	9/30/14	9/30/15
1. Current retirees liability	\$ 2,414,000	\$ 2,574,000	\$ 2,445,000
2. Active employees	6,897,000	7,356,000	5,831,000
3. Actuarial Accrued Liability	9,311,000	9,930,000	8,276,000
4. Actuarial Value of Assets	--	--	--
5. Unfunded Actuarial Accrued Liability	9,311,000	9,930,000	8,276,000
6. Funded Ratio (4. divided by 3.)	0%	0%	0%
7. Annual Covered Payroll	\$ 44,527,946	\$ 46,609,103	\$ 49,439,596
8. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	21%	21%	17%
Schedule of Employer Contributions	Fiscal Year Ended		
	9/30/13	9/30/14	9/30/15
Annual OPEB Cost	\$ 991,000	\$ 1,040,000	\$ 781,000
Actual Contribution	267,636	291,329	270,670
Percentage Contributed	27%	28%	35%
Net OPEB Obligation	\$ 5,878,137	\$ 6,626,808	\$ 7,137,138

See accompanying notes to required supplementary information.

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

September 30, 2015

BUDGETARY INFORMATION

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

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

OTHER SUPPLEMENTAL INFORMATION

Santa Rosa County, Florida

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF
FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL
For the Fiscal Year Ended September 30, 2015**

<u>Source</u>	<u>Amount Received in the 2014-2015 Fiscal Year</u>	<u>Amount Expended in the 2014-2015 Fiscal Year</u>
BP Economic and Property Damages Promotional Fund:		
Agreement No. <u>2013-2014</u>	\$ -	\$ 251,213
Litigation Settlement	\$733,810	\$ -

Note: This does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance. The Schedule of Expenditures of Federal Awards and State Financial Assistance does not include any expenditures that are related to the Deepwater Horizon Oil Spill.

**INDEPENDENT AUDITORS' 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
Santa Rosa County, Florida

We have audited, 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, the financial statements of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida, (hereinafter referred to as "Board"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's financial statements, and have issued our report thereon dated May 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

May 26, 2016
Pensacola, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Board of County Commissioners
Santa Rosa County, Florida

We have examined the Board of County Commissioners of Santa Rosa County, Florida's, (hereinafter referred to as "Board"), compliance with Florida Statute 218.415 in regards to investments, Florida Statutes 365.172 and 365.173 in regards to use of E-911 revenues and expenditures, and Florida Statute 288.8018 in regards to the Deepwater Horizon Oil Spill receipts and expenditures for the year ended September 30, 2015.

Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with specified requirements.

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

Warren Averett, LLC

Pensacola, Florida
May 26, 2016

MANAGEMENT LETTER

Honorable Board of County Commissioners
Santa Rosa County, Florida

Report on the Financial Statements

We have audited the financial statements (“financial statements”) of each major fund and the aggregate remaining fund information of the Santa Rosa County, Florida, Board of County Commissioners, (hereinafter referred to as “Board”, as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2016.

Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have also issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants’ Report on Examination of Compliance Requirements Performed in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated May 26, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No recommendations were made in the preceding annual financial report.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and the Santa Rosa County Board of County Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

May 26, 2016
Pensacola, Florida

SANTA ROSA COUNTY, FLORIDA

SINGLE AUDIT REPORT

SEPTEMBER 30, 2015



**SANTA ROSA COUNTY, FLORIDA
SINGLE AUDIT REPORT
TABLE OF CONTENTS
SEPTEMBER 30, 2015**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL	1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	4
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	10

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL**

Board of County Commissioners
Santa Rosa County, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the compliance of Santa Rosa County, Florida (hereinafter referred to as "County"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the State of Florida Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the County's major federal programs and state projects for the year ended September 30, 2015. The County's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program and State Project

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB *Circular A-133* and the Florida Department of Financial Services *State Projects Compliance Supplement*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB *Circular A-133* and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards and State Financial Assistance
Required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General**

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida (hereinafter referred to as "Board"), as of and for the year ended September 30, 2015, and the notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated May 26, 2016, which contained unmodified opinions on the financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Warren Averett, LLC

Pensacola, Florida
May 26, 2016

SANTA ROSA COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Commerce National Oceanic and Atmospheric Administration</u>			
Passed through Florida Department of Environmental Protection Coastal Zone Management Program	11.419	CM304	\$ 30,000
<u>U.S. Department of the Interior National Park Service</u>			
Passed through Florida Department of Environmental Protection Outdoor Recreation, Acquisition, Development and Planning	15.916	LW617	37,645
<u>U.S. Department of Health and Human Services</u>			
Passed Through Florida Dept. of Revenue Child Support Enforcement Program	93.563	COC57	177,287
Child Support Enforcement Program	93.563	CST57	11,715
			<u>189,002</u>
Passed Through Florida Division of Elections Voting Access for Individuals with Disabilities Grants to the States	93.617	2014-2015-0003	14,302
<u>U.S. Department of Homeland Security</u>			
Passed Through Florida Division of Emergency Management Hazard Mitigation Grant - Ramblewood Phase II	97.039	13HM-2X-01-67-01-491	68,989
Hazard Mitigation Grant - Settlers Colony Phase I	97.039	14HM-6B-01-67-01-373	16,144
Hazard Mitigation Grant - Settlers Colony Phase II	97.039	16HM-6B-01-67-01-196	4,558
Hazard Mitigation Grant - Pace/Patterson Phase I	97.039	16HM-J3-01-67-01-216	18,739
Hazard Mitigation Grant - Ranchettes Phase I	97.039	16HM-J3-01-67-01-217	33,562
			<u>141,992</u>
Passed Through Florida Division of Emergency Management Disaster Grants - Public Assistance - April Severe Weather	97.036	15-SP-8Z-01-67-02-500	2,672,804
Passed Through Florida Division of Emergency Management Homeland Security Grant Program	97.067	14-DS-L5-01-67-01-482	750
Passed Through Florida Division of Emergency Management Emergency Management Performance Grant - CERT	97.042	14-CI-K1-01-67-02-437	1,201
Emergency Management Performance Grant - CERT	97.042	15CI-N2-01-67-01-363	5,374
Emergency Management Performance Grant	97.042	15FG-4D-01-67-01-124	56,236
Emergency Management Performance Grant	97.042	16FG-5A-01-67-01-124	18,401
Emergency Mgt Performance Grant - Adv Citizen Corp Academy	97.042	DHS-14-GPD-042-004-01	5,531
Emergency Management Performance Grant - Citizen Corps	97.042	15CC-N2-01-67-01-364	4,561
			<u>91,304</u>
Passed Through Florida Division of Emergency Management Flood Mitigation Assistance Grant Program - 2013 Elevation	97.029	15FM-J2-01-67-01-276	162,849
Flood Mitigation Assistance Grant Program - 2014 Elevation	97.029	15FM-J9-01-67-01-486	339,603
			<u>502,452</u>

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

SANTA ROSA COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Escambia County Consortium Home Investment Partnerships Program	14.239	M-14-DC-12-0225	220,626
<u>U.S. Department of Justice</u>			
Passed Through Florida Coalition Against Domestic Violence Violence Against Women Formula Grants	16.588	15-8027-SAO	49,800
Violence Against Women Formula Grants	16.588	16-8027-SAO	16,350
			<u>66,150</u>
Passed Through Florida Office of the Attorney General Crime Victim Assistance	16.575	V13233	38,410
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0396	16,096
Passed Through Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-JAGC-SANT-1-R3-086	48,394
			<u>64,490</u>
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	3-12-0052-012-2014	411,711
Passed Through Florida Dept. of Transportation Formula Grants for Rural Areas	20.509	AQF63	87,532
Passed Through Florida Dept. of Transportation Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	FL 16-008	13,091
Passed Through Florida Dept. of Transportation Highway Planning and Construction	20.205	ARL28	93,579
Highway Planning and Construction	20.205	431701-1-38-01	6,084
			<u>99,663</u>
Passed through Florida Department of Environmental Protection Recreational Trails Program	20.219	T1204	594
<u>U.S. Election Assistance Commission</u>			
Passed Through Florida Division of Elections Help America Vote Act Requirement Payments	90.401	N/A	27,554
<u>U.S. Environmental Protection Agency</u>			
Congressionally Mandated Projects	66.202	XP-95478911-0	4,861
Total Federal Awards			<u>\$ 4,714,933</u>

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

SANTA ROSA COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>State Grantor/Pass-through Grantor/Program Title</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>Florida Department of Agriculture and Consumer Services</u>			
Mosquito Control	42.003	021325	\$ 31,540
<u>Florida Department of Economic Opportunity</u>			
Passed through Enterprise Florida, Inc.			
Enterprise Florida, Inc. - Defense Infrastructure Grant	40.003	DIG 12-02	126,609
Enterprise Florida, Inc. - Defense Infrastructure Grant	40.003	DIG 13-05	177,758
			<u>304,367</u>
Passed through Enterprise Florida, Inc.			
Military Base Protection	40.014	DRG 14-02	9,979
Military Base Protection	40.014	DRG 15-06	46,373
			<u>56,352</u>
Local Economic Development Initiatives-Defense Reinvestment	40.012	DRG S0045	9,434
Growth Management Implementation-Technical Assistance	40.024	P0085	25,000
<u>Florida Department of Health</u>			
County Grant Awards	64.005	C3055	4,814
<u>Florida Department of State</u>			
State Aid to Libraries	45.030	15-ST-78	66,295
<u>Florida Department of Transportation</u>			
Economic Development Transportation Projects - Road Fund	55.032	432504-1-58-01 (AQT64)	759,522
Aviation Development Grants - Joint Participation Agreement	55.004	41593119401 (AQG10)	143,208
Aviation Development Grants - Joint Participation Agreement	55.004	42229319401 (AQG12)	22,873
Aviation Development Grants - Joint Participation Agreement	55.004	41776119401 (AQY60)	224,000
Aviation Development Grants - Joint Participation Agreement	55.004	42563319401 (AR960)	8,752
			<u>398,833</u>
Small County Outreach Program	55.009	AR457 (425691-1-58-01)	358,015
<u>Florida Division of Emergency Management</u>			
Emergency Management Programs	31.063	15-BG-83-01-67-01-057	72,896
Emergency Management Programs	31.063	16-BG-83-01-67-01-057	26,984
			<u>99,880</u>
Emergency Management Projects - Hazards Analysis	31.067	15-CP-11-01-67-01-184	10,093
Emergency Management Projects - Hazards Analysis	31.067	16-CP-11-01-67-01-155	9,054
			<u>19,147</u>
<u>Florida Housing Finance Corporation</u>			
State Housing Initiative Partnership Program	52.901	N/A	494,891
 Total State Financial Assistance			 <u>\$ 2,628,090</u>

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

**SANTA ROSA COUNTY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES

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

**SANTA ROSA COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF AUDITOR RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

STATE FINANCIAL ASSISTANCE

Internal control over major projects:
Material weakness(es) identified? _____ yes no
Significant deficiency (ies) identified that are
not considered to be material weakness(es)? _____ yes none reported
Type of auditor's report issued on compliance
for major projects: Unmodified Opinion
Any audit findings disclosed that are required
to be reported in accordance with Chapter 10.550,
Rules of the Auditor General? _____ yes no

**SANTA ROSA COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF AUDITOR RESULTS (CONTINUED)

IDENTIFICATION OF MAJOR PROGRAMS

Federal Programs

CFDA No. 20.106 Airport Improvement Program
CFDA No. 97.029 Flood Mitigation Assistance
CFDA No. 97.036 Disaster Grant – Public Assistance

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

Auditee qualified as low-risk auditee? yes no

State Projects

CSFA No. 40.003 Enterprise Florida, Inc. – Defense Infrastructure Grant
CSFA No. 55.009 Small County Outreach Program
CSFA No. 55.032 Economic Development -Transportation Projects – Road Fund

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

B. FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with government auditing standards generally accepted in the United States of America.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

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

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE

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

**SANTA ROSA COUNTY, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

None reported.

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

None reported.