

**SANTA ROSA COUNTY, FLORIDA  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**Santa Rosa County, Florida  
FINANCIAL STATEMENTS  
September 30, 2012**

---

---

**CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	3
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	5
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	14
Statement of Activities.....	16
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Net Assets – Proprietary Funds .....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	22
Statement of Cash Flows – Proprietary Funds .....	23
Statement of Fiduciary Net Assets .....	24
Notes to the Financial Statements .....	25
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	55
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge Fund .....	56

**Santa Rosa County, Florida**  
**FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

Schedule of Funding Progress for Other Post Employment Benefits .....	57
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b> .....	58
<b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> .....	59
<b>MANAGEMENT LETTER</b> .....	61

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Board of County Commissioners  
Santa Rosa County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Santa Rosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013 on our consideration of Santa Rosa County, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, the budgetary comparison schedules on pages 55 and 56, and the schedule of funding progress on page 57 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.

*Warren Averett, LLC*

March 26, 2013  
Pensacola, Florida

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

*Fund financial statements* include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances - budget and actual**, is provided for the County's General Fund and major governmental funds as required supplemental information. For the proprietary funds, which include an internal service fund in addition to business-type activities, a **statement of net assets**; a **statement of revenues, expenses, and changes in fund net assets**; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed information about the County's activities. Individual funds are established by the County to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal grants.

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

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

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

Net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$203 million as of September 30, 2012.

The largest portion of the County's net assets (70%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

There was an increase in net assets from governmental activities of \$2.2 million. This consisted of an increase of \$1.9 million to invested in capital assets net of related debt, a decrease of \$1.5 million to restricted net assets and an increase of \$1.8 million to unrestricted net assets. The primary reasons for these relatively small net changes was the decrease in both revenues and expenditures due to the downturn in the economy and the zero growth/decrease in property tax revenues mandated by the state legislature.

There was an increase in net assets from business-type activities of \$2.8 million. This consisted of an increase of \$62,000 to net assets invested in capital assets net of related debt, an increase of \$131,000 in restricted net assets and an increase of \$2.6 million to unrestricted net assets. The primary reason for the increase to unrestricted net assets was the recalculation of the landfill closure and long-term care costs during the re-permitting process of one of the landfills.



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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 78,925	\$ 77,207	\$ 13,739	\$ 11,968	\$ 92,664	\$ 89,175
Capital assets	138,550	142,013	15,779	16,362	154,329	158,375
Total assets	<u>217,475</u>	<u>219,220</u>	<u>29,518</u>	<u>28,330</u>	<u>246,993</u>	<u>247,550</u>
Long-term liabilities						
outstanding	22,974	27,519	14,115	15,840	37,089	43,359
Other liabilities	<u>6,758</u>	<u>6,156</u>	<u>420</u>	<u>281</u>	<u>7,178</u>	<u>6,437</u>
Total liabilities	<u>29,732</u>	<u>33,675</u>	<u>14,535</u>	<u>16,121</u>	<u>44,267</u>	<u>49,796</u>
Net Assets:						
Invested in capital assets, net of related debt	131,088	129,188	10,412	10,350	141,500	139,538
Restricted	32,383	33,880	4,060	3,929	36,443	37,809
Unrestricted	<u>24,272</u>	<u>22,477</u>	<u>511</u>	<u>(2,070)</u>	<u>24,783</u>	<u>20,407</u>
Total net assets	<u>\$ 187,743</u>	<u>\$ 185,545</u>	<u>\$ 14,983</u>	<u>\$ 12,209</u>	<u>\$ 202,726</u>	<u>\$ 197,754</u>

### **Financial Analysis of Governmental Funds**

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The County's governmental funds reported combined ending fund balances of \$66.8 million (33% is unassigned). This is a \$1.3 million decrease from the previous year. The bulk of the decrease was from reduced tax revenues due to state mandated property tax rate reductions and the depressed economy.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 28,914	\$ 28,344	\$ 5,980	\$ 6,015	\$ 34,894	\$ 34,359
Operating grants & contributions	8,834	8,472	-	-	8,834	8,472
Capital grants & contributions	5,163	1,776	681	424	5,844	2,200
General revenues						
Property tax	44,210	44,678	-	-	44,210	44,678
Sales, use and fuel tax	4,966	4,688	-	-	4,966	4,688
Communications services	1,462	1,485	-	-	1,462	1,485
Grants and contributions	12,523	15,243	-	-	12,523	15,243
Investment earnings	432	293	112	51	544	344
Other	660	783	307	709	967	1,492
Total revenues	<u>107,164</u>	<u>105,762</u>	<u>7,080</u>	<u>7,199</u>	<u>114,244</u>	<u>112,961</u>
<b>Expenses:</b>						
General government	32,570	30,666	-	-	32,570	30,666
Public safety	38,621	41,859	-	-	38,621	41,859
Physical environment	4,858	4,523	-	-	4,858	4,523
Transportation	17,262	17,598	-	-	17,262	17,598
Economic environment	2,512	3,672	-	-	2,512	3,672
Human services	5,356	4,396	-	-	5,356	4,396
Culture and recreation	2,838	4,234	-	-	2,838	4,234
Interest on long term debt	311	452	-	-	311	452
Water and sewer	-	-	1,791	2,376	1,791	2,376
Airport	-	-	532	377	532	377
Landfill	-	-	2,621	4,200	2,621	4,200
Total expenses	<u>104,328</u>	<u>107,400</u>	<u>4,944</u>	<u>6,953</u>	<u>109,272</u>	<u>114,353</u>
Increase in net assets before transfers	2,836	(1,638)	2,136	246	4,972	(1,392)
Transfers	(638)	-	638	-	-	-
Change in net assets	<u>2,198</u>	<u>(1,638)</u>	<u>2,774</u>	<u>246</u>	<u>4,972</u>	<u>(1,392)</u>
Net assets, beg. of year	185,545	187,243	12,209	11,963	197,754	199,206
Prior period adjustments	-	(60)	-	-	-	(60)
Net assets, beg. of year (restated)	<u>185,545</u>	<u>187,183</u>	<u>12,209</u>	<u>11,963</u>	<u>197,754</u>	<u>199,146</u>
Net assets, end of year	<u>\$ 187,743</u>	<u>\$ 185,545</u>	<u>\$ 14,983</u>	<u>\$ 12,209</u>	<u>\$ 202,726</u>	<u>\$ 197,754</u>

The General fund is the primary operating fund of the County. Revenues exceeded expenditures by \$4.9 million. Expenditures were up by \$1.8 million (2.7%) from the prior year, mostly in general government and human services. Public safety expenditures were down from last year. With the recession and State mandated tax cuts the County has been aggressive in reducing expenditures yet costs continue to rise.

The Road and Bridge fund accounts for fuel and other taxes designated for road improvements. During the year fund balance increased by \$595,000. Transfers in from other funds of \$6.9 million offset an operating loss from road construction and flood mitigation projects.

### **Financial Analysis of Proprietary Funds**

The Navarre Beach fund accounts for the operations of the Navarre Beach water and sewer system. Revenues were down from prior year due to the economic downturn and expenses were unchanged. There was a moderate operating loss of \$75,000. Interest on the debt and a capital contribution from federal and state grants led to a net increase of \$242,000

The Landfill fund is used to account for the solid waste disposal operations at the County landfills. Operating revenues are consistent with prior year. Expenses were down mostly due to a significant decrease in landfill closure costs due to a recalculation of landfill closure and long-term care costs during the re-permitting process of one of the landfills. Operating income was \$1.5 million and the sales of recycled materials ended the year with a net increase of \$1.8 million.

### **Budgetary Analysis**

The General fund budget was increased by \$6.2 million from the original budget (an increase of 9.6%). Several departments had increases: Other BOCC Obligations, \$2.3 million for SR1 Restoration; Transfers, \$6.3 million to pay off the Jail loan and future capital projects.; Health Related Functions, \$1.5 million for funding Medicaid services.

Actual expenditures were less than the final budgeted expenditures by \$3.9 million. The reason for this variance is that the County did not spend 1) \$915,000 on Other BOCC Obligations, 2) \$432,000 for juvenile circuit court 3) \$271,000 on BOCC Data Processing and 4) \$200,000 on the Library.

## CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

As of September 30, 2012 the County had \$154 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads and other infrastructure. (See table below.) This amount represents a net decrease (including additions, discoveries and deductions) of \$4 million from last year.

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 21,897	\$ 21,357	\$ 1,191	\$ 1,191	\$ 23,088	\$ 22,548
Construction in progress	6,952	5,829	265	511	7,217	6,340
Buildings	26,157	28,681	1,369	1,503	27,526	30,184
Improvements other than buildings	72,362	74,766	10,896	11,215	83,258	85,981
Machinery, furniture and equip.	11,182	11,381	2,058	1,942	13,240	13,323
Totals	<u>\$ 138,550</u>	<u>\$ 142,014</u>	<u>\$ 15,779</u>	<u>\$ 16,362</u>	<u>\$ 154,329</u>	<u>\$ 158,376</u>

This year's major additions included:

Pace Community Center (CIP)	\$ 813,627
Sheriff's Equipment	\$ 757,986
Trash Compactor for Landfill	\$ 449,934
Land purchased for flood mitigation	\$ 441,776
Excavator for road crew	\$ 163,890
Loader for road crew	\$ 160,675
Taxiway Expansion at Peter Prince Airport (CIP)	\$ 152,751

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ 1,128	\$ 1,398	\$ 1,128	\$ 1,398	\$ 2,256	\$ 2,796
Notes payable	1,169	4,874	4,324	4,720	5,493	9,594
Special assessment notes	5,166	6,554	-	-	5,166	6,554
Totals	<u>\$ 7,463</u>	<u>\$ 12,826</u>	<u>\$ 5,452</u>	<u>\$ 6,118</u>	<u>\$ 12,915</u>	<u>\$ 18,944</u>

A special assessment note payable to finance the capital improvements in the Skiwatch Estates MSBU was issued. The Jail Improvement note payable was paid off ahead of schedule. More detailed information about the County's capital assets and long term liabilities is presented in Notes F & G to the financial statements, respectively.

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

In July 2012 President Obama signed the Resources and Ecosystems Sustainability, Tourist Opportunities and Revived Economies of the Gulf Coast States (RESTORE) Act which dedicates 80 percent of all Clean Water Act penalties paid by those responsible for the 2010 Deep Water Horizon BP Oil Spill to Gulf Coast restoration. Without the act, the funds would have gone into the U.S. Treasury. Estimates of the total penalties range from \$5 to \$20 billion.

The Gulf Consortium was established as a result of the RESTORE Act, made up of 23 counties impacted by the spill, to determine and oversee the distribution of the State's allocation. The Gulf Consortium is responsible for developing a plan for accepting and processing project proposals for the state portion of the RESTORE Act funds. Santa Rosa County is a member of the Gulf Consortium as one of the eight Disproportionally Impacted counties which, as a whole, are allocated 80 percent of the State's allocation.

The Santa Rosa County Local RESTORE Council, made up of 11 local representatives, are tasked with creating a framework and reviewing projects to determine eligibility of the County's direct RESTORE funding.

## **BASIC FINANCIAL STATEMENTS**

**Santa Rosa County, Florida**

**STATEMENT OF NET ASSEIS**

**September 30, 2012**

ASSETS	Governmental Activities	Business-type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash and cash equivalents	\$ 65,647,238	\$ 8,819,243	\$ 74,466,481
Investments	6,927,236	4,061,168	10,988,404
Receivables, net	6,031,173	845,053	6,876,226
Inventory	300,732	--	300,732
Deferred charges	17,530	13,903	31,433
Capital assets, net			
Nondepreciable	28,848,747	1,456,354	30,305,101
Depreciable	109,701,750	14,322,450	124,024,200
Total assets	<u>217,474,406</u>	<u>29,518,171</u>	<u>246,992,577</u>
<b>LIABILITIES</b>			
Accounts payable	3,344,852	261,204	3,606,056
Contracts payable	358,485	15,275	373,760
Accrued wages payable	1,914,202	99,816	2,014,018
Interest payable	27,519	2,740	30,259
Due to other governments	536,835	1,224	538,059
Deposits	264,782	39,828	304,610
Unearned revenue	310,961	--	310,961
Noncurrent liabilities			
Due within one year	7,124,458	1,003,312	8,127,770
Due in more than one year	15,849,602	13,111,408	28,961,010
Total liabilities	<u>29,731,696</u>	<u>14,534,807</u>	<u>44,266,503</u>

Continued...

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

**Santa Rosa County, Florida**

**STATEMENT OF NET ASSEIS (Continued)**

**September 30, 2012**

NET ASSETS	Governmental Activities	Business-type Activities	Total
Invested in capital assets, net of related debt	131,087,734	10,411,539	141,499,273
Restricted for:			
Nonexpendable:			
Inventory	300,732		300,732
Advance to other fund	260,000		260,000
Expendable:			
Landfill closure	--	4,061,168	4,061,168
Communications	1,016,885	--	1,016,885
Boating improvement	300,787	--	300,787
Domestic violence	114,935	--	114,935
Voter education	17,532	--	17,532
Pollworker recruitment	1,887	--	1,887
Federal elections	12,328	--	12,328
Partners for pets	6,157	--	6,157
Navarre Beach Bridge maintenance	3,671,371	--	3,671,371
Law Enforcement Trust Fund	64,961	--	64,961
Crime prevention	277,554	--	277,554
Mosquito control	38,218	--	38,218
Federal and state grants	622,300	--	622,300
Enhanced 911 system	1,347,106	--	1,347,106
Transportation, recreation and economic development	3,098,133	--	3,098,133
Tourist development	2,434,477	--	2,434,477
Infrastructure development	3,475,704	--	3,475,704
State Housing Improvement Program	302,283	--	302,283
Fire prevention and control	897,200	--	897,200
Road and sewer construction	705,331	--	705,331
Canal maintance	115,783	--	115,783
Street lighting	69,392	--	69,392
State court operations	50,822	--	50,822
Court equipment and technology	797,496	--	797,496
Records modernization trust fund	202,510	--	202,510
Law enforcement training	27,525	--	27,525
Inmate welfare purchases	730,686	--	730,686
Gas and oil preservation	3,551,667	--	3,551,667
Capital construction projects	7,871,041	--	7,871,041
Unrestricted	24,272,173	510,657	24,782,830
Total net assets	<u>\$ 187,742,710</u>	<u>\$ 14,983,364</u>	<u>\$ 202,726,074</u>

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



**Santa Rosa County, Florida**

**STATEMENT OF ACTIVITIES**

**Year ended September 30, 2012**

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 32,570,186	\$ 18,081,960	\$ 3,605,434	\$ 527,226	\$ (10,355,566)		\$ (10,355,566)
Public safety	38,621,376	4,370,643	737,241	1,887,221	(31,626,271)		(31,626,271)
Physical environment	4,858,171	5,782,002	15,000	1,161,744	2,100,575		2,100,575
Transportation	17,262,229	261,684	1,397,539	1,586,762	(14,016,244)		(14,016,244)
Economic environment	2,512,105	--	2,754,679	--	242,574		242,574
Human services	5,355,802	36,603	54,487	--	(5,264,712)		(5,264,712)
Culture and recreation	2,837,640	380,985	269,569	--	(2,187,086)		(2,187,086)
Interest on long-term debt	310,886	--	--	--	(310,886)		(310,886)
Total governmental activities	104,328,395	28,913,877	8,833,949	5,162,953	(61,417,616)		(61,417,616)
<b>Business-type activities:</b>							
Navarre Beach water and sewer	1,790,622	1,690,378	--	334,033		\$ 233,789	233,789
Peter Prince Airport	531,658	231,914	--	346,938		47,194	47,194
Landfill	2,621,080	4,057,528	--	--		1,436,448	1,436,448
Total business-type activities	4,943,360	5,979,820	--	680,971		1,717,431	1,717,431
<b>Total</b>	<b>109,271,755</b>	<b>34,893,697</b>	<b>8,833,949</b>	<b>5,843,924</b>	<b>(61,417,616)</b>	<b>1,717,431</b>	<b>(59,700,185)</b>
<b>General revenues:</b>							
<b>Taxes</b>							
Property taxes					44,209,879	--	44,209,879
Sales, use and fuel taxes					4,965,861	--	4,965,861
Communication services taxes					1,461,621	--	1,461,621
Grants and contributions not restricted to specific programs					12,523,404	--	12,523,404
Unrestricted investment earnings					431,939	112,147	544,086
Miscellaneous					595,156	341	595,497
Gain on sale of assets					65,596	306,836	372,432
Transfers					(637,906)	637,906	--
Total general revenues and transfers					63,615,550	1,057,230	64,672,780
Change in net assets					2,197,934	2,774,661	4,972,595
Net assets - beginning					185,544,776	12,208,703	197,753,479
Net assets - ending					\$ 187,742,710	\$ 14,983,364	\$ 202,726,074

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

**Santa Rosa County, Florida**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**September 30, 2012**

ASSETS	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 21,586,220	\$ 15,204,176	\$ 23,059,136	\$ 59,849,532
Investments	6,306,473	--	--	6,306,473
Receivables, net of uncollectibles				
Accounts	351,330	290	1,050,755	1,402,375
Interest	3,149	1,357	5,349	9,855
Due from other governments	2,169,139	866,494	1,547,690	4,583,323
Due from other funds	887,116	--	49,252	936,368
Advances to other funds	10,000	250,000	--	260,000
Inventory	125,386	175,346	--	300,732
Total assets	<u>\$ 31,438,813</u>	<u>\$ 16,497,663</u>	<u>\$ 25,712,182</u>	<u>\$ 73,648,658</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,268,849	\$ 658,388	\$ 308,368	\$ 2,235,605
Contracts payable	144,773	136,163	77,549	358,485
Accrued wages payable	1,541,601	249,958	110,495	1,902,054
Deposits	264,782	--	--	264,782
Unearned revenue	231,383	--	79,578	310,961
Due to other funds	11,652	--	924,716	936,368
Due to other governments	458,303	--	78,532	536,835
Advance payable to other funds	--	--	260,000	260,000
Total liabilities	<u>3,921,343</u>	<u>1,044,509</u>	<u>1,839,238</u>	<u>6,805,090</u>
<b>FUND BALANCES</b>				
Fund balances				
Nonspendable	135,386	425,346	--	560,732
Restricted	1,407,140	3,734,742	12,159,348	17,301,230
Committed	3,596,898	--	11,188,029	14,784,927
Assigned	190,222	11,293,066	699,000	12,182,288
Unassigned	22,187,824	--	(173,433)	22,014,391
Total fund balances	<u>27,517,470</u>	<u>15,453,154</u>	<u>23,872,944</u>	<u>66,843,568</u>
Total liabilities and fund balances	<u>\$ 31,438,813</u>	<u>\$ 16,497,663</u>	<u>\$ 25,712,182</u>	<u>\$ 73,648,658</u>

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

**Santa Rosa County, Florida**

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

**September 30, 2012**

<b>Total Governmental Funds Balances</b>	\$	66,843,568
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Prior periods' investment in capital assets		241,509,849
Less accumulated depreciation		(99,499,758)
Current period investment in capital assets		5,837,331
Current period depreciation		(8,866,719)
Current period loss on disposal of capital assets		(431,909)
 Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Revenue bonds		(1,291,489)
Notes payable		(4,873,990)
Compensated absences		(7,529,522)
Special assessment notes payable		(6,553,227)
Interest payable		(27,519)
Other post employment benefits liability		(3,868,269)
Current period revenue bond payments		269,992
Current period note payments		3,705,491
Current period change in compensated absences		(99,813)
Current period special assessment note payments		1,655,120
Current period bond refunding costs		(4,465)
Current period debt proceeds		(268,350)
Current period increase in other post employment benefits liability		(1,093,489)
 Internal service funds are used by management to charge the costs of providing insurance coverage to individual funds and therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.		
Assets		6,455,792
Liabilities		(4,125,914)
 <b>Net Assets of Governmental Activities</b>	 \$	 <u>187,742,710</u>

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

Santa Rosa County, Florida

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

Year ended September 30, 2012

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 45,525,877	\$ 3,898,644	\$ 1,212,840	\$ 50,637,361
Permits, fees and special assessments	1,214,180	35,544	11,324,468	12,574,192
Intergovernmental	12,929,877	5,774,144	6,266,012	24,970,033
Charges for services	7,869,720	15,326	2,601,981	10,487,027
Fines and forfeits	295,342	--	187,039	482,381
Miscellaneous	3,331,797	272,165	456,714	4,060,676
Total revenues	<u>71,166,793</u>	<u>9,995,823</u>	<u>22,049,054</u>	<u>103,211,670</u>
<b>Expenditures</b>				
Current				
General government	22,476,691	--	4,885,753	27,362,444
Public safety	33,299,326	--	4,618,426	37,917,752
Physical environment	1,433,718	1,715,608	1,673,063	4,822,389
Transportation	859,254	14,438,056	393,035	15,690,345
Economic environment	239,238	--	2,277,404	2,516,642
Human services	5,315,298	--	153,482	5,468,780
Culture and recreation	2,670,246	--	25,000	2,695,246
Capital outlay	--	--	1,048,244	1,048,244
Debt service	--	--	5,929,483	5,929,483
Total expenditures	<u>66,293,771</u>	<u>16,153,664</u>	<u>21,003,890</u>	<u>103,451,325</u>
Excess (deficiency) of revenues over expenditures	4,873,022	(6,157,841)	1,045,164	(239,655)
<b>Other financing sources (uses)</b>				
Transfers in	2,517,398	6,878,623	10,512,457	19,908,478
Transfers out	(7,815,717)	--	(13,230,667)	(21,046,384)
New debt issuance	--	--	268,350	268,350
Total other financing sources (uses)	<u>(5,298,319)</u>	<u>6,878,623</u>	<u>(2,449,860)</u>	<u>(869,556)</u>
Net change in fund balances	(425,297)	720,782	(1,404,696)	(1,109,211)
Fund balances, beginning of year	27,977,451	14,858,181	25,277,640	68,113,272
Change in reserve for inventory	(34,684)	(125,809)	--	(160,493)
Fund balances, end of year	<u>\$ 27,517,470</u>	<u>\$ 15,453,154</u>	<u>\$ 23,872,944</u>	<u>\$ 66,843,568</u>

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

**Santa Rosa County, Florida**

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

**For the year ended September 30, 2012**

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,109,211)

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

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

Current period investment in capital assets	5,837,331
Current period depreciation	(8,866,719)
Current period loss on disposal of capital assets	(431,909)

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

Change in interest payable	9,989
----------------------------	-------

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

Current period change in compensated absences	(99,813)
Current period note payments	3,705,491
Current period revenue bond payments	269,992
Current period special assessment note payments	1,655,120
Current period bond refunding costs	(21,995)
Current period debt proceeds	(268,350)
Current period increase in other post employment benefits liability	(1,093,489)

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

2,771,990

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds

Change in reserve for inventory	(160,493)
---------------------------------	-----------

**Change in Net Assets of Governmental Activities** **\$ 2,197,934**

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

**Santa Rosa County, Florida**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**September 30, 2012**

	Business-type Activities				Governmental
	Major Funds		Non-Major Fund	Total Enterprise Funds	Activities
	Navarre Beach	Landfill	Peter Prince Field		Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,396,406	\$ 5,115,081	\$ 1,307,756	\$ 8,819,243	\$ 5,797,706
Investments	--	--	--	--	620,763
Accounts receivable	202,800	434,252	10,390	647,442	33,941
Interest	614	1,405	180	2,199	1,679
Due from other governments	--	--	195,412	195,412	--
Total current assets	<u>2,599,820</u>	<u>5,550,738</u>	<u>1,513,738</u>	<u>9,664,296</u>	<u>6,454,089</u>
Noncurrent assets					
Restricted investments	--	4,061,168	--	4,061,168	--
Deferred charges	--	13,903	--	13,903	--
Capital assets, net of accumulated depreciation	6,930,589	5,498,229	3,349,986	15,778,804	1,703
Total noncurrent assets	<u>6,930,589</u>	<u>9,573,300</u>	<u>3,349,986</u>	<u>19,853,875</u>	<u>1,703</u>
Total assets	<u>\$ 9,530,409</u>	<u>\$ 15,124,038</u>	<u>\$ 4,863,724</u>	<u>\$ 29,518,171</u>	<u>\$ 6,455,792</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 43,509	\$ 66,709	\$ 150,986	\$ 261,204	\$ 1,109,247
Contracts payable	--	--	15,275	15,275	--
Current portion of claims payable	--	--	--	--	1,894,787
Accrued wages payable	24,760	73,756	1,300	99,816	12,148
Due to other governments	--	--	1,224	1,224	--
Compensated absences - current portion	70,000	195,000	--	265,000	40,000
Revenue bonds - current	--	274,692	--	274,692	--
Note payable - current	411,648	--	--	411,648	--
Accrued interest	--	2,740	--	2,740	--
Deposits	10,900	28,328	600	39,828	--
Current portion of landfill closure costs	--	51,972	--	51,972	--
Total current liabilities	<u>560,817</u>	<u>693,197</u>	<u>169,385</u>	<u>1,423,399</u>	<u>3,056,182</u>
Noncurrent liabilities					
Long term portion of compensated absences	16,504	83,482	--	99,986	58,456
Long term portion of claims payable	--	--	--	--	990,085
Long term portion of landfill closure costs	--	8,158,673	--	8,158,673	--
Revenue bonds payable - net of discount	--	768,800	--	768,800	--
Note payable - noncurrent	3,912,125	--	--	3,912,125	--
OPEB liability	41,532	129,148	1,144	171,824	21,191
Total noncurrent liabilities	<u>3,970,161</u>	<u>9,140,103</u>	<u>1,144</u>	<u>13,111,408</u>	<u>1,069,732</u>
Total liabilities	<u>4,530,978</u>	<u>9,833,300</u>	<u>170,529</u>	<u>14,534,807</u>	<u>4,125,914</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,606,816	4,454,737	3,349,986	10,411,539	1,703
Restricted for landfill closure	--	4,061,168	--	4,061,168	--
Unrestricted	2,392,615	(3,225,167)	1,343,209	510,657	2,328,175
Total net assets	<u>4,999,431</u>	<u>5,290,738</u>	<u>4,693,195</u>	<u>14,983,364</u>	<u>2,329,878</u>
Total liabilities and net assets	<u>\$ 9,530,409</u>	<u>\$ 15,124,038</u>	<u>\$ 4,863,724</u>	<u>\$ 29,518,171</u>	<u>\$ 6,455,792</u>

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

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

**Year ended September 30, 2012**

	Business-type Activities				Governmental
	Major Funds		Non-Major Fund		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Operating revenues					
Permits, fees and special assessments	\$ --	\$ 43,450	\$ --	\$ 43,450	\$ --
Charges for services	1,690,378	4,014,078	231,914	5,936,370	916,150
Insurance proceeds	--	--	--	--	1,299,576
Miscellaneous	--	110	231	341	40
Total operating revenues	<u>1,690,378</u>	<u>4,057,638</u>	<u>232,145</u>	<u>5,980,161</u>	<u>2,215,766</u>
Operating expenses					
Personal services	580,484	1,824,876	30,726	2,436,086	264,636
Contract services	88,187	281,429	194,357	563,973	135,092
Supplies	79,307	49,591	--	128,898	15,821
Repairs and maintenance	145,395	411,321	12,046	568,762	1,488
Utilities	311,258	53,010	24,424	388,692	--
Depreciation	522,341	598,256	268,759	1,389,356	1,438
Travel and per diem	--	11,158	--	11,158	5,402
Insurance	8,050	17,480	--	25,530	77,183
Communications	10,485	18,938	701	30,124	335
Advertising	--	462	--	462	--
Fuel and oil	17,628	341,950	--	359,578	--
Rentals	--	23,508	--	23,508	--
Landfill closure and maintenance	--	(1,127,575)	--	(1,127,575)	--
Claims	--	--	--	--	1,150,686
State assessment	--	--	--	--	17,187
Miscellaneous	2,055	7,365	645	10,065	11,307
Total operating expenses	<u>1,765,190</u>	<u>2,511,769</u>	<u>531,658</u>	<u>4,808,617</u>	<u>1,680,575</u>
Operating income (loss)	(74,812)	1,545,869	(299,513)	1,171,544	535,191
Non-operating revenues (expenses)					
Investment income	8,449	100,858	2,840	112,147	25,496
Interest expense	(25,432)	(21,146)	--	(46,578)	--
Sale of recycled materials	--	306,836	--	306,836	--
Gain (loss) on disposal of assets	--	(2,543)	--	(2,543)	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(25,622)	--	(25,622)	--
Total non-operating revenues (expenses)	<u>(16,983)</u>	<u>298,383</u>	<u>2,840</u>	<u>284,240</u>	<u>25,496</u>
Income (loss) before contributions and transfers	(91,795)	1,844,252	(296,673)	1,455,784	560,687
Transfers in	--	--	637,906	637,906	500,000
Capital contribution	334,033	--	346,938	680,971	1,711,303
Change in net assets	242,238	1,844,252	688,171	2,774,661	2,771,990
Net assets, beginning of year	<u>4,757,193</u>	<u>3,446,486</u>	<u>4,005,024</u>	<u>12,208,703</u>	<u>(442,112)</u>
Net assets, end of year	<u>\$ 4,999,431</u>	<u>\$ 5,290,738</u>	<u>\$ 4,693,195</u>	<u>\$ 14,983,364</u>	<u>\$ 2,329,878</u>

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

**Santa Rosa County, Florida**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year ended September 30, 2012**

	Business-type Activities				Governmental Activities
	Major Funds		Non-Major Fund		
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	
Cash flows from operating activities					
Cash received from customers	\$ 1,985,220	\$ 4,070,223	\$ 40,085	\$ 6,095,528	\$ 40
Cash paid to suppliers	(696,490)	(1,202,911)	(71,650)	(1,971,051)	(246,628)
Cash paid to employees	(567,950)	(1,798,862)	(30,047)	(2,396,859)	(266,041)
Cash received from interfund services provided	--	--	--	--	2,206,479
Cash paid for internal services provided	--	--	--	--	(2,037,627)
Net cash provided (used) by operating activities	720,780	1,068,450	(61,612)	1,727,618	(343,777)
Cash flows from noncapital financing activities					
Sale of recycled materials	--	306,836	--	306,836	--
Transfers in (out)	--	--	--	--	500,000
Aid to private organizations	--	(60,000)	--	(60,000)	--
Net cash provided (used) by noncapital financing activities	--	246,836	--	246,836	500,000
Cash flows from capital and related financing activities					
Transfers in(out)	--	--	637,906	637,906	--
Capital contribution	334,033	--	346,938	680,971	1,711,303
Purchases of capital assets	(31,541)	(515,617)	(262,106)	(809,264)	--
Principal paid on capital debt	(396,030)	(269,992)	--	(666,022)	--
Interest paid on capital debt	(25,432)	(22,149)	--	(47,581)	--
Net cash provided (used) by capital and related financing activities	(118,970)	(807,758)	722,738	(203,990)	1,711,303
Cash flows from investing activities					
Interest and dividends	8,058	100,481	2,864	111,403	24,484
Net sale (purchase) of investments	--	(132,200)	--	(132,200)	(12,608)
Net cash provided (used) by investing activities	8,058	(31,719)	2,864	(20,797)	11,876
Net increase (decrease) in cash and cash equivalents	609,868	475,809	663,990	1,749,667	1,879,402
Cash and cash equivalents at beginning of year	1,786,538	4,639,272	643,766	7,069,576	3,918,304
Cash and cash equivalents at end of year	<u>\$ 2,396,406</u>	<u>\$ 5,115,081</u>	<u>\$ 1,307,756</u>	<u>\$ 8,819,243</u>	<u>\$ 5,797,706</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (74,812)	\$ 1,545,869	\$ (299,513)	\$ 1,171,544	\$ 535,191
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	522,341	598,256	268,759	1,389,356	1,438
Landfill closure costs	--	(1,127,575)	--	(1,127,575)	--
Changes in assets and liabilities:					
Accounts receivable	293,725	6,406	(345)	299,786	(9,247)
Due to other governments	--	--	(25)	(25)	--
Accounts payable	(34,125)	13,301	145,273	124,449	(474,099)
Contracts payable	--	--	15,275	15,275	--
Accrued compensation	1,367	(8,733)	60	(7,306)	1,178
Compensated absences	534	4,514	--	5,048	(7,641)
Due from other governments	--	--	(192,015)	(192,015)	--
OPEB liability	10,633	30,233	619	41,485	5,058
Claims payable	--	--	--	--	(395,655)
Deposits	1,117	6,179	300	7,596	--
Net cash provided (used) by operating activities	<u>\$ 720,780</u>	<u>\$ 1,068,450</u>	<u>\$ (61,612)</u>	<u>\$ 1,727,618</u>	<u>\$ (343,777)</u>
Noncash Investing, Capital and Financing Activities:					
Amortized bond refunding costs	\$ --	\$ 3,627	\$ --	\$ 3,627	\$ --
Disposal of assets	--	2,543	--	2,543	--
Amortized deferred charges	--	21,996	--	21,996	--
	<u>\$ --</u>	<u>\$ 28,166</u>	<u>\$ --</u>	<u>\$ 28,166</u>	<u>\$ --</u>

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



Santa Rosa County, Florida

STATEMENT OF FIDUCIARY NET ASSETS

September 30, 2012

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,413,653
Accounts receivable	85,613
Total assets	<u>\$ 3,499,266</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 93,035
Deposits	882,236
Due to other governments	2,505,030
Miscellaneous	18,965
Total liabilities	<u>\$ 3,499,266</u>

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

**GUIDE TO NOTES**

	<b><u>Page</u></b>
Note A Summary of Accounting Policies.....	26
Note B Cash and Investments.....	35
Note C Due From Other Governmental Units.....	37
Note D Interfund Transactions.....	38
Note E Receivables.....	38
Note F Capital Assets.....	39
Note G Long-Term Debt.....	40
Note H Conduit Debt Obligations.....	46
Note I Landfill Closure and Postclosure Care Costs.....	46
Note J Commitments and Contingencies.....	47
Note K Fund Balances.....	48
Note L Risk Management.....	50
Note M Other Post Employment Benefits.....	51

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

**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.

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

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

**Dependent Special Districts**

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

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

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

***Santa Rosa County Health Facilities Authority*** - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, 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 Santa Rosa County. The Board, through various resolutions and interlocal agreements with the Escambia County Housing Finance Authority (ECHFA), has authorized ECHFA to allow qualified residents of the County to apply for and obtain preferential mortgages from proceeds generated by bonds issued by ECHFA. Accordingly, there is no financial activity related to the Authority to be reflected in these financial statements.

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

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

**3. Basis of Accounting**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets then from unrestricted net assets. The government-wide statement of net assets reports \$32,382,802 of restricted net assets, of which \$31,822,070 is restricted by enabling legislation.

**FUND FINANCIAL STATEMENTS**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

**GOVERNMENTAL FUNDS**

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

The major governmental funds are:

- General Fund – This is the County’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Road and Bridge Fund – Accounts for that portion of state fuel taxes and fees designated for road improvement projects.

**Revenue Recognition**

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

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

**Expenditure Recognition**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

**PROPRIETARY FUNDS**

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

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

The major proprietary funds are:

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

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

**FIDUCIARY FUNDS**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

**4. Budgets and Budgetary Accounting**

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

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

**5. Cash and Cash Equivalents**

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

**6. Investments**

Investments in 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, bank certificates of deposit and short term money market investments are reported at amortized cost rather than fair value.

**7. Inventory**

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

In the fund level statements, reported inventories are equally offset by a nonspendable fund balance since such amounts will not convert to cash even though they are a component of net current assets.



**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

**8. Accounting for Capital Assets**

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

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

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

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

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

**9. Compensated Absences**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

**10. Property Taxes**

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

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

Property taxes levied on property valuations as of January 1, 2012 and expected to be collected during the period November 2011 through March 2012 are as follows:

General Fund	\$ 41,837,150
Fine and Forfeiture Fund	\$ 46,040

These taxes, although measurable, are not recognized as revenue at September 30, 2012, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

**11. Landfill Closure Costs**

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

**12. Allowance for Uncollectible Amounts**

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

**13. Fund Balance**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

**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 County 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 County 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 County. Those committed amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action (ordinance or resolution) 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 County 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 County 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 County 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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2012, the bank held deposits of \$79,401,717 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

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

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

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

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

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

**The Investment Trust:**

A short term bond fund with an investment portfolio structured to maintain safety of principal and maximize available yield through a balance of quality and diversification. As of September 30, 2012 the Investment Trust managed \$743,521,406 for 35 local governmental entities. At a price per share of \$23.8526 the Investment Trust has produced a 12-month total return of 2.073% and a market yield of 1.46%. This short term bond fund invests in U.S. Treasuries and Agency Securities, Mortgages, Commercial Paper, Asset-Backed Securities, and "A" rated Corporate Securities.

**The Day to Day Fund:**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

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

Schedule of Cash and Investments at September 30, 2012

	<u>Carrying Amount</u>
Investments:	
FLGIT Investment Trust Fund	\$ 10,988,404
Total Investments	<u>10,988,404</u>
Cash:	
Cash in Bank	34,137,505
Day to Day Trust	40,327,650
Petty Cash	<u>1,325</u>
Total Cash	<u>74,466,480</u>
Total Cash and Investments	<u><u>\$ 85,454,884</u></u>

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

Restricted investments by category and by fund are as follows:

	<u>Landfill Fund</u>
Landfill escrow	\$ 4,061,168

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

At September 30, 2012, amounts due from other governmental units were as follows:

Federal Government - Grants	\$ 1,497,317
State of Florida - Grants	668,683
State of Florida - Taxes	1,145,967
Local - Taxes	880,208
Other	<u>586,560</u>
	<u><u>\$ 4,778,735</u></u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE D – INTERFUND TRANSACTIONS**

Interfund transactions for the year ended September 30, 2012 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Transfers in</u>	<u>Interfund Transfers out</u>
General fund	\$ 897,116	\$ 11,652	\$ 2,517,398	\$ 7,815,717
Road & Bridge fund	250,000	-	6,878,623	-
Nonmajor Governmental funds	49,252	1,184,716	10,512,457	13,230,667
Nonmajor Business-type fund	-	-	637,906	-
Self Insurance fund	-	-	500,000	-
Total	<u>\$ 1,196,368</u>	<u>\$ 1,196,368</u>	<u>\$ 21,046,384</u>	<u>\$ 21,046,384</u>

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

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

**NOTE E – RECEIVABLES**

<u>Governmental</u>	<u>Accounts</u>	<u>Interest</u>	<u>Intergov- ernmental</u>	<u>Total</u>
General	\$ 351,330	\$ 3,149	\$ 2,169,139	\$ 2,523,618
Road & Bridge	290	1,357	866,494	868,141
NonMajor Govt.	1,050,755	5,349	1,547,690	2,603,794
Self Insurance	33,941	1,679	-	35,620
Subtotal	<u>1,436,316</u>	<u>11,534</u>	<u>4,583,323</u>	<u>6,031,173</u>
<u>Business-Type</u>				
Navarre Beach	202,800	614	-	203,414
Landfill	434,252	1,405	-	435,657
NonMajor Business	10,390	180	195,412	205,982
Subtotal	<u>647,442</u>	<u>2,199</u>	<u>195,412</u>	<u>845,053</u>
Total	<u>\$ 2,083,758</u>	<u>\$ 13,733</u>	<u>\$ 4,778,735</u>	<u>\$ 6,876,226</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE F – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2012 was as follows (in thousands):.

<b>Governmental activities</b>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 21,357	\$ 540	\$ -	\$ 21,897
Construction in progress	5,829	1,378	255	6,952
Total capital assets not being depreciated	27,186	1,918	255	28,849
Other capital assets:				
Buildings	60,234	101	-	60,335
Improvements other than buildings	114,238	1,031	-	115,269
Machinery and equipment	39,864	2,788	774	41,878
Total capital assets being depreciated	214,336	3,920	774	217,482
Less accumulated depreciation for:				
Buildings	31,553	2,625	-	34,178
Improvements other than buildings	39,472	3,435	-	42,907
Machinery and equipment	28,484	2,833	621	30,696
Total accumulated depreciation	99,509	8,893	621	107,781
Total capital assets being depreciated, net	114,827	(4,973)	153	109,701
Governmental activities capital assets, net	\$ 142,013	\$ (3,055)	\$ 408	\$ 138,550
<b>Business like activities</b>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,191	\$ -	\$ -	\$ 1,191
Construction in progress	511	251	497	265
Total capital assets not being depreciated	1,702	251	497	1,456
Other capital assets:				
Buildings	2,897	-	-	2,897
Improvements other than buildings	24,157	540	205	24,492
Furniture and fixtures	6,093	516	23	6,586
Total capital assets being depreciated	33,147	1,056	228	33,975
Less accumulated depreciation for:				
Buildings	1,394	134	-	1,528
Improvements other than buildings	12,942	859	205	13,596
Furniture and fixtures	4,151	397	20	4,528
Total accumulated depreciation	18,487	1,390	225	19,652
Total capital assets being depreciated, net	14,660	(334)	3	14,323
Business like activities capital assets, net	\$ 16,362	\$ (83)	\$ 500	\$ 15,779



**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

**NOTE F – CAPITAL ASSETS – Continued**

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

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,931,168
Public safety	1,311,967
Physical environment	44,710
Transportation	3,113,000
Economic environment	74,727
Human services	104,053
Culture and recreation	<u>1,285,656</u>
Total governmental activities depreciation expense	<u>\$ 8,865,281</u>

Business-type activities:

Water and sewer	\$ 522,341
Landfill	598,256
Hanger rental	<u>268,759</u>
Total business-type activities depreciation expense	<u>\$ 1,389,356</u>

**NOTE G- LONG-TERM DEBT**

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

Deferred losses on refunding of bonds totaling \$84,315 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$13,903 at year end.

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

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

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

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012	Amount Due within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 7,635,618	\$ 3,940,367	\$ 3,848,195	\$ 7,727,790	\$ 3,800,000
Claims payable	3,280,527	1,147,696	1,543,351	2,884,872	1,894,787
Revenue bonds	1,397,799	-	269,992	1,127,807	274,691
Notes payable	4,873,990	-	3,705,491	1,168,499	79,072
Special assessment notes	6,553,227	268,350	1,655,120	5,166,457	1,075,908
OPEB liability	3,884,402	1,658,376	559,829	4,982,949	-
	<u>\$ 27,625,563</u>	<u>\$ 7,014,789</u>	<u>\$ 11,581,978</u>	<u>\$ 23,058,374</u>	<u>\$ 7,124,458</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 359,938	\$ 208,611	\$ 203,563	\$ 364,986	\$ 265,000
Landfill closure costs	9,338,221	-	1,127,576	8,210,645	51,972
Revenue bonds	1,397,799	-	269,992	1,127,807	274,691
Notes payable	4,719,802	-	396,030	4,323,772	411,648
OPEB liability	130,339	62,628	21,143	171,824	-
	<u>\$ 15,946,099</u>	<u>\$ 271,239</u>	<u>\$ 2,018,304</u>	<u>\$ 14,199,034</u>	<u>\$ 1,003,311</u>

**2. Descriptions of Bonds and Notes**

Bonds and notes payable at September 30, 2012 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.

\$935,966

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

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

<p>\$4,825,000 special assessment note payable to bank for the construction of certain restoration improvements to Navarre Beach. The note is due in 28 quarterly payments of \$172,321 plus interest at 3.66%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	172,321
<p>\$900,000 special assessment note payable to bank for the construction of certain restoration improvements to Navarre Beach. The note is due in 27 quarterly payments of \$33,333 plus interest at 3.76%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	33,333
<p>\$495,570 special assessment note payable to bank for the construction of certain road improvements in the Blackwater River and Smuggler's Cove subdivisions. The note is due in 36 quarterly payments of \$13,777 plus interest at 4.28%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	179,100
<p>\$341,000 special assessment note payable to bank for the construction of infrastructure improvements for Duke Drive MSBU. The note is due in 32 quarterly payments of \$9,243 to \$12,225 plus interest at 3.74% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	162,850
<p>\$600,000 special assessment note payable to bank for the construction of infrastructure improvements on Polynesian Island Canal. The note is due in 28 quarterly payments. Payments are interest only at 4.05% until 2012 then principal payments of \$36,085 to \$48,931 plus interest with final payment due in 2015. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.</p>	473,763
<p>\$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.</p>	90,487
<p>\$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.</p>	207,475

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

**NOTE G - 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>	1,493,016
<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>	232,533
<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>	352,679
<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>	428,970
<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>	71,403
<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>	315,207
<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>	634,184

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

**NOTE G - 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. 301,156

\$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. 250,513

General government - bonds payable

\$3,027,579 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. 1,127,807

Total general government bonds and notes payable \$ 7,462,763

Proprietary fund type - note payable

Navarre Beach

\$6,500,000 Utility System Revenue Note, Series 2006 payable to bank for the construction of certain improvements and additions to the Navarre Beach Utility System. The note is due in 15 annual payments of \$335,333 to \$555,568 plus interest at 3.767%, adjusted every 3 years, secured by non-ad valorem revenues. 4,323,773

Proprietary fund type - bonds payable

Landfill

\$3,027,579 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. 1,127,807

Total proprietary fund type bonds and note payable \$ 5,451,580

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

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

**3. Debt Service Requirements**

The annual requirements to amortize all bonds and notes outstanding at September 30, 2012 are as follows:

Governmental activities:

Year ended September 30,	Principal	Interest	Total
2013	\$ 1,415,237	\$ 207,385	\$ 1,622,622
2014	1,258,633	172,084	1,430,717
2015	1,193,047	133,856	1,326,903
2016	1,059,316	100,243	1,159,559
2017	700,352	74,667	775,019
2018-2022	1,350,012	168,486	1,518,498
2023-2027	486,166	33,713	519,879
	<u>\$ 7,462,763</u>	<u>\$ 890,434</u>	<u>\$ 8,353,197</u>

Business-type activities:

Year ended September 30,	Principal	Interest	Total
2013	\$ 686,340	\$ 175,037	\$ 861,377
2014	706,845	154,232	861,077
2015	728,034	133,050	861,084
2016	749,621	110,518	860,139
2017	478,220	89,459	567,679
2018-2022	2,102,520	164,587	2,267,107
	<u>\$ 5,451,580</u>	<u>\$ 826,883</u>	<u>\$ 6,278,463</u>

**4. Defeased Debt Outstanding**

In prior years the County defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2012, \$4.1 million of bonds are considered defeased.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE H - CONDUIT DEBT OBLIGATIONS**

The County has issued certain limited-obligation debt instruments, including: 1) industrial development revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest; and 2) 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, 2012 are as follows:

	Date Issued	Final Maturity	Amount Issued	Outstanding 9/30/2012
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	2,800,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	678,773
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	300,000	158,458
			<u>\$ 63,519,000</u>	<u>\$ 61,542,231</u>

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

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$8.2 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2012, 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	74%
Central Class III Landfill	30%
Central Class III Landfill	Closed 10/98
Holley Landfill	Closed 06/94

The estimated cost of postclosure care for the Central Class III and Holley landfills have been recognized in prior years with any changes in estimates being recorded in the current year. The Board will recognize the remaining estimated cost of closure and postclosure care for the Central Class I and Class III landfills in the amount of \$6.5 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 2012.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

The estimated remaining lives of the Central Class I and Class III landfills are 22 and 35 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, 2012, the Board held investments of \$4,061,168 to cover the escrow requirement of \$4,061,168. 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.

The current year decrease in liability is a result of the Florida Department of Environmental Protection reducing the post closing long term care period and a waiver of certain monitoring and testing requirements during the re-permitting process.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

**1. Retirement Plan**

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

**Benefit Provisions** – The Florida retirement system offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans. 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 with 6 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five (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).



**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

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

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2012, the County contributed an average of 7.98% of each qualified regular employee's gross salary, 13.91% percent of the elected officials' salary, 17.3% of each special risk employee's salary, and 4.68% for each DROP participant. The County'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 County's contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on membership class. Contributions to both plans totaled \$2,956,762, \$4,726,953 and \$5,313,291 for the years ended September 30, 2012, 2011, and 2010, respectively.

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

**2. Litigation**

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

**3. Federal and State Grants**

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

**NOTE K - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County 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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE K – FUND BALANCES - Continued**

Fund balances	Major Funds			Total
	General Fund	Road and Bridge Fund	Other Funds	
Nonspendable				
Inventory	\$ 125,386	\$ 175,346	\$ -	\$ 300,732
Advance to other fund	10,000	250,000	-	260,000
Restricted for:				
Communications	1,016,885	-	-	1,016,885
Boating improvement	237,416	63,371	-	300,787
Domestic violence	114,935	-	-	114,935
Voter education	17,532	-	-	17,532
Pollworker recruitment	1,887	-	-	1,887
Federal elections	12,328	-	-	12,328
Partners for pets	6,157	-	-	6,157
Navarre Beach Bridge maintenance	-	3,671,371	-	3,671,371
Law Enforcement Trust Fund	-	-	64,961	64,961
Crime prevention	-	-	277,554	277,554
Mosquito control	-	-	38,218	38,218
Federal and state grants	-	-	622,300	622,300
Enhanced 911 system	-	-	1,347,106	1,347,106
Tourist development	-	-	2,434,477	2,434,477
Infrastructure development	-	-	3,475,704	3,475,704
State Housing Improvement Program	-	-	302,283	302,283
Fire prevention and control	-	-	897,200	897,200
Road and sewer construction	-	-	705,331	705,331
Canal maintance	-	-	115,783	115,783
Street lighting	-	-	69,392	69,392
State court operations	-	-	50,822	50,822
Court equipment and technology	-	-	797,496	797,496
Records modernization trust fund	-	-	202,510	202,510
Law enforcement training	-	-	27,525	27,525
Inmate welfare purchases	-	-	730,686	730,686
Committed to:				
Animal service education	45,231	-	-	45,231
Court innovations	-	-	218,853	218,853
Transportation, recreation and economic development	-	-	3,098,133	3,098,133
Gas and oil preservation	3,551,667	-	-	3,551,667
Capital construction projects	-	-	7,871,043	7,871,043
Assigned to				
Road and bridge construction and maintenance	-	11,293,066	-	11,293,066
Debt service	-	-	371,349	371,349
Law library	-	-	29,556	29,556
Court operations	-	-	298,095	298,095
Gas and oil preservation	190,222	-	-	190,222
Unassigned	22,187,824	-	(173,433)	22,014,391
	<u>\$ 27,517,470</u>	<u>\$ 15,453,154</u>	<u>\$ 23,872,944</u>	<u>\$ 66,843,568</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE L - RISK MANAGEMENT**

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

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

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

- Boats
- Employee Fidelity
- Buildings and Contents, \$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 \$2,884,872 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 3.9 - 7 percent. These liabilities are reported at their present value of \$1,075,081 at September 30, 2012.

Changes in the Fund's claims liability amount in fiscal years 2011 and 2012 were as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2010-2011	\$ 2,791,848	\$ 3,328,724	\$ 2,840,045	\$ 3,280,527
2011-2012	\$ 3,280,527	\$ 1,147,696	\$ 1,543,351	\$ 2,884,872

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

**NOTE L - RISK MANAGEMENT - Continued**

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

Current claims payable	\$ 1,809,791
Current claims - structured settlements	84,996
Total claims payable, current	<u>1,894,787</u>
Long-term claims - structured settlements	990,085
Total claims payable	<u><u>\$ 2,884,872</u></u>

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

**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). 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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

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

***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 2012 fiscal year, 185 retirees and eligible dependents received postemployment health care benefits. The County provided required contributions of \$332,971 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees insurance net of retiree contributions totaling \$480,146. 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)	\$ 828,000
Amortization of Unfunded Actuarial Accrued Liability	731,000
Annual Required Contribution	1,559,000
Amortization of Net OPEB Obligation	(248,000)
Interest on Net OPEB Obligation	162,000
Annual OPEB Cost (expense)	1,473,000
Contribution towards the OPEB Cost	(332,971)
Increase in Net OPEB Obligation	1,140,029
Net OPEB Obligation, Beginning of Year	4,014,744
Net OPEB Obligation, End of Year	\$ 5,154,773

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, 2012, was as follows:

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-2010	\$ 1,892,000	22%	\$ 2,946,429
2010-2011	\$ 1,393,000	23%	\$ 4,014,744
2011-2012	\$ 1,473,000	23%	\$ 5,154,773

***Funded Status and Funding Progress*** – As of September 30, 2012, the date of the actuarial valuation, the actuarial accrued liability was \$11,945,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$11,945,000. Amortization of the accrued liability for the year ended September 30, 2012 was \$731,000. The annual covered payroll (annual payroll of active participating employees) was \$44,541,475 for the 2011-2012 fiscal year. The ratio of the unfunded actuarial liability to annual covered payroll is 27%.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

---

---

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

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

The County's OPEB actuarial valuation as of September 30, 2012, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of September 30, 2012 and to estimate the County's 2011-2012 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4% rate of return on invested assets assuming the benefits will continue to be funded on a pay-as-you-go basis and that the County's investments will earn 4% over the long term. The actuarial assumptions also include an annual healthcare cost trend rate of 8.5% initially for the 09-10 fiscal year, decreasing gradually per year to an ultimate rate of 5.4% in 2050. The inflation rate assumption is 2.9%. The unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining, closed, amortization period at September 30, 2012 is 27 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.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Santa Rosa County, Florida**

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

**Year ended September 30, 2012**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 44,127,430	\$ 44,127,430	\$ 45,525,877
Permits, fees and special assessments	1,002,250	1,002,250	1,214,180
Intergovernmental	9,509,250	11,414,847	12,929,877
Charges for services	7,728,156	7,726,676	7,869,720
Fines and forfeits	228,480	268,244	295,342
Miscellaneous	1,564,935	3,158,665	3,331,797
Total revenues	<u>64,160,501</u>	<u>67,698,112</u>	<u>71,166,793</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	21,407,185	24,632,906	22,476,691
Public safety	33,669,219	34,354,429	33,299,326
Physical environment	1,205,905	1,519,404	1,433,718
Transportation	882,900	882,900	859,254
Economic environment	135,630	263,046	239,238
Human services	3,927,505	5,571,821	5,315,298
Culture and recreation	2,700,025	2,960,209	2,670,246
Reserve for contingencies	88,844	25,130	--
Total expenditures	<u>64,017,213</u>	<u>70,209,845</u>	<u>66,293,771</u>
Excess (deficiency) of revenues over expenditures	143,288	(2,511,733)	4,873,022
<b>Other financing sources (uses)</b>			
Transfers in	1,543,998	2,517,398	2,517,398
Transfers out	(1,455,388)	(7,815,717)	(7,815,717)
Total other financing sources (uses)	<u>88,610</u>	<u>(5,298,319)</u>	<u>(5,298,319)</u>
Net change in fund balances	231,898	(7,810,052)	(425,297)
Fund balance, beginning of year	1,169,503	10,146,912	27,977,451
Change in reserve for inventory	--	--	(34,684)
Fund balance, end of year	<u>\$ 1,401,401</u>	<u>\$ 2,336,860</u>	<u>\$ 27,517,470</u>

See accompanying notes to required supplementary information.



**Santa Rosa County, Florida**

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

**Year ended September 30, 2012**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 3,457,580	\$ 3,457,580	\$ 3,898,644
Permits, fees and special assessments	--	--	35,544
Intergovernmental	3,111,250	8,589,689	5,774,144
Charges for services	--	--	15,326
Miscellaneous	47,500	47,500	272,165
Total revenues	<u>6,616,330</u>	<u>12,094,769</u>	<u>9,995,823</u>
<b>Expenditures</b>			
<b>Current</b>			
Physical environment	--	2,600,104	1,715,608
Transportation	9,727,260	23,760,379	14,438,056
Reserve for contingencies	36,300	153,632	--
Total expenditures	<u>9,763,560</u>	<u>26,514,115</u>	<u>16,153,664</u>
Excess (deficiency) of revenues over expenditures	(3,147,230)	(14,419,346)	(6,157,841)
<b>Other financing sources (uses)</b>			
Transfers in	3,147,230	6,878,623	6,878,623
Total other financing sources (uses)	<u>3,147,230</u>	<u>6,878,623</u>	<u>6,878,623</u>
Net change in fund balances	--	(7,540,723)	720,782
Fund balance, beginning of year	--	7,540,723	14,858,181
Change in reserve for inventory	--	--	(125,809)
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 15,453,154</u>

See accompanying notes to required supplementary information.

**Santa Rosa County, Florida**

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

**Year ended September 30, 2012**

<u>Schedule of Funding Progress</u>	<u>Actuarial Valuation Date</u>		
	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/12</u>
1. Current retirees liability	\$ 11,455,000	\$ 8,561,000	\$ 9,289,000
2. Active employees	<u>2,479,000</u>	<u>2,448,000</u>	<u>2,656,000</u>
3. Actuarial Accrued Liability	13,934,000	11,009,000	11,945,000
4. Actuarial Value of Assets	<u>--</u>	<u>--</u>	<u>--</u>
5. Unfunded Actuarial Accrued Liability	13,934,000	11,009,000	11,945,000
6. Funded Ratio (4. divided by 3.)	0%	0%	0%
7. Annual Covered Payroll	<u>\$ 43,761,421</u>	<u>\$ 44,085,422</u>	<u>\$ 44,541,475</u>
8. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	32%	25%	27%
	<u>Fiscal Year Ended</u>		
	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/12</u>
Annual OPEB Cost	\$ 1,892,000	\$ 1,393,000	\$ 1,473,000
Actual Contribution	<u>416,853</u>	<u>324,685</u>	<u>332,971</u>
Percentage Contributed	22%	23%	23%
Net OPEB Obligation	<u>\$ 2,946,429</u>	<u>\$ 4,014,744</u>	<u>\$ 5,154,773</u>

See accompanying notes to required supplementary information.

**Santa Rosa County, Florida**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**September 30, 2012**

---

---

**BUDGETARY INFORMATION**

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

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

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

Honorable Board of County Commissioners  
Santa Rosa County, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2012, and have issued our report thereon dated March 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

As required by provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 26, 2013, which should be considered in assessing the results of our audit.

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

*Warren Averett, LLC*

March 26, 2013  
Pensacola, Florida

## MANAGEMENT LETTER

Honorable Board of County Commissioners  
Santa Rosa County, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 26, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance with Requirements that Could have a Direct and Material Effect on each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule which are dated March 26, 2013, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Santa Rosa County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Santa Rosa County, Florida for the fiscal year ended September 30, 2011, required to be filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. We are unable to make this determination since the report required by Section 218.32(1)(a), Florida Statutes, was not available to us at the release date of this management letter.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Santa Rosa County, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

*Warren Averett, LLC*

March 26, 2013  
Pensacola, Florida

**Annual Audit Report  
County-Wide  
Santa Rosa County, Florida  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
September 30, 2012**

---

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