

**SANTA ROSA COUNTY, FLORIDA**

**FINANCIAL STATEMENTS**

**FOR YEAR ENDED SEPTEMBER 30, 2014**

**SANTA ROSA COUNTY, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2013**

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**SANTA ROSA COUNTY, FLORIDA  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**Santa Rosa County, Florida  
FINANCIAL STATEMENTS  
September 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

Honorable Board of County Commissioners  
Santa Rosa County, Florida

### **Report on the Financial Statements**

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, (the "County") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12, the budgetary comparison schedules on pages 54 and 55, and the schedules of funding progress and employer contributions for other post-employment benefits on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplemental Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Warren Averett, LLC*

March 23, 2015  
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 position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities and the change in net position. 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 position** presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the County, with the difference between assets plus deferred outflows and liabilities and deferred inflows reported as net position. Net position is reported in three categories: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Assets, deferred outflows, liabilities, deferred inflows and net position are reported for all Governmental Activities separate from the assets, deferred outflows, liabilities, deferred inflows and net position of Business-type Activities.

The **statement of activities** presents information on all revenues and expenses of the County and the change in net position. 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, deferred outflows, liabilities and deferred inflows 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 position**; a **statement of revenues, expenses, and changes in fund net position**; 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 position**. 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 position may serve over time as a useful indicator of government's financial position. In the case of the County, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$184 million as of September 30, 2014.

The largest portion of the County's net position (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 both negative and positive balances in all three categories of net position for the County as a whole, as well as for its governmental and business-type activities.

There was an increase in net position from governmental activities of \$443,000. This consisted of a decrease of \$2.71 million to invested in net investment in capital assets, an increase of \$1.16 million to restricted net position and an increase of \$1.99 million to unrestricted net position. The primary reasons for these changes was an increase in property tax revenues due to increased property values, the sale of land in the industrial park, and a decrease in expenditures due to cut backs.

There was an increase in net position from business-type activities of \$825,000. This consisted of an increase of \$912,000 to net investment in capital assets, an increase of \$214,000 in restricted net position and a decrease of \$301,000 to unrestricted net position. The primary reason for the decrease to unrestricted net position was the increase in the restricted investments for landfill closure and long-term care costs.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 80,430	\$ 72,064	\$ 14,568	\$ 14,120	\$ 94,998	\$ 86,184
Capital assets	135,528	139,477	15,985	15,821	151,513	155,298
Total assets	215,958	211,541	30,553	29,941	246,511	241,482
Deferred charges on bond refunding	40	62	40	62	80	124
Total deferred outflow of resources	40	62	40	62	80	124
Long-term liabilities outstanding	21,589	21,785	13,259	13,419	34,848	35,204
Other liabilities	10,283	6,095	563	638	10,846	6,733
Total liabilities	31,872	27,880	13,822	14,057	45,694	41,937
Unrecognized license fees	-	40	-	-	-	40
Total deferred inflow of resources	-	40	-	-	-	40
Net position						
Net investment in capital assets	130,796	133,507	11,967	11,055	142,763	144,562
Restricted	23,548	22,387	4,967	4,753	28,515	27,140
Unrestricted	29,782	27,789	(163)	138	29,619	27,927
Total net position	\$ 184,126	\$ 183,683	\$ 16,771	\$ 15,946	\$ 200,897	\$ 199,629

### **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 \$65 million (35% is unassigned). This is a \$3.9 million increase from the previous year. The bulk of the increase was from property tax revenues which increased because of property values.

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

	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 30,879	\$ 27,392	\$ 6,966	\$ 6,422	\$ 37,845	\$ 33,814
Operating grants & contributions	3,881	5,820	-	-	3,881	5,820
Capital grants & contributions	3,884	2,018	329	347	4,213	2,365
General revenues						
Property tax	48,305	42,807	-	-	48,305	42,807
Sales, use and fuel tax	5,522	5,106	-	-	5,522	5,106
Communications services	1,415	1,475	-	-	1,415	1,475
Grants and contributions	13,791	13,029	11	-	13,802	13,029
Investment earnings	87	138	36	30	123	168
Other	3,376	1,368	133	121	3,509	1,489
Total revenues	111,140	99,153	7,475	6,920	118,615	106,073
Expenses:						
General government	32,077	35,305	-	-	32,077	35,305
Public safety	43,539	39,190	-	-	43,539	39,190
Physical environment	2,670	3,698	-	-	2,670	3,698
Transportation	18,932	15,368	-	-	18,932	15,368
Economic environment	3,678	2,843	-	-	3,678	2,843
Human services	5,558	5,298	-	-	5,558	5,298
Culture and recreation	4,053	1,220	-	-	4,053	1,220
Interest on long term debt	190	248	-	-	190	248
Water and sewer	-	-	1,960	1,775	1,960	1,775
Airport	-	-	449	506	449	506
Landfill	-	-	4,241	3,683	4,241	3,683
Total expenses	110,697	103,170	6,650	5,964	117,347	109,134
Increase in net position before transfers	443	(4,017)	825	956	1,268	(3,061)
Transfers	-	(25)	-	25	-	-
Change in net position	443	(4,042)	825	981	1,268	(3,061)
Net position, beg. of year	183,683	187,725	15,946	14,965	199,629	202,690
Net position, end of year	\$ 184,126	\$ 183,683	\$ 16,771	\$ 15,946	\$ 200,897	\$ 199,629

The General fund is the primary operating fund of the County. Revenues exceeded expenditures by \$5.1 million. Expenditures were up by \$4.8 million (7.4%) from the prior year, mostly in general government, economic environment and public safety. The increases were primarily driven by rising costs and the first full year of operations for the economic development department.

The Road and Bridge fund accounts for fuel and other taxes designated for road improvements. During the year, fund balance decreased by \$3.5 million. Transfers in from other funds of \$2.6 million and restricted fund balances of \$3.6 million were used to offset an operating loss resulting from various road repairs.

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

The Navarre Beach fund accounts for the operations of the Navarre Beach water and sewer system. Revenues were up from the prior year due to increased usage and expenses were up \$185,000 from the prior year primarily due to water main repairs. There was a moderate operating loss of \$55,000. Interest income and a capital contribution from federal and state grants led to a net loss of \$40,000.

The Landfill fund is used to account for the solid waste disposal operations at the County landfills. Operating revenues were up from the prior year due to increased usage. Expenses were up from the previous year, mostly due to a significant increase in landfill closure costs over the prior year. Operating income was \$662,000 and the sales of recycled materials helped the fund to end the year with an overall net position increase of \$729,000.

### **Budgetary Analysis**

The General fund budget was increased by \$2.8 million from the original budget (an increase of 4%). Several departments had increases: Sheriff, \$880,000 for capital equipment and vehicles; Industrial Park, \$848,000 for the Industrial Park rail spur.; BOCC Data Processing, \$209,000 for network upgrades; Emergency Management, \$178,000 for CAD software.

Actual expenditures were less than the final budgeted expenditures by \$2.5 million. The major reasons for this variance are that the County did not spend 1) \$775,000 for the Industrial Park, 2) \$145,000 for Navarre Beach operations, 3) \$100,000 for Health Related Functions and 4) \$100,000 on Parks.

## CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

As of September 30, 2014 the County had \$152 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 19,574	\$ 19,596	\$ 1,191	\$ 1,191	\$ 20,765	\$ 20,787
Construction in progress	830	9,152	525	785	1,355	9,937
Buildings	24,672	24,006	1,175	1,251	25,847	25,257
Improvements other than buildings	79,874	76,187	11,381	10,672	91,255	86,859
Machinery, furniture and equip.	10,578	10,535	1,713	1,922	12,291	12,457
Totals	<u>\$ 135,528</u>	<u>\$ 139,476</u>	<u>\$ 15,985</u>	<u>\$ 15,821</u>	<u>\$ 151,513</u>	<u>\$ 155,297</u>

This year's major additions included:

Sheriff's equipment	\$ 1,074,689
Winchester Circle	\$ 656,667
Bagdad Fire Station (CIP)	\$ 604,596
Spencerfield Sidewalk (CIP)	\$ 526,077
Medicine Bow Road	\$ 153,819
Equestrian Center (CIP)	\$ 282,148

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ 574	\$ 853	\$ 574	\$ 853	\$ 1,148	\$ 1,706
Notes payable	1,007	1,089	3,485	3,912	4,492	5,001
Special assessment notes	3,192	4,090	-	-	3,192	4,090
Totals	<u>\$ 4,773</u>	<u>\$ 6,032</u>	<u>\$ 4,059</u>	<u>\$ 4,765</u>	<u>\$ 8,832</u>	<u>\$ 10,797</u>

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**

Subsequent to year end, the Board of County Commissioners voted to standardize the residential lease fee on Navarre Beach to a fixed rate of \$250. They also voted to eliminate the collection of the additional five percent lease fee contained in some leases. This is expected to result in a net loss of revenues of approximately \$228,000.

In 2014, the County sold property in the Santa Rosa Industrial Park to Goldring Gulf Distributing , Inc. for \$1,745,500. This sales price included cash of \$698,200 and a note in the amount of \$1,047,300. Discounts are available on the note based on development conditions specified by the County and completed within 5 years from October 2013. This sale resulted in the construction of over 190,000 square foot facility with a capital investment by the company of over \$10,000,000. As of September 30, 2014, Goldring has satisfied 2 of the 3 discount criteria for a total discount on the note of \$610,925 and a remaining balance on the note of \$436,375.

## **BASIC FINANCIAL STATEMENTS**



**Santa Rosa County, Florida**

**STATEMENT OF NET POSITION**

**September 30, 2014**

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 66,480,036	\$ 8,365,186	\$ 74,845,222
Investments	6,132,316	4,966,334	11,098,650
Receivables, net	7,405,091	1,235,652	8,640,743
Inventory	412,078	--	412,078
Capital assets, net			
Nondepreciable	20,404,171	1,716,735	22,120,906
Depreciable	115,124,095	14,268,627	129,392,722
Total assets	<u>215,957,787</u>	<u>30,552,534</u>	<u>246,510,321</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on bond refunding	40,325	40,325	80,650
Total deferred outflows of resources	<u>40,325</u>	<u>40,325</u>	<u>80,650</u>
<b>LIABILITIES</b>			
Accounts payable	3,492,388	332,282	3,824,670
Contracts payable	257,954	58,352	316,306
Accrued wages payable	2,306,475	112,293	2,418,768
Interest payable	18,172	2,536	20,708
Due to other governments	2,617,303	1,368	2,618,671
Deposits	283,684	56,543	340,227
Unearned revenue	1,307,104	--	1,307,104
Noncurrent liabilities			
Due within one year	6,385,869	1,009,903	7,395,772
Due in more than one year	15,202,818	12,249,067	27,451,885
Total liabilities	<u>31,871,767</u>	<u>13,822,344</u>	<u>45,694,111</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	--	--	--

Continued ...

**Santa Rosa County, Florida**

**STATEMENT OF NET POSITION (Continued)**

**September 30, 2014**

NET POSITION	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	130,795,701	11,967,295	142,762,996
Restricted for:			
Nonexpendable:			
Inventory	412,078		412,078
Expendable:			
Landfill closure	--	4,966,334	4,966,334
Communications	1,229,288	--	1,229,288
Boating improvement	252,193	--	252,193
Domestic violence	136,907	--	136,907
Voter education	9,234	--	9,234
Pollworker recruitment	1,887	--	1,887
Federal elections	10,544	--	10,544
Partners for pets	93,816	--	93,816
Navarre Beach Bridge maintenance	309,334	--	309,334
Law Enforcement Trust Fund	92,830	--	92,830
Crime prevention	327,113	--	327,113
Mosquito control	27,400	--	27,400
Federal and state grants	1,522,170	--	1,522,170
Enhanced 911 system	1,284,308	--	1,284,308
Transportation, recreation and economic development	4,003,490	--	4,003,490
Tourist development	2,515,020	--	2,515,020
Infrastructure development	2,748,918	--	2,748,918
State Housing Improvement Program	809,796	--	809,796
Road and sewer construction	324,866	--	324,866
Canal maintance	77,334	--	77,334
Street lighting	64,384	--	64,384
State court operations	30,065	--	30,065
Court equipment and technology	822,367	--	822,367
Records modernization trust fund	272,180	--	272,180
Law enforcement training	26,332	--	26,332
Inmate welfare purchases	757,501	--	757,501
Gas and oil preservation	195,317	--	195,317
Capital construction projects	5,191,730	--	5,191,730
Unrestricted	29,782,242	(163,114)	29,619,128
Total net position	<u>\$ 184,126,345</u>	<u>\$ 16,770,515</u>	<u>\$ 200,896,860</u>

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

Santa Rosa County, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2014

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	\$ 32,077,210	\$ 19,838,193	\$ 1,155,859	\$ 60,000	\$ (11,023,158)		\$ (11,023,158)
Public safety	43,539,307	4,699,449	792,193	236,418	(37,811,247)		(37,811,247)
Physical environment	2,670,154	5,707,544	241,848	328,623	3,607,861		3,607,861
Transportation	18,931,798	191,636	84,976	3,053,056	(15,602,130)		(15,602,130)
Economic environment	3,677,666	--	980,256	206,260	(2,491,150)		(2,491,150)
Human services	5,557,949	37,188	502,614	--	(5,018,147)		(5,018,147)
Culture and recreation	4,053,156	403,688	123,271	--	(3,526,197)		(3,526,197)
Interest on long-term debt	189,570	--	--	--	(189,570)		(189,570)
Total governmental activities	110,696,810	30,877,698	3,881,017	3,884,357	(72,053,738)		(72,053,738)
<b>Business-type activities:</b>							
Navarre Beach water and sewer	1,959,739	1,904,215	--	--		\$ (55,524)	(55,524)
Peter Prince Airport	448,747	253,484	--	329,224		133,961	133,961
Landfill	4,241,176	4,808,104	--	--		566,928	566,928
Total business-type activities	6,649,662	6,965,803	--	329,224		645,365	645,365
<b>Total</b>	<b>117,346,472</b>	<b>37,843,501</b>	<b>3,881,017</b>	<b>4,213,581</b>	<b>(72,053,738)</b>	<b>645,365</b>	<b>(71,408,373)</b>
<b>General revenues:</b>							
<b>Taxes</b>							
Property taxes					48,305,322	--	48,305,322
Sales, use and fuel taxes					5,521,730	--	5,521,730
Communication services taxes					1,415,391	--	1,415,391
Grants and contributions not restricted to specific programs					13,791,230	10,611	13,801,841
Unrestricted investment earnings					87,033	36,488	123,521
Recycle building lease					--	20,302	20,302
Miscellaneous					1,675,778	1,100	1,676,878
Gain on sale of assets					1,700,455	110,452	1,810,907
Total general revenues and transfers					72,496,939	178,953	72,675,892
Change in net position					443,201	824,318	1,267,519
Net position - beginning					183,683,144	15,946,197	199,629,341
Net position - ending					\$ 184,126,345	\$ 16,770,515	\$ 200,896,860

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

Santa Rosa County, Florida

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

September 30, 2014

ASSETS	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 33,809,168	\$ 5,748,782	\$ 21,796,307	\$ 61,354,257
Investments	5,505,325	--	--	5,505,325
Receivables, net of uncollectibles				
Accounts	318,584	--	744,557	1,063,141
Leases - current	--	2,125	--	2,125
Notes	436,375	--	--	436,375
Due from other governments	3,326,996	1,196,562	1,326,044	5,849,602
Due from other funds	892,437	120,951	38,541	1,051,929
Inventory	107,193	304,885	--	412,078
Total assets	<u>\$ 44,396,078</u>	<u>\$ 7,373,305</u>	<u>\$ 23,905,449</u>	<u>\$ 75,674,832</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,016,945	\$ 479,199	\$ 977,386	\$ 2,473,530
Contracts payable	10,861	72,346	174,747	257,954
Accrued wages payable	1,853,317	294,629	146,663	2,294,609
Deposits	283,684	--	--	283,684
Unearned revenue	1,186,805	--	120,299	1,307,104
Due to other funds	--	--	1,051,929	1,051,929
Due to other governments	1,975,875	--	641,428	2,617,303
Total liabilities	<u>6,327,487</u>	<u>846,174</u>	<u>3,112,452</u>	<u>10,286,113</u>
Deferred inflows of resources:				
Deferred inflows of resources related to note receivable	436,375	--	--	436,375
Combined liabilities and deferred inflows of resources	6,763,862	846,174	3,112,452	10,722,488
Fund balances:				
Nonspendable	107,193	304,885	--	412,078
Restricted	1,733,869	309,334	11,702,584	13,745,787
Committed	3,598,490	--	9,462,579	13,061,069
Assigned	8,586,073	5,912,912	763,217	15,262,202
Unassigned	23,606,591	--	(1,135,383)	22,471,208
Total fund balances	<u>37,632,216</u>	<u>6,527,131</u>	<u>20,792,997</u>	<u>64,952,344</u>
Total liabilities and fund balances	<u>\$ 44,396,078</u>	<u>\$ 7,373,305</u>	<u>\$ 23,905,449</u>	<u>\$ 75,674,832</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 POSITION**

**September 30, 2014**

<b>Total Governmental Funds Balances</b>	<b>\$ 64,952,344</b>
 <i>Amounts reported for governmental activities in the statement of net position 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	254,004,137
Less accumulated depreciation	(114,529,898)
Current period transfers of capital assets to governmental from business type	(6,242)
Current period investment in capital assets	5,612,635
Current period depreciation	(9,315,906)
Current period loss on disposal of capital assets, net of proceeds	(243,950)
Deferred inflows of resources are not financial resources and therefore not reported in the funds	
Deferred charges on bond refunding	62,320
Current period amortization/writeoff of deferred refunding costs	(21,995)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Revenue bonds	(853,113)
Notes payable	(1,089,328)
Compensated absences	(7,768,792)
Special assessment notes payable	(4,089,724)
Interest payable	(18,172)
Other post employment benefits liability	(5,657,132)
Current period revenue bond payments	279,476
Current period note payments	82,259
Current period change in compensated absences	(321,494)
Current period special assessment note payments	897,540
Current period increase in other post employment benefits liability	(719,754)
Long term receivable are not available to pay for current period expenditures and, therefore are deferred on the modified accrual basis in governmental funds	436,375
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 Position.	
Assets	5,814,108
Liabilities	(3,379,349)
<b>Net Position of Governmental Activities</b>	<b>\$ <u>184,126,345</u></b>

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

**Santa Rosa County, Florida**

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

**Year ended September 30, 2014**

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 49,348,089	\$ 4,171,684	\$ 1,722,670	\$ 55,242,443
Permits, fees and special assessments	1,683,955	24,236	11,543,503	13,251,694
Intergovernmental	11,809,821	5,776,537	4,159,611	21,745,969
Charges for services	7,517,358	35,920	4,732,708	12,285,986
Fines and forfeits	342,022	--	928,202	1,270,224
Miscellaneous	4,655,916	377,705	618,513	5,652,134
Total revenues	<u>75,357,161</u>	<u>10,386,082</u>	<u>23,705,207</u>	<u>109,448,450</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	22,477,972	--	5,187,887	27,665,859
Public safety	35,992,152	--	7,482,739	43,474,891
Physical environment	1,185,674	478,307	883,843	2,547,824
Transportation	966,500	16,081,198	503,956	17,551,654
Economic environment	1,511,624	--	2,096,323	3,607,947
Human services	5,317,231	--	132,450	5,449,681
Culture and recreation	2,788,749	--	78,527	2,867,276
Capital outlay	--	--	488,191	488,191
Debt service	--	--	1,431,988	1,431,988
Total expenditures	<u>70,239,902</u>	<u>16,559,505</u>	<u>18,285,904</u>	<u>105,085,311</u>
Excess (deficiency) of revenues over expenditures	5,117,259	(6,173,423)	5,419,303	4,363,139
<b>Other financing sources (uses)</b>				
Transfers in	3,920,311	2,585,310	3,704,083	10,209,704
Transfers out	(2,134,399)	--	(8,570,969)	(10,705,368)
Total other financing sources (uses)	<u>1,785,912</u>	<u>2,585,310</u>	<u>(4,866,886)</u>	<u>(495,664)</u>
Net change in fund balances	6,903,171	(3,588,113)	552,417	3,867,475
Fund balances, beginning of year	30,702,091	10,080,330	20,240,580	61,023,001
Change in reserve for inventory	26,954	34,914	--	61,868
Fund balances, end of year	<u>\$ 37,632,216</u>	<u>\$ 6,527,131</u>	<u>\$ 20,792,997</u>	<u>\$ 64,952,344</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, 2014**

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,867,475

*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	5,612,635
Current period transfers of capital assets to governmental from business type	(6,242)
Current period depreciation	(9,315,906)
Current period loss on disposal of capital assets, net of proceeds	(243,950)

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	5,138
----------------------------	-------

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 position.

Current period change in compensated absences	(321,494)
Current period note payments	82,259
Current period revenue bond payments	279,476
Current period special assessment note payments	897,540
Current period bond refunding costs	(21,995)
Current period increase in other post employment benefits liability	(719,754)

Long term receivable are not available to pay for current period expenditures and, therefore are deferred on the modified accrual basis in governmental funds

436,375

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.

(170,224)

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	61,868
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 443,201</b>
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The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

September 30, 2014

	Business-type Activities				Governmental
	Major Funds		Non-Major Fund	Total	Activities
	Navarre Beach	Landfill	Peter Prince Field	Enterprise Funds	Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,441,628	\$ 5,012,624	\$ 910,934	\$ 8,365,186	\$ 5,125,779
Investments	--	--	--	--	626,991
Accounts receivable	198,205	669,232	10,683	878,120	53,848
Due from other governments	10,611	--	346,921	357,532	--
Total current assets	2,650,444	5,681,856	1,268,538	9,600,838	5,806,618
Noncurrent assets					
Restricted investments	--	4,966,334	--	4,966,334	--
Capital assets, net of accumulated depreciation	6,247,183	5,954,213	3,783,966	15,985,362	7,490
Total noncurrent assets	6,247,183	10,920,547	3,783,966	20,951,696	7,490
Total assets	8,897,627	16,602,403	5,052,504	30,552,534	5,814,108
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on bond refunding	--	40,325	--	40,325	--
Total deferred outflows of resources	--	40,325	--	40,325	--
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	14,407	98,983	218,892	332,282	1,018,858
Contracts payable	18,803	--	39,549	58,352	--
Current portion of claims payable	--	--	--	--	1,442,706
Accrued wages payable	26,825	83,725	1,743	112,293	11,866
Due to other governments	--	--	1,368	1,368	--
Compensated absences - current portion	70,000	195,000	--	265,000	40,000
Revenue bonds - current	--	284,341	--	284,341	--
Note payable - current	443,693	--	--	443,693	--
Accrued interest	--	2,536	--	2,536	--
Deposits	11,800	43,993	750	56,543	--
Current portion of landfill closure costs	--	16,869	--	16,869	--
Total current liabilities	585,528	725,447	262,302	1,573,277	2,513,430
Noncurrent liabilities					
Long term portion of compensated absences	3,080	65,449	--	68,529	13,363
Long term portion of claims payable	--	--	--	--	825,240
Long term portion of landfill closure costs	--	8,627,574	--	8,627,574	--
Revenue bonds payable - net of discount	--	289,296	--	289,296	--
Note payable - noncurrent	3,041,062	--	--	3,041,062	--
OPEB liability	54,629	166,042	1,935	222,606	27,316
Total noncurrent liabilities	3,098,771	9,148,361	1,935	12,249,067	865,919
Total liabilities	3,684,299	9,873,808	264,237	13,822,344	3,379,349
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Total deferred inflows of resources	--	--	--	--	--
<b>NET POSITION</b>					
Net investment in capital assets	2,762,428	5,420,901	3,783,966	11,967,295	7,490
Restricted for landfill closure	--	4,966,334	--	4,966,334	--
Unrestricted	2,450,900	(3,618,315)	1,004,301	(163,114)	2,427,269
Total net position	\$ 5,213,328	\$ 6,768,920	\$ 4,788,267	\$ 16,770,515	\$ 2,434,759

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



**Santa Rosa County, Florida**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - PROPRIETARY FUNDS**

**Year ended September 30, 2014**

	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	\$ --	\$ 38,650	\$ --	\$ 38,650	\$ --
Charges for services	1,904,215	4,769,454	253,484	6,927,153	856,213
Insurance proceeds	--	--	--	--	635,263
Miscellaneous	902	25	173	1,100	432
Total operating revenues	1,905,117	4,808,129	253,657	6,966,903	1,491,908
Operating expenses					
Personal services	584,277	1,803,682	35,042	2,423,001	281,995
Contract services	92,028	261,250	42,980	396,258	144,230
Supplies	76,782	47,108	300	124,190	16,124
Repairs and maintenance	417,608	385,322	54,767	857,697	1,478
Utilities	219,426	50,922	28,676	299,024	--
Depreciation	526,756	667,694	286,110	1,480,560	1,499
Travel and per diem	--	5,371	--	5,371	5,851
Insurance	8,050	9,280	--	17,330	77,994
Communications	12,361	9,909	211	22,481	266
Advertising	--	1,525	--	1,525	--
Fuel and oil	15,844	356,415	--	372,259	--
Rentals	1,950	17,776	--	19,726	--
Landfill closure and maintenance	--	520,174	--	520,174	--
Claims	--	--	--	--	1,610,755
State assessment	--	--	--	--	13,340
Miscellaneous	4,657	9,724	661	15,042	11,492
Total operating expenses	1,959,739	4,146,152	448,747	6,554,638	2,165,024
Operating income (loss)	(54,622)	661,977	(195,090)	412,265	(673,116)
Non-operating revenues (expenses)					
Investment income	1,837	33,991	660	36,488	7,399
Interest expense	--	(13,029)	--	(13,029)	--
Sale of recycled materials	--	73,210	--	73,210	--
Recycle building lease	--	20,302	--	20,302	--
Gain (loss) on disposal of assets	2,500	34,742	--	37,242	(171)
Federal and State grants	10,611	--	--	10,611	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(21,995)	--	(21,995)	--
Total non-operating revenues (expenses)	14,948	67,221	660	82,829	7,228
Income (loss) before contributions and transfers	(39,674)	729,198	(194,430)	495,094	(665,888)
Transfers in	--	--	--	--	496,664
Transfers out	--	--	--	--	(1,000)
Capital contribution	--	--	329,224	329,224	--
Change in net position	(39,674)	729,198	134,794	824,318	(170,224)
Net position, beginning of year	5,253,002	6,039,722	4,653,473	15,946,197	2,604,983
Net position, end of year	\$ 5,213,328	\$ 6,768,920	\$ 4,788,267	\$ 16,770,515	\$ 2,434,759

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, 2014**

	Business-type Activities				Governmental Activities
	Major Funds		Non-Major Fund		
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	
				Internal Service Fund	
Cash flows from operating activities					
Cash received from customers	\$ 1,924,601	\$ 4,616,838	\$ 211,376	\$ 6,752,815	\$ 432
Cash paid to suppliers	(882,019)	(1,465,277)	119,573	(2,227,723)	(257,475)
Cash paid to employees	(575,939)	(1,779,117)	(34,441)	(2,389,497)	(298,174)
Cash received from interfund services provided	--	--	--	--	1,457,965
Cash paid for internal services provided	--	--	--	--	(1,520,294)
Net cash provided (used) by operating activities	466,643	1,372,444	296,508	2,135,595	(617,546)
Cash flows from noncapital financing activities					
Transfers in	--	--	--	--	496,664
Transfers out	--	(6,243)	--	(6,243)	(1,000)
Sale of recycled materials	--	73,210	--	73,210	--
Transfers in (out)	--	20,302	--	20,302	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Net cash provided (used) by noncapital financing activities	--	27,269	--	27,269	495,664
Cash flows from capital and related financing activities					
Proceeds from sale of assets	2,500	36,448	--	38,948	--
Capital contribution	10,611	--	329,224	339,835	--
Purchases of capital assets	(69,873)	(1,083,123)	(487,658)	(1,640,654)	(7,042)
Principal paid on capital debt	(427,370)	(279,476)	--	(706,846)	--
Interest paid on capital debt	--	(12,953)	--	(12,953)	--
Net cash provided (used) by capital and related financing activities	(484,132)	(1,339,104)	(158,434)	(1,981,670)	(7,042)
Cash flows from investing activities					
Interest and dividends	2,025	34,140	787	36,952	7,424
Net sale (purchase) of investments	--	(213,726)	--	(213,726)	(4,003)
Net cash provided (used) by investing activities	2,025	(179,586)	787	(176,774)	3,421
Net increase (decrease) in cash and cash equivalents	(15,464)	(118,977)	138,861	4,420	(125,503)
Cash and cash equivalents at beginning of year	2,457,092	5,131,601	772,073	8,360,766	5,251,282
Cash and cash equivalents at end of year	<u>\$ 2,441,628</u>	<u>\$ 5,012,624</u>	<u>\$ 910,934</u>	<u>\$ 8,365,186</u>	<u>\$ 5,125,779</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (54,622)	\$ 661,977	\$ (195,090)	\$ 412,265	\$ (673,116)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	526,756	667,694	286,110	1,480,560	1,499
Landfill closure costs	--	520,174	--	520,174	--
Changes in assets and liabilities:					
Accounts receivable	(24,202)	(207,595)	729	(231,068)	(33,511)
Due to other governments	--	--	53	53	--
Accounts payable	(25,886)	(276,540)	207,566	(94,860)	67,794
Contracts payable	(7,427)	(34,135)	39,549	(2,013)	--
Accrued compensation	43	6,217	201	6,461	(1,726)
Compensated absences	1,627	(328)	--	1,299	(17,666)
Due from other governments	44,253	--	(42,780)	1,473	--
OPEB liability	6,668	18,676	400	25,744	3,173
Claims payable	--	--	--	--	36,007
Deposits	(567)	16,304	(230)	15,507	--
Net cash provided (used) by operating activities	<u>\$ 466,643</u>	<u>\$ 1,372,444</u>	<u>\$ 296,508</u>	<u>\$ 2,135,595</u>	<u>\$ (617,546)</u>
Noncash Investing, Capital and Financing Activities:					
Amortized deferred charges	<u>\$ --</u>	<u>\$ 21,995</u>	<u>\$ --</u>	<u>\$ 21,995</u>	<u>\$ --</u>

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

**Santa Rosa County, Florida**

**STATEMENT OF ASSETS AND LIABILITIES**

**September 30, 2014**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,909,983
Accounts receivable	125,019
Due from other governments	--
Total assets	<u>\$ 5,035,002</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 164,219
Deposits	2,522,487
Due to other governments	2,307,942
Miscellaneous	40,354
Total liabilities	<u>\$ 5,035,002</u>

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**GUIDE TO NOTES**

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**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

The Governmental Accounting Standards Board (GASB) 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, 2014**

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

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

***Santa Rosa County Health Facilities Authority*** - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, 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, 2014**

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

**3. Basis of Accounting**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position 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 position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their use. In a fund with both restricted and unrestricted positions, qualified expenses are considered to be paid first from restricted net position then from unrestricted net position. The government-wide statement of net position reports \$23,548,402 of restricted net position, of which \$23,136,324 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, 2014**

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

**GOVERNMENTAL FUNDS**

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

The major governmental funds are:

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

**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, 2014**

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

**PROPRIETARY FUNDS**

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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**4. Budgets and Budgetary Accounting**

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

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

**5. Cash and Cash Equivalents**

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

**6. Investments**

Investments in 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, 2014**

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

**8. Accounting for Capital Assets**

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

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

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

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

Buildings	20 - 50 years
Water Distribution System	20 years
Improvements	10 - 20 years
Equipment	3 - 10 years
Infrastructure	40 years
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, 2014**

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

**10. Property Taxes**

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

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

Property taxes levied on property valuations as of January 1, 2014 and expected to be collected during the period November 2014 through March 2015 are as follows:

General Fund	\$ 44,646,750
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These taxes, although measurable, are not recognized as revenue at September 30, 2014, 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, 2014**

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**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) 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) 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, 2014**

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**NOTE B - CASH AND INVESTMENTS**

At September 30, 2014, the bank held deposits of \$74,514,168 (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) (100% allowed)\*;
- c. Qualified money market mutual funds (Maximum of 50%)\*;
- d. U.S. Treasury bills, notes and bonds (100% allowed);
- e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA) (Maximum of 5%)\*;
- f. Non-callable Government Agency securities (Maximum of 25%)\*:
  - (i) Federal Farm Credit Bank (FFCB),
  - (ii) Federal Home Loan Mortgage Corporation (FHLMC),
  - (iii) Federal Home Loan Bank (FHLB),
  - (iv) Federal National Mortgage Association (FNMA).This classification of government agency securities does not include any mortgage debt of any government agency;
- g. Time deposits and savings accounts in banks or savings and loan associations doing business in Florida (Maximum of 50%)\*;
- h. Repurchase agreements for investments authorized in categories d, e, or f above. (Maximum of 40%)\*

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

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

The FLGIT, also known as Florida Trust, is a local government investment pool created by the Florida Association of Court Clerks and Comptroller, and the Florida Association of Counties for the purpose of providing public entities with an investment program by providing investment vehicles for funds that can be invested in short- to intermediate-term securities and have returns generally greater than the national average for money market instruments. The 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, 2014 the Investment Trust managed \$714.63 million and had a price per share of \$24.09. This short term bond fund invests in U.S. Treasuries and Agency Securities, Mortgages, Commercial Paper, Asset-Backed Securities, and "A" rated Corporate Securities.

**The Day to Day Fund:**

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

Schedule of Cash and Investments at September 30, 2014

	Carrying Amount
Investments:	
FLGIT Investment Trust Fund	\$ 11,098,650
Total Investments	11,098,650
 Cash:	
Cash in Bank	23,904,005
Day to Day Trust	50,939,892
Petty Cash	1,325
Total Cash	74,845,222
Total Cash and Investments	\$ 85,943,872

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

Restricted investments by category and by fund are as follows:

	Landfill Fund
Landfill escrow	\$ 4,966,334

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

At September 30, 2014, amounts due from other governmental units were as follows:

Federal Government - Grants	\$ 231,492
State of Florida - Grants	1,835,983
State of Florida - Taxes	1,836,211
Local taxes	911,392
Other Elected Officials	1,373,527
Other	18,529
	\$ 6,207,134



**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE D – INTERFUND TRANSACTIONS**

Interfund transactions for the year ended September 30, 2014 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Transfers in</u>	<u>Interfund Transfers out</u>
General fund	\$ 892,437	\$ -	\$ 3,920,311	\$ 2,134,399
Road & Bridge fund	120,951	-	2,585,310	-
Nonmajor Governmental funds	38,541	1,051,929	3,704,083	8,570,969
Self Insurance fund	-	-	496,664	1,000
Total	<u>\$ 1,051,929</u>	<u>\$ 1,051,929</u>	<u>\$ 10,706,368</u>	<u>\$ 10,706,368</u>

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

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

**NOTE E – RECEIVABLES**

<u>Governmental</u>	<u>Accounts</u>	<u>Leases</u>	<u>Notes</u>	<u>Intergov- ernmental</u>	<u>Total</u>
General	\$ 318,584	\$ -	\$ 436,375	\$ 3,326,996	\$ 4,081,955
Road & Bridge	-	2,125	-	1,196,562	1,198,687
NonMajor Govt.	744,557	-	-	1,326,044	2,070,601
Self Insurance	53,848	-	-	-	53,848
Subtotal	<u>1,116,989</u>	<u>2,125</u>	<u>436,375</u>	<u>5,849,602</u>	<u>7,405,091</u>
<u>Business-Type</u>					
Navarre Beach	198,205	-	-	10,611	208,816
Landfill	669,232	-	-	-	669,232
NonMajor Business	10,683	-	-	346,921	357,604
Subtotal	<u>878,120</u>	<u>-</u>	<u>-</u>	<u>357,532</u>	<u>1,235,652</u>
Total	<u>\$ 1,995,109</u>	<u>\$ 2,125</u>	<u>\$ 436,375</u>	<u>\$ 6,207,134</u>	<u>\$ 8,640,743</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE F – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 was as follows (in thousands):

<b>Governmental activities</b>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 19,596	\$ 50	\$ 72	\$ 19,574
Construction in progress	9,152	1,733	10,055	830
Total capital assets not being depreciated	28,748	1,783	10,127	20,404
Other capital assets:				
Buildings	61,120	3,425	-	64,545
Improvements other than buildings	122,725	7,412	21	130,116
Machinery and equipment	41,425	3,108	2,470	42,063
Total capital assets being depreciated	225,270	13,945	2,491	236,724
Less accumulated depreciation for:				
Buildings	37,114	2,759	-	39,873
Improvements other than buildings	46,538	3,707	3	50,242
Machinery and equipment	30,890	2,080	1,485	31,485
Total accumulated depreciation	114,542	8,546	1,488	121,600
Total capital assets being depreciated, net	110,728	5,399	1,003	115,124
Governmental activities capital assets, net	\$ 139,476	\$ 7,182	\$ 11,130	\$ 135,528
<b>Business like activities</b>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,191	\$ -	\$ -	\$ 1,191
Construction in progress	785	1,422	1,682	525
Total capital assets not being depreciated	1,976	1,422	1,682	1,716
Other capital assets:				
Buildings	2,900	41	-	2,941
Improvements other than buildings	25,135	2,286	643	26,778
Furniture and fixtures	7,002	238	1,137	6,103
Total capital assets being depreciated	35,037	2,565	1,780	35,822
Less accumulated depreciation for:				
Buildings	1,649	117	-	1,766
Improvements other than buildings	14,463	942	8	15,397
Furniture and fixtures	5,080	445	1,135	4,390
Total accumulated depreciation	21,192	1,504	1,143	21,553
Total capital assets being depreciated, net	13,845	1,061	637	14,269
Business like activities capital assets, net	\$ 15,821	\$ 2,483	\$ 2,319	\$ 15,985

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE F – CAPITAL ASSETS – Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 3,380,734
Public safety	668,529
Physical environment	131,365
Transportation	3,247,584
Economic environment	79,546
Human services	118,297
Culture and recreation	<u>1,691,350</u>
Total governmental activities depreciation expense	<u>\$ 9,317,405</u>

Business-type activities:

Water and sewer	\$ 526,756
Landfill	667,694
Hanger rental	<u>286,110</u>
Total business-type activities depreciation expense	<u>\$ 1,480,560</u>

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

**NOTE G- LONG-TERM DEBT**

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

Deferred charges on refunding of bonds totaling \$40,325 are reported as deferred outflow of resources in the governmental activities and proprietary funds.

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

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

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014	Amount Due within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 7,839,821	\$ 4,133,346	\$ 3,829,518	\$ 8,143,649	\$ 3,800,000
Claims payable	2,231,939	1,610,755	1,574,748	2,267,946	1,442,706
Revenue bonds	853,113	-	279,476	573,637	284,341
Notes payable	1,089,329	-	82,260	1,007,069	85,382
Special assessment notes	4,089,724	-	897,540	3,192,184	773,440
OPEB liability	5,681,275	1,348,962	626,035	6,404,202	-
	<u>\$ 21,785,201</u>	<u>\$ 7,093,063</u>	<u>\$ 7,289,577</u>	<u>\$ 21,588,687</u>	<u>\$ 6,385,869</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 332,230	\$ 200,909	\$ 199,610	\$ 333,529	\$ 265,000
Landfill closure costs	8,124,269	520,174	-	8,644,443	16,869
Revenue bonds	853,113	-	279,476	573,637	284,341
Notes payable	3,912,125	-	427,370	3,484,755	443,693
OPEB liability	196,862	48,038	22,294	222,606	-
	<u>\$ 13,418,599</u>	<u>\$ 769,121</u>	<u>\$ 928,750</u>	<u>\$ 13,258,970</u>	<u>\$ 1,009,903</u>

**2. Descriptions of Bonds and Notes**

Bonds and notes payable at September 30, 2014 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.

\$ 828,075

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

<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>	68,885
<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>	71,862
<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>	97,862
<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>	50,582
<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>	135,366

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**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>	1,039,678
<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>	178,994
<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>	244,277
<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>	312,930
<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>	44,367
<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>	199,650
<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>	554,444

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**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. 171,038

\$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. 201,242

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. Secured by Sales Tax revenues. 573,637

Total general government bonds and notes payable \$ 4,772,890

Proprietary fund type - note payable

Navarre Beach

\$6,500,000 Utility System Revenue Note, Series 2006 payable to bank for the construction of certain improvements and additions to the Navarre Beach Utility System. The note is due in 15 annual payments of \$335,333 to \$555,568 plus interest at 0.0%, adjusted every 3 years, secured by non-ad valorem revenues. 3,484,755

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. Secured by Sales Tax revenues. 573,637

Total proprietary fund type bonds and note payable \$ 4,058,392

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**3. Debt Service Requirements**

The annual requirements to amortize all bonds and notes outstanding at September 30, 2014 are as follows:

Governmental activities:

Year ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,178,063	\$ 133,856	\$ 1,311,919
2016	1,058,164	101,243	1,159,407
2017	700,355	74,667	775,022
2018	582,601	54,116	636,717
2019	309,935	38,714	348,649
2020-2024	723,937	102,022	825,959
2025-2029	219,835	7,347	227,182
	<u>\$ 4,772,890</u>	<u>\$ 511,965</u>	<u>\$ 5,284,855</u>

Business-type activities:

Year ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 728,034	\$ 133,050	\$ 861,084
2016	749,617	110,518	860,135
2017	478,220	89,459	567,679
2018	496,485	70,847	567,332
2019	515,447	51,637	567,084
2020-2024	1,090,589	42,103	1,132,692
	<u>\$ 4,058,392</u>	<u>\$ 497,614</u>	<u>\$ 4,556,006</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, 2014, \$1.87 million of bonds are considered defeased.



**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**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, 2014 are as follows:

	Date Issued	Final Maturity	Amount Issued	Outstanding 9/30/2014
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	2,410,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	377,095
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	300,000	95,629
Total			<u>\$ 63,519,000</u>	<u>\$ 60,787,724</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 \$8.6 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2014, 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	84%
Central Class III Landfill (New)	35%
Central Class III Landfill (Old)	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 \$5.5 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 2014.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

The estimated remaining lives of the Central Class I and Class III landfills are 15 and 32 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, 2014, the Board held investments of \$4,966,334 to cover the escrow requirement of \$4,961,183. These investments are reported as restricted assets in these financial statements. The Board expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

**1. Retirement Plan**

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

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

The FRS Pension Plan is a defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Normal retirement benefits are available to employees who retire at age 62 or 65 (depending on hire date) with 6 or 8 (depending on hire date) or more years of service, or to those employees who have at least 30 or 33 (depending on hire date) years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five (if enrolled prior to July 1, 2011) or eight (if enrolled on or after July 1, 2011) highest years of earnings.

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**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 2014, the County contributed an average of 7.06% of each qualified regular employee's gross salary, 35.58% percent of the elected officials' salary, 19.25% of each special risk employee's salary, and 12.7% 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 \$4,672,306, \$3,452,871 and \$2,956,762 for the years ended September 30, 2014, 2013, and 2012, 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, 2014**

**NOTE K – FUND BALANCES – Continued**

Fund balances	Major Funds			Total
	General Fund	Road and Bridge Fund	Other Funds	
Nonspendable				
Inventory	\$ 107,193	\$ 304,885	\$ -	\$ 412,078
Restricted for:				
Communications	1,229,288	-	-	1,229,288
Boating improvement	252,193	-	-	252,193
Domestic violence	136,907	-	-	136,907
Voter education	9,234	-	-	9,234
Pollworker recruitment	1,887	-	-	1,887
Federal elections	10,544	-	-	10,544
Partners for pets	93,816	-	-	93,816
Navarre Beach Bridge maintenance	-	309,334	-	309,334
Law Enforcement Trust Fund	-	-	92,830	92,830
Crime prevention	-	-	327,113	327,113
Mosquito control	-	-	27,400	27,400
Federal and state grants	-	-	1,522,170	1,522,170
Enhanced 911 system	-	-	1,284,308	1,284,308
Tourist development	-	-	2,515,020	2,515,020
Infrastructure development	-	-	2,748,918	2,748,918
State Housing Improvement Program	-	-	809,796	809,796
Road and sewer construction	-	-	324,866	324,866
Canal maintance	-	-	77,334	77,334
Street lighting	-	-	64,384	64,384
State court operations	-	-	30,065	30,065
Court equipment and technology	-	-	822,367	822,367
Records modernization trust fund	-	-	272,180	272,180
Law enforcement training	-	-	26,332	26,332
Inmate welfare purchases	-	-	757,501	757,501
Committed to:				
Animal service education	46,823	-	-	46,823
Court innovations	-	-	267,359	267,359
Transportation, recreation and economic development	-	-	4,003,490	4,003,490
Gas and oil preservation	3,551,667	-	-	3,551,667
Capital construction projects	-	-	5,191,730	5,191,730
Assigned to:				
Road and bridge construction and maintenance	-	5,912,912	-	5,912,912
Debt service	-	-	83,590	83,590
Berm restoration	8,200,000	-	-	8,200,000
Law library	-	-	26,574	26,574
Court operations	-	-	653,053	653,053
Gas and oil preservation	195,317	-	-	195,317
Beach berm restoration	190,756	-	-	190,756
Unassigned	23,606,591	-	(1,135,383)	22,471,208
	<u>\$ 37,632,216</u>	<u>\$ 6,527,131</u>	<u>\$ 20,792,997</u>	<u>\$ 64,952,344</u>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**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 \$2,267,946 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 \$902,650 at September 30, 2014.

Changes in the Fund's claims liability amount in fiscal years 2013 and 2014 were as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2012 - 2013	\$ 2,884,872	\$ 1,270,453	\$ 1,923,386	\$ 2,231,939
2013 - 2014	\$ 2,231,939	\$ 1,610,755	\$ 1,574,748	\$ 2,267,946

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE L - RISK MANAGEMENT - Continued**

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

Current claims payable	\$ 1,365,296
Current claims-structured settlements	77,410
Total claims payable, current	1,442,706
Long-term claims-structured settlements	825,240
Total claims payable	\$ 2,267,946

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**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 2014 fiscal year, 212 retirees and eligible dependents received postemployment health care benefits. The County provided required contributions of \$158,329 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees insurance net of retiree contributions totaling \$394,269. 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)	\$ 589,000
Amortization of Unfunded Actuarial Accrued Liability	602,000
Annual Required Contribution	1,191,000
Amortization of Net OPEB Obligation	(357,000)
Interest on Net OPEB Obligation	206,000
Annual OPEB Cost (expense)	1,040,000
Contribution Towards the OPEB Cost	(291,329)
Increase in Net OPEB Obligation	748,671
Net OPEB Obligation, Beginning of Year	5,878,137
Net OPEB Obligation, End of Year	\$ 6,626,808

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, 2014, was as follows:

Fiscal Year	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-2012	\$ 1,473,000	23%	\$ 5,154,773
2012-2013	\$ 991,000	27%	\$ 5,878,137
2013-2014	\$ 1,040,000	28%	\$ 6,626,808

**Funded Status and Funding Progress** – As of September 30, 2014, the date of the actuarial valuation, the actuarial accrued liability was \$9,930,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$9,930,000. Amortization of the accrued liability for the year ended September 30, 2014 was \$602,000. The annual covered payroll (annual payroll of active participating employees) was \$46,609,103 for the 2013-2014 fiscal year. The ratio of the unfunded actuarial liability to annual covered payroll is 21%.



**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**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, 2014, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of September 30, 2014 and to estimate the County's 2013-2014 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 3.5% rate of return on invested assets assuming the benefits will continue to be funded on a pay-as-you-go basis and that the County's investments will earn 3.5% over the long term. The actuarial assumptions also include an annual healthcare cost trend rate of 8.5% initially for the 09-10 fiscal year, decreasing gradually per year to an ultimate rate of 4.3% in 2070. The inflation rate assumption is 2.8%. The unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining, closed, amortization period at September 30, 2014 is 25 years.

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

**NOTE N – DEFICIT FUND BALANCE**

At September 30, 2014, the Disaster Special Revenue Fund, a non-major fund, has a deficit fund balance of \$978,000. The deficit is due to expenditures related to the historical flash flooding in April 2014 which brought over 24 inches of rain in parts of the County and delayed grant funding.



**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, 2014**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 43,768,640	\$ 43,959,396	\$ 49,348,089
Permits, fees and special assessments	1,306,250	1,306,250	1,683,955
Intergovernmental	10,110,250	10,978,201	11,809,821
Charges for services	8,147,526	8,256,576	7,517,358
Fines and forfeits	202,210	245,281	342,022
Miscellaneous	3,253,640	3,286,877	4,655,916
Total revenues	66,788,516	68,032,581	75,357,161
<b>Expenditures</b>			
<b>Current</b>			
General government	22,326,367	23,433,060	22,477,972
Public safety	35,580,762	36,739,641	35,992,152
Physical environment	1,347,376	1,588,416	1,185,674
Transportation	931,400	964,010	966,500
Economic environment	143,080	1,645,244	1,511,624
Human services	5,477,508	5,534,563	5,317,231
Culture and recreation	2,885,002	2,973,316	2,788,749
Reserve for contingencies	1,250,470	41,424	--
Total expenditures	69,941,965	72,919,674	70,239,902
Excess (deficiency) of revenues over expenditures	(3,153,449)	(4,887,093)	5,117,259
<b>Other financing sources (uses)</b>			
Transfers in	2,241,706	3,920,311	3,920,311
Transfers out	(782,493)	(2,134,399)	(2,134,399)
Total other financing sources (uses)	1,459,213	1,785,912	1,785,912
Net change in fund balances	(1,694,236)	(3,101,181)	6,903,171
Fund balance, beginning of year	1,694,236	5,381,125	30,702,091
Change in reserve for inventory	--	--	26,954
Fund balance, end of year	\$ --	\$ 2,279,944	\$ 37,632,216

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, 2014**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 3,691,700	\$ 3,691,700	\$ 4,171,684
Permits, fees and special assessments	--	--	24,236
Intergovernmental	2,944,210	3,355,160	5,776,537
Charges for services	--	--	35,920
Miscellaneous	286,890	286,890	377,705
Total revenues	<u>6,922,800</u>	<u>7,333,750</u>	<u>10,386,082</u>
<b>Expenditures</b>			
<b>Current</b>			
Physical environment	--	547,932	478,307
Transportation	10,451,830	19,458,977	16,081,198
Reserve for contingencies	--	46,674	--
Total expenditures	<u>10,451,830</u>	<u>20,053,583</u>	<u>16,559,505</u>
Excess (deficiency) of revenues over expenditures	(3,529,030)	(12,719,833)	(6,173,423)
<b>Other financing sources (uses)</b>			
Transfers in	2,441,979	2,585,310	2,585,310
Total other financing sources (uses)	<u>2,441,979</u>	<u>2,585,310</u>	<u>2,585,310</u>
Net change in fund balances	(1,087,051)	(10,134,523)	(3,588,113)
Fund balance, beginning of year	1,087,051	10,134,523	10,080,330
Change in reserve for inventory	--	--	34,914
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,527,131</u>

See accompanying notes to required supplementary information.

**Santa Rosa County, Florida**

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

**Year ended September 30, 2014**

Schedule of Funding Progress	Actuarial Valuation Date		
	9/30/12	9/30/13	9/30/14
1. Current retirees liability	\$ 2,656,000	\$ 2,414,000	\$ 2,574,000
2. Active employees	9,289,000	6,897,000	7,356,000
3. Actuarial Accrued Liability	11,945,000	9,311,000	9,930,000
4. Actuarial Value of Assets	--	--	--
5. Unfunded Actuarial Accrued Liability	11,945,000	9,311,000	9,930,000
6. Funded Ratio (4. divided by 3.)	0%	0%	0%
7. Annual Covered Payroll	\$ 44,541,475	\$ 44,527,946	\$ 46,609,103
8. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	27%	21%	21%
	Fiscal Year Ended		
Schedule of Employer Contributions	9/30/12	9/30/13	9/30/14
Annual OPEB Cost	\$ 1,473,000	\$ 991,000	\$ 1,040,000
Actual Contribution	332,971	267,636	291,329
Percentage Contributed	23%	27%	28%
Net OPEB Obligation	\$ 5,154,773	\$ 5,878,137	\$ 6,626,808

See accompanying notes to required supplementary information.

**Santa Rosa County, Florida**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**September 30, 2014**

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**BUDGETARY INFORMATION**

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

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

## **Other Supplemental Information**

**Santa Rosa County, Florida**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF  
FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL  
For the Fiscal Year Ended September 30, 2014**

<u>Source</u>	<u>Amount Received in the 2013-14 Fiscal Year</u>	<u>Amount Expended in the 2013-14 Fiscal Year</u>
<b>BP Economic and Property Damages Promotional Fund:</b>		
Agreement No. <u>2012-2013</u>	\$ 98,200	\$ 131,607
Agreement No. <u>2013-2014</u>	\$392,800	\$ 159,474

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

**INDEPENDENT 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***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, (the "County") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 23, 2015.

**Internal Control Over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Warren Averett, LLC*

March 23, 2015  
Pensacola, Florida

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

We have examined Santa Rosa County, Florida's, (hereinafter referred to as "County"), compliance with Florida Statute 288.8018 in regards to the Deepwater Horizon Oil Spill receipts and expenditures for the year ended September 30, 2014.

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

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

In our opinion, the County complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

*Warren Averett, LLC*

Pensacola, Florida  
March 23, 2015

## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of Santa Rosa County, Florida, (hereinafter referred to as “County”), as of and for the year ended September 30, 2014, and have issued our report thereon dated March 23, 2015.

### Auditors’ Responsibility

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

### Other Reports

We have also issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors’ Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance required by OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General*; and Independent Accountants’ Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 23, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the County 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 the County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management’s responsibility to monitor the County’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.

**Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the County for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of the County provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the County in accordance with Section 218.39(3)(b), Florida Statutes. The County's financial statements do not include any special district component units.

**Other Matters**

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

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

**Purpose of this Letter**

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

*Warren Averett, LLC*

March 23, 2015  
Pensacola, Florida

**BOARD OF COUNTY COMMISSIONERS**

**SANTA ROSA COUNTY, FLORIDA  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**BOARD OF COUNTY COMMISSIONERS**  
**Santa Rosa County, Florida**  
**FINANCIAL STATEMENTS**  
**September 30, 2014**

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**BOARD OF COUNTY COMMISSIONERS**  
**Santa Rosa County, Florida**  
**FINANCIAL STATEMENTS**  
**September 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

Honorable Board of County Commissioners  
Santa Rosa County, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida (hereinafter referred to as "Board"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information of the Board, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Emphasis of Matter***

As discussed in Note A to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with the Rules of the Auditor General, State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Santa Rosa County, Florida that is attributable to the Board. They do not purport to, and do not, present fairly the financial position of Santa Rosa County, Florida as of September 30, 2014, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 43 and 44, and the schedules of funding progress and employer contributions for other post-employment benefits on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Warren Averett, LLC*

March 23, 2015  
Pensacola, Florida

**SPECIAL PURPOSE  
FINANCIAL STATEMENTS**

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

**September 30, 2014**

ASSETS	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 30,698,077	\$ 5,748,782	\$ 19,019,637	\$ 55,466,496
Investments	5,505,325	--	--	5,505,325
Receivables, net of uncollectibles				
Notes	436,375	--	--	436,375
Accounts	302,939	2,125	719,042	1,024,106
Due from other governments	3,139,035	1,196,562	1,253,967	5,589,564
Due from other funds	822,349	120,951	--	943,300
Inventory	67,620	304,885	--	372,505
Total assets	<u>\$ 40,971,720</u>	<u>\$ 7,373,305</u>	<u>\$ 20,992,646</u>	<u>\$ 69,337,671</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 737,730	\$ 479,199	\$ 955,526	\$ 2,172,455
Contracts payable	10,861	72,346	174,747	257,954
Accrued wages payable	664,271	294,629	34,521	993,421
Deposits	230,412	--	--	230,412
Unearned revenue	1,165,839	--	--	1,165,839
Due to other funds	--	--	943,300	943,300
Due to other governments	133,589	--	--	133,589
Total liabilities	<u>2,942,702</u>	<u>846,174</u>	<u>2,108,094</u>	<u>5,896,970</u>
Deferred inflows of resources:				
Deferred inflows of resources related to note receivable	<u>436,375</u>	<u>--</u>	<u>--</u>	<u>436,375</u>
Combined liabilities and deferred inflows of resources	3,379,077	846,174	2,108,094	6,333,345
Fund balances:				
Nonspendable	67,620	304,885	--	372,505
Restricted	1,733,869	309,334	9,794,139	11,837,342
Committed	3,598,490	--	9,462,579	13,061,069
Assigned	8,586,073	5,912,912	763,217	15,262,202
Unassigned	23,606,591	--	(1,135,383)	22,471,208
Total fund balances	<u>37,592,643</u>	<u>6,527,131</u>	<u>18,884,552</u>	<u>63,004,326</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 40,971,720</u>	<u>\$ 7,373,305</u>	<u>\$ 20,992,646</u>	<u>\$ 69,337,671</u>

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

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

**Year ended September 30, 2014**

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 49,348,089	\$ 4,171,684	\$ 1,722,670	\$ 55,242,443
Permits, fees and special assessments	1,683,955	24,236	11,543,503	13,251,694
Intergovernmental	11,809,821	5,776,537	2,711,008	20,297,366
Charges for services	4,152,801	35,920	2,300,920	6,489,641
Fines and forfeits	342,022	--	39,559	381,581
Miscellaneous	4,616,593	377,705	266,832	5,261,130
<b>Total revenues</b>	<b>71,953,281</b>	<b>10,386,082</b>	<b>18,584,492</b>	<b>100,923,855</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	18,554,516	--	925,004	19,479,520
Public safety	36,519,216	--	6,627,626	43,146,842
Physical environment	1,185,674	478,307	883,843	2,547,824
Transportation	966,500	16,081,198	503,956	17,551,654
Economic environment	1,511,624	--	2,096,323	3,607,947
Human services	5,317,231	--	132,450	5,449,681
Culture and recreation	2,788,749	--	78,527	2,867,276
Capital outlay	--	--	488,191	488,191
Debt service	--	--	1,431,988	1,431,988
<b>Total expenditures</b>	<b>66,843,510</b>	<b>16,559,505</b>	<b>13,167,908</b>	<b>96,570,923</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>5,109,771</b>	<b>(6,173,423)</b>	<b>5,416,584</b>	<b>4,352,932</b>
<b>Other financing sources (uses)</b>				
Transfer in	3,920,311	2,585,310	3,704,083	10,209,704
Transfer out	(2,134,399)	--	(8,570,969)	(10,705,368)
<b>Total other financing sources (uses)</b>	<b>1,785,912</b>	<b>2,585,310</b>	<b>(4,866,886)</b>	<b>(495,664)</b>
<b>Net change in fund balances</b>	<b>6,895,683</b>	<b>(3,588,113)</b>	<b>549,698</b>	<b>3,857,268</b>
Fund balances, beginning of year	30,670,006	10,080,330	18,334,854	59,085,190
Change in reserve for inventory	26,954	34,914	--	61,868
<b>Fund balances, end of year</b>	<b>\$ 37,592,643</b>	<b>\$ 6,527,131</b>	<b>\$ 18,884,552</b>	<b>\$ 63,004,326</b>

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

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

**September 30, 2014**

	Business-type Activities				Governmental
	Major Funds		Non-Major		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,441,628	\$ 5,012,624	\$ 910,934	\$ 8,365,186	\$ 5,125,779
Investments	--	--	--	--	626,991
Accounts receivable	198,205	669,232	10,683	878,120	53,848
Interest	--	--	--	--	--
Due from other governments	10,611	--	346,921	357,532	--
Total current assets	<u>2,650,444</u>	<u>5,681,856</u>	<u>1,268,538</u>	<u>9,600,838</u>	<u>5,806,618</u>
Noncurrent assets					
Restricted investments	--	4,966,334	--	4,966,334	--
Capital assets, net of accumulated depreciation	6,247,183	5,954,213	3,783,966	15,985,362	7,490
Total noncurrent assets	<u>6,247,183</u>	<u>10,920,547</u>	<u>3,783,966</u>	<u>20,951,696</u>	<u>7,490</u>
Total assets	<u>8,897,627</u>	<u>16,602,403</u>	<u>5,052,504</u>	<u>30,552,534</u>	<u>5,814,108</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on bond refunding	--	40,325	--	40,325	--
Total deferred inflows of resources	<u>--</u>	<u>40,325</u>	<u>--</u>	<u>40,325</u>	<u>--</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	14,407	98,983	218,892	332,282	1,018,858
Contracts payable	18,803	--	39,549	58,352	--
Current portion of claims payable	--	--	--	--	1,442,706
Accrued wages payable	26,825	83,725	1,743	112,293	11,866
Due to other governments	--	--	1,368	1,368	--
Compensated absences - current	70,000	195,000	--	265,000	40,000
Revenue bonds - current	--	284,341	--	284,341	--
Note payable - current	443,693	--	--	443,693	--
Accrued interest	--	2,536	--	2,536	--
Deposits	11,800	43,993	750	56,543	--
Current portion of landfill closure costs	--	16,869	--	16,869	--
Total current liabilities	<u>585,528</u>	<u>725,447</u>	<u>262,302</u>	<u>1,573,277</u>	<u>2,513,430</u>
Noncurrent liabilities					
Long term portion of compensated absences	3,080	65,449	--	68,529	13,363
Long term portion of claims payable	--	--	--	--	825,240
Long term portion of landfill closure costs	--	8,627,574	--	8,627,574	--
Revenue bonds payable - net of discount	--	289,296	--	289,296	--
Note payable - noncurrent	3,041,062	--	--	3,041,062	--
OPEB liability	54,629	166,042	1,935	222,606	27,316
Total noncurrent liabilities	<u>3,098,771</u>	<u>9,148,361</u>	<u>1,935</u>	<u>12,249,067</u>	<u>865,919</u>
Total liabilities	<u>3,684,299</u>	<u>9,873,808</u>	<u>264,237</u>	<u>13,822,344</u>	<u>3,379,349</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	2,762,428	5,420,901	3,783,966	11,967,295	7,490
Restricted for landfill closure	--	4,966,334	--	4,966,334	--
Unrestricted	2,450,900	(3,618,315)	1,004,301	(163,114)	2,427,269
Total net position	<u>\$ 5,213,328</u>	<u>\$ 6,768,920</u>	<u>\$ 4,788,267</u>	<u>\$ 16,770,515</u>	<u>\$ 2,434,759</u>

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

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

**Year ended September 30, 2014**

	Business-type Activities			Total Enterprise Funds	Governmental
	Major Funds		Non-Major		Activities
	Navarre Beach	Landfill	Peter Prince Field		Internal Service Fund
Operating revenues					
Licenses and permits	\$ --	\$ 38,650	\$ --	\$ 38,650	\$ --
Charges for services	1,904,215	4,769,454	253,484	6,927,153	856,213
Insurance proceeds	--	--	--	--	635,263
Miscellaneous	902	25	173	1,100	432
Total operating revenues	<u>1,905,117</u>	<u>4,808,129</u>	<u>253,657</u>	<u>6,966,903</u>	<u>1,491,908</u>
Operating expenses					
Personal services	584,277	1,803,682	35,042	2,423,001	281,995
Contract services	92,028	261,250	42,980	396,258	144,230
Supplies	76,782	47,108	300	124,190	16,124
Repairs and maintenance	417,608	385,322	54,767	857,697	1,478
Utilities	219,426	50,922	28,676	299,024	--
Depreciation	526,756	667,694	286,110	1,480,560	1,499
Travel and per diem	--	5,371	--	5,371	5,851
Insurance	8,050	9,280	--	17,330	77,994
Communications	12,361	9,909	211	22,481	266
Advertising	--	1,525	--	1,525	--
Fuel and oil	15,844	356,415	--	372,259	--
Rentals	1,950	17,776	--	19,726	--
Landfill closure and maintenance	--	520,174	--	520,174	--
Claims	--	--	--	--	1,610,755
State assessment	--	--	--	--	13,340
Miscellaneous	4,657	9,724	661	15,042	11,492
Total operating expenses	<u>1,959,739</u>	<u>4,146,152</u>	<u>448,747</u>	<u>6,554,638</u>	<u>2,165,024</u>
Operating income (loss)	(54,622)	661,977	(195,090)	412,265	(673,116)
Non-operating revenues (expenses)					
Investment income	1,837	33,991	660	36,488	7,399
Interest expense	--	(13,029)	--	(13,029)	--
Sale of recycled materials	--	73,210	--	73,210	--
Recycle building lease	--	20,302	--	20,302	--
Gain (loss) on disposal of assets	2,500	34,742	--	37,242	(171)
Federal and State grants	10,611	--	--	10,611	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(21,995)	--	(21,995)	--
Total non-operating revenues (expenses)	<u>14,948</u>	<u>67,221</u>	<u>660</u>	<u>82,829</u>	<u>7,228</u>
Income (loss) before contributions and transfers	(39,674)	729,198	(194,430)	495,094	(665,888)
Transfer in	--	--	--	--	496,664
Transfer out	--	--	--	--	(1,000)
Capital contribution	--	--	329,224	329,224	--
Change in net position	(39,674)	729,198	134,794	824,318	(170,224)
Net position, beginning of year	<u>5,253,002</u>	<u>6,039,722</u>	<u>4,653,473</u>	<u>15,946,197</u>	<u>2,604,983</u>
Net position, end of year	<u>\$ 5,213,328</u>	<u>\$ 6,768,920</u>	<u>\$ 4,788,267</u>	<u>\$ 16,770,515</u>	<u>\$ 2,434,759</u>

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

**Year ended September 30, 2014**

	Business-type Activities				Governmental
	Major Funds				Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 1,924,601	\$ 4,616,838	\$ 211,376	\$ 6,752,815	\$ 432
Cash paid to suppliers	(882,019)	(1,465,277)	119,573	(2,227,723)	(257,475)
Cash paid to employees	(575,939)	(1,779,117)	(34,441)	(2,389,497)	(298,174)
Cash received from interfund services provided	--	--	--	--	1,457,965
Cash paid for internal services provided	--	--	--	--	(1,520,294)
<b>Net cash provided (used) by operating activities</b>	<b>466,643</b>	<b>1,372,444</b>	<b>296,508</b>	<b>2,135,595</b>	<b>(617,546)</b>
<b>Cash flows from non capital financing activities</b>					
Transfers in	--	--	--	--	496,664
Transfers out	--	(6,243)	--	(6,243)	(1,000)
Sale of recycled materials	--	73,210	--	73,210	--
Lease on recycling building	--	20,302	--	20,302	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
<b>Net cash provided (used) by non capital financing activities</b>	<b>--</b>	<b>27,269</b>	<b>--</b>	<b>27,269</b>	<b>495,664</b>
<b>Cash flows from capital and related financing activities</b>					
Proceeds from sale of assets	2,500	36,448	--	38,948	--
Capital contributions	10,611	--	329,224	339,835	--
Purchases of capital assets	(69,873)	(1,083,123)	(487,658)	(1,640,654)	(7,042)
Principal paid on capital debt	(427,370)	(279,476)	--	(706,846)	--
Interest paid on capital debt	--	(12,953)	--	(12,953)	--
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(484,132)</b>	<b>(1,339,104)</b>	<b>(158,434)</b>	<b>(1,981,670)</b>	<b>(7,042)</b>
<b>Cash flows from investing activities</b>					
Interest and dividends	2,025	34,140	787	36,952	7,424
Net sale (purchase) of investments	--	(213,726)	--	(213,726)	(4,003)
<b>Net cash provided (used) by investing activities</b>	<b>2,025</b>	<b>(179,586)</b>	<b>787</b>	<b>(176,774)</b>	<b>3,421</b>
Net increase (decrease) in cash and cash equivalents	(15,464)	(118,977)	138,861	4,420	(125,503)
Cash and cash equivalents at beginning of year	2,457,092	5,131,601	772,073	8,360,766	5,251,282
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,441,628</b>	<b>\$ 5,012,624</b>	<b>\$ 910,934</b>	<b>\$ 8,365,186</b>	<b>\$ 5,125,779</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ (54,622)	\$ 661,977	\$ (195,090)	\$ 412,265	\$ (673,116)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>					
Depreciation expense	526,756	667,694	286,110	1,480,560	1,499
Landfill closure costs	--	520,174	--	520,174	--
<b>Changes in assets and liabilities:</b>					
Accounts receivable	(24,202)	(207,595)	729	(231,068)	(33,511)
Due to other governments	--	--	53	53	--
Accounts payable	(25,886)	(276,540)	207,566	(94,860)	67,794
Contracts payable	(7,427)	(34,135)	39,549	(2,013)	--
Accrued compensation	43	6,217	201	6,461	(1,726)
Compensated absences	1,627	(328)	--	1,299	(17,666)
Due from other governments	44,253	--	(42,780)	1,473	--
OPEB liability	6,668	18,676	400	25,744	3,173
Claims payable	--	--	--	--	36,007
Deposits	(567)	16,304	(230)	15,507	--
<b>Net cash provided (used) by operating activities</b>	<b>\$ 466,643</b>	<b>\$ 1,372,444</b>	<b>\$ 296,508</b>	<b>\$ 2,135,595</b>	<b>\$ (617,546)</b>
<b>Noncash Investing, Capital and Financing Activities:</b>					
Amortized deferred charges	\$ --	\$ 21,995	\$ --	\$ 21,995	\$ --

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

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**GUIDE TO NOTES**

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

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

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

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

**Dependent Special Districts**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

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

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

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

**3. Basis of Accounting**

**FUND FINANCIAL STATEMENTS**

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

**GOVERNMENTAL FUNDS**

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

The major governmental funds are:

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

**Revenue Recognition**

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

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

**Expenditure Recognition**

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

**PROPRIETARY FUNDS**

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

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

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

The major proprietary funds are:

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

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

**4. Budgets and Budgetary Accounting**

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

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

**5. Cash and Cash Equivalents**

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

**6. Investments**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

**7. Inventory**

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

**8. Accounting for Capital Assets**

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

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

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

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

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

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

**9. Compensated Absences**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

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

**10. Property Taxes**

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

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

Property taxes levied on property valuations as of January 1, 2014 and expected to be collected during the period November 2014 through March 2015 are as follows:

General Fund	\$ 44,646,750
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These taxes, although measurable, are not recognized as revenue at September 30, 2014, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

**11. Landfill Closure Costs**

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

**12. Allowance for Uncollectible Amounts**

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

**13. Fund Balance**

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



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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

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

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

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

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

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

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



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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE B - CASH AND INVESTMENTS**

At September 30, 2014, the bank held deposits of \$63,112,911 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

The Investment Trust:

A short term bond fund with an investment portfolio structured to maintain safety of principal and maximize available yield through a balance of quality and diversification. As of September 30, 2014 the Investment Trust managed \$714.63 million and had a price per share of \$24.09. This short term bond fund invests in U.S. Treasuries and Agency Securities, Mortgages, Commercial Paper, Asset-Backed Securities, and "A" rated Corporate Securities.

The Day to Day Fund:

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

Schedule of Cash and Investments at September 30, 2014

	<u>Carrying Amount</u>
<u>Investments</u>	
FLGIT Investment Trust Fund	\$ 11,098,650
Total Investments	11,098,650
 <u>Cash</u>	
Cash in Bank	18,016,244
Day to Day Trust	50,939,892
Petty Cash	1,325
Total Cash	68,957,461
Total Cash and Investments	\$ 80,056,111
 <u>Financial Statement Presentation</u>	
Cash and Cash Equivalents:	
Governmental	\$ 55,466,496
Enterprise	8,365,186
Internal Service	5,125,779
Investments	
Governmental	5,505,325
Enterprise	4,966,334
Internal Service	626,991
Total Cash and Investments	\$ 80,056,111

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

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

Restricted investments by category and by fund are as follows:

	Landfill Fund
Landfill escrow	<u>\$ 4,966,334</u>

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

At September 30, 2014, amounts due from other governmental units were as follows:

Federal Government - Grants	\$ 159,415
State of Florida - Grants	1,835,983
State of Florida - Taxes	1,836,211
Local taxes	911,392
Other Elected Officials	1,185,566
Other	<u>18,529</u>
Total	<u>\$ 5,947,096</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE D – INTERFUND TRANSACTIONS**

Interfund transactions for the year ended September 30, 2014 were as follows:

	Interfund Receivable	Interfund Payable	Interfund Transfers in	Interfund Transfers out
General fund	\$ 822,349	\$ -	\$ 3,920,311	\$ 2,134,399
Road & Bridge fund	120,951	-	2,585,310	-
Nonmajor Governmental funds	-	943,300	3,704,083	8,570,969
Self Insurance funds	-	-	496,664	1,000
Total	<u>\$ 943,300</u>	<u>\$ 943,300</u>	<u>\$ 10,706,368</u>	<u>\$ 10,706,368</u>

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 was as follows (in thousands):

<b>Governmental activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 19,596	\$ 50	\$ 72	\$ 19,574
Construction in progress	9,152	1,733	10,055	830
Total capital assets not being depreciated	<u>28,748</u>	<u>1,783</u>	<u>10,127</u>	<u>20,404</u>
Other capital assets:				
Buildings	61,120	3,425	-	64,545
Improvements other than buildings	122,725	7,412	21	130,116
Machinery and equipment	29,087	2,035	1,606	29,516
Total capital assets being depreciated	<u>212,932</u>	<u>12,872</u>	<u>1,627</u>	<u>224,177</u>
Less accumulated depreciation for:				
Buildings	37,114	2,759	-	39,873
Improvements other than buildings	46,538	3,707	3	50,242
Machinery and equipment	21,231	2,080	1,485	21,826
Total accumulated depreciation	<u>104,883</u>	<u>8,546</u>	<u>1,488</u>	<u>111,941</u>
Total capital assets being depreciated, net	<u>108,049</u>	<u>4,326</u>	<u>139</u>	<u>112,236</u>
Governmental activities capital assets, net	<u>\$ 136,797</u>	<u>\$ 6,109</u>	<u>\$ 10,266</u>	<u>\$ 132,640</u>
<b>Business like activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,191	\$ -	\$ -	\$ 1,191
Construction in progress	785	1,422	1,682	525
Total capital assets not being depreciated	<u>1,976</u>	<u>1,422</u>	<u>1,682</u>	<u>1,716</u>
Other capital assets:				
Buildings	2,900	41	-	2,941
Improvements other than buildings	25,135	2,286	643	26,778
Furniture and fixtures	7,002	238	1,137	6,103
Total capital assets being depreciated	<u>35,037</u>	<u>2,565</u>	<u>1,780</u>	<u>35,822</u>
Less accumulated depreciation for:				
Buildings	1,649	117	-	1,766
Improvements other than buildings	14,463	942	8	15,397
Furniture and fixtures	5,080	445	1,135	4,390
Total accumulated depreciation	<u>21,192</u>	<u>1,504</u>	<u>1,143</u>	<u>21,553</u>
Total capital assets being depreciated, net	<u>13,845</u>	<u>1,061</u>	<u>637</u>	<u>14,269</u>
Business like activities capital assets, net	<u>\$ 15,821</u>	<u>\$ 2,483</u>	<u>\$ 2,319</u>	<u>\$ 15,985</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE E – CAPITAL ASSETS - Continued**

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

Depreciation expense was charged to functions as follows:

Government activities:

General government	\$2,579,235
Public Safety	668,529
Physical environment	131,365
Transportation	3,247,584
Economic environment	79,546
Human services	118,297
Culture and recreation	<u>1,691,350</u>
Total governmental activities depreciation expense	<u><u>\$8,515,906</u></u>

Business type activities

Water and sewer	\$ 526,756
Landfill	667,694
Hanger rental	<u>286,110</u>
Total business-type activities depreciation expense	<u><u>\$ 1,480,560</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

**NOTE F - LONG-TERM DEBT**

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

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

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014	Amount Due within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 2,916,870	\$ 1,785,574	\$ 1,710,467	\$ 2,991,977	\$ 1,800,000
Claims payable	2,231,939	1,610,755	1,574,748	2,267,946	1,442,706
Revenue bonds	853,113	-	279,476	573,637	284,341
Notes payable	1,089,329	-	82,260	1,007,069	85,382
Special assessment notes	4,089,724	-	897,540	3,192,184	808,341
Total	<u>\$ 11,180,975</u>	<u>\$ 3,396,329</u>	<u>\$ 4,544,491</u>	<u>\$ 10,032,813</u>	<u>\$ 4,420,770</u>
<b>Business type activities:</b>					
Compensated absences	\$ 332,230	\$ 200,909	\$ 199,610	\$ 333,529	\$ 265,000
Landfill closure costs	8,124,269	520,174	-	8,644,443	16,869
Revenue bonds	853,113	-	279,476	573,637	284,341
Notes payable	3,912,125	-	427,370	3,484,755	443,693
OPEB Liability	196,862	48,038	22,294	222,606	-
Total	<u>\$ 13,418,599</u>	<u>\$ 769,121</u>	<u>\$ 928,750</u>	<u>\$ 13,258,970</u>	<u>\$ 1,009,903</u>

Deferred charges on refunding of bonds totaling \$40,325 are reported as deferred outflow of resources in the proprietary funds.

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE F - LONG-TERM DEBT - Continued**

**2. Descriptions of Bonds and Notes**

Bonds and notes payable at September 30, 2014 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.	\$ 828,075
\$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.	68,885
\$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.	71,862
\$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.	97,862
\$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.	50,582



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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE F - LONG-TERM DEBT - Continued**

\$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.	135,366
\$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.	1,039,678
\$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.	178,995
\$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.	244,277
\$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.	312,930
\$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.	44,367
\$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.	199,650

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE F - LONG-TERM DEBT - Continued**

\$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. 554,444

\$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. 171,038

\$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. 201,242

General government - bonds payable

\$3,057,579 Capital Improvement Refunding Revenue Bonds, Series 2010 bonds due in quarterly installments of \$128,435 to \$145,585 plus interest at 1.73% with final payment due in 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. Secured by Sales Tax revenues. 573,637

Total general government bonds and notes payable \$ 4,772,890

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE F - LONG-TERM DEBT - Continued**

Proprietary fund type - note payable

Navarre Beach

\$6,500,000 Utility System Revenue Note, Series 2006 payable to bank for the construction of certain improvements and additions to the Navarre Beach Utility System. The note is due in 15 annual payments of \$335,333 to \$555,568 plus interest at 0.0%, adjusted every 3 years, secured by non-ad valorem revenues.

3,484,755

Proprietary fund type - bonds payable

Landfill

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

573,637

Total proprietary fund type bonds and note payable

\$ 4,058,392

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

**NOTE F - LONG-TERM DEBT - Continued**

**3. Debt Service Requirements**

The annual requirements to amortize all bonds and notes outstanding at September 30, 2014 are as follows:

Governmental activities:

Year ended September 30,	Principal	Interest	Total
2015	\$ 1,178,063	\$ 133,856	\$ 1,311,919
2016	1,058,164	101,243	1,159,407
2017	700,355	74,667	775,022
2018	582,601	54,116	636,717
2019	309,935	38,714	348,649
2020-2024	723,937	102,022	825,959
2025-2029	219,835	7,347	227,182
	<u>\$ 4,772,890</u>	<u>\$ 511,965</u>	<u>\$ 5,284,855</u>

Business-type activities:

Year ended September 30,	Principal	Interest	Total
2015	\$ 728,034	\$ 133,050	\$ 861,084
2016	749,617	110,518	860,135
2017	478,220	89,459	567,679
2018	496,485	70,847	567,332
2019	515,447	51,637	567,084
2020-2024	1,090,589	42,103	1,132,692
	<u>\$ 4,058,392</u>	<u>\$ 497,614</u>	<u>\$ 4,556,006</u>

**4. Defeased Debt Outstanding**

In prior years the Board defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the Board's financial statements. At September 30, 2014, \$1.87 million of bonds are considered defeased.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE G - CONDUIT DEBT OBLIGATIONS**

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

Debt issues related to conduit financings outstanding at September 30, 2014 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 9/30/2014</u>
Baptist Hospital, 2003	8/21/2003	10/1/2021	\$ 57,905,000	\$ 57,905,000
Holley Navarre Water System, 2004	6/2/2004	5/1/2024	4,145,000	2,410,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	377,095
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	<u>300,000</u>	<u>95,629</u>
Total			<u>\$ 63,519,000</u>	<u>\$ 60,787,724</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$8.6 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2014, 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	84%
Central Class III Landfill (New)	35%
Central Class III Landfill (Old)	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 \$5.5 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 2014. The estimated remaining lives of the Central Class I and Class III landfills are 15 and 32 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, 2014, the Board held investments of \$4,966,334 to cover the escrow requirement of \$4,961,183. These investments are reported as restricted assets in these financial statements. The Board expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

**NOTE I - COMMITMENTS AND CONTINGENCIES**

**1. Retirement Plan**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE I - COMMITMENTS AND CONTINGENCIES - Continued**

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

The FRS Pension Plan is a defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Normal retirement benefits are available to employees who retire at age 62 or 65 (depending on hire date) with 6 or 8 (depending on hire date) or more years of service, or to those employees who have at least 30 or 33 (depending on hire date) years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five (if enrolled prior to July 1, 2011) or eight (if enrolled on or after July 1, 2011) highest years of earnings.

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

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

**Contributions** - Chapter 121 requires the employer to pay contributions based upon state-wide rates established by the State of Florida. Employees contribute 3% of their salary. During 2014, the Board contributed an average of 7.06% of each qualified regular employee's gross salary, 35.58% percent of the elected official's salary and 12.7% for each DROP participant. The Board's contributions to the pension plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for the year. The Board's contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on membership class. Contributions to both plans totaled \$1,365,625, \$923,537 and \$766,330 for the years ended September 30, 2014, 2013, and 2012, respectively.

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE I - COMMITMENTS AND CONTINGENCIES - Continued**

**2. Litigation**

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

**3. Federal and State Grants**

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

**NOTE J - RISK MANAGEMENT**

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

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

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

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



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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

**NOTE J - RISK MANAGEMENT - Continued**

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board 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 \$2,267,946 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 \$902,650 at September 30, 2014.

Changes in the Fund's claims liability amount in fiscal years 2013 and 2014 were as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2012 - 2013	\$ 2,884,872	\$ 1,270,453	\$ 1,923,386	\$ 2,231,939
2013 - 2014	\$ 2,231,939	\$ 1,610,755	\$ 1,574,748	\$ 2,267,946

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

Current claims payable	\$ 1,365,296
Current claims-structured settlements	77,410
Total claims payable, current	1,442,706
Long-term claims-structured settlements	825,240
Total claims payable	\$ 2,267,946

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE J - RISK MANAGEMENT - Continued**

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

**NOTE K - FUND BALANCES**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

**NOTE K - FUND BALANCES – Continued**

Fund balances	Major Funds			Total
	General Fund	Road and Bridge Fund	Other Funds	
Nonspendable				
Inventory	\$ 67,620	\$ 304,885	\$ -	\$ 372,505
Restricted for:				
Communications	1,229,288	-	-	1,229,288
Boating improvement	252,193	-	-	252,193
Domestic violence	136,907	-	-	136,907
Voter education	9,234	-	-	9,234
Pollworker recruitment	1,887	-	-	1,887
Federal elections	10,544	-	-	10,544
Partners for pets	93,816	-	-	93,816
Navarre Beach Bridge maintenance	-	309,334	-	309,334
Law Enforcement Trust Fund	-	-	92,830	92,830
Crime prevention	-	-	327,113	327,113
Mosquito control	-	-	27,400	27,400
Federal and state grants	-	-	1,522,170	1,522,170
Enhanced 911 system	-	-	1,284,308	1,284,308
Tourist development	-	-	2,515,020	2,515,020
Infrastructure development	-	-	2,748,918	2,748,918
State Housing Improvement Program	-	-	809,796	809,796
Road and sewer construction	-	-	324,866	324,866
Canal maintance	-	-	77,334	77,334
Street lighting	-	-	64,384	64,384
Committed to:				
Animal service education	46,823	-	-	46,823
Court innovations	-	-	267,359	267,359
Transportation, recreation and economic development	-	-	4,003,490	4,003,490
Gas and oil preservation	3,551,667	-	-	3,551,667
Capital construction projects	-	-	5,191,730	5,191,730
Assigned to:				
Road and bridge construction and maintenance	-	5,912,912	-	5,912,912
Debt service	-	-	83,590	83,590
Berm restoration	8,200,000	-	-	8,200,000
Law library	-	-	26,574	26,574
Court operations	-	-	653,053	653,053
Gas and oil preservation	195,317	-	-	195,317
Berm restoration	190,756	-	-	190,756
Unassigned	23,606,591	-	(1,135,383)	22,471,208
	<u>\$ 37,592,643</u>	<u>\$ 6,527,131</u>	<u>\$ 18,884,552</u>	<u>\$ 63,004,326</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

**NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS**

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

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

**Funding Policy** – The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2014 fiscal year, 212 retirees and eligible dependents received postemployment health care benefits. The County provided required contributions of \$158,329 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees insurance net of retiree contributions totaling \$394,269. 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)	\$ 589,000
Amortization of Unfunded Actuarial Accrued Liability	602,000
Annual Required Contribution	1,191,000
Amortization of Net OPEB Obligation	(357,000)
Interest on Net OPEB Obligation	206,000
Annual OPEB Cost (expense)	1,040,000
Contribution Towards the OPEB Cost	(291,329)
Increase in Net OPEB Obligation	748,671
Net OPEB Obligation, Beginning of Year	5,878,137
Net OPEB Obligation, End of Year	\$ 6,626,808

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

**NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS - Continued**

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2014, was as follows:

Fiscal Year	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-2012	\$ 1,473,000	23%	\$ 5,154,773
2012-2013	\$ 991,000	27%	\$ 5,878,137
2013-2014	\$ 1,040,000	28%	\$ 6,626,808

**Funded Status and Funding Progress** – As of September 30, 2014, the date of the actuarial valuation, the actuarial accrued liability was \$9,930,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$9,930,000. Amortization of the accrued liability for the year ended September 30, 2014 was \$602,000. The annual covered payroll (annual payroll of active participating employees) was \$46,609,103 for the 2013-2014 fiscal year. The ratio of the unfunded actuarial liability to annual covered payroll is 21%.

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014**

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**NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS - Continued**

The County's OPEB actuarial valuation as of September 30, 2014, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of September 30, 2014 and to estimate the County's 2013-2014 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 3.5% rate of return on invested assets assuming the benefits will continue to be funded on a pay-as-you-go basis and that the County's investments will earn 3.5% over the long term. The actuarial assumptions also include an annual healthcare cost trend rate of 8.5% initially for the 09-10 fiscal year, decreasing gradually per year to an ultimate rate of 4.3% in 2070. The inflation rate assumption is 2.8%. The unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining, closed, amortization period at September 30, 2014 is 25 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**

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

**Year ended September 30, 2014**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	43,768,640	43,959,396	49,348,089
Permits, fees and special assessments	1,306,250	1,306,250	1,683,955
Intergovernmental	10,110,250	10,978,201	11,809,821
Charges for services	3,878,240	3,878,240	4,152,801
Fines and forfeits	202,210	245,281	342,022
Miscellaneous	3,188,820	3,218,597	4,616,593
Total revenues	62,454,410	63,585,965	71,953,281
Expenditures			
Current			
General government	17,992,261	18,986,444	18,554,516
Public safety	35,580,762	36,739,641	36,519,216
Physical environment	1,347,376	1,588,416	1,185,674
Transportation	931,400	964,010	966,500
Economic environment	143,080	1,645,244	1,511,624
Human services	5,477,508	5,534,563	5,317,231
Culture and recreation	2,885,002	2,973,316	2,788,749
Reserve for contingencies	1,250,470	41,424	--
Total expenditures	65,607,859	68,473,058	66,843,510
Excess (deficiency) of revenues over expenditures	(3,153,449)	(4,887,093)	5,109,771
Other financing sources (uses)			
Transfers in	2,241,706	3,920,311	3,920,311
Transfers out	(782,493)	(2,134,399)	(2,134,399)
Total other financing sources (uses)	1,459,213	1,785,912	1,785,912
Net change in fund balances	(1,694,236)	(3,101,181)	6,895,683
Fund balance, beginning of year	1,694,236	5,381,125	30,670,006
Change in reserve for inventory	--	--	26,954
Fund balance, end of year	--	2,279,944	37,592,643

See accompanying notes to required supplementary information.



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

**Year ended September 30, 2014**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 3,691,700	\$ 3,691,700	\$ 4,171,684
Permits, fees and special assessments	--	--	24,236
Intergovernmental	2,944,210	3,355,160	5,776,537
Charges for services	--	--	35,920
Miscellaneous	286,890	286,890	377,705
Total revenues	6,922,800	7,333,750	10,386,082
Expenditures			
Current			
Physical environment	--	547,932	478,307
Transportation	10,451,830	19,458,977	16,081,198
Reserve for contingencies	--	46,674	--
Total expenditures	10,451,830	20,053,583	16,559,505
Excess (deficiency) of revenues over expenditures	(3,529,030)	(12,719,833)	(6,173,423)
Other financing sources (uses)			
Transfers in	2,441,979	2,585,310	2,585,310
Total other financing sources (uses)	2,441,979	2,585,310	2,585,310
Net change in fund balances	(1,087,051)	(10,134,523)	(3,588,113)
Fund balance, beginning of year	1,087,051	10,134,523	10,080,330
Change in reserve for inventory	--	--	34,914
Fund balance, end of year	\$ --	\$ --	\$ 6,527,131

See accompanying notes to required supplementary information.

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

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

**Year ended September 30, 2014**

<u>Schedule of Funding Progress</u>	<u>Actuarial Valuation Date</u>		
	<u>9/30/12</u>	<u>9/30/13</u>	<u>9/30/14</u>
1. Current retirees liability	\$ 2,656,000	\$ 2,414,000	\$ 2,574,000
2. Active employees	9,289,000	6,897,000	7,356,000
3. Actuarial Accrued Liability	11,945,000	9,311,000	9,930,000
4. Actuarial Value of Assets	--	--	--
5. Unfunded Actuarial Accrued Liability	11,945,000	9,311,000	9,930,000
6. Funded Ratio (4. divided by 3.)	0%	0%	0%
7. Annual Covered Payroll	<u>\$ 44,541,475</u>	<u>\$ 44,527,946</u>	<u>\$ 46,609,103</u>
8. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	27%	21%	21%
<u>Schedule of Employer Contributions</u>	<u>Fiscal Year Ended</u>		
	<u>9/30/12</u>	<u>9/30/13</u>	<u>9/30/14</u>
Annual OPEB Cost	\$ 1,473,000	\$ 991,000	\$ 1,040,000
Actual Contribution	332,971	267,636	291,329
Percentage Contributed	23%	27%	28%
Net OPEB Obligation	<u>\$ 5,154,773</u>	<u>\$ 5,878,137</u>	<u>\$ 6,626,808</u>

See accompanying notes to required supplementary information.

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

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**September 30, 2014**

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

Honorable Board of County Commissioners  
Santa Rosa County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida, (hereinafter referred to as "Board"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's financial statements, and have issued our report thereon dated March 23, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Warren Averett, LLC*

March 23, 2015  
Pensacola, Florida

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

We have examined the Board of County Commissioners of Santa Rosa County, Florida's, (hereinafter referred to as "Board"), compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2014.

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

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

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

*Warren Averett, LLC*

Pensacola, Florida  
March 23, 2015

## MANAGEMENT LETTER

Honorable Board of County Commissioners  
Santa Rosa County, Florida

### Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Santa Rosa County, Florida, Board of County Commissioners, (hereinafter referred to as “Board”), as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2015.

### Auditors’ Responsibility

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

### Other Reports

We have also issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants’ Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 23, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Other Matters

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

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

**Purpose of this Letter**

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

*Warren Averett, LLC*

March 23, 2015  
Pensacola, Florida



**SINGLE AUDIT REPORT**  
**SANTA ROSA COUNTY, FLORIDA**  
**SEPTEMBER 30, 2014**

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

**SEPTEMBER 30, 2014**

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

Board of County Commissioners  
Santa Rosa County, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited the compliance of Santa Rosa County, Florida (hereinafter referred to as "County"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the State of Florida Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the County's major federal programs and state projects for the year ended September 30, 2014. The County's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program and State Project***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014.

## **Report on Internal Control over Compliance**

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

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

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

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

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

We have audited the financial statements of 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, 2014, and the notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 23, 2015, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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

*Warren Averett, LLC*

March 23, 2015  
Pensacola, Florida

**Santa Rosa County Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**Year ended September 30, 2014**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture, Forest Service</u>			
Cooperative Forestry Assistance	10.664	VFA	\$ 15,000
<u>U.S. Department of Health and Human Services</u>			
Passed Through Florida Dept. of Revenue			
Child Support Enforcement Program	93.563	COC57	10,897
Child Support Enforcement Program	93.563	CD357	155,680
Child Support Enforcement Program	93.563	CSS57	9,286
Child Support Enforcement Program	93.563	CST57	2,792
			<u>178,655</u>
Passed Through Florida Division of Elections			
Voting Access for Individuals with Disabilities Grants to States	93.617	2013-2014-0003	15,288
<u>U.S. Department of Homeland Security</u>			
Passed Through Florida Division of Emergency Management			
Hazard Mitigation Grant - Ramblewood Phase II	97.039	13HM-2X-01-67-01-491	292,020
Hazard Mitigation Grant - Settlers Colony Phase I	97.039	14HM-6B-01-67-01-373	51,199
			<u>343,219</u>
Disaster Grants - Public Assistance (April Severe Weather)	97.036	15-SP-8Z-01-67-02-500	43,386
Passed Through Florida Division of Emergency Management			
Homeland Security Grant Program	97.067	13-DS-20-01-67-01-149	4,020
Homeland Security Grant Program	97.067	14-DS-C2-01-67-01-156	11,520
Homeland Security Grant Program	97.067	14-DS-L5-01-67-01-482	13,450
			<u>28,990</u>
Emergency Management Performance Grants - CERT	97.042	14-CI-K1-01-67-02-437	6,897
Emergency Management Performance Grants	97.042	14FG-1M-01-67-01-124	53,052
Emergency Management Performance Grants	97.042	15FG-4D-01-67-01-124	19,153
Emergency Management Performance Grants - Citizen Corps	97.042	14-CC-K1-01-67-02-448	12,400
			<u>91,502</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Florida Dept. of Community Affairs			
Community Development Block Grant - Disaster Recovery Grant	14.228	10DB-K4-01-67-01-K31	164,618
Community Development Block Grants	14.228	11DB-C5-01-67-01-N22	241,848
Community Development Block Grant - Disaster Recovery Grant (DREF)	14.228	12DB-P5-01-67-01-K57	79,002
			<u>485,468</u>
Passed Through Escambia County Consortium			
HOME Investment Partnerships Program	14.239	M-13-DC-12-0225	378,093
<u>U.S. Department of Justice</u>			
Passed Through Florida Coalition Against Domestic Violence			
Violence Against Women Formula Grants	16.588	14-8027-SAO	42,574
Violence Against Women Formula Grants	16.588	15-8027-SAO	16,600
			<u>59,174</u>
Passed Through Office of the Attorney General			
Crime Victim Assistance	16.575	V13233	35,687
Passed Through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-JAGC-SANT-1-E5-100	54,075
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0104	14,316
			<u>68,391</u>
<u>U.S. Department of Transportation</u>			
Passed Through Florida Dept. of Transportation			
Formula Grants for Rural Areas	20.509	AQF63	84,976
Highway Planning and Construction	20.205	ARO95/428872-2-58-01/8886-297-A 428872-2-68-01/8886-297-A	818,133
Highway Planning and Construction	20.205	AQ207/428099-1-38-01/8887-838-A 428099-1-58-01/8887-842-A	526,077
			<u>1,344,210</u>
<u>U.S. Election Assistance Commission</u>			
Passed Through Florida Division of Elections			
Help America Vote Act Requirements Payments	90.401	N/A	33,489
<u>U.S. Environmental Protection Agency</u>			
Congressionally Mandated Projects	66.202	XP-95478911-0	10,611
Total Federal Awards			<u>\$ 3,216,139</u>

**Santa Rosa County Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
Year ended September 30, 2014

<u>State Grantor/Pass-through Grantor/Program Title</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>Florida Department of Agriculture and Consumer Services</u> Mosquito Control	42.003	020324	\$ 29,456
<u>Florida Department of Health</u> County Grant Awards	64.005	C2055	19,395
<u>Florida Department of State</u> State Aid to Libraries	45.030	14-ST-78	123,271
<u>Florida Department of Transportation</u>			
State Highway Project Reimbursement - FDOT Landscape Program	55.023	416533-8-58-26	60,000
Transportation Regional Incentive Program	55.026	421994-1-5801	40,605
Economic Development Transportation Projects - Road Fund	55.032	432504-1-58-01 (AQT64)	73,073
Aviation Development Grants - Joint Participation Agreement	55.004	41593119401 (AQG10)	304,792
Aviation Development Grants - Joint Participation Agreement	55.004	42563319401 (AR960)	24,432
			<u>329,224</u>
Small County Outreach Program	55.009	AR457 (425691-1-58-01)	1,452,651
<u>Florida Division of Emergency Management</u>			
Emergency Management Programs	31.063	14-BG-83-01-67-01-057	79,464
Emergency Management Programs	31.063	15-BG-83-01-67-01-057	32,910
			<u>112,374</u>
Emergency Management Projects - Hazards Analysis	31.067	14-CP-11-01-67-01-214	8,558
<u>Florida Department of Environmental Protection</u>			
Beach Management Funding Assistance Program	37.003	12SR1	36,603
<u>Florida Executive Office of the Governor</u>			
Enterprise Florida Inc. - Defense Infrastructure Grant	31.003	DIG 11-08	25,901
Enterprise Florida Inc. - Defense Infrastructure Grant	31.003	DIG 12-02	81,117
			<u>107,018</u>
<u>Florida Department of Economic Opportunity</u>			
Military Base Protection - Enterprise Florida, Inc.	40.014	DRG 13-05	4,290
Military Base Protection - Enterprise Florida, Inc.	40.014	DRG 14-02	47,652
Military Base Protection - Florida Defense Support Task Force	40.014	DTF 13-06	129,400
			<u>181,342</u>
<u>Florida Housing Finance Corporation</u>			
State Housing Initiative Partnership Program	52.901	N/A	216,560
Total State Financial Assistance			<u>\$ 2,790,130</u>

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

**Santa Rosa County, Florida**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the year ended September 30, 2014**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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



Santa Rosa County, Florida  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
AND STATE FINANCIAL ASSISTANCE  
For the year ended September 30, 2014

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**A. SUMMARY OF AUDITOR RESULTS**

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

**STATE FINANCIAL ASSISTANCE**

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

**IDENTIFICATION OF MAJOR PROGRAMS**

**Federal Programs**

CFDA No. 20.205 Highway Planning and Construction  
CFDA No. 97.039 Hazard Mitigation Assistance

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



Santa Rosa County, Florida  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the year ended September 30, 2014

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

None reported.

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

None reported.

**SANTA ROSA COUNTY, FLORIDA SHERIFF**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**SANTA ROSA COUNTY, FLORIDA SHERIFF**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

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**SANTA ROSA COUNTY, FLORIDA SHERIFF**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

Honorable Wendell Hall, Sheriff  
Santa Rosa County, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements (“financial statements”) of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Santa Rosa County, Florida (“Sheriff”) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditors’ Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information of the Sheriff, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note A to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with the Rules of the Auditor General, State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Santa Rosa County, Florida that is attributable to the Sheriff. They do not purport to, and do not, present fairly the financial position of Santa Rosa County, Florida as of September 30, 2014, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements. The accompanying combining fund financial statements on pages 19 - 21 are presented for purposes of additional analysis and are not a required part of these financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheriff's internal control over financial reporting and compliance.

*Warren Averett, LLC*

March 2, 2015  
Pensacola, Florida

**Santa Rosa County, Florida Sheriff**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2014**

	Major Funds		Non-Major	
	General	Jail Commissary	Other	Total
<b>ASSETS</b>				
Cash	\$ 1,757,034	\$ 764,013	\$ 165,379	\$ 2,686,426
Due from other funds	70,088	--	--	70,088
Due from other governmental units	1,018,993	--	33,536	1,052,529
Accounts receivable	8,800	25,515	--	34,315
Inventory	39,573	--	--	39,573
Total assets	<u>\$ 2,894,488</u>	<u>\$ 789,528</u>	<u>\$ 198,915</u>	<u>\$ 3,882,931</u>
<b>LIABILITIES</b>				
Accounts payable and accrued payroll	\$ 1,090,063	\$ 5,750	\$ 8,473	\$ 1,104,286
Due to other funds	--	26,277	43,811	70,088
Due to other governmental units	1,764,852	--	--	1,764,852
Unearned revenue	--	--	120,299	120,299
Total liabilities	<u>2,854,915</u>	<u>32,027</u>	<u>172,583</u>	<u>3,059,525</u>
<b>FUND BALANCE</b>				
Fund balance				
Restricted for inmate welfare and recreation	--	757,501	--	757,501
Restricted for law enforcement training	--	--	26,332	26,332
Nonspendable - inventory	39,573	--	--	39,573
Total fund balance	<u>39,573</u>	<u>757,501</u>	<u>26,332</u>	<u>823,406</u>
 Total liabilities and fund balance	 <u>\$ 2,894,488</u>	 <u>\$ 789,528</u>	 <u>\$ 198,915</u>	 <u>\$ 3,882,931</u>

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

**Santa Rosa County, Florida Sheriff**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2014**

	Major		Non-Major	
	General	Jail Commissary	Other	Total
<b>REVENUES</b>				
Intergovernmental	\$ --	\$ --	\$ 535,770	\$ 535,770
Miscellaneous	--	342,830	39	342,869
Total revenues	--	342,830	535,809	878,639
<b>EXPENDITURES</b>				
Current				
General government				
Judicial				
Personal services	878,018	--	--	878,018
Operating	13,737	--	--	13,737
Public safety				
Law enforcement				
Personal services	16,316,637	--	397,737	16,714,374
Operating	3,105,052	--	44,188	3,149,240
Capital outlay	863,685	--	101,165	964,850
Correction and detention				
Personal services	7,071,241	86,292	--	7,157,533
Operating	3,626,153	202,106	--	3,828,259
Capital outlay	--	23,625	--	23,625
Total expenditures	31,874,523	312,023	543,090	32,729,636
Excess (deficiency) of revenues over expenditures	(31,874,523)	30,807	(7,281)	(31,850,997)
<b>OTHER FINANCING SOURCES (USES)</b>				
BOCC appropriation	32,401,587	--	--	32,401,587
BOCC unspent funds	(519,576)	--	--	(519,576)
Total other financing sources (uses)	31,882,011	--	--	31,882,011
<b>Net change in fund balances</b>	7,488	30,807	(7,281)	31,014
<b>FUND BALANCES, BEGINNING OF YEAR</b>	32,085	726,694	33,613	792,392
<b>FUND BALANCES, END OF YEAR</b>	\$ 39,573	\$ 757,501	\$ 26,332	\$ 823,406

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

**Santa Rosa County, Florida Sheriff**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**September 30, 2014**

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**ASSETS**

Cash	\$ 106,725
Miscellaneous receivable	35
Total assets	<u>\$ 106,760</u>

**LIABILITIES**

Accounts payable	\$ 3,746
Due to other governmental units	--
Deposits	103,014
Total liabilities	<u>\$ 106,760</u>

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

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

These financial statements are not intended to be a complete presentation of the financial position and results of operations of the County taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the financial statements consist of only the *fund level* financial statements as defined in Governmental Accounting Standards Board (“GASB”) Statement No. 34, and do not include presentations of *government-wide* financial statements of the Sheriff.

**2. Fund Accounting**

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

**Governmental Funds**

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

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

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

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

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

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

- 1) Grants Fund accounts for grant revenues and expenditures according to the terms of each grant.
- 2) Second Dollar accounts for shared fine revenues from the Board which are used for law enforcement training purposes.
- 3) Federal Seizure accounts for shared seizure revenues from the United States Department of Justice which are used for law enforcement purposes.

**Fiduciary Funds**

The Sheriff uses agency funds to account for assets held in a custodial capacity for others.

**3. Basis of Accounting**

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

**4. Cash and Cash Equivalents**

For financial statement reporting, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

**5. Inventory**

Inventory, which consists of expendable supplies held for consumption, is stated at cost using the first-in, first-out method. Inventory is recorded when consumed rather than when purchased.

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**6. Accounting for Capital Assets**

Capital assets (vehicles, equipment, and other tangible and certain intangible property costing at least \$1,000 with a useful life of more than one year) are recorded as expenditures by the acquiring fund at the time of purchase. The Sheriff does not engage in the acquisition of public domain (infrastructure) assets.

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

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

Capital assets and related depreciation expense are reported as a component of the County government-wide financial statements and are not reflected in the governmental fund financial statements. Buildings and improvements are owned by the Board of County Commissioners.

**7. Compensated Absences**

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the County government-wide financial statements. For the governmental fund statements, expenditures are not recognized until payments are made to employees.

**8. Unspent Appropriations from Board**

In accordance with Section 30.50 (6), Florida Statutes, excess appropriations are returned to the Board at fiscal year-end and are reported in the “due to other governmental units” liability account. Charges for services, interest income, and other miscellaneous revenues collected by the Sheriff are considered to be “agency” transactions, not available for expenditure by the Sheriff, and are remitted to the Board on a monthly basis.

**9. Fund Balance**

Fund balances are classified as either non-spendable or as restricted, committed, assigned, and unassigned, based on the extent to which there are external and internal constraints on the spending thereof.

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE B - CASH**

The Sheriff's deposits at year-end were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. At September 30, 2014 the reported amount of the Sheriff's deposits was \$2,793,151 and the bank balance was \$3,190,017, consisting entirely of deposits with financial institutions in checking accounts.

**NOTE C - CAPITAL ASSETS**

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

	Balance 10/01/13	Additions	Reductions	Balance 9/30/14
Vehicles, equipment, software and furniture	\$ 12,338,333	\$ 1,074,689	\$ (864,664)	\$ 12,548,358
Less: accumulated depreciation	<u>(9,658,853)</u>	<u>(801,499)</u>	<u>798,877</u>	<u>(9,661,475)</u>
Net Total	<u>\$ 2,679,480</u>	<u>\$ 273,190</u>	<u>\$ (65,787)</u>	<u>\$ 2,886,883</u>

Depreciation expense for the year ended September 30, 2014, was \$801,499.

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

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

Compensated Absences	
Balance - October 1, 2013	\$ 3,714,410
Increases	1,612,594
Decreases	<u>(1,430,571)</u>
Balance - September 30, 2014	<u>\$ 3,896,433</u>

Compensated absences are paid from the general fund.



**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE E - INTERFUND BALANCES**

At September 30, 2014, interfund balances consisted of the following:

Fund	Receivable	Payable
General Fund	\$ 70,088	\$ --
Jail Commissary	--	26,277
Non-major governmental	--	43,811
	\$ 70,088	\$ 70,088

Amounts due to the General Fund from non-major governmental funds are related to advances which will be paid back to the General Fund after reimbursement is received from grantors. Amounts due to the General Fund from the Jail Commissary Fund are for various expenditures paid by the General Fund on behalf of the Jail Commissary Fund.

**NOTE F - PENSION AND RETIREMENT PLAN**

Substantially all full-time employees of the Sheriff are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a financial report that includes financial statements and required supplementary information. The report may be obtained at [www.myfrs.com](http://www.myfrs.com) or by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399.

The FRS 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 multiple employer cost sharing defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. For employees who were enrolled in the plan prior to July 1, 2011, normal retirement benefits are available 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. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age.

For employees enrolling in the plan for the first time on or after July 1, 2011, normal retirement benefits are available at age 65 with 8 or

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

more years of service, or to those employees who have at least 33 years of creditable service, regardless of age. Early retirement is available after 8 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement age and years of service requirements also vary depending on membership class. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of the members highest 5 (if enrolled prior to July 1, 2011) or 8 (if enrolled on or after July 1, 2011) fiscal years of earnings.

The FRS Investment Plan is a defined contribution plan funded monthly by employer and employee contributions based on salary and membership class. Employer contributions vest after 1 year of service whereas employee contributions vest immediately. Members in the Investment Plan decide how their funds are allocated between various investment accounts and the vested funds are portable upon termination. The final retirement benefit is equal to the vested contributions plus investment earnings less expenses and losses allocated to the member's account. Members in the Investment Plan are not eligible for participation in the Deferred Retirement Option Program (DROP).

DROP is available for members of the FRS Pension Plan who are vested and elect to participate in DROP within 1 year after reaching normal retirement age. Under this program, a member effectively retires while continuing to be employed for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

Prior to July 2011, the plans were noncontributory for employees with all contributions being the participating FRS employer's responsibility. Effective July 1, 2011, participating employees contribute 3% of their gross salaries each pay period to the plan. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2014 were as follows: regular employees - 7.06%, special risk employees - 19.25%, elected officials - 35.58%, senior management employees - 19.02%, and DROP participants - 12.70%. The Sheriff's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contributions for each year. Contributions to the Investment Plan were equal to the legislatively-mandated contribution rates. Contributions to both plans totaled \$2,657,150, \$2,105,688 and \$1,842,861 for the years ended September 30, 2014, 2013, and 2012, respectively.

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE G - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

The Sheriff participates in the health insurance plan offered to employees of the Board and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependents have the option of continuing in the Board plan at the same group rate as for active employees. Although participating retirees are required to reimburse the Board for 100% of the premium cost, employees who retire with a minimum of 10 years of creditable service (8 years elected service) are eligible for a monthly health insurance subsidy based on the number of years of creditable service multiplied by \$3, and limited to the lesser of \$90 per month or the actual cost of the retiree's monthly health insurance premium.

Because the premium is a group rate which includes active lower cost employees, these retirees are receiving an "implicit subsidy". This implicit subsidy has a cost which is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Sheriff. Accordingly, these calculations and disclosures can be found in the County-wide comprehensive annual financial report.

**NOTE H - GRANT ASSISTANCE**

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

**NOTE I - RISK MANAGEMENT**

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

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

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

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

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE I - RISK MANAGEMENT – (Continued)**

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

Worker's compensation coverage is provided by the Florida Sheriff's Worker's Compensation Self Insurance Fund. Annual premium costs under this coverage were \$454,655 and \$429,193, for the years ended September 30, 2014 and 2013, respectively. Coverage limits under the policy include \$1,000,000 bodily injury for each accident and \$1,000,000 bodily injury by disease for each employee with a \$1,000,000 limit.

**NOTE J – GOVERNMENTAL FUND BALANCES**

Fund balances are classified as follows:

*Non-spendable* fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Other fund balance amounts are classified depending on the Sheriff's ability to control the spending of the fund balances as follows:

*Restricted* fund balances can only be used for specific purposes which are externally imposed by creditors, grantors, contributors, and other governments (via laws and regulations), or are imposed by law through constitutional provisions or enabling legislation.

*Committed* fund balances can only be used for specific purposes imposed internally by the Sheriff's formal action of highest level of decision making authority. At year-end, the Sheriff had no committed fund balances.

*Assigned* fund balances are fund balances intended to be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. At year-end, the Sheriff had no assigned fund balances.

*Unassigned* fund balances represent the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. At year-end, the Sheriff had no unassigned fund balances because all unspent Board appropriations of the General Fund are required to be remitted to the Board and there were no negative residual balances in the special revenue funds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Santa Rosa County, Florida Sheriff**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**For the year ended September 30, 2014**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>	\$ --	\$ --	\$ --	\$ --
<b>EXPENDITURES</b>				
Current				
General government				
Judicial				
Personal services	984,366	984,366	878,018	106,348
Operating	24,648	24,648	13,737	10,911
Public safety				
Law enforcement				
Personal services	16,567,550	16,567,550	16,316,637	250,913
Operating	3,273,066	3,190,966	3,105,052	85,914
Capital outlay	--	904,700	863,685	41,015
Correction and detention				
Personal services	7,103,148	7,103,148	7,071,241	31,907
Operating	3,544,109	3,626,209	3,626,153	56
Total expenditures	<u>31,496,887</u>	<u>32,401,587</u>	<u>31,874,523</u>	<u>527,064</u>
Excess (deficiency) of revenues over expenditures	(31,496,887)	(32,401,587)	(31,874,523)	527,064
<b>OTHER FINANCING SOURCES (USES)</b>				
BOCC appropriation	31,496,887	32,401,587	32,401,587	--
BOCC unspent funds	--	--	(519,576)	(519,576)
Total other financing sources (uses)	<u>31,496,887</u>	<u>32,401,587</u>	<u>31,882,011</u>	<u>(519,576)</u>
<b>Net change in fund balance</b>	--	--	7,488	7,488
<b>FUND BALANCE, BEGINNING OF YEAR</b>	--	--	32,085	32,085
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 39,573</u>	<u>\$ 39,573</u>

**Santa Rosa County, Florida Sheriff**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**September 30, 2014**

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**Budgets and Budgetary Accounting**

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

**SUPPLEMENTARY INFORMATION – COMBINING FUND FINANCIAL STATEMENTS**



**Santa Rosa County, Florida Sheriff**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2014**

	Grants Fund	Second Dollar Fund	Federal Seizure Fund	Totals
<b>ASSETS</b>				
Cash	\$ 68,466	\$ 28,747	\$ 68,166	\$ 165,379
Due from other governmental units	33,536	--	--	33,536
Total assets	<u>\$ 102,002</u>	<u>\$ 28,747</u>	<u>\$ 68,166</u>	<u>\$ 198,915</u>
<b>LIABILITIES</b>				
Accounts payable and accrued payroll	\$ 8,473	\$ --	\$ --	\$ 8,473
Due to other funds	41,396	2,415	--	43,811
Unearned revenue	52,133	--	68,166	120,299
Total liabilities	<u>102,002</u>	<u>2,415</u>	<u>68,166</u>	<u>172,583</u>
<b>FUND BALANCE</b>				
Fund balance				
Resricted for law enforcement training	<u>--</u>	<u>26,332</u>	<u>--</u>	<u>26,332</u>
Total liabilities and fund balance	<u>\$ 102,002</u>	<u>\$ 28,747</u>	<u>\$ 68,166</u>	<u>\$ 198,915</u>

**Santa Rosa County, Florida Sheriff**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2014**

	Grants Fund	Second Dollar Fund	Federal Seizure Fund	Totals
<b>REVENUES</b>				
Intergovernmental	\$ 417,165	\$ 31,756	\$ 86,849	\$ 535,770
Miscellaneous	--	39	--	39
Total revenues	<u>417,165</u>	<u>31,795</u>	<u>86,849</u>	<u>535,809</u>
<b>EXPENDITURES</b>				
Current				
Public safety				
Law enforcement				
Personal services	397,737	--	--	397,737
Operating	5,112	39,076		44,188
Capital outlay	14,316		86,849	101,165
Total expenditures	<u>417,165</u>	<u>39,076</u>	<u>86,849</u>	<u>543,090</u>
Net change in fund balances	--	(7,281)	--	(7,281)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>--</u>	<u>33,613</u>	<u>--</u>	<u>33,613</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ --</u>	<u>\$ 26,332</u>	<u>\$ --</u>	<u>\$ 26,332</u>

**Santa Rosa County, Florida Sheriff**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**September 30, 2014**

	Individual Depositors Fund	Suspense Fund	Seizure Fund	Flower Fund	Totals
<b>ASSETS</b>					
Cash	\$ --	\$ 3,711	\$ 87,361	\$ 15,653	\$ 106,725
Miscellaneous receivable	--	35	--	--	35
Total assets	<u>\$ --</u>	<u>\$ 3,746</u>	<u>\$ 87,361</u>	<u>\$ 15,653</u>	<u>\$ 106,760</u>
<b>LIABILITIES</b>					
Accounts payable	\$ --	\$ 3,746	\$ --	\$ --	\$ 3,746
Deposits	--	--	87,361	15,653	103,014
Total liabilities	<u>\$ --</u>	<u>\$ 3,746</u>	<u>\$ 87,361</u>	<u>\$ 15,653</u>	<u>\$ 106,760</u>

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

Honorable Wendell Hall, Sheriff  
Santa Rosa County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as "Sheriff"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Sheriff's financial statements and have issued our report thereon dated March 2, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Warren Averett, LLC*

March 2, 2015  
Pensacola, Florida

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

Honorable Wendell Hall, Sheriff  
Santa Rosa County, Florida

We have examined the Office of the Sheriff of Santa Rosa County, Florida's (hereinafter referred to as "Sheriff") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2014.

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

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

In our opinion, the Sheriff complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

*Warren Averett, LLC*

Pensacola, Florida  
March 2, 2015

## MANAGEMENT LETTER

Honorable Wendell Hall, Sheriff  
Santa Rosa County, Florida

### **Report on the Financial Statements**

We have audited the financial statements (“financial statements”) of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as “Sheriff”), as of and for the year ended September 30, 2014 and the related notes to the financial statements, and have issued our report thereon dated March 2, 2015.

### **Auditors’ Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550 Rules of the Florida Auditor General.

### **Other Reports**

We have also issued our Independent Auditors’ Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants’ Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are March 2, 2015, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

### **Other Matters**

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

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

**Purpose of this Letter**

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

*Warren Averett, LLC*

March 2, 2015  
Pensacola, Florida



**Santa Rosa County, Florida Sheriff**  
**MANAGEMENT'S REPSONSE TO MANAGEMENT LETTER**  
**September 30, 2014**

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

**SANTA ROSA COUNTY, FLORIDA  
TAX COLLECTOR**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**SANTA ROSA COUNTY, FLORIDA  
TAX COLLECTOR**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

Honorable Stan Colie Nichols  
Tax Collector  
Santa Rosa County, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements (hereinafter referred to as “financial statements”) of the general fund and the tax fund of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as “Tax Collector”) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Tax Collector’s financial statements as listed in the table of contents.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditors’ Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and tax fund of the Tax Collector, as of September 30, 2014, and the respective changes in financial position, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note A to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the general fund and tax fund of Santa Rosa County that is attributable to the Tax Collector. They do not purport to, and do not, present fairly the financial position of Santa Rosa County as of September 30, 2014, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2015, on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading "*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.*" The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tax Collector's internal control over financial reporting and compliance.

*Warren Averett, LLC*

January 19, 2015  
Pensacola, Florida

**Santa Rosa County, Florida Tax Collector  
BALANCE SHEET - GENERAL FUND  
September 30, 2014**

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**ASSETS**

Cash	\$ 574,979
Due from other governmental units	31,000
Total assets	<u>\$ 605,979</u>

**LIABILITIES**

Accounts payable	\$ 4,864
Accrued payroll, taxes and benefits	84,902
Unearned revenues	20,966
Due to other governmental units	495,247
Total liabilities	<u>605,979</u>

**FUND BALANCE**

Fund balance	<u>--</u>
Total liabilities and fund balance	<u>\$ 605,979</u>

**Santa Rosa County, Florida Tax Collector  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE -  
GENERAL FUND  
For the year ended September 30, 2014**

**REVENUES**

Charges for services	\$ 3,863,202
Miscellaneous	3,838
Total revenues	3,867,040

**EXPENDITURES**

Current:	
General government:	
Personal services	2,753,475
Operating	625,510
Capital outlay	5,008
Total expenditures	3,383,993

Excess of revenues over expenditures	483,047
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**OTHER FINANCING SOURCES (USES)**

Unspent revenues	(483,047)
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<b>Net change in fund balance</b>	--
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<b>FUND BALANCE, BEGINNING OF YEAR</b>	--
--	----

<b>FUND BALANCE, END OF YEAR</b>	\$ --
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**Santa Rosa County, Florida Tax Collector**  
**STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS -**  
**TAX FUND**  
**September 30, 2014**

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**ASSETS**

Cash	\$ 1,611,214
Miscellaneous receivables	124,984
	<u>1,736,198</u>

**LIABILITIES**

Accounts payable	49,213
Due to other governmental units	1,646,631
Miscellaneous	40,354
	<u>1,736,198</u>
Total liabilities	<u>1,736,198</u>

**NET POSITION**

Net Position	<u><u>\$ --</u></u>
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**Santa Rosa County, Florida Tax Collector**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

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

These financial statements of the Tax Collector are not intended to be a complete presentation of the financial position and results of operations of the County taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the financial statements consist of only the fund level financial statements as defined in Governmental Accounting Standards Board (“GASB”) Statement No. 34, and do not include presentations of government-wide financial statements of the Tax Collector.

**2. Fund Accounting**

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

The funds utilized by the Tax Collector are as follows:

**Governmental Funds**

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

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

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**2. Fund Accounting – (Continued)**

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

**3. Basis of Accounting**

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

**4. Cash and Cash Equivalents**

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

**5. Accounting for Capital Assets**

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

**6. Compensated Absences**

Employees accumulate a limited amount of earned but unused annual and sick leave which will be paid upon separation from service. Compensated absence expenditures are not recognized in the General Fund until payments are made to employees. However, these unpaid compensated absences are recorded as a liability when the benefits are earned in the County’s government-wide financial statements.

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**7. Unspent Revenue and Fund Balance**

In accordance with Section 218.36, Florida Statutes, unspent revenue is remitted proportionately to the various taxing districts at fiscal year-end. As a result, no fund balance exists at year end in the General Fund.

**8. Events Occurring After the Reporting Date**

The Tax Collector has evaluated events and transactions that occurred between September 30, 2014 and January 19, 2015, which is the date that the financial statement were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2014, the bank reported deposits before outstanding checks and deposits of \$2,122,091 all of which was held by a financial institution designated as a "qualified public depository" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, the Tax Collector does not believe it is exposed to any significant credit risk on its cash balances.

Florida Statutes authorize the Tax Collector to invest in obligations of the U.S. Treasury and interest bearing time deposits or savings accounts in banks participating in the multiple financial institution collateral pool. The Tax Collector does not have any assets of an investment nature as of September 30, 2014.

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

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

Balance - October 1, 2013	\$ 325,023
Earned absences	131,703
Used absences	<u>(122,967)</u>
Balance - September 30, 2014	<u>\$ 333,759</u>

Compensated absences are paid by the General Fund.

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE D - PENSION AND RETIREMENT PLAN**

Substantially all full-time employees of the Tax Collector are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a financial report that includes financial statements and required supplementary information. The report may be obtained at [www.myfrs.com](http://www.myfrs.com) or by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399.

The FRS 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 multiple employer cost sharing defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. For employees who were enrolled in the plan prior to July 1, 2011, normal retirement benefits are available 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. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. For employees enrolling in the plan for the first time on or after July 1, 2011, normal retirement benefits are available at age 65 with 8 or more years of service, or to those employees who have at least 33 years of creditable service, regardless of age. Early retirement is available after 8 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement age and years of service requirements also vary depending on membership class. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of the members highest 5 (if enrolled prior to July 1, 2011) or 8 (if enrolled on or after July 1, 2011) fiscal years of earnings.

The FRS Investment Plan is a defined contribution plan funded monthly by employer and employee contributions based on salary and membership class. Employer contributions vest after 1 year of service whereas employee contributions vest immediately. Members in the Investment Plan decide how their funds are allocated between various investment accounts and the vested funds are portable upon termination. The final retirement benefit is equal to the vested contributions plus investment earnings less expenses and losses allocated to the member's account. Members in the Investment Plan are not eligible for participation in the Deferred Retirement Option Program (DROP).

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE D - PENSION AND RETIREMENT PLAN -- (Continued)**

DROP is available for members of the FRS Pension Plan who are vested and elect to participate in DROP within 1 year after reaching normal retirement age. Under this program, a member effectively retires while continuing to be employed for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

Prior to July 2011, the plans were noncontributory for employees with all contributions being the participating FRS employer's responsibility. Effective July 1, 2011, participating employees contribute 3% of their gross salaries each pay period to the plan. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2014 were as follows: regular employees, 7.06%, special risk employees, 19.25%, elected officials, 35.58%, senior management employees, 19.02%, and DROP participants, 12.70%. The Tax Collector's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contributions for each year. Contributions to the Investment Plan were equal to the legislatively-mandated contribution rates. Contributions to both plans totaled \$175,202, \$118,650, and \$102,288 for the years ended September 30, 2014, 2013, and 2012, respectively.

**NOTE E - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

The Tax Collector participates in the health insurance plan offered to employees of the Board and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependents have the option of continuing in the Board plan at the same group rate as for active employees. Although participating retirees are required to reimburse the Board for 100% of the premium cost, employees who retire with a minimum of 10 years of creditable service (8 years elected service) are eligible for a monthly health insurance subsidy based on the number of years of creditable service multiplied by \$3, and limited to the lesser of \$90 per month or the actual cost of the retiree's monthly health insurance premium.

Because the premium is a group rate which includes active lower cost employees, these retirees are receiving an "implicit subsidy". This implicit subsidy has a cost which is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Tax Collector. Accordingly, these calculations and disclosures can be found in the County-wide comprehensive annual financial report.

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE F - LEASES**

The Tax Collector leases certain office space and equipment under operating lease agreements with expiration dates through February 2016. Future minimum rental commitments under these leases are as follows:

Fiscal year end September 30:

2015	26,400
2016	<u>11,000</u>
Total minimum future rental payment	<u>\$ 37,400</u>

Rental expense for the year ended September 30, 2014 was \$26,400.

**NOTE G - RISK MANAGEMENT**

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

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

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

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

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE G - RISK MANAGEMENT – (Continued)**

Conventional insurance remains in effect for buildings and their contents. There also were no significant reductions in insurance coverage from the prior year and settled claims resulting from conventional insurance risks have not exceeded coverage in any of the past three fiscal years. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public officials' liability coverage. The Tax Collector participates in the program and makes payments to the Self-Insurance Fund based on historical estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

**NOTE H – COMMITMENTS**

The Tax Collector entered into a service agreement for routine tax bill and collections software for an initial term of five years beginning October 1, 2014. The Tax Collector has committed to an initial implementation fee of \$150,000, of which \$100,000 has been paid as of September 30, 2014. Beginning October 1, 2015, there is an annual fee of \$150,000. After the first year, such fee shall escalate annually at a rate of 5%.

**NOTE I – LITIGATION**

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



**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**

**Santa Rosa County, Florida Tax Collector  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL -  
GENERAL FUND (Unaudited)  
For the year ended September 30, 2014**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 3,698,100	\$ 3,698,100	\$ 3,863,202	\$ 165,102
Miscellaneous	33,500	33,500	3,838	(29,662)
Total revenues	<u>3,731,600</u>	<u>3,731,600</u>	<u>3,867,040</u>	<u>135,440</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Personal services	2,775,910	2,775,910	2,753,475	22,435
Operating	658,696	653,596	625,510	28,086
Capital outlay	--	5,100	5,008	92
Total expenditures	<u>3,434,606</u>	<u>3,434,606</u>	<u>3,383,993</u>	<u>50,613</u>
Excess of revenues over expenditures	296,994	296,994	483,047	186,053
<b>OTHER FINANCING SOURCES (USES)</b>				
Unspent revenues	<u>(296,994)</u>	<u>(296,994)</u>	<u>(483,047)</u>	<u>(186,053)</u>
<b>Net change in fund balance</b>	--	--	--	--
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**Santa Rosa County, Florida Tax Collector**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**September 30, 2014**

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**Budgets and Budgetary Accounting**

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

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

Honorable Stan Colie Nichols  
Tax Collector  
Santa Rosa County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements (hereinafter referred to as "financial statements") of the general fund and the tax fund of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Tax Collector's financial statements, and have issued our report thereon dated January 19, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Warren Averett, LLC*

January 19, 2015  
Pensacola, FL

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

We have examined the Office of the Tax Collector of Santa Rosa County, Florida's (hereinafter referred to as "Tax Collector") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2014.

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

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

In our opinion, the Tax Collector complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

*Warren Averett, LLC*

January 19, 2015  
Pensacola, Florida

## MANAGEMENT LETTER

Honorable Stan Colie Nichols  
Tax Collector  
Santa Rosa County, Florida

### Report on the Financial Statements

We have audited the financial statements (hereinafter referred to as “financial statements”) of the general fund and the tax fund of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as “Tax Collector”), as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2105.

### Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550 Rules of the Auditor General.

### Other Reports

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants’ Report on Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are dated January 19, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

## **Other Matters**

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

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

## **Purpose of this Letter**

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

*Warren Averett, LLC*

January 19, 2015  
Pensacola, Florida



**Santa Rosa County, Florida Tax Collector  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
For the year ended September 30, 2014**

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

**SANTA ROSA COUNTY, FLORIDA  
CLERK OF COURT AND COMPTROLLER**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**SANTA ROSA COUNTY, FLORIDA CLERK OF COURT AND COMPTROLLER**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

Honorable Donald Spencer – Clerk of Court and Comptroller  
Santa Rosa County, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Office of Clerk of Court and Comptroller of Santa Rosa County, Florida (hereinafter referred to as “Clerk”) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the financial statements, as listed in the table of contents.

#### *Management’s Responsibility for the Financial Statements*

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

#### *Auditors’ Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information of the Clerk, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note A to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with the Rules of the Auditor General, State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Santa Rosa County, Florida that is attributable to the Clerk. They do not purport to, and do not, present fairly the financial position of Santa Rosa County, Florida as of September 30, 2014, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 15-17 be presented to supplement the basic financial statements. Such information, although not a part of the 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 financial statements, and other knowledge we obtained during our audit of the 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying supplementary information, the combining statement of assets and liabilities on page 19, is presented for purposes of additional analysis and is not a required part of these financial statements. This statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015 on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading "*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards.*" 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.

*Warren Averett, LLC*

March 2, 2015  
Pensacola, Florida

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**BALANCE SHEET - ALL GOVERNMENTAL FUNDS**  
**September 30, 2014**

	Major Funds						Total
	General	Courts	Courts Technology	Records Modernization Trust	10% Fines- PRMTF	Child Support Title IV-D	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 373,202	\$ 706,580	\$ 299,984	\$ 281,009	\$ 559,705	\$ --	\$ 2,220,480
Accounts receivable, net	6,845	--	--	--	--	--	6,845
Due from other funds	--	38,541	--	--	--	--	38,541
Due from other governmental units	299	--	--	--	--	38,541	38,840
Total assets	<u>\$ 380,346</u>	<u>\$ 745,121</u>	<u>\$ 299,984</u>	<u>\$ 281,009</u>	<u>\$ 559,705</u>	<u>\$ 38,541</u>	<u>\$ 2,304,706</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 5,865	\$ 2,764	\$ 194	\$ 8,829	\$ 6,673	\$ --	\$ 24,325
Accrued wages and salaries	128,360	95,751	5,568	--	--	--	229,679
Due to Board of County Commissioners	92,298	--	--	--	--	--	92,298
Due to other funds	--	--	--	--	--	38,541	38,541
Due to other governmental units	100,551	616,541	24,887	--	--	--	741,979
Deposits	53,272	--	--	--	--	--	53,272
Total liabilities	<u>380,346</u>	<u>715,056</u>	<u>30,649</u>	<u>8,829</u>	<u>6,673</u>	<u>38,541</u>	<u>1,180,094</u>
<b>FUND BALANCES</b>							
Restricted for state court operations	--	30,065	--	--	--	--	30,065
Restricted for records modernization	--	--	--	272,180	--	--	272,180
Restricted for court equipment and technology	--	--	269,335	--	553,032	--	822,367
Total fund balances	<u>--</u>	<u>30,065</u>	<u>269,335</u>	<u>272,180</u>	<u>553,032</u>	<u>--</u>	<u>1,124,612</u>
Total liabilities and fund balances	<u>\$ 380,346</u>	<u>\$ 745,121</u>	<u>\$ 299,984</u>	<u>\$ 281,009</u>	<u>\$ 559,705</u>	<u>\$ 38,541</u>	<u>\$ 2,304,706</u>

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

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2014**

	Major Funds						Total
	General	Courts	Courts Technology	Records Modernization Trust	10% Fines- PRMTF	Child Support Title IV-D	
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ 746,256	\$ -	\$ -	\$ -	\$ 166,577	\$ 912,833
Charges for services	838,846	2,090,176	257,214	84,398	-	-	3,270,634
Fines and forfeits	-	721,322	-	-	167,321	-	888,643
Miscellaneous	33,297	8,812	-	-	-	-	42,109
<b>Total revenues</b>	<b>872,143</b>	<b>3,566,566</b>	<b>257,214</b>	<b>84,398</b>	<b>167,321</b>	<b>166,577</b>	<b>5,114,219</b>
<b>EXPENDITURES</b>							
Current:							
General government:							
Financial and administrative:							
Personal services	2,165,065	-	-	-	-	-	2,165,065
Operating	274,805	4,154	-	35,250	110,073	-	424,282
Capital outlay	43,951	-	-	-	8,360	-	52,311
Judicial:							
Personal services	-	2,848,480	164,078	-	-	166,577	3,179,135
Operating	-	232,944	124,606	-	-	-	357,550
Capital outlay	-	-	91,866	-	-	-	91,866
<b>Total expenditures</b>	<b>2,483,821</b>	<b>3,085,578</b>	<b>380,550</b>	<b>35,250</b>	<b>118,433</b>	<b>166,577</b>	<b>6,270,209</b>
Excess (deficiency) of revenues over expenditures	(1,611,678)	480,988	(123,336)	49,148	48,888	-	(1,155,990)
<b>OTHER FINANCING SOURCES (USES)</b>							
Board of County Commissioners appropriation	1,703,677	-	1,910	-	-	-	1,705,587
Board of County Commissioners unspent revenues	(91,999)	-	-	-	-	-	(91,999)
Payments to Clerks of the Court Trust Fund	-	(478,405)	-	-	-	-	(478,405)
<b>Total other financing sources (uses)</b>	<b>1,611,678</b>	<b>(478,405)</b>	<b>1,910</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,135,183</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>2,583</b>	<b>(121,426)</b>	<b>49,148</b>	<b>48,888</b>	<b>-</b>	<b>(20,807)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>-</b>	<b>27,482</b>	<b>390,761</b>	<b>223,032</b>	<b>504,144</b>	<b>-</b>	<b>1,145,419</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 30,065</b>	<b>\$ 269,335</b>	<b>\$ 272,180</b>	<b>\$ 553,032</b>	<b>\$ -</b>	<b>\$ 1,124,612</b>

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



**Santa Rosa County, Florida Clerk of Courts and Comptroller**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**September 30, 2014**

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**ASSETS**

Cash and cash equivalents	\$ 3,197,557
Due from other governmental units	-
Total assets	<u>\$ 3,197,557</u>

**LIABILITIES**

Accounts payable	\$ 160,473
Due to other governmental units	617,611
Deposits	2,419,473
Total liabilities	<u>\$ 3,197,557</u>

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2014**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Reporting Entity**

The Office of the Clerk of Court and Comptroller of Santa Rosa County, Florida (the “Clerk”) was established as a constitutional office of Santa Rosa County, Florida (the “County”) by Article VIII, Section 1 (d) of the Constitution of the State of Florida. The Clerk is an elected official of the County and serves as Clerk of the Circuit Court (duties described in Chapter 28, Florida Statutes), Clerk of the County Court (duties described in Chapter 34, Florida Statutes), and Clerk and Accountant to the Santa Rosa County Board of County Commissioners (the “BOCC”) (in this capacity the Clerk is required to keep the minutes of the county commission, keep the accounts of the County, invest county funds, and perform such other duties as provided by law). The Clerk’s office is funded by appropriations from the BOCC and by fees charged for providing court related services. Although the Clerk is operationally autonomous from the BOCC, it does not hold sufficient corporate powers to be considered a legally separate entity for financial reporting purposes. Therefore, the Clerk is considered part of the County’s primary government.

These *financial statements* of the Clerk are not intended to be a complete presentation of the financial position and results of operations of the County, taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the financial statements consists of only the *fund level* financial statements as defined in GASB Statement No. 34, and do not include presentations of *government-wide* financial statements of the Clerk.

**2. Fund Accounting**

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

The funds utilized by the Clerk are as follows:

**Governmental Funds**

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

The Clerk reports the following major governmental funds:

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2014**

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

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

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

**Courts Fund** is a special revenue fund used to account for all court-related activities and court-related financial resources of the Clerk.

**Courts Technology Fund** is a special revenue fund used to account for the court-related technology needs of the Clerk.

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

**Title IV-D Fund** is a special revenue fund used to account for activities related to Title IV-D child support cases. The funding provides assistance to the plaintiff and enforcement of collections through the Office of Child Support Enforcement.

**10% Fines – Public Records Modernization Trust (PRMT) Fund** is a special revenue fund used to account for 10% of fines collected and retained by the Clerk for supporting court operations.

**Fiduciary Funds**

The Clerk uses agency funds to account for assets being held in a trustee capacity or for individuals, private organizations, and/or other governments. Assets equal liabilities in agency funds.

**3. Basis of Accounting**

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

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2014**

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

**4. Cash and Cash Equivalents**

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

**5. Accounting for Capital Assets**

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

**6. Compensated Absences**

Employees accumulate a limited amount of earned but unused annual, sick, and compensatory leave which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the County's government-wide financial statements. For the governmental fund statements, expenditures are recognized when payments are made to employees.

**7. Unspent Revenue**

Annually, the Clerk must remit to the Board any unspent revenues attributable to non court-related functions. Additionally, the Clerk must calculate and remit to the Department of Revenue Clerks of Courts Trust Fund the unspent revenues attributable to state funded court-related functions. These amounts are reported as due to other governmental units at year-end.

**8. Fund Balances**

Fund balances are classified either as non-spendable or as restricted, committed, assigned, and unassigned based on the extent to which there are external and internal constraints on the spending of these fund balances.

**NOTE B – CASH**

At September 30, 2014, the banks reported deposits before outstanding checks of \$6,108,399, all of which were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2014**

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**NOTE C – LONG-TERM LIABILITY – COMPENSATED ABSENCES**

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

Balance - October 1, 2013	\$ 530,824
Increases	470,715
Decreases	<u>(428,547)</u>
Balance - September 30, 2014	<u>\$ 572,992</u>

Compensated absences are paid from the respective funds which incur compensation expenditures.

**NOTE D – PENSION AND RETIREMENT PLAN**

Substantially all full-time employees of the Clerk are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a financial report that includes financial statements and required supplementary information. The report may be obtained at [www.myfrs.com](http://www.myfrs.com) or by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399.

The FRS 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 multiple employer cost sharing defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. For employees who were enrolled in the plan prior to July 1, 2011, normal retirement benefits are available 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. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age.

For employees enrolling in the plan for the first time on or after July 1, 2011, normal retirement benefits are available at age 65 with 8 or more years of service, or to those employees who have at least 33 years of creditable service, regardless of age. Early retirement is available after 8 years of service with a 5% reduction of benefits for each year prior to the normal retirement age.

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2014**

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**NOTE D – PENSION AND RETIREMENT PLAN -- (Continued)**

Retirement age and years of service requirements also vary depending on membership class. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of the members highest 5 (if enrolled prior to July 1, 2011) or 8 (if enrolled on or after July 1, 2011) fiscal years of earnings.

The FRS Investment Plan is a defined contribution plan funded monthly by employer and employee contributions based on salary and membership class. Employer contributions vest after 1 year of service whereas employee contributions vest immediately. Members in the Investment Plan decide how their funds are allocated between various investment accounts and the vested funds are portable upon termination.

The final retirement benefit is equal to the vested contributions plus investment earnings less expenses and losses allocated to the member's account. Members in the Investment Plan are not eligible for participation in the Deferred Retirement Option Program (DROP).

DROP is available for members of the FRS Pension Plan who are vested and elect to participate in DROP within 1 year after reaching normal retirement age. Under this program, a member effectively retires while continuing to be employed for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

Prior to July 2011, the plans were noncontributory for employees with all contributions being the participating FRS employer's responsibility. Effective July 1, 2011, participating employees contribute 3% of their gross salaries each pay period to the plan. Participating employer contributions are based upon rates established by the State of Florida. Blended contribution rates for the fiscal year ended September 30, 2014 were as follows: regular employees - 7.06%, special risk employees - 19.25%, elected officials - 35.58%, senior management employees - 19.02%, and DROP participants - 12.70%. The Clerk's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contributions for each year. Contributions to the Investment Plan were equal to the legislatively-mandated contribution rates. Contributions to both plans totaled \$317,014, \$205,508, and \$168,807 for the years ended September 30, 2014, 2013, and 2012, respectively.

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2014**

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**NOTE E – OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN**

The Clerk participates in the health insurance plan offered to employees of the Board and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependents have the option of continuing in the Board plan at the same group rate as for active employees. Although participating retirees are required to reimburse the Board for 100% of the premium cost, employees who retire with a minimum of 10 years of creditable service (8 years elected service) are eligible for a monthly health insurance subsidy of \$3 per year of creditable service, limited to the lesser of \$90 per month or the actual cost of the retiree's monthly health insurance premium.

Because the premium is a group rate which includes active lower cost employees, these retirees are receiving an "implicit subsidy". This implicit subsidy has a cost which is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Clerk. Accordingly, these calculations and disclosures can be found in the County-wide comprehensive annual financial report.

**NOTE F – FUND BALANCES**

Fund balances consist of the following:

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The Clerk does not have any non-spendable fund balances.

The remaining fund balances are classified as follows depending on the Clerk's ability to control their spending:

*Restricted* fund balances can only be used for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or are imposed by law through constitutional provisions or enabling legislation. As of September 30, 2014, the Clerk had restricted fund balances for state court operations of \$30,065 and for records modernization and court equipment and technology of \$1,094,547.

*Committed* fund balances can only be used for specific purposes imposed internally by the Clerk's formal action of highest level of decision making authority. At year end the Clerk had no committed fund balances.

*Assigned* fund balances are fund balances intended to be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. At year end the Clerk had no assigned fund balances.

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended September 30, 2014**

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**NOTE F – FUND BALANCES**

*Unassigned* fund balances represent the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. At year end the Clerk had no unassigned fund balances because all unspent revenues of the General Fund are required to be returned to the BOCC and there were no negative residual balances in the special revenue funds.

**NOTE G – CLAIMS AND CONTINGENCIES**

The Clerk is involved from time to time in routine civil litigation incidental to the ordinary course of operations. In the opinion of management and legal counsel, there are no lawsuits or claims outstanding which might materially affect the financial position of the Clerk's Office.

**NOTE H – RISK MANAGEMENT**

The Clerk is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board maintains a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss.

Under this program the County is self-insured with respect to the following exposures:

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

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

- Building and contents, \$5,000 deductible
- Employee Fidelity
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Conventional insurance remains in effect for buildings and contents. There also were no significant reductions in insurance coverage from the prior year and settled claims resulting from conventional insurance risks have not exceeded coverage in any of the past three fiscal years. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public official's liability coverage. The Clerk participates in the program and makes payments to the Self-Insurance Fund based on historical estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL -**  
**GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS**  
**For the year ended September 30, 2014**

	General Fund				Special Revenue Fund Courts Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ -	-	\$ -	659,399	\$ 659,399	746,256	\$ 86,857
Charges for services	868,180	977,230	838,846	(138,384)	1,859,160	1,980,290	2,090,176	109,886
Fines & Forfeitures	-	-	-	-	582,200	456,820	721,322	264,502
Miscellaneous	31,320	34,780	33,297	(1,483)	4,640	8,890	8,812	(78)
Total revenues	899,500	1,012,010	872,143	(139,867)	3,105,399	3,105,399	3,566,566	461,167
<b>EXPENDITURES</b>								
Current:								
General government:								
Financial and administrative:								
Personal services	1,957,480	2,190,137	2,165,065	25,072	-	-	-	-
Operating	444,910	361,540	274,805	86,735	-	-	4,154	(4,154)
Capital outlay	18,000	51,500	43,951	7,549	-	-	-	-
Judicial:								
Personal services	-	-	-	-	2,726,862	2,910,300	2,848,480	61,820
Operating	-	-	-	-	376,037	195,099	232,944	(37,845)
Capital outlay	-	-	-	-	2,500	-	-	-
Total expenditures	2,420,390	2,603,177	2,483,821	119,356	3,105,399	3,105,399	3,085,578	19,821
Excess (deficiency) of revenues over expenditures	(1,520,890)	(1,591,167)	(1,611,678)	(20,511)	-	-	480,988	480,988
<b>OTHER FINANCING SOURCES (USES)</b>								
Board of County Commissioners appropriation	1,520,890	1,591,167	1,703,677	112,510	-	-	-	-
Board of County Commissioners unspent revenues	-	-	(91,999)	(91,999)	-	-	-	-
Payments to Clerks of the Court Trust Fund	-	-	-	-	-	-	(478,405)	(478,405)
Total other financing sources (uses)	1,520,890	1,591,167	1,611,678	20,511	-	-	(478,405)	(478,405)
<b>Net change in fund balances</b>	-	-	-	-	-	-	2,583	2,583
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	-	-	-	-	-	27,482	27,482
<b>FUND BALANCES, END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,065	\$ 30,065

*See Notes to Required Supplementary Information*

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL -**  
**GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (Continued)**  
**For the year ended September 30, 2014**

	Special Revenue Fund Courts Technology Fund				Special Revenue Fund Records Modernization Trust Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	300,000	301,910	257,214	(44,696)	100,000	100,000	84,398	(15,602)
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	<u>300,000</u>	<u>301,910</u>	<u>257,214</u>	<u>(44,696)</u>	<u>100,000</u>	<u>100,000</u>	<u>84,398</u>	<u>(15,602)</u>
<b>EXPENDITURES</b>								
Current:								
General government:								
Financial and administrative:								
Personal services	-	-	-	-	-	-	-	-
Operating	-	-	-	-	65,200	65,200	35,250	29,950
Capital outlay	-	-	-	-	34,800	34,800	-	34,800
Judicial:								
Personal services	241,905	243,815	164,078	79,737	-	-	-	-
Operating	134,095	133,995	124,606	9,389	-	-	-	-
Capital outlay	124,000	124,100	91,866	32,234	-	-	-	-
Total expenditures	<u>500,000</u>	<u>501,910</u>	<u>380,550</u>	<u>121,360</u>	<u>100,000</u>	<u>100,000</u>	<u>35,250</u>	<u>64,750</u>
Excess (deficiency) of revenues over expenditures	<u>(200,000)</u>	<u>(200,000)</u>	<u>(123,336)</u>	<u>76,664</u>	<u>-</u>	<u>-</u>	<u>49,148</u>	<u>49,148</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Board of County Commissioners appropriation	-	-	1,910	1,910	-	-	-	-
Board of County Commissioners unspent revenues	-	-	-	-	-	-	-	-
Payments to Clerks of the Court Trust Fund	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,910</u>	<u>1,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(121,426)</u>	<u>78,574</u>	<u>-</u>	<u>-</u>	<u>49,148</u>	<u>49,148</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>200,000</u>	<u>200,000</u>	<u>390,761</u>	<u>190,761</u>	<u>-</u>	<u>-</u>	<u>223,032</u>	<u>223,032</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,335</u>	<u>\$ 269,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,180</u>	<u>\$ 272,180</u>

*See Notes to Required Supplementary Information*

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL -**  
**GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (Continued)**  
**For the year ended September 30, 2014**

	Special Revenue Fund 10% Fines & PRMT Fund				Special Revenue Fund Child Support Title IV-D Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ -		\$ -	160,000	\$ 170,000	166,577	\$ (3,423)
Fines & forfeits	165,000	170,000	167,321	(2,679)	-	-	-	-
Miscellaneous	-	-		-	-	-	-	-
<b>Total revenues</b>	<u>165,000</u>	<u>170,000</u>	<u>167,321</u>	<u>(2,679)</u>	<u>160,000</u>	<u>170,000</u>	<u>166,577</u>	<u>(3,423)</u>
<b>EXPENDITURES</b>								
Current:								
General government:								
Financial and administrative:								
Personal services	55,760	-	-	-	-	-	-	-
Operating	101,240	161,500	110,073	51,427	-	-	-	-
Capital outlay	8,000	8,500	8,360	140	-	-	-	-
Judicial:								
Personal services	-	-	-	-	160,000	170,000	166,577	3,423
Operating	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>165,000</u>	<u>170,000</u>	<u>118,433</u>	<u>51,567</u>	<u>160,000</u>	<u>170,000</u>	<u>166,577</u>	<u>3,423</u>
Excess (deficiency) of revenues over expenditures	-	-	48,888	48,888	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>								
Board of County Commissioners appropriation	-	-	-	-	-	-	-	-
Board of County Commissioners unspent revenues	-	-	-	-	-	-	-	-
Payments to Clerks of the Court Trust Fund	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	-	48,888	48,888	-	-	-	-
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	-	504,144	504,144	-	-	-	-
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 553,032</u>	<u>\$ 553,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See Notes to Required Supplementary Information*

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended September 30, 2013**

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**Budgets and Budgetary Accounting**

The Clerk establishes annual budgets for its general fund and special revenue funds pursuant to Section 218.35, Florida Statutes. The Clerk's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is the fund level.

**SUPPLEMENTARY INFORMATION**  
**COMBINING FUND FINANCIAL STATEMENTS**

**Santa Rosa County, Florida Clerk of Court and Comptroller**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**September 30, 2014**

	Court Registry	Fine and Cost	Intangible Tax	State Documentary Stamp	Suspense	Tax Redemption	Ordinary Witness	Bail Bonds	Flower Trust Fund	Child Support	Totals
<b>ASSETS</b>											
Cash and cash equivalents	\$ 1,921,904	\$ 288,514	\$ 58,425	\$ 297,068	\$ 88,551	\$ 294,069	\$ 38,813	\$ 202,763	\$ 737	\$ 6,713	\$ 3,197,557
Due from other governmental units	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,921,904</u>	<u>\$ 288,514</u>	<u>\$ 58,425</u>	<u>\$ 297,068</u>	<u>\$ 88,551</u>	<u>\$ 294,069</u>	<u>\$ 38,813</u>	<u>\$ 202,763</u>	<u>\$ 737</u>	<u>\$ 6,713</u>	<u>\$ 3,197,557</u>
<b>LIABILITIES</b>											
Accounts payable	\$ -	\$ 121,660	\$ -	\$ -	\$ -	\$ -	\$ 38,813	\$ -	\$ -	\$ -	\$ 160,473
Due to other governmental units	-	166,854	58,425	297,068	88,551	-	-	-	-	6,713	617,611
Deposits	1,921,904	-	-	-	-	294,069	-	202,763	737	-	2,419,473
Total liabilities	<u>\$ 1,921,904</u>	<u>\$ 288,514</u>	<u>\$ 58,425</u>	<u>\$ 297,068</u>	<u>\$ 88,551</u>	<u>\$ 294,069</u>	<u>\$ 38,813</u>	<u>\$ 202,763</u>	<u>\$ 737</u>	<u>\$ 6,713</u>	<u>\$ 3,197,557</u>

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

Honorable Donald Spencer – Clerk of Court and Comptroller  
Santa Rosa County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements (hereinafter referred to as “financial statements”) of each major fund and the aggregate remaining fund information of the Office of Clerk of Court and Comptroller of Santa Rosa County, Florida (hereinafter referred to as “Clerk”), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Clerk’s financial statements and have issued our report thereon dated March 2, 2015.

**Internal Control Over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Warren Averett, LLC*

March 2, 2015  
Pensacola, Florida

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

We have examined the Office of Clerk of Court and Comptroller of Santa Rosa County, Florida's (hereinafter referred to as the "Clerk") compliance with Florida Statute 218.415 in regards to investments, and Florida Statutes 28.35 and 28.36 in regards to certain court-related functions for the year ended September 30, 2014.

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

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

In our opinion, the Clerk complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

*Warren Averett, LLC*

Pensacola, Florida  
March 2, 2014

## MANAGEMENT LETTER

Honorable Donald Spencer – Clerk of Court and Comptroller  
Santa Rosa County, Florida

### Report on the Financial Statements

We have audited the financial statements (“financial statements”) of each major fund and the aggregate remaining fund information of the Office of Clerk of Court and Comptroller of Santa Rosa County, Florida (hereinafter referred to as “Clerk”), as of and for the year ended September 30, 2014, and have issued our report thereon dated March 2, 2015.

### Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550 Rules of the Florida Auditor General.

### Other Reports and Schedules

We have also issued our Independent Auditors’ Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants’ Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 2, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Other Matters

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

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

**Purpose of this Letter**

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

*Warren Averett, LLC*

March 2, 2015  
Pensacola, Florida

**Santa Rosa County, Florida Clerk of Court and Comptroller  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
For the year ended September 30, 2014**

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There are no findings which require a response from management.

**SANTA ROSA COUNTY, FLORIDA  
PROPERTY APPRAISER**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**SANTA ROSA COUNTY, FLORIDA  
PROPERTY APPRAISER**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

Honorable Gregory S. Brown  
Property Appraiser

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the general fund of the Santa Rosa County Property Appraiser, Santa Rosa County, Florida (the Property Appraiser), as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Property Appraiser's financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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



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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Property Appraiser as of September 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note A to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the general fund of the Property Appraiser. They do not purport to, and do not, present fairly the financial position of Santa Rosa County, Florida as of September 30, 2014, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading "Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*".

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Property Appraiser's internal control over financial reporting and compliance.

*Warren Averett, LLC*

January 19, 2015  
Pensacola, Florida

**Santa Rosa County, Florida Property Appraiser  
BALANCE SHEET - GENERAL FUND  
September 30, 2014**

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**ASSETS**

Cash	\$ 405,876
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**LIABILITIES**

Accounts payable	\$ 90,750
Due to Board of County Commissioners	251,669
Accrued salaries and wages	63,457
Total liabilities	<u>405,876</u>

**FUND BALANCE**

Fund balance - unassigned	<u>--</u>
Total liabilities and fund balance	<u>\$ 405,876</u>

**Santa Rosa County, Florida Property Appraiser  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GENERAL FUND  
For the year ended September 30, 2014**

**REVENUES**

Charges for services	\$	8,800
Miscellaneous		2,188
Total revenues		10,988

**EXPENDITURES**

Current:		
General government:		
Personal services		2,201,872
Operating expenditures		436,958
Capital outlay		84,076
Total expenditures		2,722,906

Excess (deficiency) of revenues over expenditures (2,711,918)

**OTHER FINANCING SOURCES (USES)**

Board of County Commissioners appropriation		2,963,587
Board of County Commissioners unspent revenue		(251,669)
Total other financing sources (uses)		2,711,918

**Net change in fund balance** --

**FUND BALANCE, BEGINNING OF YEAR** --

**FUND BALANCE, END OF YEAR** \$ --

**Santa Rosa County, Florida**  
**Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

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

The financial statements of the Property Appraiser are not intended to be a complete presentation of the financial position and results of operations of the County taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the financial statements consist of only the *fund level* financial statements as defined in GASB Statement No. 34, and do not include presentations of *government-wide* financial statements of the Property Appraiser.

**2. Fund Accounting**

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

The General Fund of the Property Appraiser is used to account for all financial resources which are generated from operations of the office, appropriations from the Board, or any other resources not required to be accounted for in another fund. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination).

**3. Basis of Accounting**

Basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The General Fund uses the modified accrual basis of accounting. Its revenues are recognized when they become both measurable and available as net current assets. The Property Appraiser considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recognized when the related fund liability is incurred.

**Santa Rosa County, Florida**  
**Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**4. Accounting for Capital Assets**

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

**5. Compensated Absences**

Employees accumulate a limited amount of earned but unused annual and sick leave which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the County's government-wide financial statements. For the general fund, compensated absence expenditures are recognized when payments are made to employees.

**6. Unspent Revenue and Fund Balance**

In accordance with Section 218.36(2), Florida Statutes, unspent revenue is remitted to the Board at fiscal year-end. This unspent revenue is reported as due to Board of County Commissioners, therefore, fund balance is zero.

**7. Events Occurring After Reporting Date**

The Property Appraiser has evaluated events and transactions that occurred between September 30, 2014 and January 19, 2015, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE B - CASH**

At September 30, 2014, the bank reported deposits before outstanding checks of \$443,639 all of which were held by a financial institution designated as "a qualified public depository" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

**Santa Rosa County, Florida**  
**Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

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

Balance - October 1, 2013	\$ 352,693
Increases	132,760
Decreases	<u>(136,966)</u>
Balance - September 30, 2014	<u>\$ 348,487</u>

**NOTE D – PENSION AND RETIREMENT PLAN**

Substantially all full-time employees of the Property Appraiser are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a financial report that includes financial statements and required supplementary information. The report may be obtained at [www.myfrs.com](http://www.myfrs.com) or by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399.

The FRS 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 multiple employer cost sharing defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. For employees who were enrolled in the plan prior to July 1, 2011, normal retirement benefits are available 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. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age.

For employees enrolling in the plan for the first time on or after July 1, 2011, normal retirement benefits are available at age 65 with 8 or more years of service, or to those employees who have at least 33 years of creditable service, regardless of age.

Early retirement is available after 8 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement age and years of service requirements also vary depending on membership class.

**Santa Rosa County, Florida**  
**Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE D – PENSION AND RETIREMENT PLAN -- (Continued)**

Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of the members highest 5 (if enrolled prior to July 1, 2011) or 8 (if enrolled on or after July 1, 2011) fiscal years of earnings.

The FRS Investment Plan is a defined contribution plan funded monthly by employer and employee contributions based on salary and membership class. Employer contributions vest after 1 year of service whereas employee contributions vest immediately. Members in the Investment Plan decide how their funds are allocated between various investment accounts and the vested funds are portable upon termination. The final retirement benefit is equal to the vested contributions plus investment earnings less expenses and losses allocated to the member's account. Members in the Investment Plan are not eligible for participation in the Deferred Retirement Option Program (DROP).

The Deferred Retirement Option Program (DROP) is available for members of the FRS Pension Plan who are vested and elect to participate in DROP within 1 year after reaching normal retirement age. Under this program, a member effectively retires while continuing to be employed for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit.

Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

Prior to July 2011, the plans were noncontributory for employees with all contributions being the participating FRS employer's responsibility. Effective July 1, 2011, participating employees contribute 3% of their gross salaries each pay period to the plan. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2014 were as follows: regular employees, 7.06%, special risk employees, 19.25%, elected officials, 35.58%, senior management employees, 19.02%, and DROP participants, 12.70%.

The Property Appraiser's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contributions for each year. Contributions to the Investment Plan were equal to the legislatively-mandated contribution rates. Contributions to both plans totaled \$157,315, \$99,488, and \$76,476 for the years ended September 30, 2014, 2013, and 2012, respectively.



**Santa Rosa County, Florida**  
**Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE E – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

The Property Appraiser participates in the health insurance plan offered to employees of the Board and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependents have the option of continuing in the Board plan at the same group rate as for active employees. Although participating retirees are required to reimburse the Board for 100% of the premium cost, employees who retire with a minimum of 10 years of creditable service (8 years elected service) are eligible for a monthly health insurance subsidy based on the number of years of creditable service multiplied by \$3, and limited to the lesser of \$90 per month or the actual cost of the retiree's monthly health insurance premium.

Because the premium is a group rate which includes active lower cost employees, these retirees are receiving an "implicit subsidy". This implicit subsidy has a cost which is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Property Appraiser. Accordingly, these calculations and disclosures can be found in the County-wide comprehensive annual financial report.

**NOTE F - RISK MANAGEMENT**

The Property Appraiser is exposed to various risks of loss related to torts: theft and damage of assets, errors and omissions, injuries to employees, and natural disasters. The Board has a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss.

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:

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

**Santa Rosa County, Florida**  
**Property Appraiser**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE F - RISK MANAGEMENT -- (Continued)**

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public official's liability coverage.

The Property Appraiser participates in the County's self-insurance program and makes payments to the Self-Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

**NOTE G - LITIGATION**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**Santa Rosa County, Florida Property Appraiser  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)  
AND ACTUAL - GENERAL FUND - (Unaudited)  
For the year ended September 30, 2014**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Miscellaneous	\$ --	\$ --	\$ 2,188	\$ 2,188
Total revenues	--	--	2,188	2,188
<b>EXPENDITURES</b>				
Current:				
General government:				
Personal services	2,416,012	2,398,198	2,201,872	196,326
Operating expenditures	483,742	500,676	428,158	72,518
Capital outlay	--	84,444	84,076	368
Total expenditures	<u>2,899,754</u>	<u>2,983,318</u>	<u>2,714,106</u>	<u>269,212</u>
Excess (deficiency) of revenues over expenditures	(2,899,754)	(2,983,318)	(2,711,918)	271,400
<b>OTHER FINANCING SOURCES (USES)</b>				
Board of County Commissioners appropriation	2,899,754	2,983,318	2,963,587	(19,731)
Board of County Commissioners unspent revenue	--	--	(251,669)	(251,669)
Total other financing sources (uses)	<u>2,899,754</u>	<u>2,983,318</u>	<u>2,711,918</u>	<u>(271,400)</u>
<b>Net change in fund balance</b>	--	--	--	--
<b>FUND BALANCE, BUDGETARY BASIS, BEGINNING OF YEAR</b>	--	--	--	--
<b>FUND BALANCE, BUDGETARY BASIS, END OF YEAR</b>	<u>\$ --</u>	<u>\$ --</u>	--	<u>\$ --</u>
Adjustment for revenues not budgeted			8,800	
Adjustment for expenditures allowed under Florida Statute 195.087			<u>(8,800)</u>	
<b>FUND BALANCE - GAAP BASIS, END OF YEAR</b>			<u>\$ --</u>	

**Santa Rosa County, Florida**  
**Property Appraiser**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended September 30, 2014**

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**Budget and Budgetary Accounting**

The Property Appraiser operates under budget procedures pursuant to Section 195.087, Florida Statutes. As permitted by Section 195.087 certain revenues and expenditures related to copy fees, sale of maps, and other charges for services are not subject to budget procedures. The legal level of budgetary control is at the fund level.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Rosa County, Florida Property Appraiser (the Property Appraiser) as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Warren Averett, LLC*

January 19, 2015  
Pensacola, Florida

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

Honorable Gregory S. Brown  
Property Appraiser

We have examined the Office of the Property Appraiser of Santa Rosa County, Florida's (hereinafter referred to as "Property Appraiser") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2014.

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

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

In our opinion, the Property Appraiser complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

*Warren Averett, LLC*

January 19, 2015  
Pensacola, Florida



## MANAGEMENT LETTER

Honorable Gregory S. Brown  
Property Appraiser

### **Report on the Financial Statements**

We have audited the financial statements of the general fund of the Office of the Property Appraiser of Santa Rosa County, Florida, as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon January 19, 2015.

### **Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

### **Other Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are January 19, 2015, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

### **Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

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

*Warren Averett, LLC*

January 19, 2015  
Pensacola, Florida

**Santa Rosa County, Florida  
Property Appraiser  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
For the year ended September 30, 2014**

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

**SANTA ROSA COUNTY, FLORIDA  
SUPERVISOR OF ELECTIONS**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**SANTA ROSA COUNTY, FLORIDA  
SUPERVISOR OF ELECTIONS**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

Honorable Tappie Villane  
Supervisor of Elections

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the general fund of the Santa Rosa County, Florida Supervisor of Elections, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Supervisor of Elections' financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund of the Supervisor of Elections, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note A to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of that portion of the general fund attributable solely to the operations of the Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of Santa Rosa County, Florida, as of September 30, 2014, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 12 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2015 on our consideration of the Supervisor of Elections' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters included under the heading "*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.*"

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Supervisor of Elections' internal control over financial reporting and compliance.

*Warren Averett, LLC*

Pensacola, Florida  
March 4, 2015



**Santa Rosa County, Florida Supervisor of Elections**  
**BALANCE SHEET - GENERAL FUND**  
**September 30, 2014**

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**ASSETS**

Due from Board of County Commissioners	<u>\$ 181,807</u>
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**LIABILITIES**

Accounts payable	\$ 55,789
Accrued expenses	28,929
Advances on grants	<u>97,089</u>
Total liabilities	181,807

**FUND BALANCE**

Fund balance	<u>--</u>
Total liabilities and fund balance	<u>\$ 181,807</u>

**Santa Rosa County, Florida Supervisor of Elections**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GENERAL FUND**  
**For the year ended September 30, 2014**

<b>REVENUES</b>	
Grant revenue	\$ 49,078
Miscellaneous revenue	<u>19,347</u>
	68,425
<b>EXPENDITURES</b>	
Current:	
General government:	
Personal services	531,307
Operating	394,697
Capital outlay	<u>35,823</u>
Total expenditures	<u>961,827</u>
Excess (deficiency) of revenues over expenditures	(893,402)
<b>OTHER FINANCING SOURCES</b>	
Board of County Commissioners appropriation	<u>893,402</u>
<b>Net change in fund balance</b>	--
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>--</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ --</u></u>

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

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

The Santa Rosa County, Florida Supervisor of Elections (the “Supervisor of Elections”), as established by Article VIII of the Constitution of the State of Florida, is an elected official of Santa Rosa County, Florida (the “County”). Although the Supervisor of Elections is operationally autonomous from the Santa Rosa County Board of County Commissioners (the “Board”), it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Supervisor of Elections is reported as a part of the primary government of the County.

These financial statements are not intended to be a complete presentation of the financial position and results of operations of the County, taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board (GASB) Statement No. 34, and do not include presentations of *government-wide* financial statements of the Supervisor of Elections.

Pursuant to the provisions of 129.202, Florida Statutes, the Supervisor of Elections has elected to have the Office of the Clerk of Court and Comptroller of Santa Rosa County maintain the books and records pertaining to the operations of the Supervisor of Elections. Therefore, the Supervisors of Elections does not maintain a separate cash account and all cash activity for the Supervisors of Elections is recorded in the common cash account of the Board. The “Due from Board of County Commissioners” account on the balance sheet represents the amount of cash held on behalf of the Supervisor of Elections.

**2. Fund Accounting**

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

The general fund of the Supervisor of Elections is used to account for all financial resources which are generated from operations of the office, appropriations from the Board, or any other resources not required to be accounted for in another fund.

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

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**3. Basis of Accounting**

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

**4. Accounting for Capital Assets**

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

**5. Compensated Absences**

Employees accumulate a limited amount of earned but unused sick and annual leave which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the County's government-wide financial statements. For the governmental fund statements, expenditures are recognized when payments are made to employees.

**NOTE B - LONG-TERM LIABILITIES - COMPENSATED ABSENCES**

Disclosures required by Chapter 10.557(3)(h), Rules of the Auditor General State of Florida related to the liability for compensated absences are as follows:

Balance - October 1, 2013	\$ 37,770
Increases	36,154
Decreases	<u>(31,471)</u>
Balance - September 30, 2014	<u>\$ 42,453</u>

**NOTE C - PENSION AND RETIREMENT PLAN**

Substantially all full-time employees of the Supervisor of Elections are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a financial report that includes financial statements and required supplementary information. The report may be obtained at [www.myfrs.com](http://www.myfrs.com) or by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399.

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE C - PENSION AND RETIREMENT PLAN – (Continued)**

The FRS 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 multiple employer cost sharing defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. For employees who were enrolled in the plan prior to July 1, 2011, normal retirement benefits are available 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. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age.

For employees enrolling in the plan for the first time on or after July 1, 2011, normal retirement benefits are available at age 65 with 8 or more years of service, or to those employees who have at least 33 years of creditable service, regardless of age. Early retirement is available after 8 years of service with a 5% reduction of benefits for each year prior to the normal retirement age.

Retirement age and years of service requirements also vary depending on membership class. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of the members highest 5 (if enrolled prior to July 1, 2011) or 8 (if enrolled on or after July 1, 2011) fiscal years of earnings.

The FRS Investment Plan is a defined contribution plan funded monthly by employer and employee contributions based on salary and membership class. Employer contributions vest after 1 year of service whereas employee contributions vest immediately. Members in the Investment Plan decide how their funds are allocated between various investment accounts and the vested funds are portable upon termination. The final retirement benefit is equal to the vested contributions plus investment earnings less expenses and losses allocated to the member's account. Members in the Investment Plan are not eligible for participation in the Deferred Retirement Option Program (DROP).

DROP is available for members of the FRS Pension Plan who are vested and elect to participate in DROP within 1 year after reaching normal retirement age. Under this program, a member effectively retires while continuing to be employed for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

Prior to July 2011, the plans were noncontributory for employees with all contributions being the participating FRS employer's responsibility. Effective July 1, 2011, participating employees contribute 3% of their gross salaries each pay period to the plan. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2014 were as follows: regular employees - 7.06%, special risk employees - 19.25%, elected officials - 35.58%, senior management employees - 19.02%, and DROP.

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE C - PENSION AND RETIREMENT PLAN – (Continued)**

participants - 12.70%. The Supervisor of Elections' contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contributions for each year. Contributions to the Investment Plan were equal to the legislatively-mandated contribution rates. Contributions to both plans totaled \$61,513, \$32,065 and \$21,572 for the years ended September 30, 2014, 2013, and 2012, respectively.

**NOTE D - OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN**

The Supervisor of Elections participates in the health insurance plan offered to employees of the Board and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependents have the option of continuing in the Board plan at the same group rate as for active employees. Although participating retirees are required to reimburse the Board for 100% of the premium cost, employees who retire with a minimum of 10 years of creditable service (8 years elected service) are eligible for a monthly health insurance subsidy based on the number of years of creditable service multiplied by \$3, and limited to the lesser of \$90 per month or the actual cost of the retiree's monthly health insurance premium.

Because the premium is a group rate which includes active lower cost employees, these retirees are receiving an "implicit subsidy". This implicit subsidy has a cost which is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Supervisor of Elections. Accordingly, these calculations and disclosures can be found in the County-wide comprehensive annual financial report.

**NOTE E - RISK MANAGEMENT**

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

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

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

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

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**NOTE E - RISK MANAGEMENT – (Continued)**

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public officials' liability coverage. The Supervisor of Elections participates in the program and makes payments to the Self-Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

**REQUIRED SUPPLEMENTARY INFORMATION**



**Santa Rosa County, Florida Supervisor of Elections  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND  
For the year ended September 30, 2014**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Grant revenues	\$ 30,400	\$ 49,998	\$ 49,078	\$ (920)
Miscellaneous revenues	--	--	19,347	19,347
Total revenues	<u>30,400</u>	<u>49,998</u>	<u>68,425</u>	<u>18,427</u>
<b>EXPENDITURES</b>				
Current				
General government				
Personal services	550,715	550,715	531,307	19,408
Operating	466,925	437,463	394,697	42,766
Capital outlay	--	35,840	35,823	17
Total expenditures	<u>1,017,640</u>	<u>1,024,018</u>	<u>961,827</u>	<u>62,191</u>
Excess (deficiency) of revenues over expenditures	(987,240)	(974,020)	(893,402)	80,618
<b>OTHER FINANCING SOURCES</b>				
Board of County Commissioners appropriation	<u>987,240</u>	<u>974,020</u>	<u>893,402</u>	<u>(80,618)</u>
<b>Net change in fund balance</b>	--	--	--	--
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**Santa Rosa County, Florida Supervisor of Elections**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**September 30, 2014**

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**Budgets and Budgetary Accounting**

The Supervisor of Elections operates under budget procedures pursuant to Florida Statutes. The Supervisor of Elections' budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budget appropriations lapse at the end of the year, and are not carried over to the following year. The legal level of budgetary control is at the fund level.

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

Honorable Tappie Villane  
Supervisor of Elections  
Santa Rosa County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the general fund of the Office of the Supervisor of Elections of Santa Rosa County, Florida (hereinafter referred to as "Supervisor of Elections"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Warren Averett, LLC*

March 4, 2015  
Pensacola, Florida

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

Honorable Tappie Villane  
Supervisor of Elections  
Santa Rosa County, Florida

We have examined the Office of the Supervisor of Elections' of Santa Rosa County, Florida's (hereinafter referred to as the "Supervisor of Elections") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2014.

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

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

In our opinion, the Supervisor of Elections complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

*Warren Averett, LLC*

March 4, 2015  
Pensacola, Florida

## MANAGEMENT LETTER

Honorable Tappie Villane  
Supervisor of Elections  
Santa Rosa County, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the general fund of the Office of the Supervisor of Elections of Santa Rosa County, Florida (hereinafter referred to as the “Supervisor of Elections”), as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2015.

### **Auditors’ Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

### **Other Reports**

We have issued our Independent Auditors’ Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants’ Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 4, 2015, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

### **Other Matters**

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

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

**Purpose of this Letter**

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

*Warren Averett, LLC*

March 4, 2015  
Pensacola, Florida

**Santa Rosa County, Florida Supervisor of Elections  
MANAGEMENT'S RESPONSE TO MENAGMENT LETTER  
September 30, 2014**

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