



O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

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To the Honorable Chairman and Members of the
Board of County Commissioners, Clerk of Circuit Court,
Sheriff, Tax Collector, Property Appraiser and
Supervisor of Elections
Okaloosa County, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Okaloosa County, Florida for the year ended September 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter dated July 6, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Okaloosa County, Florida are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for Water and Sewer Fund and Emergency Medical Services Fund receivables is based on a review of the aging of the individual accounts, the history and collection trends of the accounts, and the overall economic outlook. We evaluated the key factors and assumptions used to develop the allowance for Water and Sewer Fund and Emergency Medical Services Fund receivables in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the landfill closure and post closure care costs of its four landfills is based on using rates normal to commercial contracting firms and is based on the amount of the landfill capacity used to date (100%). The closure and post closure cost estimates are subject to changes resulting from inflation, deflation, technology, or changes in applicable laws and regulations. We evaluated the key factors and assumptions used to develop the estimated closure and post closure costs in determining that it is reasonable in relation to the financial statements taken as a whole.

To the Honorable Chairman and Members of the
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Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

- Management's estimate of the accrued liability for post-employment benefits other than pensions is based on actuarial estimates based on the number of employees participating in the plan, existing and forecasted health insurance premiums, rate of return on investments, mortality rates and others. We evaluated the key factors and assumptions used to develop the estimated accrued liability for post-employment benefits other than pensions in determining that the estimate is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued liability for the unpaid claims adjustment of medical benefits (Sheriff) and the general, auto, and workers' compensation (County-wide) claims is based on an actuarial evaluation of all claims reported and all claims incurred but not reported as of September 30, 2010. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. We evaluated the key factors and assumptions used to develop the estimated accrued liability for both the unpaid claims adjustment of medical benefits and general, auto and workers' compensation claims in determining that the estimate is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement was detected as a result of auditing procedures and was corrected by management of the Okaloosa County Sheriff's office: correcting accrued payroll and certain budget amendments/appropriations.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letters dated March 18, 2011.

To the Honorable Chairman and Members of the
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Significant Audit Findings (Continued)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

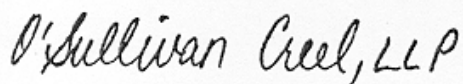
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Okaloosa County, Florida Board of Commissioners, Clerk of Circuit Court, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections and management of Okaloosa County, Florida, and each respective other elected official, and is not intended to be, and should not be, used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended to us during our audit.

A handwritten signature in black ink that reads "O'Sullivan Creel, LLP". The signature is written in a cursive, flowing style.

March 31, 2011

**Okaloosa County, Florida
Comprehensive Annual Financial Report
For the Year Ended September 30, 2010**



Prepared by Clerk of Circuit Court
Don W. Howard, Clerk • Gary J. Stanford, Finance Officer



Comprehensive
Annual
Financial
Report

Okaloosa County, Florida

For the year ended
September 30, 2010

Prepared by
Clerk of Circuit Court
Don W. Howard, Clerk
Gary J. Stanford
Finance Officer

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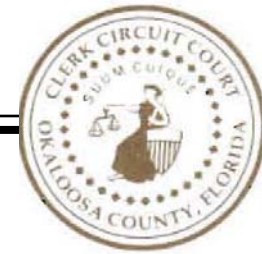
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DON W. HOWARD

CLERK OF THE CIRCUIT COURT, OKALOOSA COUNTY, FLORIDA



March 18, 2011

To the Citizens of Okaloosa County:

The Comprehensive Annual Financial Report of Okaloosa County, Florida for the fiscal year ended September 30, 2010, is respectfully submitted. This report was prepared by the Finance Department under the supervision of the Clerk of the Circuit Court. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Finance Department. This report contains four major sections: the Introductory, the Financial, the Statistical and the Compliance Sections. All sections, especially the Financial Section are critically important, however, the Statistical Section seems to be a very popular section which reflects financial trends, revenue and debt capacity and demographic, economic, operating information of Okaloosa County.

The County prepares the basic financial statements to meet the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34) reporting model requiring the County to report in five parts, including, Management's Discussion and Analysis, Government-wide Financial Statements, major Fund Financial Statements, Budgetary Comparisons for certain funds and the Notes to the Financial Statements.

The report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by the independent firm of certified public accountants of O'Sullivan Creel, L.L.P.. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent

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BRACKIN BUILDING • 302 NORTH WILSON ST, SUITE 203 • CRESTVIEW, FLORIDA 32536 • (850) 689-5000

auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The report of independent accountants is presented as the first component of the financial section of this report.

Okaloosa County is a non-charter county established under the Constitution and the Laws of the State of Florida. This Comprehensive Annual Financial Report (CAFR) includes the funds of the primary government (the Board of County Commissioners, the Clerk of the Circuit Court, the Property Appraiser, the Sheriff, the Supervisor of Elections and the Tax Collector) and one component unit, The Emerald Coast Bridge Authority.

This component unit was included because generally accepted accounting principles require that organizations for which the County is financially accountable be reported with the primary government (the County) as the reporting entity. This CAFR does not include the Okaloosa County School District or any other independent agency of Okaloosa County.

ECONOMIC CONDITION AND OUTLOOK

Okaloosa County is one of Florida's youngest counties, created in 1915 by an act of the state legislature. Okaloosa County is located in the Northwest Florida Panhandle and the City of Crestview, near its geographical center, is the County seat. The April 2010 population was 195,346, concentrated most heavily near its southern boundary on the Gulf of Mexico.



Occupying a large portion of Okaloosa County is one of the world's largest military reservations. Established in 1935, Eglin Air Force Base covers over 724 square miles in Okaloosa and two neighboring counties and contains the 919th Special Operations Wing, Duke Field. Eglin Air Force Base, the Air Armament Center, is responsible for development, acquisition, testing, deployment and sustainment of all United States Air Force air-delivered weapons. Based upon Eglin's wide range of

activities, Eglin will continue its major role in the defense of the United States and in the economy of Okaloosa County. Hurlburt Field, the headquarters of the Air Force Special Operations Command, is also located in Okaloosa County. Hurlburt Field occupies about 6,000 acres in the County. The military presence is the major income producing source for the County.

The tourism industry is the leading private income producing source for the County. The effect of the industry on the local economy is more than \$1 billion income produced annually with the employment of 18,000+ in tourism related businesses. The Tourist Development Council Convention Visitor's Bureau (TDC / CVB) registered hundreds of thousands of inquiries throughout the year. Tourists may visit Okaloosa County's Visitor Welcome Center for

information on all local activities, area information, sightseeing and all other things to do during their visit. An estimated 1.2 million visitors come to the Emerald Coast annually.

Residents and tourists in Okaloosa County have a full range of natural attractions and recreational opportunities. Mile after mile of beautiful snow-white beaches and emerald-green waters attract boating enthusiasts, swimmers, skiers, surfers, skin-divers, and scuba divers.



Some of the largest concentrations of fighting game fish congregate off Destin's coast. Party and charter boats make daily runs to favorite fishing reefs. Piers and bridges on the Gulf of Mexico,



inland bays and fresh water in lakes and streams provide excellent fishing opportunities. Golfing, at numerous magnificent courses around the area, sailing, and camping are other year-round activities. The hunter may try for deer, turkey, quail, dove, duck, and wild hog in the game management areas of the northern part of the county.

The state Division of Economic Development placed the total labor force in Okaloosa County at 117,173 in 2010

and the 2010 unemployment rate at 8.2 percent. This compares favorably to the state's annual average rate of 11.9 percent and the national average of 9.6 percent. Okaloosa County's cost of living is consistently below the national average and the county has, along with its sister counties in Florida, no state income tax.

Seven industrial parks have been developed with a total of over 1,100 acres available. An industrial park near Crestview has an 8,000-foot reinforced runway, capable of handling the largest aircraft, and it has complete utilities and services. A municipal industrial park at Fort Walton Beach offers complete facilities and utility services to companies supplying space-age components to the United States Air Force.

Relative property valuation strength, although declining over the last several years, continues to provide the County the opportunity to maintain one of the state's lowest millage rates while continuing to maintain a relatively high level of service to County residents. Property tax values decreased (10.4) percent, which is the most significant decline ever. New construction activity in 2010 declined, as well, to \$99 million. Due to these and some other state declining trends, some of the capital and functional initiatives of the County remained on hold for the year until these trends reverse.

MAJOR FUNCTIONAL INITIATIVES

General Government Initiatives The County continues to discuss and implement many facility and general government projects. The County began construction of the Courthouse Annex Extension during the year with the issuance of Build America Bonds to fund the construction.



The \$20M+ project is expected to be completed in October 2011. The County continued to further develop the countywide Fiber Optic project to provide high speed connectivity throughout the County. The County continues to plan and develop land for future development through the Joint Land Use grant project funding. Along with this grant funding the general

government funding for housing and housing stabilization from federal stimulus funding continued, although somewhat diminished as the federal funding winds down. Over \$62,000,000 was spent on General Government initiatives, or approximately 28% of total expenditures, throughout the year.

Public Safety Initiatives The County dedicates a great deal of financial and personnel resources for public safety initiatives. The County continued construction on the joint facility at Northwest Florida State College Emergency Operations Center (EOC) and training facility. The facility will soon open as a state-of-the-art joint use complex for EOC and education. The facility is expected to be dedicated after the first of the calendar year. This facility will house and possibly relocate emergency staff for multiple offices from several entities of the County into this modern facility to better protect the citizenry of the County in future disaster related events. The public safety function of the Emergency Medical activity always stays busy providing valuable countywide service, as does the 9-1-1 operation of the county. The Sheriff's operations were active and involved in many of these public safety initiatives throughout the year. The County funded approximately \$58,000,000 of Public Safety initiatives, or approximately 27% of total expenditures, in 2010.



The County funded approximately \$58,000,000 of Public Safety initiatives, or approximately 27% of total expenditures, in 2010.

Physical Environment Initiatives Physical environment initiatives are concentrated in the areas of water/wastewater improvements, solid waste and stormwater. Water and Sewer continues to focus their attention on services provided for those that need or could benefit from this valuable county service. The military, with its ever increasing role in our area, is utilizing this countywide service to their benefit by exploring numerous partnerships for water and sewer service. With the completion of the new sewer treatment plant, the decommissioning and destruction of the old plant has now begun and will soon be completed. Stormwater projects continued, as funding allowed in 2010. Solid Waste continues to place a high priority on new ideas as the County negotiated and bid out their solid waste contracts this year. The County complies with State mandates by monitoring and remediating landfill activity throughout the closed landfill facilities in the County. Grant funds enhanced physical environment activity with



the assistance from Florida Department of Environmental Protection. Over \$42,500,000 was spent, plus, as always, a great deal of capital outlay, in the area of Physical Environment initiatives, or approximately 19% of total expenditures, for 2010.

Transportation Initiatives Transportation needs continue to be an area of vital importance to the citizens of the County. Maintenance and enhancement of existing roadways continues to be a high priority, as funds become available. Many miles of roadway were resurfaced

utilizing the “Cold Mix” and “Overlay” options that continue to be more financially feasible in 2010. The Local Option Gas Tax and the Constitutional State Shared Gas Tax were utilized to complete or begin construction on many projects and other maintenance, along with many Emergency Watershed Projects utilizing funds from the USDA Emergency Watershed Program.

The area of mass transit continues to be addressed with additional grant-funded projects and the ongoing service of Okaloosa

Coordinated Transportation(OCT), a nonprofit agency providing mass transportation opportunities for citizens countywide. The Northeast Florida Regional Airport, along with the General Aviation Airports in Destin and in Crestview at Bob Sikes, continue to be funded with fees for services, including Passenger Facility and Customer Facility Fees, along with a



significant portion of State and Federal funding for construction activities. Projects abound at the airport operation, including, building and roadway renovation around the Regional Airport and runway and building renovation at the Bob Sikes airport. Over \$34,000,000, or approximately 16% of total spent, was spent on transportation expenditures in 2010.

Economic Environment Initiatives Funding in this area addressed needs of Tourist Development related to certain increasing tourism activities, which was greatly needed during the year due to the disastrous oil spill occurring in the Gulf of Mexico. Financial assistance to countywide citizens in the form of housing assistance through the Community Development Corporation and assistance related to the many veterans located in the area also are included in Economic Environmental initiatives. The 70,000 square-foot Emerald Coast Conference Center continues to provide much needed state-of-the-art meeting space in the County. Community Redevelopment agencies in several cities within the County utilize portions of Ad Valorem Tax dollars to enhance economic development in those designated areas. Increased spending in this area related directly to the disastrous spill and about \$9,000,000 or approximately 4% was spent in the area of economic environment in 2010.

Human Service Initiatives The ongoing funding for human service activities by the County included mosquito control, animal welfare, health care, Medicaid, elder services, day care service, mental health services and court-related child protection services expenditures. These activities, particularly state aid for Medicare and Medicaid, account for well over half of the dollars spent in this particular functional category. A portion of the operation of the Okaloosa County Health Department is another human service initiative in the County. Over \$4,500,000 or approximately 2% was spent in the area of Human Service activity in 2010.

Culture/Recreation Initiatives Several county and city parks continue to be improved this year with additional funding and with the ongoing support of the countywide Parks Advisory Committee. These park improvements along with funds used to aid in the creation of artificial reef sights for the area fishermen were enhancements to recreational activities provided for all citizens and tourists attracted to our area. Tourist Development continues to work on the process of renourishing critically eroded beaches of the County. An additional penny of Tourist Development Tax continues to be collected to renourish all beaches within the Tourist Development boundary area. Although, the beaches have suffered much damage from several storms in the past, many national magazines proclaim the Okaloosa Island/Destin beaches as the #1 Beach in America, the #1 Beach in the South, as well as, one of the Favorite Family Vacation spots as they have for the past several years consecutively. The Countywide Library Cooperative continued to provide countywide service during this year, although funding issues during these economic times are extremely difficult. Over \$9,000,000 or approximately 4% was spent for culture/recreational activities throughout the year.



Future Initiatives Some major construction project initiatives ongoing in the County, along with maintaining a high level of service the citizens expect will continue to be a major challenge for

the County. The allocation of limited resources for use on these enhancements while continuing to provide the expected services for County residents will continue to stretch somewhat limited resources significantly. Facility needs continue to be a high priority for the immediate future.



The County will complete construction on the new Courthouse Annex Extension this year. Rather quickly the County will turn its attention to the renovation of the Annex in the south end of the County, along with the renovation of the Courthouse facility in the north end of the

County. The primary focus of the renovation of the Annex will be in preparation to alleviate the County of rents they pay to currently house Constitutional and County offices.

The stormwater master plan study to address the County's critical need is a focus of the County in their latest Strategic Plan and, as available, will continue to be addressed as the County considers funding options in the future.

The County will continue to pave roads and upgrade the condition of roads already paved, consistent with the availability of funds. Other major improvements in transportation will be for ongoing airport projects and continued evaluation and possible enhancement of countywide transportation systems.

Quality of life issues will continue to be debated in the area of culture and recreation. Receipts from the tourist development tax will continue to provide funding for area beautification and beach maintenance, to enhance environmental protection efforts, and to promote tourism in the area. Recreation activities will continue to flourish with funding made available through tourist development and boating improvement funds, pursuing additional grant funds and any other resource the County deems applicable to this critical area of quality of life. Beach renourishment is a topic of great significance to be addressed in the coming year.

FINANCIAL INFORMATION

Readers of this report are encouraged to read Management's Discussion and Analysis (MD&A). The MD&A provides basic financial information about the County and an overview of the County's activities. The government-wide financial statements, consisting of a statement of net assets and a statement of activities, provide a comprehensive financial picture of the County, split between governmental activities and business-type activities. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, where all assets, liabilities, revenues, and expenses of the County are reported. The fund financial

statements provide information concerning the County's funds and are prepared from the County's accounting records. The County's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the County's proprietary funds are maintained on the accrual basis. The County's fiscal year is October 1 to September 30.

Section 11.45, Florida Statutes, requires an annual audit of all County agencies. The County has directed that the annual audit be more extensive than that required by Florida Statutes by requiring that the annual audit be a single audit covering all the funds and account groups of the County. This requirement has been complied with, and the unqualified opinion of the auditors has been included in this report.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009.

The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for presentation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards, GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report conforms to the Certificate of Achievement Program requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

A comprehensive annual financial report of this nature could not have been prepared without the dedicated efforts of a considerable number of individuals. I want to especially thank the Clerk and the entire staff of the Finance Department for their invaluable assistance in the preparation of this report. I would also like to thank O'Sullivan Creel, L.L.P., along with the efforts of the County's Internal Auditor. I would also like to thank the Board of County Commissioners and their staff, and the other Constitutional Officers for their personal interest and dedicated support in planning and conducting the financial operations of the County in a responsible and progressive manner.



Gary J. Stanford, CPFO, CGFO
Finance Officer/Deputy Clerk
Okaloosa County Clerk

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Okaloosa County
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



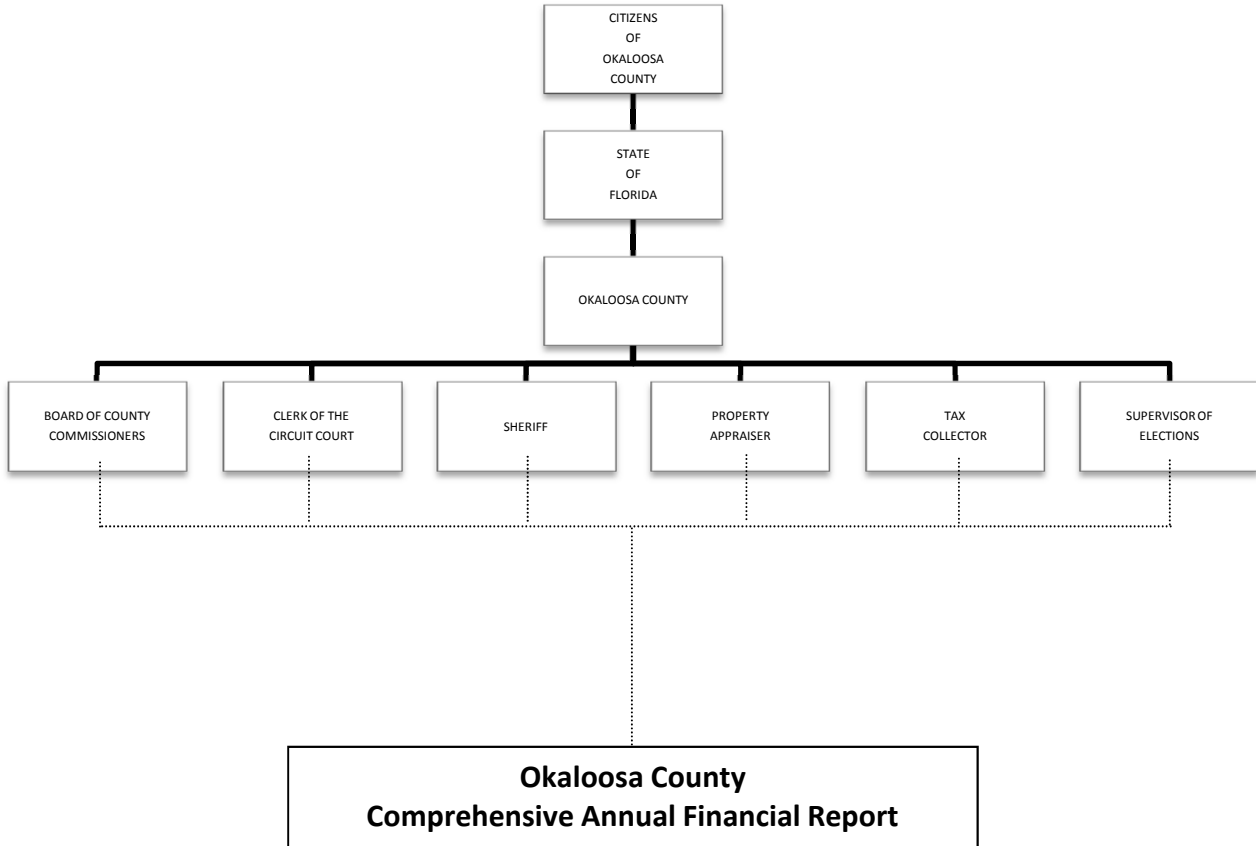
A stylized, handwritten signature in black ink.

President

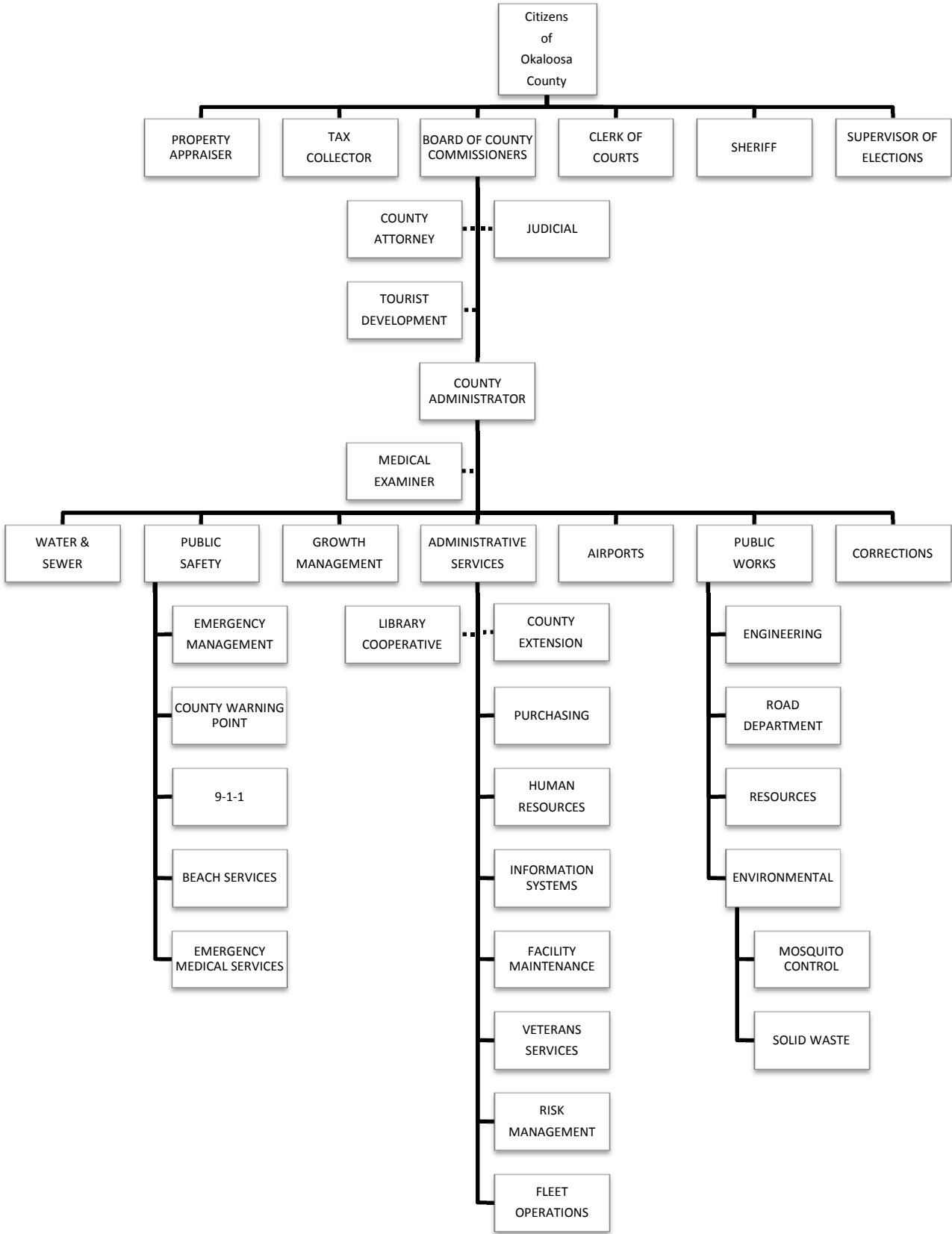
A stylized, handwritten signature in black ink.

Executive Director

OKALOOSA CONUTY, FLORIDA
REPORTING ORGANIZATION



OKALOOSA CONUTY COMMISSIONERS
OKALOOSA COUNTY, FLORIDA
ORGANIZATION CHART



OKALOOSA COUNTY, FLORIDA

COUNTY OFFICIALS AS OF SEPTEMBER 30, 2010

COUNTY COMMISSIONERS

| | |
|----------------------|--------------|
| Wayne Harris | District I |
| John Jannazo | District II |
| Bill Roberts | District III |
| Don Amunds | District IV |
| James Campbell | District V |

OTHER ELECTED OFFICIALS

| | |
|----------------------------|-------------------------|
| Don W. Howard | Clerk of Court |
| Ed Spooner | Sheriff |
| Chris Hughes | Tax Collector |
| Timothy "Pete" Smith | Property Appraiser |
| Paul Lux | Supervisor of Elections |

OTHER OFFICIALS

| | |
|----------------------|----------------------|
| John Dowd | County Attorney |
| James D. Curry | County Administrator |

FINANCIAL SECTION



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which collectively comprise the Okaloosa County Florida's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

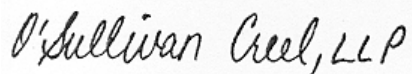
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Okaloosa County, Florida, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Fine and Forfeiture Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, on our consideration of Okaloosa County, Florida'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the Post Employment Benefits Plans Schedule of Funding Progress on page 88 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Okaloosa County, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for 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, *Local Governmental Entity Audits*, and is also not a required part of the basic financial statements of Okaloosa County, Florida. The accompanying schedule of passenger facility charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements of Okaloosa County, Florida. The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of federal awards and state financial assistance and the schedule of expenditures of passenger facility charges were derived from and relate 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 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 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 as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



March 18, 2011

Okaloosa County, Florida

Management Discussion and Analysis

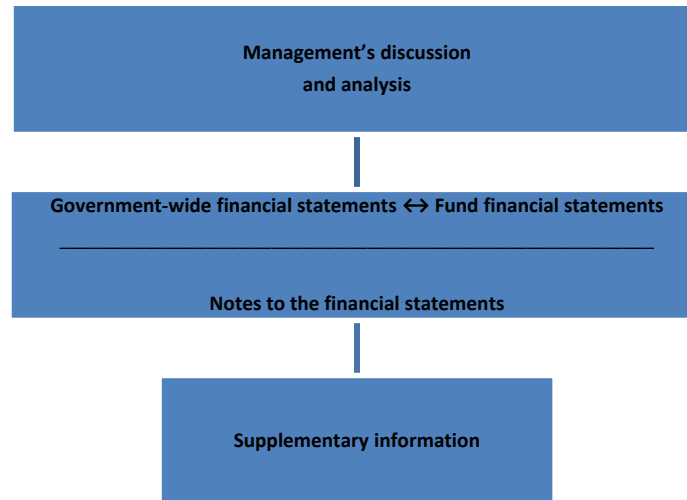
This discussion and analysis of Okaloosa County's (the County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2010. We hope this, in conjunction with additional information provided in our letter of transmittal, will assist readers in identifying significant financial issues and changes in the County's financial position. In this Management Discussion and Analysis (MD&A), all amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- At the close of fiscal year 2010 the County's assets exceeded its liabilities, resulting in net assets of \$397,031. Governmental and business-type assets exceeded its liabilities by \$170,490 and \$226,541, respectively.
- The County's total net assets increased \$4,212, or 1.1 percent, in comparison to the prior year.
- The County had \$29,495 of unrestricted net assets at the close of this year compared to \$33,909 last year that can be used to meet the County's obligations.
- Total revenues decreased **(\$7,024)**, or **(3.6)** percent, from \$197,415 to \$190,391.
- Total expenses increased \$798, or 0.0 percent, from \$186,178 to \$185,380.
- The County's governmental activities reported total net assets of \$170,490, which is a decrease of **(\$4,112)**, or **(2.4)** percent, in comparison to prior year. 6.8 percent of the total is unrestricted.
- The County's business-type activities reported total net assets of \$226,541, which is an increase of \$8,324, or 3.8 percent, in comparison to prior year. Approximately 7.9 percent of the total, or \$17,827, is unrestricted, and thus available for spending at the County's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Okaloosa County's basic financial statements. The County basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, as illustrated on the following page. This report also contains other supplementary information in addition to the basic financial statements themselves.



Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Okaloosa County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services, culture/recreation and court-related activity.

The business-type activities of the County include water/sewer services, airport services, solid waste collection/disposal, building inspection services, emergency medical service and conference center activities.

The government-wide financial statements include not only Okaloosa County itself (known as the primary government), but also a legally separate bridge authority for which Okaloosa County is financially accountable. Financial information for this component unit is reported discretely from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibit I, II-A and II-B of this report.

Fund Financial Statements

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The County's funds are presented in separate fund financial statements. These funds are presented on governmental fund financial statements, proprietary fund financial statements and a fiduciary fund financial statement. The County's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements are prepared on the modified accrual basis using current financial resources measurement focus. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Although the activity of the internal service funds is reported with the governmental activities on the government-wide financial statements they are not combined on the government fund financial statements.

Three of the County's governmental funds, the General Fund, Fine and Forfeiture Fund and Capital Outlay Construction Trust Fund, are classified as major funds. All other governmental funds are combined into a single column on the governmental fund financial statements. Individual fund data for the non-major funds is found in combining statements presented as supplemental financial data.

The County adopts an annual budget for all governmental funds. A budgetary comparison has been presented for all the governmental funds, which compares not only actual results to budget but also the original adopted budget to final budget. These budgetary comparisons for the major governmental funds are presented as part of the basic financial statements. Non-major governmental fund budget comparisons are presented as supplemental financial data.

Proprietary Fund Financial Statements

Proprietary fund financial statements, like government-wide financial statements, are prepared on the full accrual basis. Proprietary funds record both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund.

The County reports the Water and Sewer, Airport, Solid Waste and Conference Center as major funds in the proprietary fund financial statements. These enterprise funds are used to

present the same functions that are presented in the government-wide financial statements. The other enterprise funds are grouped together and reported in a separate column entitled, "Other Enterprise Funds". The internal service funds are combined into a single column on the proprietary fund financial statements. Individual fund data is presented in combining statements as supplemental financial data.

The internal service funds are used to account for risk management, health, including other post employment benefits for retirees, dental and liability insurance, fleet management services and funding of short-term compensated absence liability on a cost reimbursement basis.

Fiduciary Fund Financial Statement

Data shown on the fiduciary fund financial statement is not included in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The only type of fiduciary funds the County maintains, agency funds, are used to account for assets held by the County as an agent for individuals or other governments.

Notes to the financial statements

The notes to the financial statements provide additional information that is useful for a more complete understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Okaloosa County's funding progress related to post employment benefits.

This report also presents combining statements for the non-major governmental and proprietary funds and agency funds, as well as individual fund budget and actual comparison schedules for non-major governmental funds.

Government-wide Financial Analysis

Over time, net assets may serve as the most useful indicator of a government's financial position. At September 30, 2010, the County's total net assets or total assets less liabilities, was \$397,031. A significant portion of the County's net assets, 76.7 percent, is identified as an investment in capital assets (such as land, buildings, equipment, infrastructure), less related debt outstanding that was used to acquire those assets. Since the County uses capital assets to provide services to its residents, the net assets represented by "investment in capital assets, net of related debt" are not available for future spending. In fact, the payment of maintenance and debt service costs on those capital assets will themselves require governmental resources. The invested in capital assets, net of related debt balance of \$304,588 decreased (\$11,772) or (3.7) percent, in comparison to the prior year.

Another portion of the County's net assets is restricted net assets which represent assets that are subject to constraints such as by debt covenants, grantors, laws or regulations. The restricted net asset balance of \$62,947 (15.8 percent of total net assets) increased \$20,397, or 47.9 percent, in comparison to prior year, mainly due to new debt proceeds.

Unrestricted net assets are net assets that are available to meet the County's ongoing obligations to residents, creditors, and enterprise fund customers. The unrestricted net asset balance of \$29,495 (7.4 percent of total net assets) decreased (\$4,415), or (13.0) percent, in comparison to prior year for the fourth consecutive year since adoption of GASB 34 reporting.

As shown on the following chart, the County reported positive, as well as, increasing balances at September 30, 2010, in two of three categories of net assets for business-type activities, as well as the County as a whole.

The following is a condensed summary of net assets for the primary government for fiscal years 2010 and 2009.

Okaloosa County, Florida
 Summary of Net Assets
 September 30, 2010 and 2009

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current and Other Assets | \$ 78,633 | \$ 64,301 | \$ 60,633 | \$ 61,706 | \$ 139,266 | \$ 126,007 |
| Capital Assets | 145,711 | 136,400 | 306,442 | 304,796 | 452,153 | 441,196 |
| Total Assets | 224,344 | 200,701 | 367,075 | 366,502 | 591,419 | 567,203 |
| Current and Other Liabilities | 15,188 | 14,269 | 19,981 | 23,159 | 35,169 | 37,428 |
| Long-term Liabilities | 38,666 | 11,830 | 120,554 | 125,126 | 159,220 | 136,956 |
| Total Liabilities | 53,854 | 26,099 | 140,535 | 148,285 | 194,389 | 174,384 |
| Net Asset: | | | | | | |
| Investment in Capital | | | | | | |
| Assets, Net of Related Debt | 119,777 | 136,255 | 184,811 | 180,105 | 304,588 | 316,360 |
| Restricted for | | | | | | |
| Debt Service | 1,174 | 485 | 13,654 | 12,650 | 14,828 | 13,135 |
| Public Safety | 2,151 | 1,964 | - | - | 2,151 | 1,964 |
| Transportation | 453 | 445 | - | - | 453 | 445 |
| Eco Environment | 10,147 | 9,263 | - | - | 10,147 | 9,263 |
| Culture Recreation | 619 | 584 | - | - | 619 | 584 |
| Court-Related | 4,306 | 4,062 | - | - | 4,306 | 4,062 |
| Other Purposes | 20,195 | 2,835 | 10,249 | 10,262 | 30,444 | 13,097 |
| Unrestricted | 11,668 | 18,709 | 17,827 | 15,200 | 29,495 | 33,909 |
| Total Net Assets | \$ 170,490 | \$ 174,602 | \$ 226,541 | \$ 218,217 | \$ 397,031 | \$ 392,819 |

The following schedule compares the revenues and expenses for the primary government for the current and previous fiscal years:

| Okaloosa County, Florida Summary of Revenues and Expenses As September 30, 2010 and 2009 | | | | | | |
|--|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 22,775 | \$ 27,949 | \$ 50,194 | \$ 48,274 | \$ 72,969 | \$ 76,223 |
| Operating Grants and Contributions | 9,867 | 10,843 | 797 | 585 | 10,664 | 11,428 |
| Capital Grants and Contributions | 4,287 | 7,611 | 9,027 | 6,226 | 13,314 | 13,837 |
| General Revenues: | | | | | | |
| Taxes | 64,567 | 68,952 | 4,830 | 5,825 | 69,397 | 74,777 |
| State Shared Revenue | 15,801 | 16,130 | - | - | 15,801 | 16,130 |
| Grant and Contributions not Restricted Specific Programs | 1,725 | 256 | - | 25 | 1,725 | 281 |
| Other | 4,647 | 3,052 | 1,873 | 1,687 | 6,520 | 4,739 |
| Total Revenues | 123,669 | 134,793 | 66,721 | 62,622 | 190,390 | 197,415 |
| Expenses: | | | | | | |
| Program Activities: | | | | | | |
| General Government | 32,146 | 31,008 | - | - | 32,146 | 31,008 |
| Public Safety | 47,995 | 53,499 | - | - | 47,995 | 53,499 |
| Physical Environment | 2,594 | 867 | - | - | 2,594 | 867 |
| Transportation | 18,922 | 18,901 | - | - | 18,922 | 18,901 |
| Economic Environment | 8,980 | 7,456 | - | - | 8,980 | 7,456 |
| Human Services | 4,672 | 5,110 | - | - | 4,672 | 5,110 |
| Culture and Recreation | 5,031 | 4,500 | - | - | 5,031 | 4,500 |
| Court-Related | 7,390 | 8,082 | - | - | 7,390 | 8,082 |
| Interest and Fiscal Charges | 1,138 | 116 | - | - | 1,138 | 116 |
| Business-type Activities: | | | | | | |
| Water and Sewer | - | - | 25,753 | 24,067 | 25,753 | 24,067 |
| Airport | - | - | 10,575 | 9,804 | 10,575 | 9,804 |
| Solid Waste | - | - | 7,758 | 8,404 | 7,758 | 8,404 |
| Inspections | - | - | 1,245 | 1,245 | 1,245 | 1,245 |
| Emergency Medical | - | - | 7,555 | 7,504 | 7,555 | 7,504 |
| Conference Center | - | - | 4,424 | 4,817 | 4,424 | 4,817 |
| Total Expenses | 128,868 | 129,539 | 57,310 | 55,841 | 186,178 | 185,380 |
| Inc in Net Assets Before Trf | (5,199) | 5,254 | 9,411 | 6,781 | 4,212 | 12,035 |
| Special Item - Impairment | - | - | - | (7,551) | - | (7,551) |
| Transfers | 1,087 | 731 | (1,087) | (731) | - | - |
| Inc/(Dec) in Net Assets | (4,112) | 5,985 | 8,324 | (1,501) | 4,212 | 4,484 |
| Net Assets October 1 | 174,602 | 168,617 | 218,216 | 219,717 | 392,818 | 388,334 |
| Net Assets September 30 | \$ 170,490 | \$ 174,602 | \$ 226,540 | \$ 218,216 | \$ 397,030 | \$ 392,818 |

Revenues decreased by **(\$11,124)** or **(8.3)** percent in Governmental activities, due to a

significant decrease in public safety charges for services and reduced collection of ad valorem taxes. Revenues in Business-type activity increased by \$4,100 or 6.5 percent from the prior year, mainly due to increased charges for services in Airports and increased capital grant funding in Airports and Water & Sewer. Expenses decreased slightly by (\$671) or (0.0) percent in Governmental activities, due to significant decreases in Public Safety functional expenses and slight increases in General Government and Physical Environment expenses due mainly to oil spill emergency preparedness measures. Expenses in Business type expenses increased slightly \$1,469 or 2.6 percent due mainly to increased costs related to expanded activities at both Water & Sewer and Airports operations. Revenues decreased from 2009, although in 2010, the revenue totals were once again greater than expenses for the year which caused the net assets to increase by 1.3 percent, from \$392,818 in 2009 to \$397,031 in 2010.

Governmental activities

The focus of Okaloosa County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at fiscal year end.

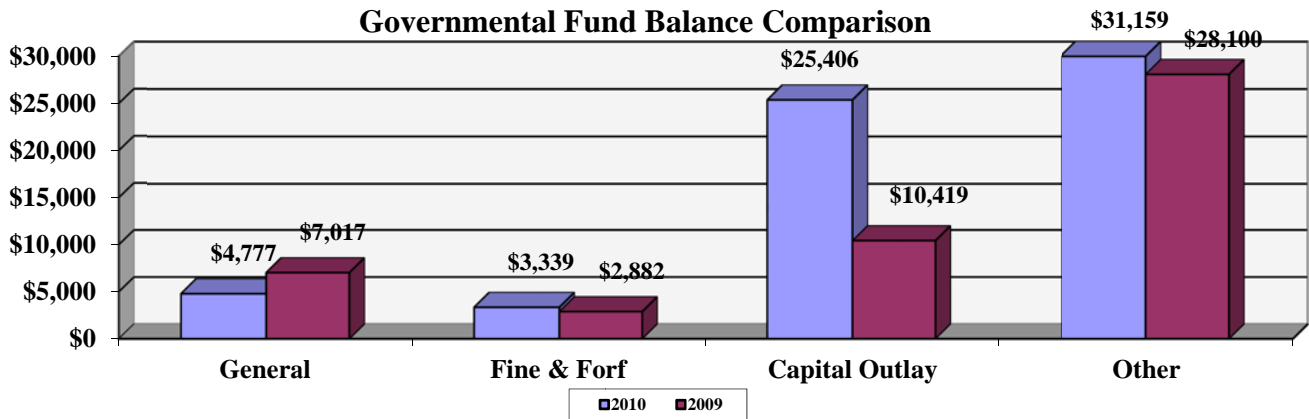
As of September 30, 2010, the County governmental funds reported combined fund balances of \$64,681, an increase of \$16,263 over the prior year balances, due mainly to bond proceeds received for the Courthouse Annex Extension project. The major governmental funds were both decreasing and increasing fund balance amounts due to the use of built up reserves to fund ongoing expenditures, as well as, borrowing and receiving funds for capital projects.

The General Fund is the chief operating fund of the County. At September 30, 2010, total fund balance in the general fund was \$4,777, of which \$1,879 was unreserved, which is a sizable decrease from the prior year. The general fund expenditures for the fiscal year exceeded revenues by \$34,990, primarily due to tax decreases. The Net change in Fund Balance for the General Fund for fiscal year 2010 amounted to a decrease of (\$2,240), while the prior year showed a decrease of (\$718). The decrease in fiscal year 2010 was mainly due to declines in revenue and the use of built up reserves to fund operating expenditures. The expenditure increases were primarily in the area of physical environment, due to the catastrophic oil spill and capital outlay activity.

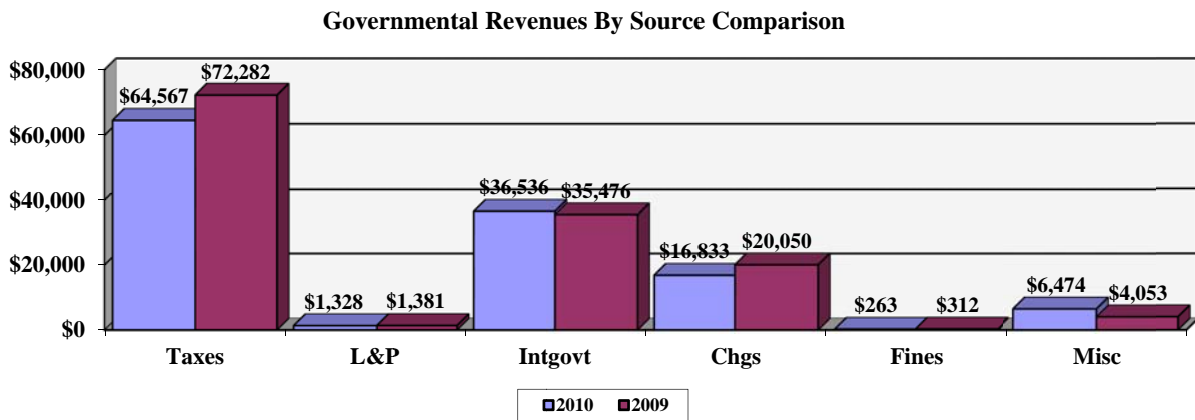
The Fine and Forfeiture Fund is a special revenue fund that is used to account for revenues and expenditures related primarily to public safety and judicial activity in the County. The Fine and Forfeiture Fund balance increased by \$457 from the prior year. The increase in fund balance occurred primarily because of the increase in state shared revenue support for public safety, although expenditures decreased minimally in public safety.

The Capital Outlay Construction Fund is a capital fund that contains all general government related capital projects related to government facilities, public safety facilities and culture and recreation facilities. Capital Outlay's fund balance increased substantially by \$14,987. The fund had major increases due to bond funding for the Courthouse Annex Extension capital project. The Capital Outlay fund continued some fund transfers out of "general fund" monies set aside for future capital projects that have been and are still suspended, due to these difficult economic times.

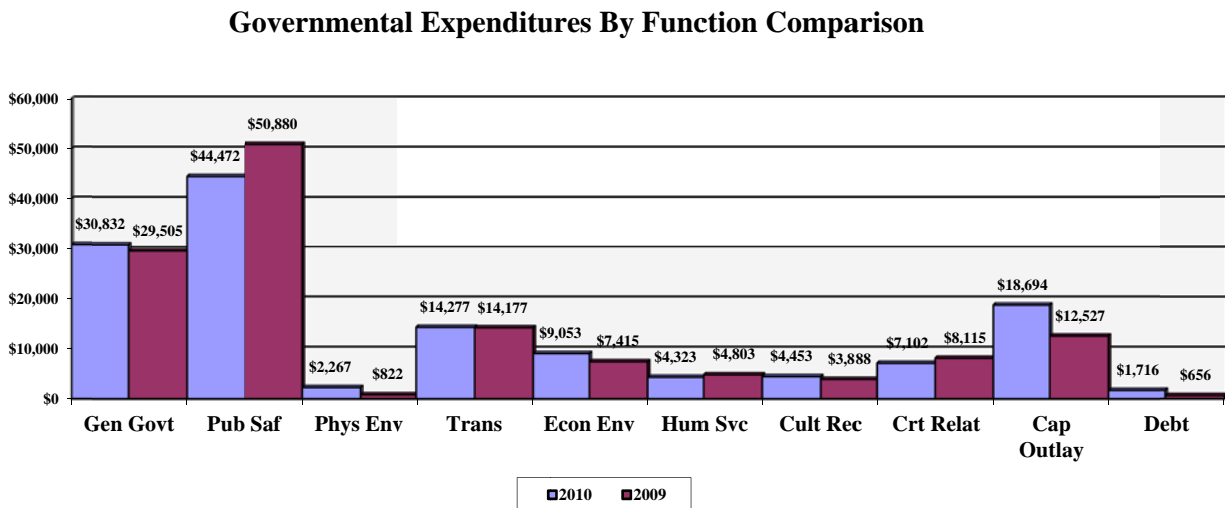
The following is a chart of all Governmental Fund Balances for the fiscal years 2009 and 2010.



The following is a chart of revenues by source for governmental activities for the last two fiscal years.



The following is a chart of expenditures by program for governmental activities for the last two fiscal years.



Proprietary Activities

Okaloosa County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail, and on a fund basis for the enterprise funds and internal service funds.

Enterprise Funds at September 30, 2010, total equity amounted to \$226,541 for enterprise funds as compared to \$218,217 at September 30, 2009. Equity balances are most significantly the result of total operations and capital contributions in the Water and Sewer and Airport Enterprise funds.

Business-type activities increased the County's total equity by \$8,324. Major components of this increase are as follows:

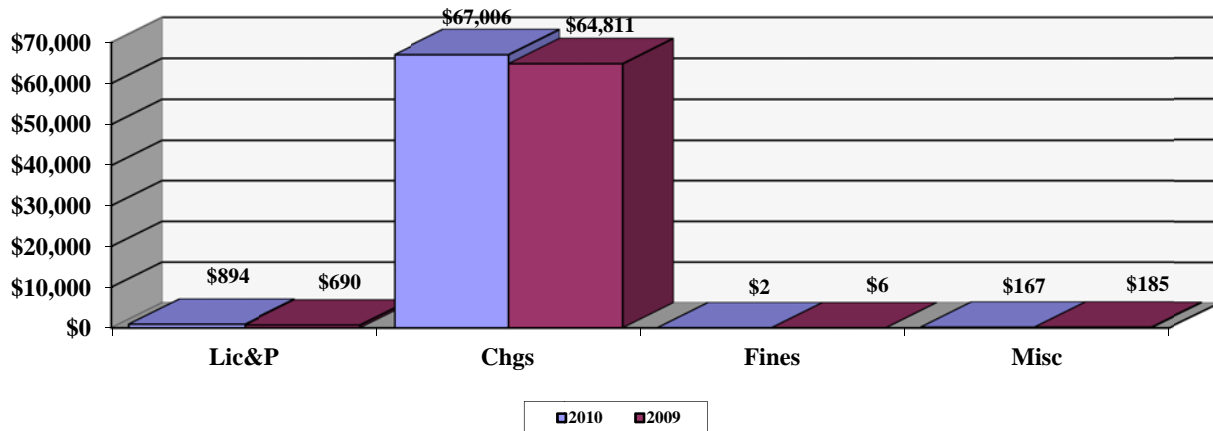
- The Water and Sewer Fund increased its equity by \$4,265. Operating income was \$2,214 during the year which was significantly greater than last year. Operating Revenues increased somewhat while Operating Expenses declined. Income before contributions decreased, however, due primarily to a significant increase in interest expenses related to additional system enhancements throughout this year and last.
- The Airport Fund increased its equity by \$4,552. Operating income decreased slightly from last year, although the operating revenues increased, the operating expenses, mainly due to contract activity and increases in depreciation for capital assets coming online throughout the year, increased more significantly.
- The Solid Waste Fund increased its equity slightly by \$73. Solid Waste Operating fees decreased significantly due to waste contract revisions while operating expense, mainly contractual services, related to closure activity, decreased and yet still the fund created increased operating losses over the prior year.

The net operating income of the enterprise funds for fiscal years 2010 and 2009, is as follows:

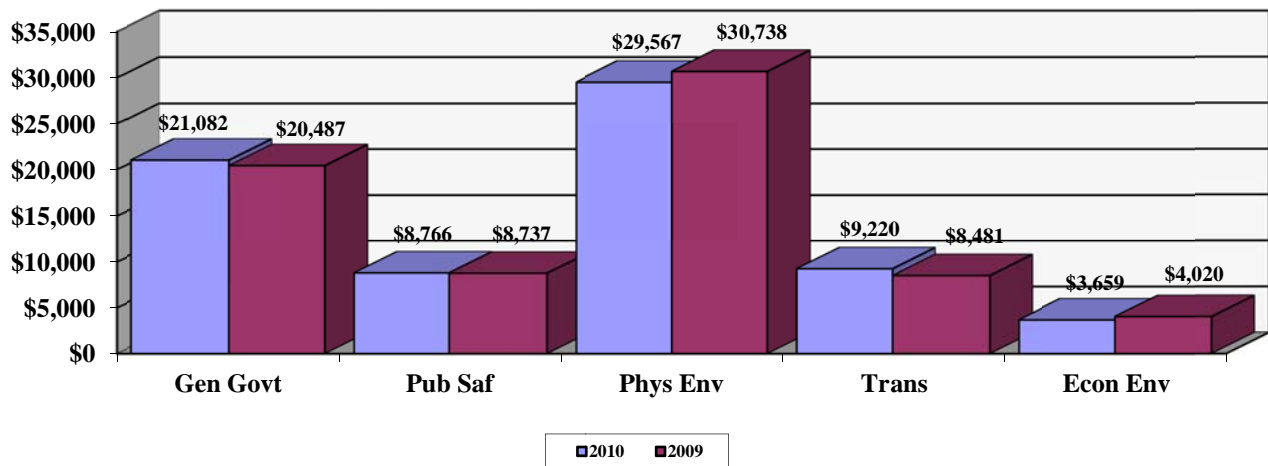
Enterprise Net Operating Income (Loss)

| | 2010 | 2009 |
|----------------------------|-----------|-----------|
| Water and Sewer | \$2,214 | \$313 |
| Airport | (462) | (277) |
| Solid Waste | (350) | (194) |
| Inspections | (200) | (427) |
| Emergency Medical Services | (1,878) | (2,456) |
| Conference Center | (2,816) | (3,138) |
| | (\$3,492) | (\$6,179) |

Proprietary Fund Operating Revenue by Source Comparison



Proprietary Fund Operating Expense by Program Comparison



Budgetary Highlights

A Budget to actual statement is provided for the General Fund, along with each of the other major special revenue funds as part of the basic financial statements. A budget column for both the original budget adopted for fiscal year 2010 as well as the final budget is presented.

A comparison of the General Fund original to the final operating budget shows an increase of \$17,149. The main area increased was a \$16,444 rise in intergovernmental revenue funded primarily from additional state and federal grants, especially related to mass transit and economic development and recovery activity. A significant portion of the increase in grants was not received or expended during the fiscal year making the variance large. The expenditures incurred during the year were almost all well within budget limitations in all functional categories. The major difference between actual and final budget totals in expenditures were due to grants budgeted in accordance with executed documents for these general government, public safety, especially 911, capital outlay and transportation, especially related to mass transit.

Capital Asset and Debt Administration

Capital Assets. Okaloosa County's investment in capital assets for its governmental and business type activities as of September 30, 2010 amounts to \$452,152 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, bridges and other improvements, machinery and equipment and park facilities. The increase in Okaloosa County's governmental activities investment in capital assets for the current fiscal year amounted to \$9,310 or 6.8 percent increase, which was concentrated in increases in construction in progress and infrastructure, mainly related to the Courthouse Annex Extension project. The business-type activities capital assets amounted to \$306,442 or an increase of \$1,646 or .5 percent, mainly increasing in the areas of construction in progress and infrastructure related to Airports.

The following schedule compares capital assets for the primary government for the current and previous fiscal years:

Okaloosa County, Florida
 Capital Assets
 September 30, 2010 and 2009

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | \$ 9,898 | \$ 9,898 | \$ 10,489 | \$ 10,489 | \$ 20,387 | \$ 20,387 |
| Buildings | 41,579 | 41,356 | 76,411 | 75,609 | 117,990 | 116,965 |
| Improvements other than buildings | 28,313 | 27,520 | 287 | 287 | 28,600 | 27,807 |
| Intangibles | 2,717 | 2,576 | 846 | 761 | 3,563 | 3,337 |
| Mach/Equipment | 50,197 | 48,609 | 20,603 | 20,659 | 70,800 | 69,268 |
| Const in Progress | 14,161 | 5,544 | 17,893 | 9,964 | 32,054 | 15,508 |
| Infrastructure | 133,412 | 128,568 | 286,412 | 283,209 | 419,824 | 411,777 |
| Art | - | - | 69 | 69 | 69 | 69 |
| Total Capital Assets | 280,277 | 264,071 | 413,010 | 401,047 | 693,287 | 665,118 |
| Accum Deprec | (134,567) | (127,671) | (106,568) | (96,251) | (241,135) | (223,922) |
| Total | <u>\$ 145,710</u> | <u>\$ 136,400</u> | <u>\$ 306,442</u> | <u>\$ 304,796</u> | <u>\$ 452,152</u> | <u>\$ 441,196</u> |

Additional information on Okaloosa County's capital assets can be found in notes to the financial statements (Note 5).

Long-term debt. At the end of the current fiscal year, the primary government, Okaloosa County, had bonded and revolving loans long-term debt outstanding of \$151,751. Of this amount, \$26,797 comprises governmental activities bonds payable and \$3,140 comprises a governmental bank and individual loan while the remaining \$110,207 in revenue bonds and

\$11,607 in revolving loans and an individual personal loan is secured solely by specified revenue sources in business-type activities.

Okaloosa County, Florida
 Outstanding Debt
 September 30, 2010 and 2009

| | Governmental | | Business-type | | Total | |
|------------------|------------------|-----------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Governmental Lns | \$ 3,140 | \$ 3,360 | \$ - | \$ - | \$ 3,140 | \$ 3,360 |
| Revenue Bonds | 26,797 | 531 | 110,207 | 113,794 | 137,004 | 114,325 |
| Revolv & Comm Ln | - | - | 11,607 | 12,743 | 11,607 | 12,743 |
| Total | \$ 29,937 | \$ 3,891 | \$ 121,814 | \$ 126,537 | \$ 151,751 | \$ 130,428 |

Additional information on Okaloosa County's long-term debt can be found in notes to the financial statements (Note 10).

Okaloosa County, Florida, Debt Ratings at September 30, 2010

| Type of Debt Issue: | S & P | Fitch/Moody's |
|--|-----------|---------------|
| 1991 Capital Improv Bonds | AAA | Aa2 |
| 2009 Sales Tax Rev Bonds | AAA | AA- |
| Water and Sewer System Enterprise revenue bonds: | | |
| 1985 Subordinated | Not rated | Not rated |
| 2004 Series | AAA | Aaa |
| 2006 Series | AAA | Aaa |
| 2000 Tourist Develop Tax Revenue | AAA | Aa2 |
| 2003 Airport Revenue Bonds | A | Not Rated |
| Taxable Airport Rev Bond 2007 | AA | Not Rated |

Highest rating: AAA/Aaa Investment grade ratings: AAA/Aaa through BBB-/Baa- Lowest rating: C

Economic Factors

Local, national, and international economic factors influence the County's revenues in a variety of ways. Positive economic growth is correlated with increased revenues from

property taxes, state sales taxes, fuel taxes, charges for services, state revenue sharing as well as state and federal grants, while negative economic growth generally has the opposite reaction. Economic growth may be measured by a variety of indicators such as employment growth, unemployment, new construction and assessed values, diversification of the property tax base, and Enterprise Fund revenue and net asset growth.

- The Florida Research and Economic Database reported that the number of employed Okaloosa County civilian residents decreased from 90,085 in 2009 to 88,561 in 2010, a decrease of approximately (1.7%). Increasing labor force coupled with slower economic times led to the County's unemployment rate rising to 8.2% in 2010 compared to 6.9% for 2009. The County's unemployment rate still remains extremely favorable compared to the state and national rates of 11.9 percent and 9.6 percent, respectively, for 2010.
- The assessed value of real property located in the County after exemptions shrank from \$16.606 billion in 2009 to \$15.380 billion, while the total assessed value of the County decreased from \$17.411 billion to \$16.175 billion in 2010. This represented a decrease of (\$1.236) billion or (7.1) percent in property valuation.
- Okaloosa County has a diversified property tax base. The ten largest property tax payers in the County represent approximately only 2.97 percent of the total ad valorem property tax levy.
- During 2010, total value of new residential construction in the County was valued at \$219 million and total value of new non-residential construction was valued at \$55 million for a total of \$274 million in new construction. The total construction figure for 2010 represented a (\$373.3) million decrease from 2009.

More information on economic factors is provided in the *Statistical Section*.

Request for information

This financial report is designed to provide the reader an overview of the County. Questions regarding any information provided in this report should be directed to:

Finance Department
302 N Wilson Street, Suite 203
Crestview, Florida, 32536.

Basic Financial Statements

Okaloosa County, Florida
STATEMENT OF NET ASSETS
September 30, 2010

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-----------------------|-----------------------------------|
| | Governmental Activities | Business-type Activities | Total | Emerald Coast Bridge Authority |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | \$ 12,637,126 | \$ 2,537,135 | \$ 15,174,261 | \$ - |
| Investments | 42,955,907 | 36,544,741 | 79,500,648 | - |
| Receivables, Net of Allowance for Uncollectibles | 971,337 | 7,219,342 | 8,190,679 | - |
| Internal Balances | (269,503) | 269,503 | - | - |
| Due from Other Governments | 5,074,801 | 2,847,753 | 7,922,554 | - |
| Inventories | 291,356 | 1,609,355 | 1,900,711 | - |
| Prepaid Expenses | 679,247 | 75,616 | 754,863 | - |
| Restricted Assets | | | | |
| Cash and Cash Equivalents | | | | |
| Customer Deposits | - | 1,435,803 | 1,435,803 | - |
| Other Deposits | - | 2,359,613 | 2,359,613 | - |
| Investments | 16,292,608 | 5,104,691 | 21,397,299 | - |
| Total Current Assets | 78,632,879 | 60,003,552 | 138,636,431 | - |
| Noncurrent Assets | | | | |
| Deferred Charges | 849 | - | 849 | - |
| Investment in Joint Venture, at Equity | - | 629,548 | 629,548 | - |
| Capital Assets (Net of Accumulated Depreciation) | | | | |
| Land | 9,898,076 | 10,488,917 | 20,386,993 | - |
| Buildings | 23,546,453 | 63,406,411 | 86,952,864 | - |
| Improvements Other Than Buildings | 21,585,971 | 152,610 | 21,738,581 | - |
| Intangibles | 1,804,999 | 525,771 | 2,330,770 | - |
| Machinery and Equipment | 13,979,904 | 4,398,821 | 18,378,725 | - |
| Construction in Progress | 14,161,295 | 17,892,924 | 32,054,219 | - |
| Infrastructure | 60,733,135 | 209,507,131 | 270,240,266 | - |
| Works of Art | - | 69,865 | 69,865 | - |
| Total Noncurrent Assets | 145,710,682 | 307,071,998 | 452,782,680 | - |
| Total Assets | \$ 224,343,561 | \$ 367,075,550 | \$ 591,419,111 | \$ - |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable and Other Accrued Liabilities | 7,515,388 | 4,697,626 | 12,213,014 | - |
| Due to Other Governments | 228,980 | 71,840 | 300,820 | - |
| Unearned Revenue | 672,210 | 5,855,458 | 6,527,668 | - |
| Due to Depositors | 351,119 | - | 351,119 | - |

Continued...

Okaloosa County, Florida
STATEMENT OF NET ASSETS
September 30, 2010

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|--------------------|-----------------------------------|
| | Governmental Activities | Business-type Activities | Total | Emerald Coast Bridge Authority |
| Current Liabilities (Continued) | | | | |
| Liabilities Payable from Restricted Assets | | | | |
| Customer Deposits | - | 1,552,813 | 1,552,813 | - |
| Interest Payable | - | 1,873,856 | 1,873,856 | - |
| Loans and Revenue Bonds Payable | - | 4,461,676 | 4,461,676 | - |
| Current Portion of Long-term Obligations | | | | |
| Compensated Absences | 3,444,980 | 931,428 | 4,376,408 | - |
| Closure Costs Payable | - | 239,973 | 239,973 | - |
| Claims and Judgments | 2,393,402 | - | 2,393,402 | - |
| Notes Payable | 400,000 | 93,303 | 493,303 | - |
| Leases Payable | - | - | - | - |
| Revenue Bonds Payable | 182,412 | 202,965 | 385,377 | - |
| Total Current Liabilities | <u>15,188,491</u> | <u>19,980,938</u> | <u>35,169,429</u> | <u>-</u> |
| Noncurrent Liabilities | | | | |
| Noncurrent Portion of Long-term Obligations | | | | |
| Compensated Absences | 3,380,474 | 740,265 | 4,120,739 | - |
| Closure Costs Payable | - | 3,748,760 | 3,748,760 | - |
| Claims and Judgments | 3,140,897 | - | 3,140,897 | - |
| Notes Payable | 2,740,000 | 2,073,208 | 4,813,208 | 1,777,289 |
| Loans and Bonds Payable, Net of Unamortized Loan costs | 25,749,919 | 113,807,063 | 139,556,982 | - |
| Other Post Employment Benefits | 3,654,134 | 184,327 | 3,838,461 | - |
| Total Noncurrent Liabilities | <u>38,665,424</u> | <u>120,553,623</u> | <u>159,219,047</u> | <u>1,777,289</u> |
| Total Liabilities | <u>53,853,915</u> | <u>140,534,561</u> | <u>194,388,476</u> | <u>1,777,289</u> |

Continued...

Okaloosa County, Florida
STATEMENT OF NET ASSETS
September 30, 2010

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|----------------|--------------------------------|
| | Governmental Activities | Business-type Activities | Total | Emerald Coast Bridge Authority |
| NET ASSETS | | | | |
| Investment in Capital Assets, Net of Related Debt | 119,777,506 | 184,810,764 | 304,588,270 | - |
| Restricted for | | | | |
| Debt Service | 1,173,207 | 13,654,285 | 14,827,492 | - |
| Public Safety | 2,150,686 | - | 2,150,686 | - |
| Transportation | 452,929 | - | 452,929 | - |
| Economic Environment | 10,147,257 | - | 10,147,257 | - |
| Culture and Recreation | 619,357 | - | 619,357 | - |
| Court-Related | 4,305,443 | - | 4,305,443 | - |
| Other Purposes | 20,195,043 | 10,249,190 | 30,444,233 | - |
| Unrestricted | 11,668,218 | 17,826,750 | 29,494,968 | (1,777,289) |
| Total Net Assets | 170,489,646 | 226,540,989 | 397,030,635 | (1,777,289) |
| Total Liabilities and Net Assets | \$ 224,343,561 | \$ 367,075,550 | \$ 591,419,111 | \$ - |

The notes to the financial statements are an integral part of this statement.

Okaloosa County, Florida
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2010

| | Program Revenues | | | | Net (Expense) Revenue (To Ex II-B) |
|---|-----------------------|-------------------------|--|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government Governmental Activities | | | | | |
| General Government | \$ 32,145,710 | \$ 10,488,584 | \$ 824,140 | \$ 200,000 | \$ (20,632,986) |
| Public Safety | 47,995,308 | 1,636,676 | 2,061,324 | 2,450,014 | (41,847,294) |
| Physical Environment | 2,593,599 | 7,294 | - | 55,711 | (2,530,594) |
| Transportation | 18,921,727 | 3,387,240 | 3,967,654 | 1,543,310 | (10,023,523) |
| Economic Environment | 8,979,799 | 735,708 | 1,767,670 | 384 | (6,476,037) |
| Human Services | 4,672,381 | 588,402 | 33,541 | - | (4,050,438) |
| Culture and Recreation | 5,031,537 | 331,180 | 1,011,201 | 37,851 | (3,651,305) |
| Court-Related | 7,389,777 | 5,599,552 | 201,801 | - | (1,588,424) |
| Interest and Fiscal Charges | 1,138,343 | - | - | - | (1,138,343) |
| Total Governmental Activities | 128,868,181 | 22,774,636 | 9,867,331 | 4,287,270 | (91,938,944) |
| Business-type Activities | | | | | |
| Water & Sewer | 25,752,403 | 24,107,377 | 64,871 | 4,712,420 | 3,132,265 |
| Airport | 10,575,145 | 11,208,742 | 254,504 | 4,313,934 | 5,202,035 |
| Solid Waste | 7,757,686 | 7,349,934 | 469,116 | - | 61,364 |
| Conference Center | 4,423,698 | 842,540 | - | 96 | (3,581,062) |
| Other Programs | 8,801,877 | 6,685,548 | 8,920 | 287 | (2,107,122) |
| Total Business- type Activities | 57,310,809 | 50,194,141 | 797,411 | 9,026,737 | 2,707,480 |
| Total Primary Government | \$ 186,178,990 | \$ 72,968,777 | \$ 10,664,742 | \$ 13,314,007 | \$ (89,231,464) |
| Component Unit Emerald Coast Bridge Authority | \$ - | \$ - | \$ - | \$ - | \$ - |

Okaloosa County, Florida
STATEMENT OF ACTIVITIES (CONTINUED)
For the Fiscal Year Ended September 30, 2010

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Changes in Net Assets | | | | |
| Net (Expenses) Revenue (From Exhibit II-A) | \$ (91,938,944) | \$ 2,707,480 | \$ (89,231,464) | \$ - |
| Unrestricted General Revenues | | | | |
| Taxes | | | | |
| Ad Valorem Tax | 51,591,467 | 1,221,414 | 52,812,881 | - |
| Tourist Development Tax | 5,260,031 | 3,506,687 | 8,766,718 | - |
| Local Option Fuel Tax | 3,360,644 | - | 3,360,644 | - |
| Communication Services Tax | 3,096,105 | - | 3,096,105 | - |
| Ninth-Cent Voted Fuel Tax | 1,007,578 | - | 1,007,578 | - |
| Local Business Tax | 251,035 | 102,113 | 353,148 | - |
| State Revenue Sharing | | | | |
| Miscellaneous Revenue | 4,811,803 | - | 4,811,803 | - |
| Local Government Sales Tax | 10,988,985 | - | 10,988,985 | - |
| Contributions Not Restricted to Specific Programs | | | | |
| Contributions from | | | | |
| Other Governments | 153,229 | - | 153,229 | - |
| Other Donations | 1,572,094 | - | 1,572,094 | - |
| Investment Earnings | 1,468,865 | 1,081,048 | 2,549,913 | - |
| Miscellaneous | 3,178,149 | 791,616 | 3,969,765 | - |
| Transfers - Internal Activities | 1,086,595 | (1,086,595) | - | - |
| Total Unrestricted-General Revenues and Transfers | 87,826,580 | 5,616,283 | 93,442,863 | - |
| Change in Net Assets | (4,112,364) | 8,323,763 | 4,211,399 | - |
| Net Assets - Beginning | 174,602,010 | 218,217,226 | 392,819,236 | (1,777,289) |
| Net Assets - Ending | <u>\$ 170,489,646</u> | <u>\$ 226,540,989</u> | <u>\$ 397,030,635</u> | <u>\$ (1,777,289)</u> |

The notes to the financial statements are an integral part of this statement.

Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010

| | <u>General Fund</u> | <u>Fine and Forfeiture Special Revenue Fund</u> |
|--------------------------------------|----------------------|---|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 4,472,044 | \$ 34,349 |
| Investments | 2,711,961 | 2,079,784 |
| Receivables | 209,001 | 42,578 |
| Due from Other Funds | 16,806 | - |
| Due from Other Elected Officials | 1,473,933 | 1,278,864 |
| Due from Other Governments | 1,275,475 | 1,572,753 |
| Inventory | 69,944 | - |
| Prepays | 630,053 | 11,770 |
| Deposits | 848 | - |
| Investments - Restricted | - | - |
| Total Assets | <u>\$ 10,860,065</u> | <u>\$ 5,020,098</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts Payable | \$ 829,654 | \$ 73,225 |
| Contracts Payable | 393,100 | 105,873 |
| Other Accrued Liabilities | 1,422,096 | 336,241 |
| Due to Other Funds | 267,761 | - |
| Due to Other Elected Officials | 2,046,093 | 814,406 |
| Due to Other Governments | 199,387 | 26,588 |
| Due to Depositors | 127,281 | 111,246 |
| Deferred Revenue | 797,699 | 214,003 |
| Total Liabilities | <u>6,083,071</u> | <u>1,681,582</u> |
| Fund Balances | | |
| Reserved for | | |
| Encumbrances | 290,948 | 42,000 |
| Inventory | 69,944 | - |
| Prepays | 630,053 | 11,770 |
| Debt Service | - | - |
| Other Restricted Purposes | 1,906,860 | 1,747,296 |
| Unreserved Reported in | | |
| General Fund | 1,879,189 | - |
| Special Revenue Funds | - | 1,537,450 |
| Capital Project Funds | - | - |
| Total Fund Balances | <u>4,776,994</u> | <u>3,338,516</u> |
| Total Liabilities and Fund Balances | <u>\$ 10,860,065</u> | <u>\$ 5,020,098</u> |

Exhibit III-A

| Capital Outlay Construction Trust Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------|--------------------------------|
| \$ 268,652 | \$ 3,329,140 | \$ 8,104,185 |
| 10,827,723 | 26,786,479 | 42,405,947 |
| - | 709,636 | 961,215 |
| - | 33,527 | 50,333 |
| 104,810 | 11,205 | 2,868,812 |
| 82,839 | 1,897,642 | 4,828,709 |
| - | - | 69,944 |
| - | 37,424 | 679,247 |
| - | - | 848 |
| 16,292,608 | - | 16,292,608 |
| <u>\$ 27,576,632</u> | <u>\$ 32,805,053</u> | <u>\$ 76,261,848</u> |
| | | |
| \$ 417,428 | \$ 66,921 | \$ 1,387,228 |
| 1,750,638 | 771,882 | 3,021,493 |
| 2,724 | 274,065 | 2,035,126 |
| - | 278,569 | 546,330 |
| - | - | 2,860,499 |
| - | 2,778 | 228,753 |
| - | 112,592 | 351,119 |
| - | 138,771 | 1,150,473 |
| <u>2,170,790</u> | <u>1,645,578</u> | <u>11,581,021</u> |
| | | |
| 2,214,362 | 605,934 | 3,153,244 |
| - | - | 69,944 |
| - | 37,424 | 679,247 |
| - | 300,796 | 300,796 |
| 18,517,853 | 11,795,859 | 33,967,868 |
| - | - | 1,879,189 |
| - | 8,768,197 | 10,305,647 |
| 4,673,627 | 9,651,265 | 14,324,892 |
| <u>25,405,842</u> | <u>31,159,475</u> | <u>64,680,827</u> |
| <u>\$ 27,576,632</u> | <u>\$ 32,805,053</u> | <u>\$ 76,261,848</u> |

The notes to the financial statements are an integral part of this statement.

Okaloosa County, Florida
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2010

| | | |
|---|----|---------------------------|
| Fund balances - total governmental funds (Exhibit III-A) | \$ | 64,680,827 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:</p> | | |
| Land | \$ | 9,581,215 |
| Construction in progress | | 14,161,295 |
| Buildings, net of \$17,436,167 accumulated depreciation | | 23,241,924 |
| Improvements other than buildings, net of \$6,489,006 accumulated depreciation | | 21,566,793 |
| Intangibles, net of \$912,346 accumulated amortization | | 1,804,999 |
| Machinery and equipment, net of \$33,763,946 accumulated depreciation | | 13,932,332 |
| Infrastructure, net of \$72,678,808 accumulated depreciation | | <u>60,733,135</u> |
| | | 145,021,693 |
| <p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p> | | |
| | | 489,866 |
| <p>Internal service funds (see Exhibit VII) are used by management to charge the costs of certain activities, such as insurance, compensated absences and fleet maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:</p> | | |
| | | (3,399,814) |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net assets. Balances changed at September 30, 2010 are:</p> | | |
| Accrued interest on bonds | | (872,409) |
| Revenue bonds payable | \$ | (26,797,412) |
| Notes payable | | (3,140,000) |
| Deferred Charges - Debt Issuance | | 865,081 |
| Claims payable | | (1,061,187) |
| Compensated absences | | (4,885,146) |
| Other Post Employment Benefits | | (411,853) |
| Total long-term liabilities | | <u>(35,430,517)</u> |
| Net assets of governmental activities (Exhibit I) | \$ | <u><u>170,489,646</u></u> |

The notes to the financial statements are an integral part of this statement.



Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | <u>General Fund</u> | <u>Fine and Forfeiture Special Revenue Fund</u> |
|--|-----------------------|---|
| Revenues | | |
| Taxes | \$ 22,330,880 | \$ 30,499,136 |
| Licenses and Permits | 8,700 | - |
| Intergovernmental | 8,536,443 | 10,012,093 |
| Charges for Services | 10,521,010 | 5,236,208 |
| Fines | 4,300 | 257,517 |
| Miscellaneous | 1,196,435 | 921,676 |
| | <hr/> | <hr/> |
| Total Revenues | 42,597,768 | 46,926,630 |
| Expenditures | | |
| Current | | |
| General Government | 29,832,905 | - |
| Public Safety | 31,030,529 | 13,441,940 |
| Physical Environment | 1,777,599 | - |
| Transportation | 1,862,153 | - |
| Economic Environment | 2,367,608 | - |
| Human Services | 3,675,978 | - |
| Culture and Recreation | 545,808 | - |
| Court-Related | 1,517,390 | 1,678,575 |
| Capital Outlay | 4,977,763 | 32,100 |
| Debt Service | | |
| Principal | - | - |
| Interest | - | - |
| Other Debt Service Costs | - | - |
| | <hr/> | <hr/> |
| Total Expenditures | 77,587,733 | 15,152,615 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <hr/> (34,989,965) | <hr/> 31,774,015 |

Exhibit IV-A

| Capital Outlay Construction Trust Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------------------|--------------------------------|
| \$ - | \$ 11,736,843 | \$ 64,566,859 |
| - | 1,319,205 | 1,327,905 |
| 411,827 | 17,575,552 | 36,535,915 |
| 130,000 | 945,685 | 16,832,903 |
| - | 1,191 | 263,008 |
| 537,143 | 3,819,214 | 6,474,468 |
| <u>1,078,970</u> | <u>35,397,690</u> | <u>126,001,058</u> |
| 581,356 | 417,478 | 30,831,739 |
| - | - | 44,472,469 |
| - | 489,805 | 2,267,404 |
| - | 12,414,451 | 14,276,604 |
| - | 6,685,229 | 9,052,837 |
| - | 647,055 | 4,323,033 |
| 75,728 | 3,830,986 | 4,452,522 |
| - | 3,906,476 | 7,102,441 |
| 10,126,156 | 3,557,902 | 18,693,921 |
| - | 587,505 | 587,505 |
| - | 435,901 | 435,901 |
| - | 692,498 | 692,498 |
| <u>10,783,240</u> | <u>33,665,286</u> | <u>137,188,874</u> |
| <u>(9,704,270)</u> | <u>1,732,404</u> | <u>(11,187,816)</u> |

Continued...

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | <u>General Fund</u> | <u>Fine and Forfeiture Special Revenue Fund</u> |
|---|---------------------|---|
| Other Financing Sources (Uses) | | |
| Transfers In | 1,001,459 | 1,679,012 |
| Transfers Out | - | (1,213,284) |
| Transfers Among Constitutional Officers | 31,748,608 | (31,783,052) |
| Issuance of Debt | - | - |
| Discount on Debt Issuance | - | - |
| | <hr/> | <hr/> |
| Total Other Financing Sources (Uses) | 32,750,067 | (31,317,324) |
| | <hr/> | <hr/> |
| Net Change in Fund Balances | (2,239,898) | 456,691 |
| | <hr/> | <hr/> |
| Fund Balances - Beginning | 7,016,892 | 2,881,825 |
| | <hr/> | <hr/> |
| Fund Balances - Ending | <u>\$ 4,776,994</u> | <u>\$ 3,338,516</u> |

| Capital Outlay Construction Trust Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------------------|--------------------------------|
| 678,427 | 4,604,453 | 7,963,351 |
| (1,659,417) | (4,004,055) | (6,876,756) |
| - | 34,444 | - |
| 25,671,794 | 943,206 | 26,615,000 |
| - | (251,241) | (251,241) |
| <u>24,690,804</u> | <u>1,326,807</u> | <u>27,450,354</u> |
| 14,986,534 | 3,059,211 | 16,262,538 |
| <u>10,419,308</u> | <u>28,100,264</u> | <u>48,418,289</u> |
| <u>\$ 25,405,842</u> | <u>\$ 31,159,475</u> | <u>\$ 64,680,827</u> |

The notes to the financial statements are an integral part of this statement.

Okaloosa County, Florida
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2010

| | | |
|--|------------------|--------------------|
| Net change in fund balances - total governmental funds (Exhibit IV-A) | \$ | 16,262,538 |
| 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. This is the amount by which capital outlays (\$18,693,921) exceed depreciation/amortization (\$9,963,049) in the current period. (See Note 5.) | | |
| | | 8,730,872 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | |
| Grant Revenue | \$ 489,866 | |
| Reversal of Prior Year Deferred Revenues | (3,324,830) | |
| Capital Contributions | 1,114,575 | |
| Gain/Loss on Disposal of Capital Assets | <u>(507,025)</u> | |
| Net adjustment | | (2,227,414) |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following balances: | | |
| Accrued interest on bonds | \$ (623,784) | |
| Deferred debt issuance costs | 670,869 | |
| Amortized deferred debt issuance costs | (57,029) | |
| Claims payable | (1,061,187) | |
| Compensated absences and Other Post Employment Benefits | <u>558,966</u> | |
| Net adjustment | | (512,165) |
| Repayment of principal on bonds and other long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (See Note 10.) | | |
| Bonds | \$ 367,505 | |
| Notes | <u>220,000</u> | |
| Net adjustment | | 587,505 |
| Internal service funds (See Exhibit VIII) are used by the County to charge the costs of certain activities, such as insurance, compensated absences and fleet maintenance to individual funds. The net revenue or expense of the internal service funds is reported with governmental activities. | | |
| | | (589,941) |
| Change in net assets of governmental activities (Exhibit II-B) | <u>\$</u> | <u>(4,112,364)</u> |

The notes to the financial statements are an integral part of this statement.

Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 21,609,140 | \$ 22,329,845 | \$ 22,330,880 | \$ 1,035 |
| Licenses and Permits | 10,300 | 10,300 | 8,700 | (1,600) |
| Intergovernmental | 1,845,126 | 18,289,123 | 8,536,443 | (9,752,680) |
| Charges for Services | 10,491,096 | 10,514,526 | 10,521,010 | 6,484 |
| Fines | 1,000 | 4,300 | 4,300 | - |
| Miscellaneous | 1,172,549 | 1,129,812 | 1,196,435 | 66,623 |
| Total Revenues | <u>35,129,211</u> | <u>52,277,906</u> | <u>42,597,768</u> | <u>(9,680,138)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | 31,354,122 | 34,413,858 | 29,832,905 | 4,580,953 |
| Public Safety | 34,765,393 | 35,468,277 | 31,030,529 | 4,437,748 |
| Physical Environment | 1,794,399 | 1,808,558 | 1,777,599 | 30,959 |
| Transportation | 444,004 | 4,541,178 | 1,862,153 | 2,679,025 |
| Economic Environment | 2,720,541 | 2,815,944 | 2,367,608 | 448,336 |
| Human Services | 3,675,089 | 3,843,035 | 3,675,978 | 167,057 |
| Culture and Recreation | 598,727 | 598,727 | 545,808 | 52,919 |
| Court-Related | 1,695,080 | 1,695,080 | 1,517,390 | 177,690 |
| Capital Outlay | 2,057,996 | 8,823,980 | 4,977,763 | 3,846,217 |
| Total Expenditures | <u>79,105,351</u> | <u>94,008,637</u> | <u>77,587,733</u> | <u>16,420,904</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(43,976,140)</u> | <u>(41,730,731)</u> | <u>(34,989,965)</u> | <u>6,740,766</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 278,000 | 1,001,459 | 1,001,459 | - |
| Transfers Among Constitutional Officers | 32,285,113 | 32,376,383 | 31,748,608 | (627,775) |
| Total Other Financing Sources (Uses) | <u>32,563,113</u> | <u>33,377,842</u> | <u>32,750,067</u> | <u>(627,775)</u> |
| Net Change in Fund Balance | <u>(11,413,027)</u> | <u>(8,352,889)</u> | <u>(2,239,898)</u> | <u>6,112,991</u> |
| Fund Balance - Beginning | <u>11,413,027</u> | <u>8,352,889</u> | <u>7,016,892</u> | <u>(1,335,997)</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,776,994</u> | <u>\$ 4,776,994</u> |

The notes to the financial statements are an integral part of this statement.

Board of County Commissioners
Okaloosa County, Florida
FINE AND FORFEITURE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|---|------------------|---------------|----------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 30,885,655 | \$ 30,922,755 | \$ 30,499,136 | \$ (423,619) |
| Intergovernmental | 8,371,883 | 10,932,200 | 10,012,093 | (920,107) |
| Charges for Services | 5,028,485 | 5,178,527 | 5,236,208 | 57,681 |
| Fines | 225,000 | 278,349 | 257,517 | (20,832) |
| Miscellaneous | 361,500 | 719,535 | 921,676 | 202,141 |
| | | | | |
| Total Revenues | 44,872,523 | 48,031,366 | 46,926,630 | (1,104,736) |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | 14,253,614 | 14,861,830 | 13,441,940 | 1,419,890 |
| Transportation | - | 3,500 | - | 3,500 |
| Court-Related | 2,375,251 | 2,824,814 | 1,678,575 | 1,146,239 |
| Capital Outlay | 180,000 | 220,574 | 32,100 | 188,474 |
| | | | | |
| Total Expenditures | 16,808,865 | 17,910,718 | 15,152,615 | 2,758,103 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 28,063,658 | 30,120,648 | 31,774,015 | 1,653,367 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 1,686,512 | 1,679,012 | 1,679,012 | - |
| Transfers Out | (950,000) | (1,300,289) | (1,213,284) | 87,005 |
| Transfers Among Constitutional Officers | (31,077,700) | (33,381,194) | (31,783,052) | 1,598,142 |
| | | | | |
| Total Other Financing | (30,341,188) | (33,002,471) | (31,317,324) | 1,685,147 |
| Net Change in Fund Balance | (2,277,530) | (2,881,823) | 456,691 | 3,338,514 |
| Fund Balance - Beginning | 2,277,530 | 2,881,823 | 2,881,825 | 2 |
| Fund Balance - Ending | \$ - | \$ - | \$ 3,338,516 | \$ 3,338,516 |

The notes to the financial statements are an integral part of this statement.



Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010

| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Business-type Solid Waste Enterprise Fund |
|---|------------------------------------|----------------------------|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 380,200 | \$ 2,101,871 | \$ 1,600 |
| Investments | 11,440,706 | 12,995,248 | - |
| Receivables, Net of Allowance for Uncollectibles | 2,426,388 | 1,020,262 | 505,965 |
| Due from Other Funds | - | - | - |
| Due from Other Elected Officials | 60 | - | - |
| Due from Other Governments | 272,859 | 2,427,669 | 147,225 |
| Inventory | 1,547,759 | 61,596 | - |
| Prepays | 54,213 | 15,739 | - |
| Restricted Assets | | | |
| Cash and Cash Equivalents | | | |
| Customer Deposits | 1,391,785 | 23,375 | 20,643 |
| Other Deposits | 2,359,613 | - | - |
| Investments | 1,229,702 | 2,882,114 | - |
| Total Restricted Assets | 4,981,100 | 2,905,489 | 20,643 |
| Total Current Assets | 21,103,285 | 21,527,874 | 675,433 |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Land | 4,802,034 | 5,553,582 | 133,301 |
| Buildings | 6,019,664 | 52,380,085 | 115,363 |
| Improvements Other Than Buildings | - | - | 276,776 |
| Intangibles | 655,456 | 94,400 | - |
| Machinery and Equipment | 9,404,505 | 2,299,348 | 3,091,589 |
| Construction in Progress | 12,354,684 | 5,489,606 | - |
| Infrastructure | 225,681,459 | 60,367,033 | - |
| Works of Art | - | 69,865 | - |
| Less Accumulated Depreciation | (76,340,700) | (19,647,299) | (3,066,773) |
| Total Capital Assets (Net of Accumulated Depreciation) | 182,577,102 | 106,606,620 | 550,256 |

Exhibit VII

| Activities | | | Governmental |
|-------------------|------------------|------------------|---------------|
| Convention Center | Other | Total | Activities -- |
| Enterprise Fund | Enterprise Funds | Enterprise Funds | Internal |
| | | | Service Funds |
| \$ 51,099 | \$ 2,365 | \$ 2,537,135 | \$ 4,532,941 |
| 12,108,787 | - | 36,544,741 | 549,960 |
| - | 3,266,727 | 7,219,342 | 10,122 |
| 278,569 | - | 278,569 | 217,428 |
| - | 2 | 62 | 753 |
| - | - | 2,847,753 | 246,092 |
| - | - | 1,609,355 | 221,412 |
| 217 | 5,447 | 75,616 | - |
| - | - | 1,435,803 | - |
| - | - | 2,359,613 | - |
| 992,875 | - | 5,104,691 | - |
| 992,875 | - | 8,900,107 | - |
| 13,431,547 | 3,274,541 | 60,012,680 | 5,778,708 |
| - | - | 10,488,917 | 316,861 |
| 17,895,784 | - | 76,410,896 | 900,466 |
| 9,915 | - | 286,691 | 257,345 |
| 23,840 | 72,575 | 846,271 | - |
| 1,113,005 | 4,694,014 | 20,602,461 | 2,500,552 |
| 48,634 | - | 17,892,924 | - |
| 363,670 | - | 286,412,162 | - |
| - | - | 69,865 | - |
| (4,343,284) | (3,169,681) | (106,567,737) | (3,287,082) |
| 15,111,564 | 1,596,908 | 306,442,450 | 688,142 |

Continued...

Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010

| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Business-type Solid Waste Enterprise Fund |
|--|------------------------------------|----------------------------|---|
| Other Assets | | | |
| Investment in Joint Venture, at Equity | 629,548 | - | - |
| Total Other Assets | 629,548 | - | - |
| Total Noncurrent Assets | 183,206,650 | 106,606,620 | 550,256 |
| Total Assets | \$ 204,309,935 | \$ 128,134,494 | \$ 1,225,689 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 316,396 | \$ 35,553 | \$ 217,790 |
| Contracts Payable | 1,943,238 | 461,625 | 323,296 |
| Accrued Liabilities | | | |
| Compensated Absences | 507,008 | 77,637 | 61,846 |
| Closure Costs Payable | - | - | 239,973 |
| Claims and Judgments | - | - | - |
| Other Accrued Liabilities | 224,484 | 44,621 | 29,553 |
| Due to Other Elected Officials | - | - | - |
| Due to Other Governments | 48,032 | 15,879 | 231 |
| Notes Payable | 93,303 | - | - |
| Revenue Bonds Payable | 45,376 | - | 157,589 |
| Deferred Revenue | 5,506,438 | 233,226 | - |
| Current Liabilities Payable from Restricted Assets | | | |
| Customer Deposits Payable | 1,507,795 | 23,375 | 21,643 |
| Interest Payable | 949,843 | 595,494 | - |
| Loan - State of Florida | 1,081,676 | - | - |
| Revenue Bonds Payable | 2,580,000 | 500,000 | - |
| Total Current Liabilities Payable from Restricted Assets | 6,119,314 | 1,118,869 | 21,643 |
| Total Current Liabilities | 14,803,589 | 1,987,410 | 1,051,921 |

Exhibit VII

| Activities | | | Governmental |
|----------------------|---------------------|-----------------------|---------------------|
| Convention Center | Other | Total | Activities -- |
| Enterprise Fund | Enterprise Funds | Enterprise Funds | Internal |
| | | | Service Funds |
| - | - | 629,548 | - |
| - | - | 629,548 | - |
| 15,111,564 | 1,596,908 | 307,071,998 | 688,142 |
| <u>\$ 28,543,111</u> | <u>\$ 4,871,449</u> | <u>\$ 367,084,678</u> | <u>\$ 6,466,850</u> |
| | | | |
| \$ 37,066 | \$ 733,200 | \$ 1,340,005 | \$ 117,073 |
| 4,311 | 56,396 | 2,788,866 | 39,579 |
| 40,447 | 244,490 | 931,428 | 1,847,220 |
| - | - | 239,973 | - |
| - | - | - | 2,393,402 |
| 32,311 | 237,786 | 568,755 | 42,480 |
| 8,998 | 130 | 9,128 | - |
| 98 | 7,600 | 71,840 | 227 |
| - | - | 93,303 | - |
| - | - | 202,965 | - |
| 50,109 | 65,685 | 5,855,458 | 11,603 |
| - | - | 1,552,813 | - |
| 328,519 | - | 1,873,856 | - |
| - | - | 1,081,676 | - |
| 300,000 | - | 3,380,000 | - |
| | | | |
| 628,519 | - | 7,888,345 | - |
| | | | |
| 801,859 | 1,345,287 | 19,990,066 | 4,451,584 |

Continued...

Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010

| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Business-type Solid Waste Enterprise Fund |
|--|------------------------------------|----------------------------|---|
| Noncurrent Liabilities | | | |
| Compensated Absences | 456,962 | 50,444 | 63,758 |
| Closure Costs Payable | - | - | 3,748,760 |
| Claims and Judgments | - | - | - |
| Notes Payable | 73,208 | 2,000,000 | - |
| Loan- State of Florida (Net of Unamortized Discounts) | 8,209,344 | - | - |
| Revenue Bonds Payable (Net of Unamortized Discounts and Deferred Amount on Refunding) | 76,393,612 | 17,783,475 | (4,368) |
| Other Post Employment Benefits | 75,456 | 13,780 | 8,548 |
| Total Noncurrent Liabilities | 85,208,582 | 19,847,699 | 3,816,698 |
| Total Liabilities | 100,012,171 | 21,835,109 | 4,868,619 |
| Equity | | | |
| Invested in Capital Assets, Net of Related Debt | 92,953,889 | 86,323,146 | 550,256 |
| Restricted for Debt Service | 2,639,473 | 2,081,289 | - |
| Restricted for Other Purposes | - | 6,292,920 | - |
| Unrestricted | 8,704,402 | 11,602,030 | (4,193,186) |
| Total Equity | 104,297,764 | 106,299,385 | (3,642,930) |
| Total Liabilities and Equity | \$ 204,309,935 | \$ 128,134,494 | \$ 1,225,689 |

Exhibit VII

| Activities | | | Governmental Activities -- Internal Service Funds |
|--------------------------------------|---------------------------|---------------------------|--|
| Convention Center Enterprise Fund | Other Enterprise Funds | Total Enterprise Funds | |
| 28,541 | 140,560 | 740,265 | 93,088 |
| - | - | 3,748,760 | - |
| - | - | - | 2,079,710 |
| - | - | 2,073,208 | - |
| - | - | 8,209,344 | - |
| 11,425,000 | - | 105,597,719 | - |
| 11,353 | 75,190 | 184,327 | 3,242,282 |
| 11,464,894 | 215,750 | 120,553,623 | 5,415,080 |
| 12,266,753 | 1,561,037 | 140,543,689 | 9,866,664 |
| 3,386,565 | 1,596,908 | 184,810,764 | 688,142 |
| 8,933,523 | - | 13,654,285 | - |
| 3,956,270 | - | 10,249,190 | - |
| - | 1,713,504 | 17,826,750 | (4,087,956) |
| 16,276,358 | 3,310,412 | 226,540,989 | (3,399,814) |
| \$ 28,543,111 | \$ 4,871,449 | \$ 367,084,678 | \$ 6,466,850 |

The notes to the financial statements are an integral part of this statement.

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type | | |
|---|------------------------------------|----------------------------|--------------------------------|
| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Solid Waste Enterprise Fund |
| Operating Revenues | | | |
| Licenses and Permits | \$ - | \$ - | \$ - |
| Charges for Services | 23,984,342 | 8,656,082 | 7,382,757 |
| Fines | 2,201 | - | - |
| Miscellaneous | 60,326 | 101,441 | 540 |
| Total Operating Revenues | 24,046,869 | 8,757,523 | 7,383,297 |
| Operating Expenses | | | |
| Personal Services | 6,756,645 | 1,425,680 | 926,191 |
| Contractual Services | 3,867,176 | 1,608,640 | 5,663,637 |
| Supplies | 699,277 | 565,966 | 104,517 |
| Insurance Premiums and Claims | - | - | - |
| Utilities | 1,781,482 | 785,564 | 8,924 |
| Other Operating Expenses | 2,163,001 | 1,651,014 | 914,476 |
| Depreciation/Amortization | 6,565,753 | 3,182,841 | 115,699 |
| Total Operating Expenses | 21,833,334 | 9,219,705 | 7,733,444 |
| Operating Income (Loss) | 2,213,535 | (462,182) | (350,147) |
| Nonoperating Revenues (Expenses) | | | |
| Taxes | - | - | - |
| Intergovernmental | 185,704 | 267,673 | 436,291 |
| Investment Income | 465,577 | 361,149 | (524) |
| Net Gain/(Loss) from Joint Ventures | 319,446 | - | - |
| Other Non-Operating Revenue | 277,586 | 5,500 | - |
| Interest Expenses | (3,808,985) | (1,199,270) | (16,752) |
| Other Debt Service Costs | (93,645) | (152,531) | (7,489) |
| Gain/(Loss) on Disposal of Capital Assets | (6,257) | (1,800) | 11,625 |
| Passenger and Customer Facility Charges | - | 2,539,493 | - |
| Administrative Charges | - | - | - |
| Total Nonoperating Revenues (Expenses) | (2,660,574) | 1,820,214 | 423,151 |
| Income (Loss) Before Contributions and Transfers | (447,039) | 1,358,032 | 73,004 |

Exhibit VIII

| Activities | | | Governmental |
|--------------------|--------------------|--------------------|-------------------|
| Convention Center | Other | Total | Activities -- |
| Enterprise Fund | Enterprise Funds | Enterprise Funds | Internal |
| | | | Service Funds |
| \$ - | \$ 894,021 | \$ 894,021 | \$ - |
| 842,538 | 5,791,528 | 46,657,247 | 20,348,883 |
| - | - | 2,201 | 35 |
| 281 | 2,849 | 165,437 | 1,254 |
| <u>842,819</u> | <u>6,688,398</u> | <u>47,718,906</u> | <u>20,350,172</u> |
| 941,709 | 6,682,379 | 16,732,604 | 2,003,656 |
| 1,177,277 | 428,808 | 12,745,538 | 334,533 |
| 75,843 | 549,304 | 1,994,907 | 2,648,373 |
| - | - | - | 15,738,023 |
| 314,077 | 36,193 | 2,926,240 | 8,675 |
| 585,336 | 489,601 | 5,803,428 | 240,270 |
| 564,568 | 579,870 | 11,008,731 | 108,245 |
| <u>3,658,810</u> | <u>8,766,155</u> | <u>51,211,448</u> | <u>21,081,775</u> |
| <u>(2,815,991)</u> | <u>(2,077,757)</u> | <u>(3,492,542)</u> | <u>(731,603)</u> |
| 3,506,687 | 1,323,527 | 4,830,214 | - |
| - | 8,920 | 898,588 | - |
| 268,351 | (13,504) | 1,081,049 | 33,771 |
| - | - | 319,446 | - |
| - | - | 283,086 | - |
| (657,038) | - | (5,682,045) | - |
| (975) | - | (254,640) | - |
| - | (35,722) | (32,154) | 27,380 |
| - | - | 2,539,493 | - |
| <u>(106,874)</u> | <u>-</u> | <u>(106,874)</u> | <u>-</u> |
| <u>3,010,151</u> | <u>1,283,221</u> | <u>3,876,163</u> | <u>61,151</u> |
| <u>194,160</u> | <u>(794,536)</u> | <u>383,621</u> | <u>(670,452)</u> |

Continued...

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type | | |
|--------------------------|------------------------------------|----------------------------|--------------------------------|
| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Solid Waste Enterprise Fund |
| Capital Contributions | 4,712,420 | 4,313,934 | - |
| Transfers In | - | - | - |
| Transfers Out | - | (1,119,595) | - |
| Change in Equity | 4,265,381 | 4,552,371 | 73,004 |
| Total Equity - Beginning | 100,032,383 | 101,747,014 | (3,715,934) |
| Total Equity - Ending | \$ 104,297,764 | \$ 106,299,385 | \$ (3,642,930) |

Exhibit VIII

| Activities | | | Governmental Activities -- Internal Service Funds |
|--------------------------------------|---------------------------|---------------------------|--|
| Convention Center Enterprise Fund | Other Enterprise Funds | Total Enterprise Funds | |
| 96 | 287 | 9,026,737 | 80,511 |
| - | 283,000 | 283,000 | - |
| (250,000) | - | (1,369,595) | - |
| (55,744) | (511,249) | 8,323,763 | (589,941) |
| 16,332,102 | 3,821,661 | 218,217,226 | (2,809,873) |
| <u>\$ 16,276,358</u> | <u>\$ 3,310,412</u> | <u>\$ 226,540,989</u> | <u>\$ (3,399,814)</u> |

The notes to the financial statements are an integral part of this statement.

Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|---|------------------------------|-----------------------|------------------|
| | Water and Sewer System | Airport Enterprise | Solid Waste |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 23,436,774 | \$ 8,796,326 | \$ 7,703,533 |
| Receipts from Interfund Services Provided | 354,291 | - | 30,503 |
| Payments to Suppliers | (6,281,645) | (4,125,732) | (6,101,644) |
| Payments to Employees | (6,495,576) | (1,393,339) | (896,721) |
| Payments for Interfund Services Used | (2,775,348) | (931,885) | (785,300) |
| Net Cash Provided (Used) by Operating Activities | <u>8,238,496</u> | <u>2,345,370</u> | <u>(49,629)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Operating Subsidy - Taxes | - | - | - |
| Operating Subsidy - Intergovernmental Revenue | 65,033 | 399,945 | 363,752 |
| Interest Expense | - | - | - |
| Transfers In | - | - | - |
| Transfers (Out) | - | (1,119,595) | - |
| Interest Paid on Non-Capital Debt | - | - | - |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>65,033</u> | <u>(719,650)</u> | <u>363,752</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | (10,446,673) | (5,153,925) | (9,095) |
| Passenger Facility Charges | - | 1,466,902 | - |
| Customer Facility Charges | - | 1,072,591 | - |
| Proceeds from Disposal of Capital Assets | 10,185 | 1,840 | 11,625 |
| Net Borrowing (Repayments) | | | |
| Proceeds from Capital Debt | - | - | 16,752 |
| Principal Paid on Capital Debt | (3,661,651) | (475,000) | (317,495) |
| Interest Paid on Capital Debt | (3,851,284) | (1,210,970) | - |
| Other Debt Service Costs | (4,433) | (26,304) | (16,752) |
| Taxes | - | - | - |
| Tap Fees in Excess of Cost | 437,649 | - | - |
| Capital Contributions | 5,212,768 | 2,997,815 | - |
| Net cash provided (used) by capital and related Financing Activities | <u>(12,303,439)</u> | <u>(1,327,051)</u> | <u>(314,965)</u> |

Exhibit IX

| - Enterprise Funds | | | Governmental |
|--------------------|--------------------|---------------------|----------------|
| Convention | Other | | Activities |
| Center | Enterprise | Total | Internal |
| | Funds | | Service Funds |
| \$ 837,816 | \$ 6,507,436 | \$ 47,281,885 | \$ 10,277,465 |
| - | - | 384,794 | 10,243,853 |
| (1,824,762) | (792,162) | (19,125,945) | (18,311,227) |
| (928,435) | (6,337,895) | (16,051,966) | (1,282,500) |
| (349,081) | (716,402) | (5,558,016) | (136,962) |
| <u>(2,264,462)</u> | <u>(1,339,023)</u> | <u>6,930,752</u> | <u>790,629</u> |
| 1,771,336 | 1,323,963 | 3,095,299 | - |
| - | 44,986 | 873,716 | - |
| - | - | - | (947) |
| - | 283,000 | 283,000 | - |
| (250,000) | - | (1,369,595) | - |
| - | (7,342) | (7,342) | - |
| <u>1,521,336</u> | <u>1,644,607</u> | <u>2,875,078</u> | <u>(947)</u> |
| (97,726) | (299,037) | (16,006,456) | (1,120) |
| - | - | 1,466,902 | - |
| - | - | 1,072,591 | - |
| - | - | 23,650 | 29,352 |
| - | - | 16,752 | - |
| (285,000) | - | (4,739,146) | - |
| (664,305) | - | (5,726,559) | - |
| (112,841) | - | (160,330) | - |
| 1,771,336 | - | 1,771,336 | - |
| - | - | 437,649 | - |
| - | - | 8,210,583 | - |
| <u>611,464</u> | <u>(299,037)</u> | <u>(13,633,028)</u> | <u>28,232</u> |

Continued...

Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|--|------------------------------|-----------------------|------------------|
| | Water and Sewer System | Airport Enterprise | Solid Waste |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale and Maturities of Investments | 13,955,635 | 5,001,855 | 248,227 |
| Interest Income | 335,306 | 305,253 | 950 |
| Purchases of Investments | (10,002,451) | (5,738,895) | (249,202) |
| Net Cash Provided (Used) by Investing Activities | <u>4,288,490</u> | <u>(431,787)</u> | <u>(25)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 288,580 | (133,118) | (867) |
| Cash and Cash Equivalents - Beginning of Year | <u>3,843,018</u> | <u>2,258,364</u> | <u>23,110</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 4,131,598</u> | <u>\$ 2,125,246</u> | <u>\$ 22,243</u> |
| Cash and Cash Equivalents at End of Year Consist of: | | | |
| Current Assets | \$ 380,200 | \$ 2,101,871 | \$ 1,600 |
| Restricted Assets | 3,751,398 | 23,375 | 20,643 |
| Total | <u>\$ 4,131,598</u> | <u>\$ 2,125,246</u> | <u>\$ 22,243</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ 2,213,535 | \$ (462,182) | \$ (350,147) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation/Amortization | 6,051,072 | 3,182,840 | 115,700 |
| Other revenue | 277,586 | 5,500 | - |
| Decrease (Increase) in Assets | | | |
| Accounts Receivable | (334,365) | 24,689 | 349,739 |
| Due from Other Funds | (60) | - | - |
| Due from Other Governments | (149,928) | - | - |
| Inventories | 22,014 | (18,085) | - |
| Prepaid Expenses | 13,736 | (7,297) | - |

Exhibit IX

| <u>- Enterprise Funds</u> | | | Governmental |
|---------------------------|-------------------|---------------------|----------------------|
| <u>Convention</u> | <u>Other</u> | | <u>Activities</u> |
| <u>Center</u> | <u>Enterprise</u> | <u>Total</u> | <u>Internal</u> |
| | <u>Funds</u> | | <u>Service Funds</u> |
| 3,952,615 | 6,215 | 23,164,547 | 1,926,774 |
| 213,808 | - | 855,317 | 23,249 |
| (4,376,114) | (10,397) | (20,377,059) | (1,282,057) |
| <u>(209,691)</u> | <u>(4,182)</u> | <u>3,642,805</u> | <u>667,966</u> |
| (341,353) | 2,365 | (184,393) | 1,485,880 |
| <u>392,452</u> | <u>-</u> | <u>6,516,944</u> | <u>3,047,061</u> |
| <u>\$ 51,099</u> | <u>\$ 2,365</u> | <u>\$ 6,332,551</u> | <u>\$ 4,532,941</u> |
| \$ 51,099 | \$ 2,365 | \$ 2,537,135 | \$ 4,532,941 |
| - | - | 3,795,416 | - |
| <u>\$ 51,099</u> | <u>\$ 2,365</u> | <u>\$ 6,332,551</u> | <u>\$ 4,532,941</u> |
| \$ (2,815,991) | \$ (2,077,757) | \$ (3,492,542) | \$ (731,603) |
| 564,569 | 579,870 | 10,494,051 | 108,245 |
| - | - | 283,086 | - |
| 49 | (166,313) | (126,201) | (3,471) |
| - | - | (60) | 136,988 |
| - | - | (149,928) | (184,002) |
| - | - | 3,929 | 16,524 |
| 1,746 | (3,427) | 4,758 | 5,862 |

Continued...

Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|---|------------------------------|-----------------------|-------------|
| | Water and Sewer System | Airport Enterprise | Solid Waste |
| Adjustments to Reconcile Operating Income to Net Cash | | | |
| Provided (Used) by Operating Activities - Continued | | | |
| Increase (Decrease) in Liabilities | | | |
| Accounts Payable | (9,619) | (452,360) | (244,402) |
| Service Contracts Payable | 91,807 | 54,740 | 234,380 |
| Due to Other Funds | (54) | (80) | - |
| Due to Other Governments | 46,610 | 5,602 | 149 |
| Compensated Absences Payable | 24,730 | (2,973) | (5,092) |
| Closure Cost Payable | - | - | (157,056) |
| Claims and Judgments Payable | - | - | - |
| Other Accrued Liabilities | 14,854 | 6,955 | 3,211 |
| Deposits | 11,615 | - | 1,000 |
| Deferred Revenue | (60,652) | 3,013 | - |
| Other Post Employment Benefits | 25,615 | 5,008 | 2,889 |
| Total Adjustments | 6,024,961 | 2,807,552 | 300,518 |
| Net Cash Provided (Used) by Operating Activities | \$ 8,238,496 | \$ 2,345,370 | \$ (49,629) |
| Noncash Investing, Capital, and Financing Activities: | | | |
| Improvements Acquired Through Contributions | \$ - | \$ - | \$ - |
| Amortization of Loan Costs and Refunding Losses | \$ (89,213) | \$ (126,226) | \$ (7,489) |
| Transfer of Fixed Assets From Other Funds | \$ - | \$ - | \$ - |
| Transfer of Fixed Assets to Other Funds | \$ - | \$ (1,175) | \$ - |
| Gain on Joint Venture | \$ 319,446 | \$ - | \$ - |
| Loss on Disposal of Capital Assets | \$ (16,442) | \$ (2,465) | \$ - |
| Unrealized Gain/(Loss) on Investments | \$ (109,441) | \$ (107,043) | \$ 1,621 |

Exhibit IX

| <u>- Enterprise Funds</u> | | | Governmental |
|---------------------------|-----------------------|---------------------|----------------------|
| <u>Convention</u> | <u>Other</u> | | <u>Activities</u> |
| <u>Center</u> | <u>Enterprise</u> | <u>Total</u> | <u>Internal</u> |
| | <u>Funds</u> | | <u>Service Funds</u> |
| 24,458 | 254,576 | (427,347) | (29,193) |
| (36,220) | 25,518 | 370,225 | 22,274 |
| - | 130 | (4) | - |
| (747) | 3,353 | 54,967 | (12,696) |
| (8,382) | 9,263 | 17,546 | 216,931 |
| - | - | (157,056) | - |
| - | - | - | 1,088,341 |
| 6,317 | 25,972 | 57,309 | 5,600 |
| - | - | 12,615 | - |
| (4,306) | (15,245) | (77,190) | 4,203 |
| 4,045 | 25,037 | 62,594 | 146,626 |
| <u>551,529</u> | <u>738,734</u> | <u>10,423,294</u> | <u>1,522,232</u> |
| <u>\$ (2,264,462)</u> | <u>\$ (1,339,023)</u> | <u>\$ 6,930,752</u> | <u>\$ 790,629</u> |
| \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ (222,928) | \$ - |
| \$ - | \$ 287 | \$ 287 | \$ 80,511 |
| \$ - | \$ (25,929) | \$ (27,104) | \$ - |
| \$ - | \$ - | \$ 319,446 | \$ - |
| \$ - | \$ (9,793) | \$ (28,700) | \$ (1,972) |
| \$ (88,284) | \$ 4,135 | \$ (299,012) | \$ (6,721) |

The notes to the financial statements are an integral part of this statement.

Okaloosa County, Florida
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
September 30, 2010

| | <u>Agency Funds</u> |
|--|-------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 5,737,134 |
| Account Receivables | 21,622 |
| | <u>5,758,756</u> |
| Total Assets | <u>5,758,756</u> |
| LIABILITIES | |
| Liabilities | |
| Due to Other Governments | \$ 1,233,495 |
| Due to Depositors | 3,524,954 |
| Taxes Collected in Advance for Other Governments | 1,000,307 |
| | <u>5,758,756</u> |
| Total Liabilities | <u>5,758,756</u> |
| NET ASSETS | <u>\$ -</u> |

The notes to the financial statements are an integral part of this statement.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Okaloosa County, Florida (hereinafter referred to as County) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The County uses the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes.

The County also applies those Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The following is a summary of the more significant accounting policies of the County.

A. The Reporting Entity

Okaloosa County is a political subdivision of the State of Florida, governed by a five member Board of County Commissioners, each elected by the citizenry at large for four-year terms. The Board has no powers other than those expressly vested in it by State Statute and their governmental powers cannot be delegated. In addition, the Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections are elected by the citizenry at-large and function independently of the Board.

As required by generally accepted accounting principles, these financial statements present Okaloosa County (the primary government) and its component units. As of September 30, 2010, the County had one component unit as defined by GASB 14, the Emerald Coast Bridge Authority (Authority). It is included in the County's reporting entity as a result of fiscal dependency upon the County and is presented as a governmental fund type. The Authority is discretely presented in a separate column in the combined financial statements to emphasize it is legally separate from the primary government. The Authority has a September 30 year-end. The Authority does not issue separate financial statements. Following is a description.

Emerald Coast Bridge Authority

The Emerald Coast Bridge Authority was established in May 2001 by legislative action amending Chapter 90-412, Laws of Florida. The legislative action changed the name of the Fort Walton Bridge Authority to the Emerald Coast Bridge Authority (hereinafter referred to as the Authority). The Authority consists of five members all appointed by the Governor of Florida. The purpose of the Authority is the planning, constructing, operating, and maintaining of a bridge or bridges transversing Choctawhatchee Bay or Santa Rosa Sound, or both, and access roads to the bridge or bridges. The Board of County Commissioners has the responsibility to review and change the Authority's budget. The Authority had been in the planning state of its mission statement and had conducted feasibility studies to determine the best location for a bridge. During fiscal year 2006, public meetings were held to discuss the bridge corridor options recommended by the studies. It was determined that none of the options were acceptable to the local public. In May of 2006, the Authority requested that the Okaloosa County Board of County Commissioners forward a letter to the Florida Legislature asking that they, 1) dissolve the Authority, 2) forgive the debt owed and 3) state that the bridge corridor options have no public support. No action has been taken by the Florida Legislature. The Authority is now dormant. Following are their last available fund statements as of September 30, 2010.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. The Reporting Entity – Continued

Emerald Coast Bridge Authority
Balance Sheet
September 30, 2010

| | |
|---|-------------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ <u><u> -</u></u> |
| LIABILITIES | |
| Notes Payable - Long-term | \$ 1,777,289 |
| FUND BALANCE | |
| Unrestricted | <u> (1,777,289)</u> |
| TOTAL LIABILITIES AND FUND BALANCE | \$ <u><u> -</u></u> |

Emerald Coast Bridge Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Fiscal Year Ended September 30, 2010

| | |
|---|---|
| Revenues | \$ - |
| Expenditures | <u> -</u> |
| Deficiency of Revenues Under Expenditures | - |
| Other Financing Sources | <u> -</u> |
| Net Change in Fund Balance | - |
| Fund Balances - Beginning | <u> (1,777,289)</u> |
| Fund Balances - Ending | \$ <u><u> (1,777,289)</u></u> |

B. Government-Wide and Fund Financial Statements

1. Government-Wide Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements display information on all of the non-fiduciary activities of the primary government and its component unit. The primary government and the component unit are reported separately with the focus of the statements being the primary government. Individual funds are not displayed. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements - Continued

1. Government-Wide Statements - Continued

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for the different business-type activities of the County. A *function* is an assembly of similar activities and may include portions of a fund or summarize more than one fund to report the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to functions in the statement of activities.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the programs of the County and 2) grants and contributions that are restricted to meeting the operational activities or the construction, acquisition, or rehabilitation of capital assets required by a particular program. These revenues are subject to externally imposed restrictions to these program uses. The determining factor for identifying to which function program revenue pertains is which function generated the revenue in the case of charges for service. For grants and contributions, the determining factor is to which function the revenues are restricted.

Taxes and other items not properly included among program revenues are reported instead as *general revenues* of the County. The comparison of direct expense with program revenues in the statement of activities identifies the extent to which each governmental function and each business activity is self-financing and how much they draw from the general revenues of the County.

2. Fund Financial Statements

During the year, transactions related to certain functions or activities are segregated into separate funds in order to aid financial management and to demonstrate legal compliance. A *fund* is a fiscal and accounting entity with a self-balancing set of accounts. The fund financial statements are designed to present detail information about the County's financial activities. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is a charge for service, rent, in exchange for a specific service, use of a County building. Non-exchange transactions are those in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is property tax revenue received by the County which is used to fund various general governmental services. The revenue from these exchange and non-exchange transactions is recognized in the financial statements in varying ways depending on the basis of accounting used.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

2. Government-Wide and Fiduciary Fund Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus*. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities reports all revenues and expenses. Fiduciary funds are excluded from the government-wide financial statements. The statement of fiduciary assets and liabilities reports all assets and liabilities associated with the agency funds of the County. Agency funds are the only type of fiduciary fund used by the County.

Government-wide financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The agency funds of the County use the accrual basis of accounting to recognize the receivables and payables recorded in those funds.

The effect of interfund activity has been eliminated from the government-wide financial statements except for interfund services provided and used. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned on the statement of activities.

3. Governmental Fund Financial Statements

All governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Those revenues susceptible to accrual are sales tax, gasoline taxes and other intergovernmental revenues collected and held by the state at year end on behalf of the County, special assessments, licenses, interest revenue and charges for service. Current year property taxes uncollected at the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and are not recorded as a receivable on the balance sheet. All other revenue items are considered to be measurable and available only when the government receives cash.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

3. Governmental Fund Financial Statements - Continued

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

4. Proprietary Fund Financial Statements

The proprietary fund financial statements are reported using the *economic resources measurement focus*. Under this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The statement of revenue, expenses and changes in equity reports revenues and expenses. The proprietary funds are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. The principal operating revenues for the proprietary funds are fees and charges for water and sewer, airports, solid waste, inspection services, emergency medical services, convention center, self-insurance, compensated absence debt service and fleet internal service operations. Operating expenses for the enterprise funds, and the internal service funds, include the cost of sales and services, administrative expenses and depreciation of capital assets.

Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. They include property taxes, grants, entitlements, donations and capital contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Contributions of capital in proprietary fund financial statements arise from internal and external contributions of capital assets or from grants or outside contribution of resources restricted to capital acquisition and construction.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

5. Other Financial Statement Presentation Information

The County currently employs an indirect allocation system. An administrative service fee is charged by the General Fund, at the direction of the Board of County Commissioners, to several special revenue and enterprise funds to address General Fund services (finance, personnel, purchasing, legal, technology management, etc.) provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is the charge back of services, such as insurance costs, vehicle maintenance, and central costs. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fine and Forfeiture Fund

This fund is used to account for all criminal justice activity of Okaloosa County including the concession sales and expenses related to prisoner activities. This fund includes appropriations to the Sheriff, the County Department of Corrections, the Clerk of the Circuit and County Courts, the Circuit and County Judges, the County Medical Examiner, the State Attorney and the State Public Defender. The fund accounts for most restricted activity related to fees generated from the assessment of court costs or fees collected by the Clerk of the Circuit Court for the County such as those for the improving of court facilities, providing education and training for law enforcement officers, activities of the Law Library and Legal Aid that are funded under Chapter 67-1787, Laws of Florida from assessment of a court cost and the proceeds from the sale of confiscated property declared forfeited by the Circuit Court.

Capital Outlay Construction Trust Fund

This fund is used to account for proceeds of bond issues, federal and state grants, and local appropriations for major capital projects. At the end of the fiscal year, completed projects are capitalized and reported on the government-wide financial statements of Okaloosa County, Florida.

The County reports the following major enterprise funds:

Water and Sewer Fund

This fund is used to account for the user charges and expenses associated with the provision of water and sewer services to residents of the unincorporated areas of Okaloosa County.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

5. Other Financial Statement Presentation Information – Continued

Airport Enterprise Fund

This fund is used to account for the operation of three Okaloosa County airports. Revenue sources include federal and state grants, fees from concessionaires and other fees and charges for services to tenants and airport users.

Solid Waste Fund

This fund is used to account for the revenues and expenses associated with the provision of solid waste management within Okaloosa County.

Convention Center Fund

This fund is used to account for the general operation of the Convention Center. This fund also accounts for the debt service on the Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000, issued to fund construction of the Convention Center.

The County reports the following fund types:

Internal Service Funds

These funds account for insurance coverage (including other post employment benefits for retirees), fleet management services, and funding of compensated absence debt provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Agency Funds

These funds account for monies held on behalf of individuals and companies that use the County as a depository; property taxes, fines, court costs, licenses and fees collected on behalf of other governments; and surety bonds and performance deposits.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; SEC registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The County adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which establishes registration procedures for securities and dealers.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

1. Deposits and Investments - Continued

The Board of County Commissioners maintains a cash and investment pool available for use by all funds of the Board. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. In addition, certificates of deposits, money market accounts and debt securities can be separately maintained by several Board funds. Other elected officials maintain similar pooled cash accounts or individual cash accounts through which their office activities are managed.

Each fund's portion of the pooled cash and individual deposit type investments are displayed on the balance sheet as "cash and cash equivalents." For purposes of these statements, all highly liquid investments (including restricted assets) with maturity of ninety days or less when purchased are considered to be cash equivalents.

U.S. Treasury and agency obligations with maturities of one year or less when purchased are reported on the balance sheet at their amortized cost. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost. All other investments are reported at fair value. The State of Florida provides regulatory oversight for the external investment pools in which the County invests. The pools either meet the "2A-7 like" criteria of GASB 31 or value investments at fair value. Therefore, fair value of the position in these pools is the same as the value of the pool shares.

During 2009, the Tax Collector participated in the Florida Surplus Asset Fund Trust ("FLSAFE") that was established under authority of, and in conformity with, Florida Statutes 163-01; *et seq.* FLSAFE began operations in February 2008 and was formed by and for Florida local governmental entities as a means of investing funds. The State of Florida provides regulatory oversight over FLSAFE, and FLSAFE is not registered with the U.S. Securities and Exchange Commission. FLSAFE is an external investment pool, and may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper and repurchase agreements with securities valued in excess of the repurchase agreement amount. No monies were held in the FLSAFE account at year-end.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds or elected officials" or "due to other funds or elected officials" on the fund statement balance sheets. Short-term interfund loans are also classified as "interfund receivables/payables." Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account that indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The Emergency Medical Services Enterprise, Airport, and Water and Sewer Enterprise Funds are the only funds of Okaloosa County that provide for an allowance for doubtful accounts for trade accounts receivables. All other funds accounts receivable write offs are insignificant.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

2. Receivables and Payables - Continued

Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector). The County bills and collects its own property taxes, as well as taxes for the County School District and taxes for municipalities and special districts within the County in accordance with the laws of the State of Florida. No accrual has been made for 2010 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Collection of taxes and remittance of them to other governmental agencies are accounted for in the Disbursements Agency Fund of the Tax Collector.

The following is the current property tax calendar.

| | |
|-----------------|------------------|
| Lien Date | January 1, 2010 |
| Levy Date | November 1, 2010 |
| Due Date | November 1, 2010 |
| Delinquent Date | April 1, 2011 |

Discounts of 1% for each month taxes are paid prior to March 2011 are granted.

Revenue recognition criteria for property taxes under the Governmental Accounting Standards Board requires that property taxes expected to be collected within 60 days of the current period be accrued. Current year taxes that are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

3. Inventories and Prepaid Items

Inventory is valued at cost (first-in, first-out) in the governmental funds and at lower of cost (first-in, first-out) or market in the proprietary funds. The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of the Water and Sewer System Enterprise Fund revenue bonds, the Airport Enterprise Fund revenue bonds and the Convention Center Enterprise Fund revenue bonds, the Governmental Sales Tax Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, restricted assets include funds set aside for repayment of customer deposits in several enterprise funds.

5. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

5. Capital Assets - Continued

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The County's capitalization levels are \$1,000 on tangible personal property and \$5,000 on buildings, improvements other than buildings and infrastructure. The Sheriff maintains a tangible personal property inventory and uses a \$1,000 capitalization level. Other costs incurred for repairs and maintenance are expensed as incurred. General infrastructure assets acquired prior to July 1, 1980 are included in the capital asset inventory and are reported at estimated historical cost using deflated replacement cost.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| Assets | Years |
|------------------------------------|-------|
| Buildings | 10-50 |
| Improvements Other Than Buildings | 7-25 |
| Intangibles | 5 |
| Equipment | 3-7 |
| Vehicles | 2-15 |
| Roads and Bridges | 10-75 |
| Wastewater Lines and Pump Stations | 10-50 |
| Other Infrastructure | 10-50 |

6. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and sick leave or compensatory time balances. The liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds financial statements only if they have matured, for example, as a result of employee resignations and retirements.

7. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligation of these funds. However, compensated absences and claims that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due. At the inception of capital leases reported in governmental funds, expenditures and an "Other Financing Source" of an equal amount are reported at the net present value of future minimum lease payments.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

8. Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Unamortized losses on bonds are presented as a reduction of the face amount of bonds payable. The Water and Sewer Enterprise Fund is the only fund that has unamortized losses on bonds. The unamortized losses on revenue bonds as of September 30, 2010 is \$50,090 (Series 2006).

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. When both restricted and unrestricted resources are available for use, it is the policy of the Board to use restricted resources first, and then unrestricted resources as they are needed.

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental and proprietary funds; however, budgets for proprietary funds are not required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year end. Budgetary data reflected in the financial statements are established by the following Board procedures.

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other constitutional officers, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

A. BUDGETARY INFORMATION - CONTINUED

Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes. Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Shalimar for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board re-adopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final appropriations budget is adopted by resolution of the Board of County Commissioners.

Florida Statutes require that the individual budgets of several of the constitutional officers must be approved by the State of Florida. The "fee" portion of these budgets is not a part of the appropriations budget passed by the Board of County Commissioners. The budgetary information shown in these financial statements includes the entire budget for each constitutional office. The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each constitutional officer is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. Supplemental budgetary appropriations of \$93,592,736 representing a 30.58 percent increase over the original adopted budget were necessary during the fiscal year. All amendments to originally adopted amounts were made in a legally permissible manner.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances at fiscal year end do not constitute expenditures since the commitments will be honored during the subsequent year. Encumbrances will instead be reported as a reservation of fund balance.

B. DEFICIT FUND EQUITY

The Solid Waste Enterprise Fund reported deficit fund equity of \$3,642,930 for the year ended September 30, 2010. The deficit is caused by changes in reporting closure costs and long-term care costs for the solid waste landfills of the County. Further description of these costs and methods of funding them are discussed in Note 7.

The Inspection and Code Enforcement Fund reported deficit fund equity of \$347,113 for the year ended September 30, 2010. The deficit is caused by the slowed housing market resulting in decreased revenues such as building, re-inspection, home occupation, and development permits.

The Self Insurance Internal Service Fund reported deficit fund equity of \$3,066,590. Claim liabilities for workers' compensation, general and automobile liabilities and property damage are funded by actuarially projected budget requirements for expected yearly cash payouts. This funding method results in a deficit fund balance which will be charged back to the other funds over a reasonable period of time so that service fund revenues and expenses will be equal.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

B. DEFICIT FUND EQUITY - CONTINUED

The Sheriff's Self-Insurance Fund is reflecting a deficit fund equity of \$1,156,133. This is the result of the implementation of GASB 45 which requires the unfunded liability for future employee benefits (OPEB) to be recorded at September 30, 2010.

NOTE 3 – DEPOSITS AND INVESTMENTS

The County maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all County deposits, including certificates of deposit, are considered fully insured.

As of September 30, 2010 the County had the following investments:

| <u>Investment Type and Quantity</u> | <u>Par/Principal Value</u> | <u>Fair Value</u> | <u>Maturity</u> |
|---------------------------------------|----------------------------|-----------------------|-----------------|
| Florida Local Government Surplus | | | |
| Funds Trust investment pool - Fund A | \$ 17,254,720 | \$ 17,255,157 | On Demand |
| Florida Local Government Surplus | | | |
| Funds Trust investment pool - Fund B | 1,799,911 | 1,799,911 | As Available* |
| Florida Local Government Investment | | | |
| Trust investment pool | 35,051,221 | 35,051,554 | On Demand |
| Florida Local Government Investment | | | |
| Trust day to day fund | 10,071,056 | 10,071,079 | On Demand |
| STI Classic Institutional Cash Mgmt | 10,183,125 | 10,183,125 | On Demand |
| Repurchase Agreement (1) | 800,825 | 800,825 | 10/1/2013 |
| Federal Home Loan Mortgage Corp (2) | 1,000,000 | 1,002,810 | 8/17/2017 |
| | 1,000,000 | 1,002,810 | 11/19/2018 |
| Federal National Mortgage Assoc. (13) | 3,806,137 | 4,032,488 | 7/25/2016 |
| | 2,238,561 | 2,334,103 | 1/1/2012 |
| | 1,792,888 | 1,842,748 | 11/1/2011 |
| | 782,172 | 812,019 | 7/1/2012 |
| | 498,896 | 513,508 | 10/1/2011 |
| | 989,731 | 1,017,829 | 10/1/2014 |
| | 2,350,000 | 2,371,291 | 12/30/2015 |
| | 941,442 | 992,129 | 5/1/2013 |
| | 1,513,253 | 1,599,811 | 2/1/2013 |
| | 1,083,487 | 1,172,550 | 1/1/2015 |
| | 3,000,000 | 3,004,680 | 5/26/2015 |
| | 2,000,000 | 2,023,760 | 4/7/2014 |
| | 2,000,000 | 2,013,760 | 5/14/2014 |
| Total investments | <u>\$ 100,157,425</u> | <u>\$ 100,897,947</u> | |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED

* Fund B cash holdings are being distributed to participants as they become available from maturities, sales and received income. The investment objective for Fund B is to maximize the present value of the distributions.

State Statutes and the formal investments and portfolio policies adopted by the Board of County Commissioners restrict the types of investments that can be made by the County. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1.

The investment policy manual details the methods used to manage the risks inherent to the investment process. The authority for investment of County funds rests with the Clerk of the Circuit Court who has delegated management of the investment program to the Finance Director. Investments can only be made by majority vote of the investment committee appointed by the Clerk. Although the policies allow investments in many types of instruments, the investment committee has chosen to limit investment risks by investing mainly in allowed investment pools. The pools are 2a7-like investment pools and manage interest rate risk by limiting the weighted average maturity of their portfolios, manage credit risk by investing in mainly governmental and other highly rated securities, manage concentration of credit risk by limiting investment in any one issuer to less than 5% of the portfolio and manage custodial credit risk by requiring collateral for investments held by counterparties.

Interest rate risk. In accordance with the investment policy, the exposure to declines in fair value of investments outside of the pools is managed by matching the investments to a specific cash flow requirement. The repurchase agreement and instrumentalities are matched to the timing of required debt service payments.

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Florida Local Government Investment Trust Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriated assets, and Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk.

Credit risk. As of September 30, 2010, Standard & Poor's rated the investment in Florida Local Government Investment Trust investment pool AA Af, Florida Local Government Investment Day to Day AA Am, Florida Local Government Surplus Fund Trust AA Am, and STI Classic Institutional Cash Management AA Am. The Florida Local Government Surplus Fund Trust Fund B investment pool was not rated by any nationally recognized statistical rating agency as of September 2010. As of September 30, 2010 all U.S. Instrumentalities held by the County were rated AAA. The investment policies of the County manage credit risk by limiting investments in U. S. Instrumentalities to the two highest ratings issued by nationally recognized statistical rating organization.

Concentration of credit risk. The investment policies of the County diversify the portfolio by limiting the maximum percentage of various types of investments that can be purchased. The investment policy maximum percentages for the current portfolio are 50% for U.S. agencies and instrumentalities and 50% for repurchase agreements. More than 5% of the County's investments are in the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. These investments are 2% and 24% respectively, of the County's total investments.

Custodial credit risk. Okaloosa County has a perfected first security interest in the collateral underlying the repurchase agreement. STI Classic Institutional Cash Management, U.S. Treasury bills, and U.S. instrumentalities are held by the County's agent in the County's name in accordance with the Okaloosa County Investment Policy requiring third party custody and safekeeping.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 4 – RECEIVABLES / DEFERRED REVENUE

Receivables as of September 30, 2010 for the government’s individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| Funds | Accounts | Due From Other Governments | Total Receivables | Less: Allowance for Doubtful Accounts | Net Total Receivables Sept. 30, 2010 |
|-----------------------------|----------------------|----------------------------------|----------------------|---|--|
| General | \$ 209,001 | \$ 1,275,475 | \$ 1,484,476 | \$ - | \$ 1,484,476 |
| Fine and Forfeiture | 42,578 | 1,572,753 | 1,615,331 | - | 1,615,331 |
| Capital Outlay | - | 82,839 | 82,839 | - | 82,839 |
| Water and Sewer | 2,626,388 | 272,859 | 2,899,247 | (200,000) | 2,699,247 |
| Airport | 1,655,902 | 2,427,669 | 4,083,571 | (635,640) | 3,447,931 |
| Solid Waste | 505,965 | 147,225 | 653,190 | - | 653,190 |
| Nonmajor and Other Funds | 6,636,471 | 2,143,734 | 8,780,205 | (2,649,986) | 6,130,219 |
| Total | \$ 11,676,305 | \$ 7,922,554 | \$ 19,598,859 | \$ (3,485,626) | \$ 16,113,233 |

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows.

| | Unavailable | Unearned |
|---|-------------|---------------------|
| General Fund | | |
| Grant Revenue | \$ - | \$ 468,006 |
| Rent Received in Advance | - | 6,566 |
| Tax Revenue Received in Advance | - | 323,127 |
| Special Revenue Funds | | |
| Fine and Forfeiture | | |
| Grant Revenue | - | 6,428 |
| Commissions Received in Advance | - | 207,575 |
| Nonmajor Funds | | |
| Grant Revenue | - | 138,771 |
| Total deferred/unearned revenue for governmental funds | \$ - | \$ 1,150,473 |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 9,898,076 | \$ - | \$ - | \$ 9,898,076 |
| Intangibles | 1,133,116 | 13,789 | - | 1,146,905 |
| Construction in progress | 5,543,977 | 11,024,312 | (2,406,994) | 14,161,295 |
| Total capital assets, not being depreciated/amortized | <u>16,575,169</u> | <u>11,038,101</u> | <u>(2,406,994)</u> | <u>25,206,276</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings | 41,356,402 | 222,155 | - | 41,578,557 |
| Improvements other than buildings | 27,519,569 | 793,575 | - | 28,313,144 |
| Intangibles | 1,442,820 | 127,620 | - | 1,570,440 |
| Machinery and equipment | 48,609,398 | 5,320,719 | (3,733,288) | 50,196,829 |
| Infrastructure | 128,568,381 | 4,843,562 | - | 133,411,943 |
| Total capital assets being depreciated/amortized | <u>247,496,570</u> | <u>11,307,631</u> | <u>(3,733,288)</u> | <u>255,070,913</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | (16,937,400) | (1,094,704) | - | (18,032,104) |
| Improvements other than buildings | (6,031,414) | (695,759) | - | (6,727,173) |
| Intangibles | (666,029) | (246,317) | - | (912,346) |
| Machinery and equipment | (34,608,345) | (5,198,201) | 3,589,621 | (36,216,925) |
| Infrastructure | (69,428,550) | (3,250,258) | - | (72,678,808) |
| Total accumulated depreciation/amortization | <u>(127,671,738)</u> | <u>(10,485,239)</u> | <u>3,589,621</u> | <u>(134,567,356)</u> |
| Total capital assets, being depreciated/amortized, net | <u>119,824,832</u> | <u>822,392</u> | <u>(143,667)</u> | <u>120,503,557</u> |
| Governmental activities capital assets, net | <u>\$ 136,400,001</u> | <u>\$ 11,860,493</u> | <u>\$ (2,550,661)</u> | <u>\$ 145,709,833</u> |

Note: The "Increases" column includes transfers of assets purchased in prior years from business-type activities to governmental activities as well as reclassifications from completed multiyear construction projects. Therefore the amounts in the column will not be equal to capital outlay or total depreciation expense by major capital asset class in the governmental funds.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 5 – CAPITAL ASSETS - CONTINUED

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|---------------------|-----------------------|-----------------------|
| Business-type activities | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 10,488,917 | \$ - | \$ - | \$ 10,488,917 |
| Construction in progress | 9,963,550 | 9,267,453 | (1,338,079) | 17,892,924 |
| Works of art | 69,865 | - | - | 69,865 |
| Total capital assets, not being depreciated/amortized | <u>20,522,332</u> | <u>9,267,453</u> | <u>(1,338,079)</u> | <u>28,451,706</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings | 75,609,032 | 950,721 | (148,857) | 76,410,896 |
| Improvements other than buildings | 286,691 | - | - | 286,691 |
| Intangibles | 760,931 | 85,340 | - | 846,271 |
| Machinery and equipment | 20,659,226 | 582,670 | (639,435) | 20,602,461 |
| Infrastructure | 283,209,231 | 3,202,931 | - | 286,412,162 |
| Total capital assets being depreciated/amortized | <u>380,525,111</u> | <u>4,821,662</u> | <u>(788,292)</u> | <u>384,558,481</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | (11,238,696) | (1,904,853) | 139,064 | (13,004,485) |
| Improvements other than buildings | (123,863) | (10,218) | - | (134,081) |
| Intangibles | (171,329) | (149,171) | - | (320,500) |
| Machinery and equipment | (14,998,456) | (1,800,383) | 595,199 | (16,203,640) |
| Infrastructure | (69,719,030) | (7,186,001) | - | (76,905,031) |
| Total accumulated depreciation/amortization | <u>(96,251,374)</u> | <u>(11,050,626)</u> | <u>734,263</u> | <u>(106,567,737)</u> |
| Total capital assets, being depreciated/amortized, net | <u>284,273,737</u> | <u>(6,228,964)</u> | <u>(54,029)</u> | <u>277,990,744</u> |
| Business-type activities capital assets, net | <u>\$ 304,796,069</u> | <u>\$ 3,038,489</u> | <u>\$ (1,392,108)</u> | <u>\$ 306,442,450</u> |

Depreciation expense was charged to functions/programs as follows.

| | <u>Depreciation</u> | <u>Amortization</u> |
|---|---------------------|---------------------|
| Governmental activities: | | |
| General government | \$ 1,175,387 | \$ 96,585 |
| Public safety | 2,601,049 | 4,313 |
| Physical environment | 43,965 | - |
| Transportation, including depreciation of general infrastructure assets | 4,727,704 | 30,967 |
| Economic environment | 39,369 | - |
| Human services | 347,590 | - |
| Culture and recreation | 592,495 | - |
| Court related | 189,173 | 114,452 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>108,245</u> | <u>-</u> |
| Total depreciation expense - governmental activities | <u>\$ 9,824,977</u> | <u>\$ 246,317</u> |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 5 – CAPITAL ASSETS - CONTINUED

| | <u>Depreciation</u> | <u>Amortization</u> |
|---|----------------------|---------------------|
| Business-type activities: | | |
| Water and sewer | \$ 6,451,730 | \$ 114,023 |
| Airport | 3,163,961 | 18,880 |
| Solid waste | 115,699 | - |
| Convention center | 559,800 | 4,768 |
| Other enterprise funds | 568,370 | 11,500 |
| Total depreciation expense - business-type activities | <u>\$ 10,859,560</u> | <u>\$ 149,171</u> |

Construction Commitments

Judicial/Governmental Center

The Board of County Commissioners has entered into contracts for the design of a new judicial/governmental center. The total of the two contracts is \$25,963,159. Expenditures to date total \$8,295,412, and the remaining balance is \$17,667,747.

Fiber Optic Network

The Board entered into a contract with World Fiber Technologies for the development of Phase V of the fiber optic network to facilitate communications and networking. The total contract amount is \$957,010. Total expenditures on the project to date are \$861,989 leaving a balance of \$95,021.

In-House Improvements

The Board of County Commissioners is continuing in-house renovations of various county facilities. Cumulative expenditures total \$227,717 to date.

Road and Other Infrastructure Improvements

The Board has also entered into contracts to improve roads and other infrastructure at various locations throughout the County. The contracts total \$1,669,491. Cumulative expenditures total \$1,384,639, with \$284,852 remaining liability outstanding at September 30, 2010.

Water and Sewer Expansion and Renovation

The Water and Sewer System is continuing significant expansion and renovations throughout the County. Based on the fiscal year 2010 capital budget, total expenditures will approximate \$4,000,000 on contracted projects, plus an additional \$2,000,000 for in-house construction.

Construction of a new wastewater treatment plant to service the Garnier's area of south Okaloosa County was completed in Fiscal Year 2010. The total project cost was approximately \$62 million and was funded by the proceeds of the 2006 bond issue.

Construction at Northwest Florida Regional Airport

The Airport has completed the design and started construction of additions to the main terminal building. Total expenditures for the design were approximately \$1,200,000. The construction contract total amount is \$1,064,394 leaving a balance of \$202,586. The Airport is also involved in an Emergency Power Upgrade project at the main airport. The total amount of the contract is \$653,415, and expenditures to date are \$588,074, leaving a balance of \$65,341. The Airport has also begun a project to expand the credit card parking lot at the main airport. Expenditures on the project to date are approximately \$600,000.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 6 – COMPENSATED ABSENCES

Each constitutional officer’s policy for compensated absences is summarized below.

Board of County Commissioners and Supervisor of Elections

The policy of the Board of County Commissioners and the Supervisor of Elections for annual and sick leave and compensatory time is as follows:

Employees may accrue an unlimited amount of annual and sick leave. The employees earn leave at varying rates per month based on their work schedules.

| | Years of Service | Group A 40 hours/ week | Group B 45 hours/ week | Group C 24 hours on/ 48 hours off |
|---|---------------------|------------------------------|------------------------------|---|
| <u>Annual Leave</u> | | | | |
| Full time employees | 0-5 | 8 hours | 9 hours | 11 hours |
| | 6-10 | 10 hours | 11 hours | 14 hours |
| | 11-15 | 12 hours | 14 hours | 17 hours |
| | 16-20 | 14 hours | 16 hours | 20 hours |
| | 21-25 | 16 hours | 18 hours | 22 hours |
| | 26+ | 18 hours | 20 hours | 25 hours |
| Part time employees | 1 | 4 hours | | |
| Amount paid upon separation from service | | 240 hours | 270 hours | 336 hours |
| <u>Sick Leave</u> | | | | |
| Full time employees | | 8 hours | 9 hours | 11 hours |
| Part time employees | | 0 hours | | |

Unused sick leave will be paid to employees having ten consecutive years of service upon termination or retirement at varying percentages based on the total unused hours: 50% for the first 480 hours; 25% for the second 480 hours and 20% for all hours over 960.

Compensatory Time

Compensatory time is available only to hourly (non-exempt) employees. Most employees may accrue up to 240 hours except for law enforcement and correctional officers who can accrue up to 480 hours. Unused amounts will be paid upon termination or retirement.

Clerk of the Circuit Court

The policy of the Clerk of the Circuit Court for annual and sick leave is that full-time employees earn four hours of annual leave (five hours if employed five years or longer) and four hours of sick leave per biweekly pay period. The employee can accumulate a maximum of 240 hours of annual leave and an unlimited amount of sick leave. Annual leave earned in excess of 240 hours is credited to sick leave. Upon retirement or termination, the employee may be paid a maximum of 240 hours accumulated annual leave. Unused sick leave will be paid as follows upon termination (provided the employee has 160 hours accrued and 24 months of service).

- 2 years service - 20% of all sick leave accrued
- 5 years service - 25% of all sick leave accrued
- 10 years service - 30% of all sick leave accrued

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 6 – COMPENSATED ABSENCES - CONTINUED

Clerk of the Circuit Court - Continued

15 years service - 40% of all sick leave accrued
20 years+ service - 50% of all sick leave accrued

Upon retirement from the Florida Retirement System with 30 years of service, of which the last 20 years of service must have been served with the Clerk’s office, employees will be paid for 100% of their accrued sick leave balance.

Sheriff

The Sheriff maintains a policy providing for annual leave and sick pay for all full-time non-exempt employees. Employees are allowed to accumulate unlimited time; however, upon separation the employee will receive compensation only for any unused annual leave up to a maximum of 240 hours. Annual leave is calculated as follows:

| <u>Years of Service</u> | <u>Accrual Rate</u> |
|----------------------------|-----------------------------|
| Less than five (5) years | 8 hours per calendar month |
| Five (5) to Ten (10) years | 10 hours per calendar month |
| Ten (10) and more years | 12 hours per calendar month |

Sick leave is earned by all personnel at 8 hours per month. Unused accrued leave is carried over from year to year. Employees terminating after ten years of service are compensated for unused sick leave up to a maximum of 100 hours. An employee who meets eligibility requirements receives a minimum of 12 weeks of leave, paid and/or unpaid in accordance with federal guidelines.

Tax Collector

The policy of the Tax Collector for annual and sick leave is that employees are entitled to two (2) weeks annual leave and 12 days sick leave. Annual leave increases by one (1) week for each five (5) years of service in the Florida Retirement System (FRS) up to 20 years and six (6) weeks. Employees may accumulate between 160-500 hours of annual leave based on FRS years of service and 240 hours of sick leave. Upon termination, unused sick leave is forfeited.

Property Appraiser

The Property Appraiser’s policy provides for “paid days off” (a combination of sick and annual leave) which may be used at the employee’s discretion. Paid days off accumulate ratably during each year of employment at the following rates based on years of employment.

| | |
|---------------|--------------------|
| 1 to 5 years | 192 hours per year |
| 5 to 10 years | 216 hours per year |
| Over 10 years | 240 hours per year |

Employees are allowed to accumulate up to 360 hours of paid days off for which they will be paid upon termination of employment. Paid days off accumulated in excess of 360 hours at the end of the calendar year are lost except for employees planning retirement. Employees planning retirement within the following year may increase the accrued paid days off to a maximum of 500 hours.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 6 – COMPENSATED ABSENCES - CONTINUED

The total amounts of accumulated annual leave and other compensated absences for all elected officials as of September 30, 2010 follow:

| Elected Official | Current Portion | Long-Term Portion | Totals |
|-------------------------------|---------------------|----------------------|---------------------|
| Board of County Commissioners | \$ 2,588,490 | \$ 1,998,672 | \$ 4,587,162 |
| Clerk of the Circuit Court | 269,459 | 523,651 | 793,110 |
| Sheriff | 1,482,832 | 1,260,200 | 2,743,032 |
| Tax Collector | - | 167,325 | 167,325 |
| Property Appraiser | - | 155,475 | 155,475 |
| Supervisor of Elections | 35,627 | 15,416 | 51,043 |
| Totals | <u>\$ 4,376,408</u> | <u>\$ 4,120,739</u> | <u>\$ 8,497,147</u> |

The total current and long-term portions of compensated absences are shown on the face of the government wide statement of net assets using the full accrual method of accounting.

NOTE 7 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

The Board is required to study, estimate, and certify to the U.S. Environmental Protection Agency through the Florida Department of Environmental Protection the estimated cost to close and to perform certain maintenance and monitoring functions at Baker Landfill and Wright Landfill for thirty years after closure and Niceville Landfill for twenty years after closure. One hundred percent of the landfill capacity has been used in the landfills and they have all been permanently closed.

The Florida Department of Environmental Protection approved termination of long-term care at the permanently closed Laurel Hill Landfill effective September 25, 2006.

The Board is required by state and federal laws and regulations to develop its estimates using rates normal to commercial contracting firms and is based on the amount of the landfill capacity used to date, 100%. The landfill closure and post closure costs are reevaluated each year. The estimate is subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations. The effect of this change in estimates has been reflected in the operations of the Solid Waste Enterprise Fund and has increased net income by \$157,056. The estimated liability for landfill closure and post closure care costs has a balance of \$3,988,733 as of September 30, 2010.

The Board issued bonds during the fiscal year ended September 30, 1991 to cover a portion of the estimated closure and post-closure care costs for the Wright Landfill, which ceased operations on March 1, 1990. Information on that Bond Issue can be found in Note 10.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:

| Receivable Fund | Payable Fund | Amount | Purpose |
|-----------------------|-----------------------|---------------------|-----------------------------|
| General | Fine and Forfeiture | \$ 230 | Local Ordinance Fees |
| General | Fine and Forfeiture | 298,621 | Grant revenue |
| General | Fine and Forfeiture | 34,405 | Law Enforcement Trust Fund |
| General | Fine and Forfeiture | 481,150 | Appropriations |
| General | Convention Center | 8,998 | Administrative Fees |
| General | Nonmajor Enterprise | 130 | Vehicle registration fees |
| Fine and Forfeiture | General | 15,925 | Fees |
| Fine and Forfeiture | General | 23,242 | Ivan Overpayment |
| Fine and Forfeiture | General | 127,725 | Fines and Fees |
| Fine and Forfeiture | General | 26,588 | Fees |
| Fine and Forfeiture | General | 1,085,336 | Excess Appropriations |
| Fine and Forfeiture | General | 48 | Interest |
| Capital Outlay | General | 104,810 | Retained Vessel Commissions |
| Nonmajor Governmental | General | 2 | Interest |
| Nonmajor Governmental | General | 8,268 | Restricted fees |
| Nonmajor Governmental | General | 25,259 | Restricted fees |
| Nonmajor Governmental | General | 4,083 | Unused Revenue |
| Nonmajor Governmental | General | 1 | Interest |
| Nonmajor Governmental | General | 1,257 | Unused Revenue |
| Nonmajor Governmental | General | 5,862 | Unused Revenue |
| Convention Center | Nonmajor Governmental | 278,569 | Allocation of Taxes |
| Water and Sewer | General | 60 | Restitution |
| Nonmajor Enterprise | General | 2 | Interest |
| Internal Services | General | 653 | Restitution |
| Internal Services | General | 217,528 | Interfund Services |
| Total | | <u>\$ 2,748,752</u> | |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 8 – INTERFUND BALANCES AND ACTIVITY - CONTINUED

Interfund transfers:

| Transfer In | Transfer Out | Amount | Purpose |
|-----------------------|-----------------------|----------------------|--------------------------------------|
| General | Fine and Forfeiture | \$ 31,569,514 | Appropriations |
| General | Fine and Forfeiture | 1,185,409 | Appropriations - Grants |
| General | Fine and Forfeiture | 307,109 | Transfer of Grant Funding |
| General | Nonmajor Governmental | 416,350 | Transfer of additional funding |
| General | Nonmajor Governmental | 28,000 | Allocation racing monies |
| General | Convention Center | 250,000 | Allocation of tax revenues |
| Fine and Forfeiture | General | (971,871) | Excess Appropriations |
| Fine and Forfeiture | Capital Outlay | 659,417 | Allocation of tax revenues |
| Fine and Forfeiture | Airport | 1,019,595 | Sheriff Appropriations |
| Capital Outlay | Fine and Forfeiture | 578,427 | Transferring judicial center funding |
| Capital Outlay | Airport | 100,000 | Transfer of additional funding |
| Nonmajor Governmental | General | (4,083) | Excess Appropriations |
| Nonmajor Governmental | General | (23,242) | Ivan Overpayment |
| Nonmajor Governmental | General | (7,119) | Excess Appropriations |
| Nonmajor Governmental | Fine and Forfeiture | 284,569 | Transfer of Debt Proceeds |
| Nonmajor Governmental | Fine and Forfeiture | 43,179 | Transfer of additional funding |
| Nonmajor Governmental | Capital Outlay | 1,000,000 | Allocation of tax revenues |
| Nonmajor Governmental | Nonmajor Governmental | 251,202 | Debt Service Transfer |
| Nonmajor Governmental | Nonmajor Governmental | 3,025,503 | Allocation of tax revenues |
| Nonmajor Enterprise | Nonmajor Governmental | 250,000 | Transfer of additional funding |
| Nonmajor Enterprise | Nonmajor Governmental | 33,000 | Allocation racing monies |
| Total | | <u>\$ 39,994,959</u> | |

NOTE 9 - LEASES

Operating Leases – Lessor

Okaloosa County leases four county-owned parks and park buildings located on Okaloosa Island to outside parties. Capitalized investment in these assets is \$6,588,730. Accumulated depreciation of \$1,658,108 has been recorded as of September 30, 2010. All of the leases were for a 25-year period. However, two of the leases have been renegotiated and the period extended to thirty years. Three of the leases contain a 20% rent increase every five years. The first renegotiated lease contains a fixed rental through 2029. The second renegotiated lease contains a contingent rent fee of 15% of gross revenue if that amount is greater than the set rent amount through 2012. To date, the contingent rent option has not been needed. The remaining terms of the leases range from 3 to 20 years.

Okaloosa County leases land and a building to a convenience store company. Capitalized investment in the building is \$132,488. Accumulated depreciation of \$38,090 has been recorded as of September 30, 2010. The lease was renegotiated to a five year lease with four five-year renewals beginning in 2008. The rent will increase at the beginning of each option period by the consumer price index. These option periods extend through 2032.

Okaloosa County leases space in a building to six (6) leasees. Capitalized investment in the building is \$546,688. The one year leases may have two (2) one year renewals through 2011. Rental fees total \$3,499 monthly.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 9 – LEASES - CONTINUED

Operating Leases – Lessor - Continued

Okaloosa County has leased space on a water tower to a wireless communication company. The five year lease can be renewed for five five-year periods through 2034. Monthly rental fees begin at \$1,667 and increase at each renewal to \$3,352 in the final renewal period. There is no capitalized investment related to this lease.

Okaloosa County has leased space on a telecommunications tower and the parcel of land on which it is located to a wireless communication company. The five year lease can be renewed for four five-year periods through 2031. Monthly rental fees begin at \$1,900 and increase at each renewal period by 15% to \$3,324 in the final renewal period. There is no capitalized investment related to this lease.

Okaloosa County has leased space on a telecommunications tower and the parcel of land on which it is located to a wireless communication company. The five year lease can be renewed for five five-year periods through 2035. Monthly rental fees begin at \$1,900 and increase at each renewal period by 15% to \$3,824 in the final renewal period. There is no capitalized investment related to this lease.

Okaloosa County has entered into operating leases with various lessees and concessionaires for lease of space and facilities at the Okaloosa County Air Terminal, the Bob Sikes Airport and the Destin Airport. Lease periods vary with expiration dates through 2048. Capitalized investment in assets associated with these leases is \$35,094,657. Accumulated depreciation of \$4,271,192 has been recorded as of September 30, 2010.

Total minimum future rentals for material operating leases in which the Board of County Commissioners is the lessor are as follows:

| <u>Fiscal Year Ended September 30</u> | |
|---------------------------------------|---------------------|
| 2011 | \$ 903,781 |
| 2012 | 857,626 |
| 2013 | 658,130 |
| 2014 | 639,111 |
| 2015 | 633,905 |
| Thereafter | <u>3,711,080</u> |
| | <u>\$ 7,403,633</u> |

Operating Leases – Lessee

- Okaloosa County leases the land on which the airport facilities are located from the United States Government under a thirty-year lease agreement expiring in February 2031. The lease was renegotiated in 2008 adding an additional 22.6 acres for the rental car facilities under a twenty-five year lease expiring in September 2032. The land lease agreement contains a built in rent increase of 3% for annual escalation factor. The lease has an option for renewal at the end of the current lease period. The future minimum lease payments total \$10,611,143 over the life time of the lease. Lease expense for fiscal year 2010 was \$337,366.
- Okaloosa County leases the land on which Water and Sewer's Water Reclamation Facility is located from the United States Government under a 30 year lease agreement expiring in September 2037. The lease agreement contains a built in rent increase of 3% for annual escalation factor. The lease has an option of renewal at the end of the current lease period. The future minimum lease payments total \$12,778,689 over the life time of the lease. Lease expense for fiscal year 2010 was \$338,130.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 9 – LEASES – CONTINUED

Operating Leases – Lessee - Continued

3. Okaloosa County leases office space used by the Tax Collector and the Property Appraiser through September 30, 2014. The rent is based on \$33,147 per month plus a proportionate amount of any annual Consumer Price Index increase beginning in year three (3). The five year lease has three one year renewals beginning in 2012. Based on assumed increases of 3%, future minimum lease payments total \$2,931,577. Lease expenditure for fiscal year 2010 was \$460,285.
4. Okaloosa County leases office space used by public safety and veterans' affairs departments of the Board through March 2011. All offices were relocated to County buildings and the lease was terminated December 2010. Monthly payments under the lease are \$4,495 with total minimum lease payments of \$6,613 for the remaining term of the lease. Lease expenditure for fiscal year 2010 was \$53,940.
5. Okaloosa County leases office space used by the Commissioners, County Administrator, Law Library, and Information System departments of the Board as well as various other elected officials and State Agencies through November 2009. The first renewal of three (3) three year renewals was exercised December 2009. Monthly payments under the lease are \$20,625 for 2009 and increased to \$22,275 for the three (3) year renewal with the total minimum lease payments for the years 2011 through 2013 of \$579,150. Lease expenditure for fiscal year 2010 was \$264,000.
6. Okaloosa County leases four (4) Volvo G930 Motor Graders used by public works department through May 2013. The three (3) year lease is based on monthly payments of \$6,790 at 4.31% interest with a balloon payment of \$480,000 in June 2013. Future lease payments total \$217,290 for the remaining term of the lease. Lease expenditures for fiscal year 2010 were \$27,161.
7. The Clerk of Circuit Court leases copier equipment under a non-cancelable operating lease effective for 48 months. Monthly payments under the lease are \$4,414. Future minimum lease payments for the equipment lease total \$172,146 through December 2013. Lease expenditure for the fiscal year ended September 30, 2010 was \$39,726.
8. The Clerk of Circuit Court leases postal equipment for the Crestview office under a non-cancelable operating lease effective for 48 months. Monthly payments under the lease are \$596. Future minimum lease payments for the equipment lease totals \$23,244 through December 2013. Total lease expenditure for fiscal year ended September 30, 2010 was \$5,364.
9. The Clerk of Circuit Court leases postal equipment for the Shalimar office under a non-cancelable operating lease effective for 60 months. Monthly payments under the lease are \$410. Future minimum lease payments for the equipment lease totals \$24,600 through December 2014. Total lease expenditure for fiscal year ended September 30, 2010 was \$0. (New lease as of October 1, 2010.)
10. The Sheriff rents office space under an operating lease which expires in December, 2012. Monthly lease payments are \$10,500 with total minimum lease payments for years 2011 through 2013 of \$283,500. Total lease expenditure for fiscal year ended September 30, 2010 was \$133,800.
11. The Tax Collector rents office space for a decentralized location to accommodate residents in a certain area of the County. The twenty-year lease expires in 2025. As of October 1, 2010, the yearly rental is \$218,877 with minimum lease payments for years 2011 through 2025 of \$3,283,155. Total lease expenditure for fiscal year ended September 30, 2010 was \$213,268.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 9 – LEASES – CONTINUED

Operating Leases – Lessee - Continued

Total lease expenditure/expense for material operating leases in which the County is the lessee for fiscal year ended September 30, 2010 amounted to \$1,873,040. Future minimum lease payments for these leases are as follows:

| <u>Fiscal Year Ended September 30</u> | |
|---------------------------------------|----------------------|
| 2011 | \$ 1,855,464 |
| 2012 | 1,866,172 |
| 2013 | 1,551,467 |
| 2014 | 1,406,533 |
| 2015 | 1,410,214 |
| 2016-2020 | 6,097,069 |
| 2021-2025 | 5,761,613 |
| 2026-2030 | 5,289,839 |
| 2031-2035 | 3,941,060 |
| 2036-2038 | 1,731,675 |
| | <u>\$ 30,911,107</u> |

NOTE 10 – LONG-TERM DEBT

Component Unit

The following is a summary of long-term debt transactions of the Emerald Coast Bridge Authority for the fiscal year ended September 30, 2010.

| | <u>Note Payable</u> |
|---|-------------------------|
| Long-term debt payable October 1, 2009 | \$ 1,777,289 |
| Increase/Decrease in long-term debt | - |
| Long-term debt payable September 30, 2010 | <u>\$ 1,777,289</u> |

NOTES PAYABLE

| | |
|--|---------------------|
| \$1,033,391 loan advances, 1991-1992, due in annual payments (payments have not been made) through 2005, including interest. | \$ 1,033,391 |
| \$298,000 loan advance, 2003 zero interest, repayable from future toll revenue. No payment date or amount. | \$ 298,000 |
| \$500,000 loan advance, 2005, zero interest, repayable from future toll revenue. No payment date or amount. | <u>\$ 445,898</u> |
| Total Notes Payable | <u>\$ 1,777,289</u> |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government

The following debt issues are outstanding for September 30, 2010:

Governmental Activities:

REVENUE BONDS

\$2,524,287 Capital Improvement Revenue Bonds, Series 1991, capital appreciation bonds with no stated interest rate, effective interest rate of 7.15 percent compounded semi-annually through December 1, 2010; issued in denominations of \$5,000 maturity value due in annual installments of \$35,000 to \$685,000 from December 1, 1993 through December 1, 2010. "Second Guaranteed Entitlement Revenues" as defined in Paragraph II, Chapter 218 Florida Statutes are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance the acquisition and construction of roads within the County.

\$ 182,412

\$26,615,000 Sales Tax Revenue Bonds, Series 2009, serial and term bonds with states interest rates ranging from 3.0 percent to 6.375 percent compounded semiannually through October 1, 2039; issued in denominations of \$5,000 maturity value due in annual installments of \$315,000 to \$1,495,000 from October 1, 2011 through October 1, 2039. Sales tax revenues along with any direct federal subsidy payments received with respect to the Taxable Series 2009B Bonds (Direct Payment Build America Bonds) are pledged for payment of the bonds. Proceeds of the bonds are being used to finance the construction of a new judicial center complex in the County. This issue is subject to federal arbitrage regulations.

26,615,000

Total Governmental Activities Revenue Bonds \$ 26,797,412

LOANS AND NOTES

\$3,800,000 Commercial Paper Loan from the Florida Local Government Finance Commission Pooled Commercial Paper Loan Program; interest and fee payments are made monthly beginning August 1, 2007; Three principal payments of \$220,000 each are due on June 3, 2008, June 2, 2009, and June 2, 2010, with the remaining \$3,140,000 due on December 7, 2010 (See Note 20). The loan finances the County's portion of a joint beach renourishment project with the City of Destin and is payable solely from Tourist Development taxes.

\$ 3,140,000

Total Governmental Activities Loans and Notes \$ 3,140,000

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 – LONG-TERM DEBT – CONTINUED

Business-type Activities:

REVENUE BONDS

Solid Waste

\$2,180,777 Capital Improvement Revenue Bonds, Series 1991, capital appreciation bonds with no stated interest rate, effective interest rate of 7.15 percent compounded semi-annually through December 1, 2010; issued in denominations of \$5,000 maturity value due in annual installments of \$35,000 to \$685,000 from December 1, 1993 through December 1, 2010. “Second Guaranteed Entitlement Revenues” as defined in Paragraph II, Chapter 218 Florida Statutes are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance landfill closure and post closure costs of the Wright Landfill. \$ 157,589

Airport

\$10,860,000 Airport Revenue Bonds, Series 2003, serial and term bonds with stated interest rates ranging from 2.4 percent to 6.0 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$225,000 to \$750,000 from October 1, 2003 through October 1, 2030. Net revenues derived from the operation of the Airport System and the Passenger Facility Charges imposed per enplaned passenger at the Northwest Florida Regional Airport are pledged for payment of the bonds. Proceeds from the bonds were used to finance a portion of the cost of the Terminal Development Program and to repay a commercial paper loan that provided partial temporary financing for the project. 9,670,000

\$9,980,000 Taxable Airport Revenue Bonds, Series 2007, term bonds with stated interest rates ranging from 6.0 percent to 7.0 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$220,000 to \$830,000 from October 1, 2009 through October 1, 2030. Net revenue derived from the operation of the Airport System and the Customer Facility Charges imposed per rental car transaction day at the Northwest Florida Regional Airport are pledged for payment of the bonds. Proceeds from the bonds were used to finance a portion of the cost of the East Side Development Program. 9,760,000

Convention Center

\$13,450,000 Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000, serial and term bonds with stated interest rates ranging from 4.6 percent to 5.75 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$215,000 to \$940,000 from October 1, 2003 through October 1, 2030. Fourth Cent Tourist Development Tax monies are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance the costs of acquisition and construction of the Okaloosa County Convention Center. This issue is subject to federal arbitrage regulations. 11,725,000

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 – LONG-TERM DEBT - CONTINUED

Business-type Activities – Continued:

Revenue Bonds – Continued:

Water and Sewer

The following parity bonds are secured by a pledge of the net revenues from the operation of the water and sewer system.

\$650,000 Subordinated Revenue Bond, Series 1985, term bond due in semi-annual installments of \$34,338 beginning July 1, 1985 through January 2, 2015; interest at 10.0 percent per annum. Proceeds from the bonds were used to finance constructing and acquiring additions, extensions and improvements to the County Water and Sewer System. 244,070

\$31,170,000 Water and Sewer Revenue Bonds, Series 2004, due in annual installments of \$300,000 to \$3,680,000 through July 1, 2016; interest ranging from 1.017 percent to 3.61 percent per annum. Proceeds from the bond were used to refund Water and Sewer Revenue Refunding Bonds, Series 1993 and Water and Sewer Refunding Revenue Bonds, Series 1998 as well as constructing and acquiring additions, extensions and improvements to the County Water and Sewer System. This issue is subject to federal arbitrage regulations 15,685,000

\$65,150,000 Water and Sewer Revenue Bonds, Series 2006, due in annual installments of \$525,000 to \$4,500,000 through July 1, 2036; interest ranging from 4.00 percent to 5.00 percent per annum. Proceeds from the bond were used to refund Water and Sewer Revenue Bonds, Series 1992 as well as construct the Arbennie Pritchett Water Reclamation Facility. This issue is subject to federal arbitrage regulations. 62,965,000

Total Business-type Revenue Bonds \$ 110,206,659

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government - Continued

Business-type Activities – Continued:

The following loans from the State of Florida were obtained for construction of extensions and improvements to the County sewer system. Water and Sewer revenue net of operating costs and debt service are pledged for repayment of these loans.

LOANS – STATE OF FLORIDA

| | |
|--|------------------|
| \$5,927,701 State of Florida Department of Environmental Regulation Revolving Loan Fund; annual payments of \$429,920 including capitalized interest at 4.20% to 4.26% beginning April 1, 1992 through April 1, 2011. | \$ 412,473 |
| \$1,458,000 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$46,776 including interest at 2.59% and 3.24% beginning December 30, 1994 through June 30, 2014. | 352,413 |
| \$729,744 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$22,230 at 2.59% beginning October 10, 1995 through April 10, 2015. | 207,249 |
| \$1,949,795 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$74,622 at 3.28% and 2.63% beginning April 1, 1997 reducing to \$58,007 beginning April 1, 2001 through October 1, 2016. | 679,854 |
| \$1,768,312 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$59,870 at 2.63% and 2.99% beginning September 15, 1999 reducing to \$56,219 beginning September 15, 1999 through March 15, 2017. | 665,722 |
| \$351,895 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$23,204 at 3.18% beginning February 15, 2000 reducing to \$11,073 beginning February 15, 2001 through August 15, 2019. | 172,151 |
| \$8,168,888 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$291,598 at 2.71% and 3.00% beginning June 15, 2007 reducing to \$263,938 beginning December 15, 2008 through December 15, 2023. | <u>6,950,613</u> |
| Total Loans – State of Florida | <u>9,440,475</u> |

OTHER LOANS

| | |
|--|----------------------|
| \$440,000 loan from individual; annual payments of \$101,629 including interest at 5% beginning November 1, 2007 through November 1, 2011. Loan finances property purchased for future expansion of Water and Sewer Administration parking facilities. | 166,511 |
| \$2,000,000 Commercial Paper Loan from the Florida Local Government Finance Commission Pooled Commercial Paper Loan Program; interest and fee payments are made monthly beginning July 1, 2008; the entire principal balance of the loan is due on December 4, 2012. The loan finances construction at Northwest Florida Regional Airport and Bob Sikes Airport and is payable from net revenues of the Airport. | <u>2,000,000</u> |
| Total Business-type Loans and Notes | <u>\$ 11,606,986</u> |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government - Continued

The following is a summary of the changes in long-term debt of the County for the fiscal year ended September 30, 2010.

| | Balance Due October 1, 2009 | Increases | Decreases | Balance Due September 30, 2010 | Due Within One Year |
|---|-----------------------------------|----------------------|-----------------------|--------------------------------------|------------------------|
| Governmental Activities: | | | | | |
| Revenue Bonds | | | | | |
| Capital Improvement Revenue | | | | | |
| Bonds, Series 1991 | \$ 530,526 | \$ 19,391 * | \$ (367,505) | \$ 182,412 | \$ 182,412 |
| Sales Tax Revenue Bonds, Series 2009 | - | 26,615,000 | - | 26,615,000 | - |
| Less deferred amounts For issuance discounts/premiums | - | (922,110) | 57,029 | (865,081) | - |
| Total Revenue Bonds | 530,526 | 25,712,281 | (310,476) | 25,932,331 | 182,412 |
| Loans and Notes | | | | | |
| Commercial Paper loan | 3,360,000 | - | (220,000) | 3,140,000 | 400,000 |
| Accrued compensated absences | 7,309,431 | 563,841 | (1,047,818) | 6,825,454 | 3,444,980 |
| Estimated claims payable | 3,933,776 | 3,077,943 | (1,477,420) | 5,534,299 | 2,393,402 |
| Other post employment benefits | 2,816,563 | 963,571 | (126,000) | 3,654,134 | - |
| Total Governmental Activities | \$ 17,950,296 | \$ 30,317,636 | \$ (3,181,714) | \$ 45,086,218 | \$ 6,420,794 |
| Business-type Activities: | | | | | |
| Revenue Bonds | | | | | |
| Capital Improvement Revenue | | | | | |
| Bonds, Series 1991 | \$ 458,332 | \$ 16,752 * | \$ (317,495) | \$ 157,589 | \$ 157,589 |
| Airport Revenue Bonds, Series 2003 | 9,925,000 | - | (255,000) | 9,670,000 | 265,000 |
| Airport Taxable Revenue Bonds, Series 2007 | 9,980,000 | - | (220,000) | 9,760,000 | 235,000 |
| Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000 | 12,010,000 | - | (285,000) | 11,725,000 | 300,000 |
| Subordination Revenue Series 1985 | 285,228 | - | (41,158) | 244,070 | 45,376 |
| Refunding Revenue Series 2004 | 15,985,000 | - | (300,000) | 15,685,000 | 490,000 |
| Refunding Revenue Series 2006 | 65,150,000 | - | (2,185,000) | 62,965,000 | 2,090,000 |
| Less deferred amounts For issuance discounts On refunding | (1,117,234) (116,877) | (122,227) - | 263,576 66,787 | (975,885) (50,090) | - - |
| Total Revenue Bonds | 112,559,449 | (105,475) | (3,273,290) | 109,180,684 | 3,582,965 |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government - Continued

| | Balance Due October 1, 2009 | Increases | Decreases | Balance Due September 30, 2010 | Due Within One Year |
|---|-----------------------------------|-------------------|-----------------------|--------------------------------------|------------------------|
| Business-type Activities - Continued | | | | | |
| Loans and Notes | | | | | |
| State of Florida Revolving Loan Fund, April 11, 1992 through April 1, 2011 | 808,208 | - | (395,735) | 412,473 | 412,473 |
| State of Florida Revolving Loan Fund, December 30, 1994 through June 30, 2014 | 434,750 | - | (82,337) | 352,413 | 84,579 |
| State of Florida Revolving Loan Fund, October 10, 1995 through April 10, 2015 | 245,594 | - | (38,345) | 207,249 | 39,345 |
| State of Florida Revolving Loan Fund, April 1, 2001 through October 1, 2016 | 773,159 | - | (93,305) | 679,854 | 96,149 |
| State of Florida Revolving Loan Fund, September 15, 1999 through March 15, 2017 | 758,153 | - | (92,431) | 665,722 | 94,963 |
| State of Florida Revolving Loan Fund, February 15, 2001 through August 15, 2019 | 188,433 | - | (16,282) | 172,151 | 16,804 |
| State of Florida Revolving Loan Fund, beginning June 15, 2007 through December 15, 2023 | 7,278,812 | - | (328,199) | 6,950,613 | 337,363 |
| Personal Loan | 255,371 | - | (88,860) | 166,511 | 93,303 |
| Commercial Paper Loan | 2,000,000 | - | - | 2,000,000 | - |
| Less deferred amounts | | | | | |
| For issuance discounts | (164,245) | - | 14,790 | (149,455) | - |
| Total Loans and Notes | <u>12,578,235</u> | <u>-</u> | <u>(1,120,704)</u> | <u>11,457,531</u> | <u>1,174,979</u> |
| Accrued compensated absences | 1,654,147 | 89,658 | (72,112) | 1,671,693 | 931,428 |
| Estimated closure costs payable | 4,145,789 | - | (157,056) | 3,988,733 | 239,973 |
| Other post employment benefits | 121,733 | 116,546 | (53,952) | 184,327 | - |
| Total Business-type Activities | <u>\$ 131,059,353</u> | <u>\$ 100,729</u> | <u>\$ (4,677,114)</u> | <u>\$ 126,482,968</u> | <u>\$ 5,929,345</u> |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$1,940,308 of internal service funds compensated absences, \$4,473,112 of claims liabilities, and \$3,242,282 of internal service funds other post employment benefits are included in the above governmental activities amounts.

Compensated absences and most other post employment benefits are liquidated in the general and other governmental funds. Claims liabilities typically have been liquidated in the internal service funds. Other post employment benefit obligations of the Sheriff are liquidated from the Self-Insurance Internal Service Fund.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government – Continued

Debt service requirements to maturity on long-term debt at September 30, 2010 are as follows:

| <u>Year Ending September 30,</u> | Governmental Activities | | | |
|----------------------------------|-------------------------|---------------|-----------------|-----------|
| | Revenue Bonds | | Loans and Notes | |
| | Principal | Interest | Principal | Interest |
| 2011 | \$ 182,412 | \$ 1,608,008 | \$ 400,000 | \$ 10,048 |
| 2012 | 310,000 | 1,461,894 | 400,000 | 8,768 |
| 2013 | 580,000 | 1,444,494 | 400,000 | 7,488 |
| 2014 | 600,000 | 1,426,494 | 400,000 | 6,208 |
| 2015 | 615,000 | 1,408,044 | 1,540,000 | 4,928 |
| 2016-2020 | 3,370,000 | 6,643,313 | - | - |
| 2021-2025 | 3,925,000 | 5,739,363 | - | - |
| 2026-2030 | 4,660,000 | 4,540,390 | - | - |
| 2031-2035 | 5,650,000 | 2,935,344 | - | - |
| 2036-2040 | 6,905,000 | 916,087 | - | - |
| | \$ 26,797,412 | \$ 28,123,431 | \$ 3,140,000 | \$ 37,440 |

| <u>Year Ending September 30,</u> | Business-type Activities | | | | | |
|----------------------------------|--------------------------|---------------|-----------------|--------------|------------------------|----------|
| | Revenue Bonds | | Loans and Notes | | Landfill Closure Costs | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | 3,582,965 | 5,365,781 | 1,174,979 | 309,897 | 239,973 | - |
| 2012 | 4,155,027 | 3,140 | 761,233 | 269,062 | 239,973 | - |
| 2013 | 4,335,155 | 4,953,074 | 2,707,380 | 218,392 | 239,973 | - |
| 2014 | 4,520,809 | 4,795,922 | 727,296 | 189,204 | 239,973 | - |
| 2015 | 4,692,703 | 4,621,563 | 653,564 | 169,371 | 239,973 | - |
| 2016-2020 | 15,810,000 | 20,738,534 | 2,462,716 | 607,929 | 1,199,865 | - |
| 2021-2025 | 20,310,000 | 16,133,181 | 2,349,483 | 289,897 | 1,085,715 | - |
| 2026-2030 | 26,230,000 | 10,104,450 | 770,335 | 21,478 | 503,288 | - |
| 2031-2035 | 22,070,000 | 4,072,700 | - | - | - | - |
| 2036-2040 | 4,500,000 | 225,000 | - | - | - | - |
| | \$ 110,206,659 | \$ 71,013,345 | \$ 11,606,986 | \$ 2,075,230 | \$ 3,988,733 | \$ - |

In prior years, the County has defeased various bond issues. Of those defeased issues, the following amounts are outstanding at September 30, 2010.

Business-type activities:

Water and Sewer System Enterprise Fund
Revenue Bonds, Series 1992

\$ 2,225,000

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 11 - CONDUIT DEBT

Since 1984, the Okaloosa County has authorized eight industrial development revenue bond issues that are still outstanding. The original issues totaled \$55,814,025 and as of September 30, 2010, \$35,184,025 was the principal liability. These bonds do not constitute an indebtedness of the County and are not a charge against its general credit or taxing powers. The bonds are payable solely from revenues of the respective industries to which these bond proceeds were remitted.

NOTE 12 - RESERVED FUND BALANCES

The governmental fund balance sheet contains the line item “Reserved for Other Restricted Purposes”. Following is a list of the detail balances contained in that line item for September 30, 2010.

| Fund | Amount | Purpose |
|--|----------------------|---|
| General | \$ 1,462,347 | 911 Emergency System |
| General | 418,601 | County Revolving Loan Fund Program |
| General | 25,912 | Code Enforcement/Nuisance Abatement |
| Special Revenue Funds | | |
| Fine and Forfeiture | 127,524 | Police Academy |
| Fine and Forfeiture | 88,982 | Law Enforcement Trust Fund |
| Fine and Forfeiture | 5,255 | Family Mediation Services |
| Fine and Forfeiture | 13,889 | Law Library |
| Fine and Forfeiture | 251,861 | Prisoner Benefit Trust |
| Fine and Forfeiture | 85,980 | Teen Court |
| Fine and Forfeiture | 98,135 | Alcohol and Other Drug Abuse Trust Fund |
| Fine and Forfeiture | 241,252 | Domestic Violence Trust Fund |
| Fine and Forfeiture | 194,059 | Radio Communications Program |
| Fine and Forfeiture | 640,359 | Public Records Innovation |
| Tourist Development | 9,728,656 | Tourist Development Tax |
| Municipal Services | | |
| Benefit Units | 452,518 | Assessments Reserve |
| Public Records Modernization Trust | 899,200 | Public Records Technology |
| Public Records Courts | 580,053 | Judicial Information Technology |
| Public Records 10% Fine | 135,432 | Court Related Expenditures |
| Capital Projects Fund | | |
| Capital Outlay Construction | 560,656 | Florida Boating Improvement Trust |
| Capital Outlay Construction | 1,605,888 | Court Facility Improvement Trust |
| Capital Outlay Construction | 58,701 | Parks Development Trust |
| Capital Outlay Construction | 16,292,608 | Judicial Center Funding |
| Total Reserved for Other Restricted Purposes | <u>\$ 33,967,868</u> | |

The proprietary fund balance sheet contains the line item “Equity Restricted for Other Purposes”. Following is a list of the detail balances contained in that line item for September 30, 2010.

| Fund | Amount | Purpose |
|--|----------------------|------------------------------------|
| Airport Enterprise Fund | \$ 6,292,920 | Passenger Facility Charges Program |
| Convention Center Enterprise Fund | 3,956,270 | Tourist Development Tax |
| Total Equity Restricted for Other Purposes | <u>\$ 10,249,190</u> | |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 13 - PENSION PLAN

Florida Retirement System

Plan Description

Okaloosa County contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payroll are for regular employees 8.74%, special risk employees 19.81%, special risk administrative support 11.44%, elected judges 18.45%, elected county officers 15.42%, senior management service class 12.01%, and 9.80% for the Deferred Retirement Option Program (DROP). The County's contributions to the plan for the years ended September 30, 2010, 2009, and 2008, listed below were equal to the required contributions for the year.

| Elected Officials | Years Ended September 30, | | |
|-------------------------------|---------------------------|--------------|--------------|
| | 2010 | 2009 | 2008 |
| Board of County Commissioners | \$ 4,348,214 | \$ 4,278,096 | \$ 4,423,713 |
| Clerk of the Circuit Court | 453,451 | 437,659 | 456,576 |
| Sheriff | 3,091,965 | 3,180,160 | 3,225,225 |
| Tax Collector | 324,608 | 307,137 | 311,797 |
| Property Appraiser | 192,717 | 178,287 | 177,620 |
| Supervisor of Elections | 78,414 | 77,590 | 76,567 |
| Total Contributions | \$ 8,489,369 | \$ 8,458,929 | \$ 8,671,498 |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 13 - PENSION PLAN - CONTINUED

Florida Retirement System – Continued

Plan Description

Okaloosa County contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 14 - POSTEMPLOYMENT BENEFITS

Board of County Commissioners

Plan Description

In addition to providing the pension benefits described, the Board of County Commissioners and all other elected officials except for the Sheriff (County) provide post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses through a single-employer defined benefit plan administered by Blue Cross Blue Shield of Florida (BCBSFL). Benefits, benefit levels, employee contributions and employer contributions are governed and amended through its personnel manual by the County's Self Insurance Fund with approval by the Board. The plan does not issue a separate report.

Benefits Provided

The County provides post-employment health care and dental benefits to its retirees. To be eligible for benefits an employee must retire under the County's retirement plan and must have been covered under the medical plan as an active employee immediately prior to retirement. Elected officials are not eligible for benefits if they qualify for retirement.

All health care benefits are provided through the County's health care provider, BCBSFL. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; dental care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the County's plan becomes secondary.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED

Board of County Commissioners - Continued

Membership

At September 30, 2010, membership consisted of:

| | |
|--|-----|
| Retirees and Beneficiaries Currently Receiving Benefits | 39 |
| Terminated Employees Entitled to Benefits But Not Yet Receiving Them | - |
| Active Employees | 872 |
| Total | 911 |
| Participating Employers | 1 |

Funding Policy

The County and County contracted Insurance Broker negotiates the premium rates with BCBSFL. The required contribution is based on pay-as-you-go financing requirements. Retirees and beneficiaries currently receiving benefits are required to contribute 100% of their current premium costs which for fiscal year 2010 was \$391,249. The County contributes the remainder to cover the costs of providing the benefits to the retirees via the insured plan. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The County annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 30 years. The following shows the components of the County's net OPEB obligation:

| | |
|--|------------|
| Annual Required Contribution | \$ 395,855 |
| Interest on Prior Year Net OPEB Obligation | 15,994 |
| Adjustment to Annual Required Contribution | (23,124) |
| Annual OPEB Costs | 388,725 |
| Estimated Employer Contributions made | (179,953) |
| Increase (Decrease) in Net OPEB Obligation | 208,772 |
| Net OPEB Obligation , Beginning of Year | 399,860 |
| Estimated Net OPEB Obligation, End of Year | \$ 608,632 |

The County first had an actuarial valuation performed for the plan as of September 30, 2010 to determine the employer's ARC for the fiscal year ended September 30, 2010. The County's annual OPEB cost (expense) of \$290,143 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 31, 2007. The County has chosen to apply GASB No. 45 requirements prospectively in this transition year. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and the prior three (3) years were as follows:

| Fiscal Year Ended | Annual OPEB Costs | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|----------------------|---|------------------------|
| 9/30/2008 | \$ 290,143 | 32.06% | \$ 197,135 |
| 9/30/2009 | \$ 300,610 | 32.56% | \$ 399,860 |
| 9/30/2010 | \$ 388,725 | 46.29% | \$ 608,632 |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED

Board of County Commissioners – Continued

Funded Status and Funding Progress

As of September 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$3,335,095 was unfunded. Actuarial valuation of an ongoing plan involves 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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements in the government-wide financial statements of Okaloosa County, Florida, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

In the September 30, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.7% initially, reduced by decrements to an ultimate rate of 4.2% in 2080. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2010, was 27 years.

Sheriff

Background

Certain Other Post Employment Benefits (OPEB) are available to all employees eligible for disability, early or normal retirement after terminating employment with Okaloosa County Sheriff's Office (OCSO). The OPEB benefits include lifetime coverage for the retiree and dependents in the medical/prescription plans as well as participation in the dental group plan sponsored by the Sheriff's Office for employees. Beginning in fiscal year 2008, the Sheriff implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for the OPEB offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the Sheriff's retiree health benefit subsidy. Historically, the Sheriff's subsidy was funded on a pay-as-you-go basis but GASB 45 requires the Sheriff to accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Sheriff.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 14 – POST EMPLOYMENT BENEFITS – CONTINUED

Sheriff - Continued

Plan Description

The OCSO administers a single-employer defined benefit healthcare plan (“the Plan”). The Plan provides healthcare insurance for eligible retirees and their spouses through the Sheriff’s group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage. The Plan does not issue a publicly available financial report but OPEB expenses are reflected in the Sheriff’s internal service fund within the County’s Comprehensive Annual Financial Report (CAFR).

Benefits Provided

Eligible retirees may choose among the same medical plan options available for active employees of the employer. Dependents of retirees may be covered, at the retiree’s option, the same as dependents of active employees. Prescription drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the medical plan options. Covered retirees and their dependents are subject to all the same medical and prescription benefits and rules for coverage as are active employees. Retirees and their dependents are eligible to participate in the employer-sponsored dental plans. Retirees may elect any combination of plans (i.e. only dental, medical/prescription, etc.). Retirees and their dependents who are over age 65 must enroll for Parts A and B under Medicare in order to remain covered under the program. All post-65 Medical coverage is secondary to Medicare.

Membership

At September 30, 2010, membership consisted of:

| | |
|--|-----|
| Retirees and Beneficiaries Currently Receiving Benefits | 21 |
| Terminated Employees Entitled to Benefits But Not Yet Receiving Them | - |
| Active Employees | 308 |
| Total | 329 |
| Participating Employers | 1 |

Funding Policy

Retirees and beneficiaries currently receiving medical/prescription benefits are required to make monthly premium contributions in order to maintain their coverage. The single retiree premium is paid by the OCSO for retirees with at least 20 years of service, until the retiree reaches age 65. Effective October 1, 2010 that benefit is no longer available except to retirees that met the criteria as of September 30, 2010. Dependent coverage is paid by the retiree. The amount of the premium contribution may change from time to time. Surviving spouses of retirees are eligible to continue coverage under the plan, but must continue to pay the full premium. However, the premiums for health coverage for surviving spouses and any dependent children of officers who had sustained catastrophic injuries or death in the line of duty are paid fully by the OCSO as prescribed by FS Sec 112.19(g) and 112.19(h)1.

Annual OPEB Costs and Net OPEB Obligation

The Sheriff’s annual OPEB cost (expense) is the actuarially required contribution (ARC) of the employer determined in accordance with the provisions of GASB Statement 45. The ARC represents a level of funding that, if paid on an on going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 28 years. The following shows the components of the Sheriff’s net OPEB obligation as of September 30, 2010:

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED

Sheriff - Continued

Annual OPEB Costs and Net OPEB Obligation - Continued

| | |
|--|----------------------------|
| Annual Required Contribution | \$ 887,276 |
| Interest on Prior Year Net OPEB Obligation | 101,537 |
| Adjustment to Annual Required Contribution | (90,658) |
| Annual OPEB Costs | <u>898,155</u> |
| Estimated Employer Contributions made | <u>206,762</u> |
| Increase (Decrease) in Net OPEB Obligation | 691,393 |
| Net OPEB Obligation , Beginning of Year | <u>2,538,436</u> |
| Estimated Net OPEB Obligation, End of Year | <u><u>\$ 3,229,829</u></u> |

The Sheriff's annual OPEB cost (expense) of \$898,155 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 31, 2007. The Sheriff's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and the prior three (3) years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Costs</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|------------------------------|--|--------------------------------|
| 9/30/2008 | \$1,476,435 | 14.70% | \$1,259,328 |
| 9/30/2009 | \$1,543,888 | 17.15% | \$2,538,436 |
| 9/30/2010 | \$898,155 | 23.02% | \$3,229,829 |

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$7,977,525 was unfunded. Actuarial valuation of an ongoing plan involves 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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements in the government-wide financial statements of Okaloosa County, Florida, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED

Sheriff - Continued

Actuarial methods and Assumptions - Continued

In the September 30, 2010, actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5.0% in 2020. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2010, was 28 years.

NOTE 15 - RISK MANAGEMENT

The County is exposed to risk of loss for claims and judgments for public liability, workers' compensation, employee medical benefits and other special risks. The County uses the Self Insurance Internal Services Fund to account for all risks from workers' compensation loss, general liability, and medical benefit claims for all County employees except those of the Sheriff, from catastrophic damage to real and tangible property and from special risk policies for the Board. A mixture of commercial insurance coverage and self-insurance, which is described below, manages the risk to the County. There has been no significant reduction in insurance coverage from the prior fiscal year, and insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

A. Method of Risk Management

Public Liability

Florida Statutes 768.28(5) limits the maximum County liability for claims and judgments by any one person and any one incident to \$100,000 and \$200,000, respectively. The County self-insures public liability claims for automobile, general and professional liability. A third party administrator manages claims. Currently, the County retains the risk for the first \$200,000 (\$50,000 for automobile liability) of each claim or incident. Excess insurance is purchased to cover losses over the \$200,000 (\$50,000 for automobile liability) self-insured retention.

Public Liability - Continued

The Sheriff maintains a commercial insurance policy for public liability and bears no risk of loss under this type of coverage.

Property Insurance

The County self-insures the risk of physical loss to its real property, business property and equipment. The County retains the risk of the first \$50,000 of physical damage to County property. The self-insurance retention increases to a maximum of \$200,000 if the damage is the result of a named storm. Excess insurance is purchased to cover the physical damage exposure over the self-insured retention amount.

All Lines Aggregate Policy

The County purchased an All Lines Aggregate insurance policy that limits the County's risk for deductible and self-insured retention expenses to \$2,407,500 for the fiscal year ended September 30, 2010.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 15 - RISK MANAGEMENT - CONTINUED

A. Method of Risk Management - Continued

Workers' Compensation

The County contracts with a Third Party Administrator to have its workers' compensation claims processed. The County retains risk for all claims up to \$500,000 per employee per accident. Excess insurance is purchased to cover losses up to \$25,000,000 for workers' compensation and \$1,000,000 for employers' liability. The County retains no liability for claims that have been settled by purchase of annuity contracts.

The Sheriff participates in the Florida Sheriff's Association Workers' Compensation Program. It is a fully insured, guaranteed cost program with a deductible trust fund and insurance with a commercial carrier. The Sheriff retains no risk.

Employee Medical Benefits

The Board of County Commissioners and all other elected officials of Okaloosa County, except the Sheriff, use a fully insured commercial insurance plan to fund employee medical benefits. The Board of County Commissioners or elected official pays the premiums for the employees while the individual pays for dependent and retiree coverage. The County bears no risk of loss under this type of coverage.

The Sheriff utilizes a self-funded health plan to provide comprehensive medical benefits to the employees, retirees and their dependents. It is funded by contributions from the Sheriff's Office and employees. In compliance with Florida Statute, Section 112.08, an actuarial review of the Plan demonstrates that the current rate structure of the Plan plus the current net assets available for benefits appears adequate to support current outstanding claims as well as those projected claims and expenses for the next plan year.

Excess insurance is purchased from a commercial carrier to provide a specific claim and aggregate limits coverage. Specific claim coverage benefits the covered individual by providing \$1,000,000 of coverage to begin when a specific claim exceeds \$85,000. This coverage is subject to a \$2,000,000 aggregate lifetime maximum limit per covered individual. Aggregate limits coverage limits the Sheriff's total risk exposure. This coverage provides the Sheriff with an additional \$1,000,000 in coverage for the coverage year when total claims paid less the total paid under the specific claim excess coverage exceeds \$3,821,682 for the fiscal year ended September, 30, 2010.

The Sheriff uses an internal service fund to account for risks from medical benefit claims. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At September 30, 2010, the amount of these liabilities was \$650,727. This liability has been determined based on an actuarial evaluation of all claims reported and all claims incurred but not reported (IBNR) as of September 30, 2010. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 15 - RISK MANAGEMENT – CONTINUED

A. Method of Risk Management – Continued

Employee Medical Benefits – Continued

| Reconciliation of Claims Liabilities for Medical Benefits Okaloosa County Sheriff | As of <u>September 30, 2010</u> | As of <u>September 30, 2009</u> |
|---|------------------------------------|------------------------------------|
| Unpaid claims and adjustment expenses at beginning of year | \$ 508,339 | \$ 353,125 |
| Incurred claims and claim adjustment expenses | | |
| A) Provision for insured events of current fiscal year | 2,427,915 | 2,505,875 |
| B) Increases (decreases) in provision for insured events of prior fiscal years | - | - |
| Total incurred claims and claim adjustment expenses | <u>2,936,254</u> | <u>2,859,000</u> |
| Payments | | |
| A) Claims and claim adjustment expenses attributable to insured events of current fiscal year | 2,285,527 | 2,350,661 |
| B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year | - | - |
| Total payments | <u>2,285,527</u> | <u>2,350,661</u> |
| Unpaid claims and claim adjustment at end of year | <u>\$ 650,727</u> | <u>\$ 508,339</u> |

Special Risk Policies

The Board of County Commissioners purchases commercial crime coverage against theft of money and securities. All of the other elected officials, except the Sheriff, are covered under the policy. Florida Statute requires certain classes of employees be provided with a special death and disability benefit. The Board of County Commissioners purchases a commercial policy. The County bears no risk of loss under this type of coverage. The Sheriff insures this exposure separately.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 15 - RISK MANAGEMENT – CONTINUED

B. Claim Liabilities for Retained Risk

Claim liabilities for workers' compensation, general liabilities (including errors and omissions), and auto liability (both bodily injury and property damage) have been determined based on an actuarial evaluation of all claims reported and all claims incurred but not reported (IBNR) as of September 30, 2010. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The actuarial estimation of ultimate losses does not include any future recoveries from the Florida Special Disability Fund, subrogation or third party liens, etc. except to the degree they are implicitly included in the trending process of estimating ultimate losses. The ultimate loss calculation does take into consideration specific excess reinsurance recoverable. Claims liabilities recognized in the Self Insurance Fund of the Board of County Commissioners at September 30, 2010 were as follows:

| | <u>Current</u> | <u>Long-term</u> | <u>Total</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| Workers' compensation | \$ 1,407,321 | \$ 1,327,670 | \$ 2,734,991 |
| General liability | 273,877 | 726,024 | 999,901 |
| Auto liability | 61,477 | 26,016 | 87,493 |
| Total claims liability recognized | <u>\$ 1,742,675</u> | <u>\$ 2,079,710</u> | <u>\$ 3,822,385</u> |

C. Funding of Claims Liabilities

The Self Insurance Fund charges the other funds of the Board and other participating elected officials for the cost of claim liabilities based on actuarially projected budget requirements for expected yearly cash payouts. This funding method results in a deficit fund balance that will be charged back to the other funds over a reasonable period of time so that service fund revenues and expenses will be approximately equal.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 15 - RISK MANAGEMENT - CONTINUED

C. Reconciliation of Claims Liabilities

| | As of September 30, 2010 | | | | As of September 30, 2009 | | | |
|---|--------------------------|--------------|----------|--------------|--------------------------|--------------|----------|--------------|
| | Workers' Compensation | Liability | Property | Total | Workers' Compensation | Liability | Property | Total |
| Unpaid claims and adjustment expenses at beginning of year | \$ 2,569,062 | \$ 856,375 | \$ - | \$ 3,425,437 | \$ 2,667,277 | \$ 1,120,401 | \$ - | \$ 3,787,678 |
| Incurred claims and claim adjustment expenses | | | | | | | | |
| A) Provision for insured events of current fiscal year | 643,794 | 382,430 | - | 1,026,224 | 803,957 | 263,603 | 405 | 1,067,965 |
| B) Increases (decreases) in provision for insured events of prior fiscal years | 269,284 | 71,521 | (1,000) | 339,805 | (249,679) | (599,570) | (46,001) | (895,250) |
| Total incurred claims and claim adjustment expenses | 913,078 | 453,951 | (1,000) | 1,366,029 | 554,278 | (335,967) | (45,596) | 172,715 |
| Payments | | | | | | | | |
| A) Claims and claim adjustment expenses attributable to insured events of current fiscal year | 161,270 | 53,213 | - | 214,483 | 199,889 | 47,880 | 405 | 248,174 |
| B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year | 585,879 | 169,719 | (1,000) | 754,598 | 452,604 | (119,821) | (46,001) | 286,782 |
| Total payments | 747,149 | 222,932 | (1,000) | 969,081 | 652,493 | (71,941) | (45,596) | 534,956 |
| Unpaid claims and claim adjustment expenses at end of year | \$ 2,734,991 | \$ 1,087,394 | \$ - | \$ 3,822,385 | \$ 2,569,062 | \$ 856,375 | \$ - | \$ 3,425,437 |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Reclaimed Water System

The Board has entered into an agreement to share equally in the costs to expand a reclaimed water system with the City of Niceville. Prior capital expenditures by the County of approximately \$1,300,000 have been matched by the City to achieve an equitable basis for in the agreement. Additional capital expenditure by the County totaled \$1,071,102 through September 30, 2010. The County agreed to perform minor maintenance services, equally share with the City of Niceville the future costs of capital expenditures, operations, major maintenance and billing and collection services. The agreement, signed in October 2002, has an initial term of 20 years which may be continued for additional ten-year increments by mutual written consent of both parties. The system began preliminary operations in November, 2006. Rate studies were conducted to determine charges. The County’s investment in this joint agreement will be carried in the Water and Sewer Enterprise Fund.

Wastewater Service Interlocal Agreement with Fort Walton Beach

In 2009, the Board adopted the Wastewater Service Interlocal Agreement with the City of Fort Walton Beach (Agreement). The Agreement outlines a long-term association for the treatment of the City’s influent wastewater flow at a set percentage of the County’s base sewer rate plus a locked-in annual rate escalator. The agreement provides other ancillary benefits to the City such as the provision of “no cost” tertiary treated effluent for use as irrigation water at the City’s 36-hole municipal Golf Club. The Agreement is effective for 30 years and can be automatically extended for up to two additional terms for a period of ten years for each extension term.

The City will be billed monthly at a rate equal to \$2.46 per each 1,000 gallons of wastewater flow. Additionally, the City will pay to the County the Sewer Readiness to Serve Fee, which is equal to \$3,750 per month. Beginning March 2011, and each year thereafter, the Readiness to Serve Fee will increase by 3% annually. Service to the City is scheduled to begin March 2010. Fees of \$1,043,698 paid by the City during 2010 are reflected as Charges for Services in the Water and Sewer fund. The minimum commitment to the County under the Agreement is as follows:

| Fiscal Year Ending September 30, | <u>Payment</u> |
|----------------------------------|---------------------|
| 2011 | \$ 45,675 |
| 2012 | 47,045 |
| 2013 | 48,457 |
| 2014 | 49,910 |
| 2015 | 51,408 |
| 2016-2020 | 281,118 |
| 2021-2025 | 325,893 |
| 2026-2030 | 377,799 |
| 2031-2035 | 437,973 |
| 2036-2039 | 400,094 |
| Total | <u>\$ 2,065,372</u> |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 16 – COMMITMENTS AND CONTINGENCIES – CONTINUED

7th Special Forces Group Complex

In May 2009, the Okaloosa County Water and Sewer System (OCWS) executed agreements with the United States Army Corp of Engineers to design and build approximately 17 miles of force main and a lift station to transmit wastewater from the 7th Special Forces Complex being constructed on Eglin Air Force Base property in North Okaloosa County, to the new OCWS wastewater treatment plant in Fort Walton Beach.

An agreement was also signed with Eglin Air Force Base (AFB) increasing the diameter of the original force main to accommodate future Eglin AFB wastewater flow.

The agreements totaled \$5,232,000 and a significant portion of the agreement amount (\$3,973,000) has been paid in cash or through the recognition of the value of in-kind services. In-kind agreement payments are equal to the rent due from OCWS for the land on which the new wastewater treatment facility was constructed. These amounts have been or will be recognized as rent expense and contributed capital based on the following schedule:

| Rent Due Date | Amount |
|------------------|--------------|
| October 15, 2009 | \$ 338,130 |
| October 15, 2010 | \$ 344,893 |
| October 15, 2011 | \$ 134,977 * |
| | \$ 818,000 |

*partial credit for \$351,790 rent due

OCWS has also received prepayment of \$3,155,200 for sewer capacity expansion charges (tap fees) to effectively reserve wastewater treatment and disposal capacity of 345,100 gallons per day for use by the 7th Special Forces Group. These fees will be recorded as income when the project is completed and wastewater treatment and disposal services commence.

Customer Facility Charge Agreement

As of December 1, 2004, the County entered into a Customer Facility Charge Agreement with the on-airport rental car companies. In accordance with Ordinance No. 04-64, the County imposes and the rental car companies collect on behalf of the County, a Customer Facility Charge (CFC). Effective July 2007, Ordinance 04-64 was amended to increase the CFC charge from two dollars and fifty cents (\$2.50) to three dollars and twenty-five cents (\$3.25) per rental car transaction Day on all rental car contracts. In December 2010, Ordinance 10-16 was implemented increasing the CFC charge from three dollars and twenty-five cents (\$3.25) to three dollars and seventy-five cents (\$3.75). CFC revenue will be utilized by the County to construct, operate and maintain facilities and services for the rental car operators and their customers at the Northwest Florida Regional Airport. The facilities were completed and began operations in fiscal year 2009. CFC collections for the year ended September 30, 2010 were \$ 1,072,591 and will be used for debt service on the Series 2007 taxable airport revenue bonds.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 16 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Emergency Operations Center

Okaloosa County and Northwest Florida State College executed a memorandum of understanding in 2005 for a joint use facility which would house the College's Community Life, Safety and Military Science programs, and the County's Public Safety Administration, Emergency Operation Center, and the 911 Dispatch Center. The facility also may serve as a hurricane evacuation shelter. The facility is under construction on the College's Niceville, Florida campus. The County funded approximately \$502,056 in fiscal year 2010 for the project with grant proceeds. Prior year contributions to the project are \$6,497,944. The joint use facility is expected to be completed in December 2010.

Deepwater Horizon Oil Spill

April 2010, the Deepwater Horizon drilling platform and well exploded resulting in a sea-floor oil gusher into the Gulf of Mexico for three months. The spill resulted in extensive damage to the tourism industry and caused additional financial burden on local Gulf Coast governments to protect their coast against oil, oil sheen, and tar balls. BP was identified as the responsible party and being held accountable for all cleanup costs and other damages. To aide with the tourism industry, BP gave Florida \$25 million and Florida Coastal Northwest Communications Council \$7 million to promote the beaches. Okaloosa County received \$750,000 of the State funds to host two free beach concerts during the summer of 2010. The \$1,371,939 funding provided by the Florida Coastal Northwest Communications Council was used to purchase prepaid credit cards which were disbursed to tourist staying in Okaloosa County. Additionally, at September 30, 2010 the County has received \$111,614 in reimbursements for oil cleanup and prevention measures implemented by the County.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 the grantor cannot be determined at this time although the County expects such amount, if any, to be immaterial.

Lawsuits

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

Arbitrage Rebate

Section 148(f) of the Internal Revenue Code of 1986, as amended, and the proposed and temporary regulations issued by the Internal Revenue Service on May 15, 1989, and made final effective May 18, 1992, require the rebate to the United States government of the excess of earnings on non-purpose investments over earnings which would have been made on such investments if they had been made at bond yield, together with earnings on all future rebate amounts. Although rebates need not be remitted until five years after issuance of the bonds and each five years thereafter, computations must be made annually to show financial position at fiscal year end. Okaloosa County has four bond issues falling within the purview of the above directives - \$26,615,000 Sales Tax Revenue Bonds, Series 2009; \$13,450,000 Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000; \$10,860,000 Airport Revenue Bonds, Series 2003; and \$65,150,000 Water and Sewer Revenue Bond, Series 2006.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 16 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Arbitrage Rebate - Continued

According to the calculations, the County has no rebate liability with respect to the bonds at September 30, 2010. This determination reflects the liability on that date only and does not represent any amount that may be due at the end of the five-year period from the delivery date of the bonds.

NOTE 17 – RELATED ORGANIZATION

Library Cooperative

The Okaloosa County Board of County Commissioners entered into an inter-local agreement with six (6) municipalities located within Okaloosa County, Florida to provide for operation of a countywide public library system. The governing body of the cooperative is the Okaloosa County Public Library Cooperative Board made up of one appointee from each municipality and the County. Capital assets remain the property of the participating municipalities. Under the agreement, the County agreed to provide annual funding to the cooperative of not less than the following amounts for the term of the agreement. The current agreement was effective October 1, 2009 and ended on September 30, 2010 and is subject to renewal or revision October 2010. The Okaloosa County Board of County Commissioners' contribution to the library cooperative for the year ended September 30, 2010 was \$900,000. In addition approximately \$400,000 of allocable indirect costs was charged to the fund. These charges were treated as an in-kind contribution by Okaloosa County, Florida during the year ended September 30, 2010. The future commitment to the library cooperative in 2011 is \$535,000.

NOTE 18 - JOINT VENTURE

Okaloosa County, in alliance with the City of Valparaiso and City of Niceville, began implementation, in 1975, of initial steps leading to the eventual construction of a comprehensive regional sanitary sewer system designed to provide service to residents of Niceville and Valparaiso as well as County residents within the general area. The project was funded 75% by U.S. Environmental Protection Agency (EPA) Grants under provisions of Public Law 92-500 and 25% by the local government applicants.

The system was completed and placed in service during the fiscal year ended September 30, 1982. During the fiscal year ended September 30, 1990, a one-million gallon-per-day expansion was completed. The Board of County Commissioners presently owns 36% of the operating capacity of the total system. The City of Niceville is a 44% owner and the City of Valparaiso is a 20% owner. The in-service cost of the property, plant and equipment paid for through the combined funding of the participants and the EPA is recorded pro-rata on the accounting records of the individual participants.

The Board of County Commissioners' portion of assets (at original cost) accounted for in its water and sewer enterprise fund are as follows.

| | | | |
|--|----|-----------|-----------|
| Land | | \$ | 33,496 |
| Building and plant | | | 877,641 |
| Infrastructure | | | |
| Plant improvements | \$ | 978,577 | |
| Lift stations, force mains and sprayfields | | 3,460,547 | |
| | | | 4,439,124 |
| Machinery and equipment | | | 14,978 |
| Total | | \$ | 5,365,239 |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 18 - JOINT VENTURE – CONTINUED

The system is managed and operated by a separate governing body (Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc.) consisting of six members; two appointed by each of the three participants. The Sewer Board is responsible for preparing and approving its own budget. The cost of operations, including additional equipment, inventory purchases, etc., are funded by water and sewer user fees and are accounted for, in total, on the books and financial statements of the Sewer Board. The County's share of the operating results of the Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc. is reported in the Board of County Commissioner's water and sewer enterprise fund. The Board of County Commissioners' portion of the equity in the joint venture is \$629,548 as of September 30, 2010. Complete financial statements for the Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc. can be obtained from the Sewer Board's administrative office at 507 Crestview Avenue, Niceville, Florida or from the County Clerk's office at the Okaloosa County Courthouse in Crestview, Florida.

NOTE 19 – GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, will be effective for the County beginning with its year ending September 30, 2011. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is based to observe constraints imposed upon the use of the resources reporting in the governmental funds. Management has not determined what impact, if any, this GASB statement may have on its financial statements.

NOTE 20 -SUBSEQUENT EVENTS

Special Mandatory Redemption

The Okaloosa County Tourist Development Tax 4th Cent Bonds, Series 2000 which funded the construction of the Okaloosa County Convention Center included a Special Mandatory Redemption bond resolution provision scheduled for October 1, 2010. The Special Mandatory Redemption Account, in accordance with the bond resolution cash flow, contains surplus monies set aside from the pledged 4th Cent TDT less several priority expenditures related to debt service costs and renewal and replacement costs. The bond paying agent was notified in January 2011 that the Redemption Account contained \$8,017,534 and that they could now proceed with the execution of the redemption provision to be completed on March 1, 2011.

Florida Department of Juvenile Justice Reconciliation

In accordance with Section 985.6, Florida Statutes, Okaloosa County is billed monthly, in accordance with the State of Florida Detention Cost Share allocation for all counties, based upon an estimated number of "pre-disposition" days utilized by Okaloosa detainees. The State Detention Cost Share program is required each fiscal year to adjust the allocated costs based upon the reconciliation of the actual costs and "pre-disposition" days for the State fiscal year and that bill is generally available six months following the fiscal year end. That reconciled costs, in the past, has been adjusted nominally and included in the current fiscal year expenditures. The reconciled invoice received in January 2011 by the County for the reconciliation of fiscal year 2009-2010 allocation totaled \$1,061,187. The County has challenged the reconciliation for fiscal year 2009-2010 allocation and has joined the challenge previously filed by a number of counties for fiscal year 2008-2009. The disputed amount has been recorded as part of claims payable in the Statement of Net Assets at September 30, 2010.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 20 -SUBSEQUENT EVENTS - CONTINUED

Florida Association of Counties (FAC) Commercial Paper Loan

November 2010, Okaloosa County approved Resolution No. 10-205 extending the FAC Commercial Paper Loan financing for the Tourist Development Council's joint beach renourishment project with Okaloosa County, Destin, and Walton County. \$3,140,000 was refinanced with four equal payments of \$400,000 due annually and a balloon payment of \$1,540,000 due June 2015.

British Petroleum (BP) Claim Settlements

As a result of the Deepwater Horizon Oil Spill, Okaloosa County submitted claims with BP for lost revenues largely impart to the decreased vacationers renting properties within the County. The Tourist Development Council (TDC) requested \$1,724,596 for lost Bed Tax Collection Revenue from May 2010 through September 2010, and Water and Sewer requested \$112,379 in lost revenue due to the decreased consumption of water and sewer services on Okaloosa Island. February 15, 2011 the County accepted BP's offer of \$1,567,000 which was premised on the economic downturn by using the trend reflected by comparing the months of March and April of 2009 to the same months of 2010. March 15, 2011 the County accepted BP's trend reduced offer of \$110,301 for lost Water and Sewer revenues.

Tax Collector Expanded Services

The Tax Collector expanded existing services for Drivers License (DL) Services within Okaloosa County, Florida, as part of a state-wide initiative by the Florida Department of Motor and Vehicle Safety (DHSMV) to move DL services to Tax Collectors. In September 2010, the DHSMV closed its Fort Walton Beach Office and transitioned operations for such services with the Tax Collector. Additional closures are expected in Crestview in the near future. As part of the transition, the Tax Collector has assumed financial responsibilities with such services, including transition of equipment and personnel.

Required Supplementary Information

Okaloosa County, Florida
Post Employment Benefits Plans Schedule of Funding Progress
September 30, 2010

Board of County Commissioners

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Liabilities (AAL) ⁽¹⁾ | Unfunded Actuarial Liabilities (UAAL) ⁽²⁾ | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---|-----------------|--------------------|--|
| October 1, 2007 | - | \$ 2,666,350 | \$ 2,666,350 | 0.0% | N/A | N/A |
| October 1, 2008 | - | \$ 2,814,101 | \$ 2,814,101 | 0.0% | N/A | N/A |
| October 1, 2009 | - | \$ 3,335,096 | \$ 3,335,096 | 0.0% | N/A | N/A |

(1) Actuarial liability determined under the unit credit cost method.

(2) Actuarial liability less actuarial value of assets, if any.

Sheriff

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liabilities (AAL) (b) | Unfunded Actuarial Liabilities (UAAL) ⁽³⁾ (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|-------------------------------------|--|--|--------------------------|---------------------------|---|
| October 1, 2007 | - | \$ 14,238,273 | \$ 14,238,273 | 0.0% | \$ 14,250,824 | 99.91% |
| October 1, 2008 | - | \$ 14,238,273 | \$ 14,238,273 | 0.0% | \$ 14,250,824 | 99.91% |
| October 1, 2009 | - | \$ 7,977,525 | \$ 7,977,525 | 0.0% | \$ 14,201,995 | 56.17% |

(3) Actuarial liability determined under the individual entry age normal cost method.

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Board of County Commissioners

County Transportation Trust Fund

This fund is used to account for maintenance and in-house construction of Okaloosa County roads. These activities include road maintenance, traffic control, engineering, right-of-way acquisition, and construction of new roadways. Funds are provided from state shared revenue and certain gasoline taxes collected and distributed by the State of Florida.

Library Cooperative Fund

This fund is used to account for the activities of a county-wide library cooperative comprised of the unincorporated areas of the County and certain municipalities which have entered into an interlocal agreement.

Tourist Development Fund

This fund is used to account for funds received from imposition of the 4% tourist development tax for the purpose of improving Okaloosa County's tourist industry as authorized by 125.0104, F.S., and Okaloosa county Ordinance No. 89-23 as amended by 91-20, 92-52, 95-10 and 99-07.

Natural Disaster Fund

This fund is used to account for disaster funding and expenditures not considered normal recurring operating activity of the County.

County Public Health Fund

This fund is used to account for funds appropriated by Okaloosa County for or on behalf of the county public health unit, such as capital projects costs.

Municipal Services Benefit Units Fund

This fund is used to account for the assessments levied against benefiting properties for providing street lighting, street and drainage improvements and maintenance.

Unincorporated County Parks Fund

This fund is used to account for ad valorem tax proceeds levied on property in the unincorporated areas of Okaloosa County for the maintenance of parks in those areas.

Clerk of the Circuit Court

Courts Special Revenue Fund

This fund is used to account for the statutory fines, fees, service charges and costs collected by the Clerk related to the performance of court-related activities. All excess funds over the amount of the Clerk's operating budget for this fund, approved by the Clerks of Court Operations Corporation, are remitted to the Florida Department of Revenue.

Nonmajor Governmental Funds (Continued)

SPECIAL REVENUE FUNDS (Continued)

Clerk of the Circuit Court (Continued)

Public Records Modernization Trust Fund

This fund is used to account for recording fees collected by the Clerk of the Circuit Court under Florida Statute 28.24(12)(d). The fund is used exclusively for equipment, personnel training, and technical assistance in modernizing the public records system.

Public Records Courts Special Revenue Fund

This fund is used to account for recording fees collected by the Clerk of the Circuit Court under Florida Statute 28.24(12)(e). The fund is used exclusively for court-related technology needs.

Public Records 10% Fine Special Revenue Fund

This fund is used to account for recording fees collected by the Clerk of the Circuit Court under Florida Statute 28.24(12)(e). The fund is used exclusively for court-related technology needs.

DEBT SERVICE FUND

Debt Service funds are used to account for the accumulation of resources and payment of special obligation bond principal and interest from governmental resources when Okaloosa County is obligated in some manner for the payment.

Board of County Commissioners

Okaloosa Debt Service Fund

This fund is used to account for accumulation of resources and payment of bond debt for Capital Improvement Revenue Bonds, Series 1991.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Board of County Commissioners

Road and Bridge Construction Fund

This fund is used to account for constitutional gasoline tax revenues and balances on hand, as well as a portion of the County's Local Option Gasoline Tax revenue, all available for capital improvements. All improvements from this fund are restricted to the construction of roads and bridges within Okaloosa County.

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010

| | County Transportation Trust Special Revenue Fund | Library Cooperative Special Revenue Fund | Tourist Development Special Revenue Fund | Natural Disaster Special Revenue Fund | County Public Health Special Revenue Fund | Municipal Service Benefit Units Special Revenue Fund | Unincorporated County Parks Special Revenue Fund |
|--|---|---|---|--|--|---|---|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 123,418 | \$ 87,974 | \$ 99,476 | \$ 320,534 | \$ 189,681 | \$ 66,759 | \$ 465,834 |
| Investments | 2,139,995 | 29,849 | 9,658,399 | 966,058 | 4,254 | 400,405 | 4,110,273 |
| Accounts Receivable | 1,525 | 10 | 698,479 | - | 568 | - | 9,054 |
| Due from Other Funds | - | - | - | - | - | - | - |
| Due from Other Elected Officials | - | - | 4,083 | - | 1 | 1,257 | 5,864 |
| Due from Other Governments | 720,172 | - | 82,902 | 278,419 | - | 1,283 | 36,286 |
| Prepays | 26,233 | 6,149 | 3,404 | - | - | 1,638 | - |
| Total Assets | <u>\$ 3,011,343</u> | <u>\$ 123,982</u> | <u>\$ 10,546,743</u> | <u>\$ 1,565,011</u> | <u>\$ 194,504</u> | <u>\$ 471,342</u> | <u>\$ 4,627,311</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts Payable | \$ 16,023 | \$ 4,675 | \$ 7,805 | \$ - | \$ - | \$ 17,044 | \$ 9,313 |
| Contracts Payable | 58,607 | - | 487,412 | - | 4,265 | - | 54,023 |
| Other Accrued Liabilities | 192,909 | 4,037 | 19,281 | - | - | - | 17,484 |
| Due to Other Funds | - | - | 278,569 | - | - | - | - |
| Due to Other Governments | 2,616 | - | 20 | - | - | 142 | - |
| Due to Depositors | 60,095 | - | 25,000 | - | - | - | - |
| Deferred Revenue | - | 15,432 | - | - | - | - | - |
| Total Liabilities | <u>330,250</u> | <u>24,144</u> | <u>818,087</u> | <u>-</u> | <u>4,265</u> | <u>17,186</u> | <u>80,820</u> |

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010

| | County Transportation Trust Special Revenue Fund | Library Cooperative Special Revenue Fund | Tourist Development Special Revenue Fund | Natural Disaster Special Revenue Fund | County Public Health Special Revenue Fund | Municipal Service Benefit Units Special Revenue Fund | Unincorporated County Parks Special Revenue Fund |
|---------------------------|---|---|---|--|--|---|---|
| Fund Balances | | | | | | | |
| Reserved for | | | | | | | |
| Encumbrances | 44,814 | - | - | 233,875 | - | - | - |
| Prepays | 26,233 | 6,149 | 3,404 | - | - | 1,638 | - |
| Debt Service | - | - | - | - | - | - | - |
| Other Restricted Purposes | - | - | 9,728,656 | - | - | 452,518 | - |
| Unreserved Reported in | | | | | | | |
| Special Revenue Funds | 2,610,046 | 93,689 | (3,404) | 1,331,136 | 190,239 | - | 4,546,491 |
| Capital Project Funds | - | - | - | - | - | - | - |
| Total Fund Balances | <u>2,681,093</u> | <u>99,838</u> | <u>9,728,656</u> | <u>1,565,011</u> | <u>190,239</u> | <u>454,156</u> | <u>4,546,491</u> |
| Total Liabilities and | | | | | | | |
| Fund Balances | <u>\$ 3,011,343</u> | <u>\$ 123,982</u> | <u>\$ 10,546,743</u> | <u>\$ 1,565,011</u> | <u>\$ 194,504</u> | <u>\$ 471,342</u> | <u>\$ 4,627,311</u> |

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010

| | Courts Special Revenue Fund | Public Records Modernization Trust Special Revenue Fund | Public Records Court Special Revenue Fund | Public Records 10% Fine Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Construction Capital Projects Fund | Total Nonmajor Governmental Funds (Exhibit III-A) |
|--|--------------------------------------|--|--|---|-------------------------------------|--|---|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 200,751 | \$ 890,932 | \$ 554,794 | \$ 135,432 | \$ 68,920 | \$ 124,635 | \$ 3,329,140 |
| Investments | - | - | - | - | 231,876 | 9,245,370 | 26,786,479 |
| Accounts Receivable | - | - | - | - | - | - | 709,636 |
| Due from Other Funds | - | 8,268 | 25,259 | - | - | - | 33,527 |
| Due from Other Elected Officials | - | - | - | - | - | - | 11,205 |
| Due from Other Governments | - | - | - | - | - | 778,580 | 1,897,642 |
| Prepays | - | - | - | - | - | - | 37,424 |
| Total Assets | <u>\$ 200,751</u> | <u>\$ 899,200</u> | <u>\$ 580,053</u> | <u>\$ 135,432</u> | <u>\$ 300,796</u> | <u>\$ 10,148,585</u> | <u>\$ 32,805,053</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts Payable | \$ 12,061 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 66,921 |
| Contracts Payable | - | - | - | - | - | 167,575 | 771,882 |
| Accrued Liabilities | 40,354 | - | - | - | - | - | 274,065 |
| Due to Other Funds | - | - | - | - | - | - | 278,569 |
| Due to Other Governments | - | - | - | - | - | - | 2,778 |
| Due to Depositors | 24,997 | - | - | - | - | 2,500 | 112,592 |
| Deferred Revenue | 123,339 | - | - | - | - | - | 138,771 |
| Total Liabilities | <u>200,751</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>170,075</u> | <u>1,645,578</u> |

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010

| | Courts Special Revenue Fund | Public Records Modernization Trust Special Revenue Fund | Public Records Court Special Revenue Fund | Public Records 10% Fine Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Construction Capital Projects Fund | Total Nonmajor Governmental Funds (Exhibit III-A) |
|---------------------------|--------------------------------------|--|--|---|-------------------------------------|--|---|
| Fund Balances | | | | | | | |
| Reserved for | | | | | | | |
| Encumbrances | - | - | - | - | - | 327,245 | 605,934 |
| Prepays | - | - | - | - | - | - | 37,424 |
| Debt Service | - | - | - | - | 300,796 | - | 300,796 |
| Other Restricted Purposes | - | 899,200 | 580,053 | 135,432 | - | - | 11,795,859 |
| Unreserved Reported in | | | | | | | |
| Special Revenue Funds | - | - | - | - | - | - | 8,768,197 |
| Capital Project Funds | - | - | - | - | - | 9,651,265 | 9,651,265 |
| Total Fund Balances | - | 899,200 | 580,053 | 135,432 | 300,796 | 9,978,510 | 31,159,475 |
| Total Liabilities and | | | | | | | |
| Fund Balances | \$ 200,751 | \$ 899,200 | \$ 580,053 | \$ 135,432 | \$ 300,796 | \$ 10,148,585 | \$ 32,805,053 |

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | County Transportation Trust Special Revenue Fund | Library Cooperative Special Revenue Fund | Tourist Development Special Revenue Fund | Natural Disaster Special Revenue Fund | County Public Health Special Revenue Fund | Municipal Service Benefit Units Special Revenue Fund | Unincorporated County Parks Special Revenue Fund |
|---------------------------|---|---|---|--|--|---|---|
| Revenues | | | | | | | |
| Taxes | \$ 2,687,900 | \$ - | \$ 5,260,031 | \$ - | \$ 824,046 | \$ - | \$ 1,284,544 |
| Licenses and Permits | - | - | 898,550 | - | - | 420,655 | - |
| Intergovernmental | 4,571,600 | 111,863 | 878,785 | 648,201 | - | - | 37,851 |
| Charges for Services | 251,307 | 24,000 | 44 | - | - | - | 1,000 |
| Fines | 650 | - | - | - | - | - | 116 |
| Miscellaneous | 20,153 | 429,660 | 1,625,067 | 1,126,668 | 134,843 | 10,749 | 107,041 |
| Total Revenues | 7,531,610 | 565,523 | 8,662,477 | 1,774,869 | 958,889 | 431,404 | 1,430,552 |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General Government | - | - | - | - | - | - | - |
| Physical Environment | 489,805 | - | - | - | - | - | - |
| Transportation | 9,030,577 | - | 409,999 | - | - | 424,987 | - |
| Economic Environment | - | - | 5,727,451 | 957,778 | - | - | - |
| Human Services | - | - | - | - | 647,055 | - | - |
| Culture and Recreation | - | 1,500,390 | 1,458,864 | - | - | - | 871,732 |
| Court-Related | - | - | - | - | - | - | - |
| Capital Outlay | 574,450 | - | (162,920) | 5,684 | 131,972 | - | 276,046 |
| Debt Service | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Other Debt Service Costs | - | - | - | - | - | - | - |
| Total Expenditures | 10,094,832 | 1,500,390 | 7,433,394 | 963,462 | 779,027 | 424,987 | 1,147,778 |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | County Transportation Trust Special Revenue Fund | Library Cooperative Special Revenue Fund | Tourist Development Special Revenue Fund | Natural Disaster Special Revenue Fund | County Public Health Special Revenue Fund | Municipal Service Benefit Units Special Revenue Fund | Unincorporated County Parks Special Revenue Fund |
|---|---|---|---|--|--|---|---|
| Excess (Deficiency) of Revenues Over (Under) | (2,563,222) | (934,867) | 1,229,083 | 811,407 | 179,862 | 6,417 | 282,774 |
| Expenditures | | | | | | | |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers In | 3,121,503 | 943,179 | - | - | 4,000 | - | - |
| Transfers Out | - | - | (251,202) | (266,350) | - | - | - |
| Transfers Among | | | | | | | |
| Constitutional Officers Issuance of Debt | - | - | 4,083 | 23,242 | - | 1,257 | 5,862 |
| Discount on Debt Issuance | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | 3,121,503 | 943,179 | (247,119) | (243,108) | 4,000 | 1,257 | 5,862 |
| Net Change in Fund Balances | 558,281 | 8,312 | 981,964 | 568,299 | 183,862 | 7,674 | 288,636 |
| Fund Balances - Beginning | 2,122,812 | 91,526 | 8,746,692 | 996,712 | 6,377 | 446,482 | 4,257,855 |
| Fund Balances - Ending | \$ 2,681,093 | \$ 99,838 | \$ 9,728,656 | \$ 1,565,011 | \$ 190,239 | \$ 454,156 | \$ 4,546,491 |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | Courts Special Revenue Fund | Public Records Modernization Trust Special Revenue Fund | Public Records Court Special Revenue Fund | Public Records 10% Fine Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Construction Capital Projects Fund | Total Nonmajor Governmental Funds (Exhibit IV-A) |
|---------------------------|--------------------------------------|--|--|---|-------------------------------------|--|--|
| Revenues | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,680,322 | \$ 11,736,843 |
| Licenses and Permits | - | - | - | - | - | - | 1,319,205 |
| Intergovernmental | 3,484,616 | - | - | - | 4,109,625 | 3,733,011 | 17,575,552 |
| Charges for Services | - | 115,991 | 270,169 | 283,174 | - | - | 945,685 |
| Fines | - | - | - | 425 | - | - | 1,191 |
| Miscellaneous | - | 19,541 | 12,166 | - | 139,746 | 193,580 | 3,819,214 |
| Total Revenues | 3,484,616 | 135,532 | 282,335 | 283,599 | 4,249,371 | 5,606,913 | 35,397,690 |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General Government | - | 226,728 | - | - | 190,750 | - | 417,478 |
| Physical Environment | - | - | - | - | - | - | 489,805 |
| Transportation | - | - | - | - | - | 2,548,888 | 12,414,451 |
| Economic Environment | - | - | - | - | - | - | 6,685,229 |
| Human Services | - | - | - | - | - | - | 647,055 |
| Culture and Recreation | - | - | - | - | - | - | 3,830,986 |
| Court-Related | 3,484,616 | - | 205,117 | 216,743 | - | - | 3,906,476 |
| Capital Outlay | - | 174,204 | 143,364 | - | - | 2,415,102 | 3,557,902 |
| Debt Service | | | | | | | |
| Principal | - | - | - | - | 587,505 | - | 587,505 |
| Interest | - | - | - | - | 435,901 | - | 435,901 |
| Other Debt Service Costs | - | - | - | - | 692,498 | - | 692,498 |
| Total Expenditures | 3,484,616 | 400,932 | 348,481 | 216,743 | 1,906,654 | 4,963,990 | 33,665,286 |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | Courts Special Revenue Fund | Public Records Modernization Trust Special Revenue Fund | Public Records Court Special Revenue Fund | Public Records 10% Fine Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Construction Capital Projects Fund | Total Nonmajor Governmental Funds (Exhibit IV-A) |
|---|--------------------------------------|--|--|---|-------------------------------------|--|--|
| Excess (Deficiency) of Revenues Over (Under) | | | | | | | |
| Expenditures | - | (265,400) | (66,146) | 66,856 | 2,342,717 | 642,923 | 1,732,404 |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers In | - | - | - | - | 535,771 | - | 4,604,453 |
| Transfers Out | - | - | - | - | (3,486,503) | - | (4,004,055) |
| Transfers Among | | | | | | | |
| Constitutional Officers Issuance of Debt | - | - | - | - | - | - | 34,444 |
| Discount on Debt Issuance | - | - | - | - | 943,206 | - | 943,206 |
| | - | - | - | - | (251,241) | - | (251,241) |
| Total Other Financing Sources (Uses) | - | - | - | - | (2,258,767) | - | 1,326,807 |
| Net Change in Fund Balances | - | (265,400) | (66,146) | 66,856 | 83,950 | 642,923 | 3,059,211 |
| Fund Balances - Beginning | - | 1,164,600 | 646,199 | 68,576 | 216,846 | 9,335,587 | 28,100,264 |
| Fund Balances - Ending | \$ - | \$ 899,200 | \$ 580,053 | \$ 135,432 | \$ 300,796 | \$ 9,978,510 | \$ 31,159,475 |

Okaloosa County, Florida
CAPITAL OUTLAY CONSTRUCTION TRUST CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|---------------------|---------------------|-------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 120,000 | \$ 1,269,435 | \$ 411,827 | \$ (857,608) |
| Charges for Services | - | 130,000 | 130,000 | - |
| Miscellaneous | 250,000 | 422,000 | 537,143 | 115,143 |
| Total Revenues | 370,000 | 1,821,435 | 1,078,970 | (742,465) |
| Expenditures | | | | |
| Current | | | | |
| General Government | 8,458,995 | 20,774,187 | 581,356 | 20,192,831 |
| Culture and Recreation | 578,601 | 453,924 | 75,728 | 378,196 |
| Capital Outlay | 1,531,688 | 15,790,439 | 10,126,156 | 5,664,283 |
| Total Expenditures | 10,569,284 | 37,018,550 | 10,783,240 | 26,235,310 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (10,199,284) | (35,197,115) | (9,704,270) | 25,492,845 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 950,000 | 765,431 | 678,427 | (87,004) |
| Transfers Out | (1,659,417) | (1,659,417) | (1,659,417) | - |
| Issuance of Debt | - | 25,671,794 | 25,671,794 | - |
| Total Other Financing Sources (Uses) | (709,417) | 24,777,808 | 24,690,804 | (87,004) |
| Net Change in Fund Balance | (10,908,701) | (10,419,307) | 14,986,534 | 25,405,841 |
| Fund Balance - Beginning | 10,908,701 | 10,419,307 | 10,419,308 | 1 |
| Fund Balance - Ending | \$ - | \$ - | \$ 25,405,842 | \$ 25,405,842 |

Okaloosa County, Florida
COUNTY TRANSPORTATION TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 2,550,000 | \$ 2,550,000 | \$ 2,687,900 | \$ 137,900 |
| Intergovernmental | 4,475,162 | 5,279,512 | 4,571,600 | (707,912) |
| Charges for Services | 239,500 | 239,500 | 251,307 | 11,807 |
| Fines | - | - | 650 | 650 |
| Miscellaneous | 35,000 | 35,000 | 20,153 | (14,847) |
| Total Revenues | 7,299,662 | 8,104,012 | 7,531,610 | (572,402) |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | - | 78,183 | - | 78,183 |
| Physical Environment | 479,518 | 538,455 | 489,805 | 48,650 |
| Transportation | 9,477,847 | 9,600,194 | 9,030,577 | 569,617 |
| Capital Outlay | 2,148,800 | 3,131,495 | 574,450 | 2,557,045 |
| Total Expenditures | 12,106,165 | 13,348,327 | 10,094,832 | 3,253,495 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (4,806,503) | (5,244,315) | (2,563,222) | 2,681,093 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 3,121,503 | 3,121,503 | 3,121,503 | - |
| Total Other Financing Sources (Uses) | 3,121,503 | 3,121,503 | 3,121,503 | - |
| Net Change in Fund Balance | (1,685,000) | (2,122,812) | 558,281 | 2,681,093 |
| Fund Balance - Beginning | 1,685,000 | 2,122,812 | 2,122,812 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 2,681,093 | \$ 2,681,093 |

Okaloosa County, Florida
LIBRARY COOPERATIVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|-------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 120,703 | \$ 127,295 | \$ 111,863 | \$ (15,432) |
| Charges for Services | - | 24,000 | 24,000 | - |
| Miscellaneous | 3,500 | 430,455 | 429,660 | (795) |
| | | | | |
| Total Revenues | 124,203 | 581,750 | 565,523 | (16,227) |
| Expenditures | | | | |
| Current | | | | |
| Culture and Recreation | 1,109,203 | 1,616,456 | 1,500,390 | 116,066 |
| | | | | |
| Total Expenditures | 1,109,203 | 1,616,456 | 1,500,390 | 116,066 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (985,000) | (1,034,706) | (934,867) | 99,839 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 900,000 | 943,180 | 943,179 | (1) |
| Total Other Financing Sources (Uses) | 900,000 | 943,180 | 943,179 | (1) |
| | | | | |
| Net Change in Fund Balance | (85,000) | (91,526) | 8,312 | 99,838 |
| Fund Balance - Beginning | 85,000 | 91,526 | 91,526 | - |
| | | | | |
| Fund Balance - Ending | \$ - | \$ - | \$ 99,838 | \$ 99,838 |

Okaloosa County, Florida
TOURIST DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 5,850,000 | \$ 5,850,000 | \$ 5,260,031 | \$ (589,969) |
| Licenses and Permits | 930,000 | 930,000 | 898,550 | (31,450) |
| Intergovernmental | - | 7,941,484 | 878,785 | (7,062,699) |
| Charges for Services | - | - | 44 | 44 |
| Miscellaneous | 235,000 | 1,635,461 | 1,625,067 | (10,394) |
| Total Revenues | 7,015,000 | 16,356,945 | 8,662,477 | (7,694,468) |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 282,000 | 562,593 | 409,999 | 152,594 |
| Economic Environment | 6,032,710 | 7,975,132 | 5,727,451 | 2,247,681 |
| Culture and Recreation | 7,639,140 | 16,245,673 | 1,458,864 | 14,786,809 |
| Capital Outlay | 43,150 | 52,238 | (162,920) | 215,158 |
| Total Expenditures | 13,997,000 | 24,835,636 | 7,433,394 | 17,402,242 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (6,982,000) | (8,478,691) | 1,229,083 | 9,707,774 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (268,000) | (268,000) | (251,202) | 16,798 |
| Transfers Among Constitutional Officers | - | - | 4,083 | 4,083 |
| Total Other Financing Sources (Uses) | (268,000) | (268,000) | (247,119) | 20,881 |
| Net Change in Fund Balance | (7,250,000) | (8,746,691) | 981,964 | 9,728,655 |
| Fund Balance - Beginning | 7,250,000 | 8,746,691 | 8,746,692 | 1 |
| Fund Balance - Ending | \$ - | \$ - | \$ 9,728,656 | \$ 9,728,656 |

Okaloosa County, Florida
NATURAL DISASTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|--------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 1,288,544 | \$ 648,201 | \$ (640,343) |
| Miscellaneous | - | 1,129,979 | 1,126,668 | (3,311) |
| Total Revenues | - | 2,418,523 | 1,774,869 | (643,654) |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | - | 562,634 | - | 562,634 |
| Economic Environment | - | 2,166,317 | 957,778 | 1,208,539 |
| Capital Outlay | - | 419,934 | 5,684 | 414,250 |
| Total Expenditures | - | 3,148,885 | 963,462 | 2,185,423 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (730,362) | 811,407 | 1,541,769 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | - | (266,350) | (266,350) | - |
| Transfers Among Constitutional Officers | - | - | 23,242 | 23,242 |
| Total Other Financing Sources (Uses) | - | (266,350) | (243,108) | 23,242 |
| Net Change in Fund Balance | - | (996,712) | 568,299 | 1,565,011 |
| Fund Balance - Beginning | - | 996,712 | 996,712 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 1,565,011 | \$ 1,565,011 |

Okaloosa County, Florida
COUNTY PUBLIC HEALTH SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 823,531 | \$ 823,531 | \$ 824,046 | \$ 515 |
| Miscellaneous | 3,000 | 134,973 | 134,843 | (130) |
| Total Revenues | 826,531 | 958,504 | 958,889 | 385 |
| Expenditures | | | | |
| Current | | | | |
| Human Services | 840,531 | 578,214 | 647,055 | (68,841) |
| Capital Outlay | - | 394,290 | 131,972 | 262,318 |
| Total Expenditures | 840,531 | 972,504 | 779,027 | 193,477 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (14,000) | (14,000) | 179,862 | 193,862 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 4,000 | 4,000 | 4,000 | - |
| Total Other Financing Sources (Uses) | 4,000 | 4,000 | 4,000 | - |
| Net Change in Fund Balance | (10,000) | (10,000) | 183,862 | 193,862 |
| Fund Balance - Beginning | 10,000 | 10,000 | 6,377 | (3,623) |
| Fund Balance - Ending | \$ - | \$ - | \$ 190,239 | \$ 190,239 |

Okaloosa County, Florida
MUNICIPAL SERVICES BENEFIT UNIT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Licenses and Permits | \$ 414,120 | \$ 430,675 | \$ 420,655 | (10,020) |
| Miscellaneous | - | - | 10,749 | 10,749 |
| Total Revenues | 414,120 | 430,675 | 431,404 | 729 |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 750,019 | 816,214 | 424,987 | 391,227 |
| Capital Outlay | 37,575 | 60,943 | - | 60,943 |
| Total Expenditures | 787,594 | 877,157 | 424,987 | 452,170 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (373,474) | (446,482) | 6,417 | 452,899 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | - | - | 1,257 | 1,257 |
| Total Other Financing Sources (Uses) | - | - | 1,257 | 1,257 |
| Net Change in Fund Balance | (373,474) | (446,482) | 7,674 | 454,156 |
| Fund Balance - Beginning | 373,474 | 446,482 | 446,482 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 454,156 | \$ 454,156 |

Okaloosa County, Florida
UNINCORPORATED COUNTY PARKS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 1,269,607 | \$ 1,284,548 | \$ 1,284,544 | \$ (4) |
| Intergovernmental | - | 50,239 | 37,851 | (12,388) |
| Charges for Services | - | 1,000 | 1,000 | - |
| Fines | - | 116 | 116 | - |
| Miscellaneous | 150,000 | 153,116 | 107,041 | (46,075) |
| Total Revenues | <u>1,419,607</u> | <u>1,489,019</u> | <u>1,430,552</u> | <u>(58,467)</u> |
| Expenditures | | | | |
| Current | | | | |
| Culture and Recreation | 3,973,845 | 4,434,126 | 871,732 | 3,562,394 |
| Capital Outlay | 1,245,762 | 1,312,748 | 276,046 | 1,036,702 |
| Total Expenditures | <u>5,219,607</u> | <u>5,746,874</u> | <u>1,147,778</u> | <u>4,599,096</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(3,800,000)</u> | <u>(4,257,855)</u> | <u>282,774</u> | <u>4,540,629</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | - | - | 5,862 | 5,862 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>5,862</u> | <u>5,862</u> |
| Net Change in Fund Balance | <u>(3,800,000)</u> | <u>(4,257,855)</u> | <u>288,636</u> | <u>4,546,491</u> |
| Fund Balance - Beginning | <u>3,800,000</u> | <u>4,257,855</u> | <u>4,257,855</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,546,491</u> | <u>\$ 4,546,491</u> |

Okaloosa County, Florida
COURTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|--------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 3,461,642 | \$ 3,474,302 | \$ 3,484,616 | \$ 10,314 |
| Total Revenues | 3,461,642 | 3,474,302 | 3,484,616 | 10,314 |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | 3,461,642 | 3,474,302 | 3,484,616 | (10,314) |
| Total Expenditures | 3,461,642 | 3,474,302 | 3,484,616 | (10,314) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | \$ - | \$ - | \$ - | \$ - |

Okaloosa County, Florida
PUBLIC RECORDS MODERNIZATION TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------------|-------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Charges for Services | \$ 100,000 | \$ 100,000 | \$ 115,991 | \$ 15,991 |
| Miscellaneous | 1,190,000 | 1,190,000 | 19,541 | (1,170,459) |
| Total Revenues | <u>1,290,000</u> | <u>1,290,000</u> | <u>135,532</u> | <u>(1,154,468)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | - | 226,735 | 226,728 | 7 |
| Capital Outlay | 1,290,000 | 1,063,265 | 174,204 | 889,061 |
| Total Expenditures | <u>1,290,000</u> | <u>1,290,000</u> | <u>400,932</u> | <u>889,068</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>(265,400)</u> | <u>(265,400)</u> |
| Net Change in Fund Balance | - | - | (265,400) | (265,400) |
| Fund Balance - Beginning | <u>-</u> | <u>-</u> | <u>1,164,600</u> | <u>1,164,600</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 899,200</u> | <u>\$ 899,200</u> |

Okaloosa County, Florida
PUBLIC RECORDS COURTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for Services | \$ 275,000 | \$ 275,000 | \$ 270,169 | \$ (4,831) |
| Miscellaneous | 667,000 | 667,000 | 12,166 | (654,834) |
| Total Revenues | 942,000 | 942,000 | 282,335 | (659,665) |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | - | 205,125 | 205,117 | 8 |
| Capital Outlay | 942,000 | 736,875 | 143,364 | 593,511 |
| Total Expenditures | 942,000 | 942,000 | 348,481 | 593,519 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | (66,146) | (66,146) |
| Net Change in Fund Balance | - | - | (66,146) | (66,146) |
| Fund Balance - Beginning | - | - | 646,199 | 646,199 |
| Fund Balance - Ending | \$ - | \$ - | \$ 580,053 | \$ 580,053 |

Okaloosa County, Florida
PUBLIC RECORDS 10% FINE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for Services | \$ 240,000 | \$ 240,000 | \$ 283,174 | \$ 43,174 |
| Fines | 68,800 | 68,800 | 425 | (68,375) |
| Total Revenues | 308,800 | 308,800 | 283,599 | (25,201) |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | - | 217,000 | 216,743 | 257 |
| Total Expenditures | 308,800 | 308,800 | 216,743 | 92,057 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | 66,856 | 66,856 |
| Net Change in Fund Balance | - | - | 66,856 | 66,856 |
| Fund Balance - Beginning | - | - | 68,576 | 68,576 |
| Fund Balance - Ending | \$ - | \$ - | \$ 135,432 | \$ 135,432 |

Okaloosa County, Florida
OKALOOSA DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|--------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 3,946,500 | \$ 4,096,500 | \$ 4,109,625 | \$ 13,125 |
| Miscellaneous | - | 140,443 | 139,746 | (697) |
| Total Revenues | 3,946,500 | 4,236,943 | 4,249,371 | 12,428 |
| Expenditures | | | | |
| Current | | | | |
| General Government | 395,750 | 407,596 | 190,750 | 216,846 |
| Principal | 905,000 | 905,000 | 587,505 | 317,495 |
| Interest | 24,000 | 449,012 | 435,901 | 13,111 |
| Other Debt Service Costs | 25,000 | 716,964 | 692,498 | 24,466 |
| Total Expenditures | 1,349,750 | 2,478,572 | 1,906,654 | 571,918 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,596,750 | 1,758,371 | 2,342,717 | 584,346 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 284,753 | 819,322 | 535,771 | (283,551) |
| Transfers Out | (3,086,503) | (3,486,503) | (3,486,503) | - |
| Transfers Among | | | | |
| Constitutional Officers | - | - | - | - |
| Issuance of Debt | - | 943,206 | 943,206 | - |
| Discount on Debt Issuance | - | (251,242) | (251,241) | 1 |
| Total Other Financing Sources (Uses) | (2,801,750) | (1,975,217) | (2,258,767) | (283,550) |
| Net Change in Fund Balance | (205,000) | (216,846) | 83,950 | 300,796 |
| Fund Balance - Beginning | 205,000 | 216,846 | 216,846 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 300,796 | \$ 300,796 |

Okaloosa County, Florida
ROAD AND BRIDGE CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 1,600,000 | \$ 1,600,000 | \$ 1,680,322 | \$ 80,322 |
| Intergovernmental | 2,350,000 | 5,159,272 | 3,733,011 | (1,426,261) |
| Miscellaneous | 790,238 | 790,238 | 193,580 | (596,658) |
| Total Revenues | <u>4,740,238</u> | <u>7,549,510</u> | <u>5,606,913</u> | <u>(1,942,597)</u> |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 2,360,530 | 6,448,636 | 2,548,888 | 3,899,748 |
| Capital Outlay | 10,616,546 | 10,436,461 | 2,415,102 | 8,021,359 |
| Total Expenditures | <u>12,977,076</u> | <u>16,885,097</u> | <u>4,963,990</u> | <u>11,921,107</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(8,236,838)</u> | <u>(9,335,587)</u> | <u>642,923</u> | <u>9,978,510</u> |
| Net Change in Fund Balance | (8,236,838) | (9,335,587) | 642,923 | 9,978,510 |
| Fund Balance - Beginning | <u>8,236,838</u> | <u>9,335,587</u> | <u>9,335,587</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,978,510</u> | <u>\$ 9,978,510</u> |

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Board of County Commissioner of Okaloosa County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Board has decided that periodic determination of net income is appropriate for accountability purposes.

Board of County Commissioners

Inspection and Code Enforcement Fund

This fund is used to account for the license, permit and inspection fees and related expenses for the provision of inspection and code enforcement services to residents of the unincorporated areas of Okaloosa County.

Emergency Medical Services Fund

This fund is used to account for the operation of a county-wide emergency medical technician and paramedic service. Revenue sources include ad valorem property tax subsidy, user charges, and private donations.

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR ENTERPRISE FUNDS
September 30, 2010

| | Business-type Activities | | |
|---|---------------------------------------|----------------------------------|--|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit VII) |
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 1,735 | \$ 630 | \$ 2,365 |
| Receivables, Net of Allowance for Uncollectibles | 24,943 | 3,241,784 | 3,266,727 |
| Due from Other Elected Officials | - | 2 | 2 |
| Prepays | 3,370 | 2,077 | 5,447 |
| | <u>30,048</u> | <u>3,244,493</u> | <u>3,274,541</u> |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Intangible | 42,425 | 30,150 | 72,575 |
| Machinery and Equipment | 342,234 | 4,351,780 | 4,694,014 |
| Less Accumulated Depreciation | (363,631) | (2,806,050) | (3,169,681) |
| Total Capital Assets (Net of Accumulated Depreciation) | <u>21,028</u> | <u>1,575,880</u> | <u>1,596,908</u> |
| Total Noncurrent Assets | <u>21,028</u> | <u>1,575,880</u> | <u>1,596,908</u> |
| Total Assets | <u>\$ 51,076</u> | <u>\$ 4,820,373</u> | <u>\$ 4,871,449</u> |

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR ENTERPRISE FUNDS
September 30, 2010

| | Business-type Activities | | |
|--|---------------------------------------|----------------------------------|--|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit VII) |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 218,887 | \$ 514,313 | \$ 733,200 |
| Contracts Payable | 3,704 | 52,692 | 56,396 |
| Accrued Liabilities | | | |
| Compensated Absences | 60,557 | 183,933 | 244,490 |
| Other Accrued Liabilities | 41,410 | 196,376 | 237,786 |
| Due to Other Elected Officials | - | 130 | 130 |
| Due to Other Governments | 3,507 | 4,093 | 7,600 |
| Deferred Revenue | 24,446 | 41,239 | 65,685 |
| Total Current Liabilities | 352,511 | 992,776 | 1,345,287 |
| Noncurrent Liabilities | | | |
| Compensated Absences | 36,839 | 103,721 | 140,560 |
| Other Post Employment Benefits | 8,839 | 66,351 | 75,190 |
| Total Noncurrent Liabilities | 45,678 | 170,072 | 215,750 |
| Total Liabilities | 398,189 | 1,162,848 | 1,561,037 |
| Equity | | | |
| Invested in Capital Assets, Net of Related Debt | 21,028 | 1,575,880 | 1,596,908 |
| Unrestricted | (368,141) | 2,081,645 | 1,713,504 |
| Total Equity | (347,113) | 3,657,525 | 3,310,412 |
| Total Liabilities and Equity | \$ 51,076 | \$ 4,820,373 | \$ 4,871,449 |

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN EQUITY
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|---|---------------------------------------|----------------------------------|---|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit VIII) |
| Operating Revenues | | | |
| Licenses and Permits | \$ 894,021 | \$ - | \$ 894,021 |
| Charges for Services | 144,192 | 5,647,336 | 5,791,528 |
| Miscellaneous | 2,849 | - | 2,849 |
| Total Operating Revenues | 1,041,062 | 5,647,336 | 6,688,398 |
| Operating Expenses | | | |
| Personal Services | 1,127,897 | 5,554,482 | 6,682,379 |
| Contractual Services | 5,000 | 423,808 | 428,808 |
| Supplies | 23,806 | 525,498 | 549,304 |
| Utilities | - | 36,193 | 36,193 |
| Other Operating Expenses | 57,038 | 432,563 | 489,601 |
| Depreciation/Amortization | 27,544 | 552,326 | 579,870 |
| Total Operating Expenses | 1,241,285 | 7,524,870 | 8,766,155 |
| Operating Income (Loss) | (200,223) | (1,877,534) | (2,077,757) |
| Nonoperating Revenues (Expenses) | | | |
| Taxes | 102,113 | 1,221,414 | 1,323,527 |
| Intergovernmental | - | 8,920 | 8,920 |
| Investment Income | (4,021) | (9,483) | (13,504) |
| Gain/Loss on Disposal of Capital Assets | - | (35,722) | (35,722) |
| Total Nonoperating Revenues (Expenses) | 98,092 | 1,185,129 | 1,283,221 |
| Income (Loss) Before | | | |
| Contributions and Transfers | (102,131) | (692,405) | (794,536) |
| Capital Contributions | 287 | - | 287 |
| Transfers In | - | 283,000 | 283,000 |
| Change in Equity | (101,844) | (409,405) | (511,249) |
| Total Equity - Beginning as Restated | (245,269) | 4,066,930 | 3,821,661 |
| Total Equity - Ending | \$ (347,113) | \$ 3,657,525 | \$ 3,310,412 |

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|---|---------------------------------------|----------------------------------|---|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit IX) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 1,015,020 | \$ 5,492,416 | \$ 6,507,436 |
| Payments to Suppliers | (23,761) | (768,401) | (792,162) |
| Payments to Employees | (1,013,185) | (5,324,710) | (6,337,895) |
| Payments for Interfund Services Used | (74,763) | (641,639) | (716,402) |
| Net Cash Provided (Used) by Operating Activities | <u>(96,689)</u> | <u>(1,242,334)</u> | <u>(1,339,023)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Operating Subsidy - Taxes | 102,113 | 1,221,850 | 1,323,963 |
| Operating Subsidy - Intergovernmental Revenue | - | 44,986 | 44,986 |
| Transfers In | - | 283,000 | 283,000 |
| Interest Paid on non-Capital Debt | (3,943) | (3,399) | (7,342) |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>98,170</u> | <u>1,546,437</u> | <u>1,644,607</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | - | (299,037) | (299,037) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>-</u> | <u>(299,037)</u> | <u>(299,037)</u> |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale and Maturities of Investments | 2,075 | 4,140 | 6,215 |
| Purchases of Investments | (1,821) | (8,576) | (10,397) |
| Net Cash Provided (Used) by Investing Activities | <u>254</u> | <u>(4,436)</u> | <u>(4,182)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,735 | 630 | 2,365 |
| Cash and Cash Equivalents - Beginning of Year | - | - | - |
| Cash and Cash Equivalents - End of Year | <u>\$ 1,735</u> | <u>\$ 630</u> | <u>\$ 2,365</u> |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|--|---------------------------------------|----------------------------------|---|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit IX) |
| Cash and Cash Equivalents at End of Year Consist of: | | | |
| Current assets | \$ 1,735 | \$ 630 | \$ 2,365 |
| Total | <u>\$ 1,735</u> | <u>\$ 630</u> | <u>\$ 2,365</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ (200,223) | \$ (1,877,534) | \$ (2,077,757) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation/Amortization | 27,544 | 552,326 | 579,870 |
| Decrease (Increase) in Assets | | | |
| Accounts Receivable | (11,393) | (154,920) | (166,313) |
| Due from Other Funds | - | - | - |
| Prepaid Expenses | (3,370) | (57) | (3,427) |
| Increase (Decrease) in Liabilities | | | |
| Accounts Payable | 101,012 | 153,564 | 254,576 |
| Service Contracts Payable | 3,704 | 21,814 | 25,518 |
| Due to Other Funds | - | 130 | 130 |
| Due to Other Governments | 596 | 2,757 | 3,353 |
| Compensated Absences Payable | (10,510) | 19,773 | 9,263 |
| Other Accrued Liabilities | 8,692 | 17,280 | 25,972 |
| Deferred Revenue | (15,245) | - | (15,245) |
| Other Post Employment Benefits | 2,504 | 22,533 | 25,037 |
| Total Adjustments | <u>103,534</u> | <u>635,200</u> | <u>738,734</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (96,689)</u> | <u>\$ (1,242,334)</u> | <u>\$ (1,339,023)</u> |
| Noncash Investing, Capital, and Financing Activities | | | |
| Transfer of Fixed Assets From Other Funds | \$ 287 | \$ - | 287 |
| Transfer of Fixed Assets to Other Funds | \$ - | \$ (25,929) | (25,929) |
| Loss on Disposal of Assets | \$ - | \$ (9,793) | \$ (9,793) |
| Unrealized Gain/(Loss) on Investments | \$ 1,593 | \$ 2,542 | \$ 4,135 |

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of Okaloosa County and to other government units, on a cost reimbursement basis.

Board of County Commissioners

Self Insurance

This fund is used to account for premiums and claims associated with the provision of self-insurance programs for Okaloosa County.

Garage Service Fund

This fund is used to account for user charges and expenses associated with vehicle maintenance and the centralized distribution of gasoline and special fuel to various Okaloosa County departments as well as other County agencies.

Clerk of the Circuit Court

Compensated Absences Fund

This fund is used to accumulate and fund the short-term portion of compensated absence liability for the Clerk of the Circuit Court.

Sheriff

Compensated Absences Fund

This fund is used to accumulate and fund the short-term portion of compensated absence liability for the Sheriff.

Health Benefits Self Insurance Fund

This fund is used to account for premiums and claims associated with the provision of self-insurance of health benefits for the Sheriff and to record the liability for other post employment benefits provided to retirees of the Sheriff.



Okaloosa County, Florida
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
September 30, 2010

| | Self Insurance | Garage Services | Governmental Clerk of Court Compensated Absences |
|---|-------------------|---------------------|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 266,492 | \$ 106,084 | \$ 269,459 |
| Investments | 549,830 | 130 | - |
| Receivables, Net of Allowance for Uncollectibles | 8,159 | 1,963 | - |
| Due from Other Funds | - | - | - |
| Due from Other Elected Officials | 653 | 100 | - |
| Due from Other Governments | - | 147,171 | - |
| Inventory | - | 221,412 | - |
| Total Current Assets | 825,134 | 476,860 | 269,459 |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Land | - | 316,861 | - |
| Buildings | - | 900,466 | - |
| Improvements Other Than Buildings | - | 257,345 | - |
| Machinery and Equipment | 33,478 | 2,467,074 | - |
| Less Accumulated Depreciation | (32,774) | (3,254,308) | - |
| Total Capital Assets (Net of Accumulated Depreciation) | 704 | 687,438 | - |
| Total Noncurrent Assets | 704 | 687,438 | - |
| Total Assets | \$ 825,838 | \$ 1,164,298 | \$ 269,459 |

Statement C-1

| Activities | | |
|------------------------------------|--|--|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | Total Internal Service Funds (Exhibit VII) |
| \$ 1,265,404 | \$ 2,625,502 | \$ 4,532,941 |
| - | - | 549,960 |
| - | - | 10,122 |
| 217,428 | - | 217,428 |
| - | - | 753 |
| - | 98,921 | 246,092 |
| - | - | 221,412 |
| <u>1,482,832</u> | <u>2,724,423</u> | <u>5,778,708</u> |
| - | - | 316,861 |
| - | - | 900,466 |
| - | - | 257,345 |
| - | - | 2,500,552 |
| - | - | <u>(3,287,082)</u> |
| - | - | 688,142 |
| - | - | 688,142 |
| <u>\$ 1,482,832</u> | <u>\$ 2,724,423</u> | <u>\$ 6,466,850</u> |

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
September 30, 2010

| | Self Insurance | Garage Services | Governmental Clerk of Court Compensated Absences |
|--|--------------------|---------------------|---|
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 1,213 | \$ 115,860 | \$ - |
| Contracts Payable | 12,998 | 26,581 | - |
| Accrued Liabilities | | | |
| Compensated Absences | 15,887 | 79,042 | 269,459 |
| Claims and Judgments | 1,742,675 | - | - |
| Other Accrued Liabilities | 7,107 | 35,373 | - |
| Due to Other Governments | 227 | - | - |
| Deferred Revenue | 11,603 | - | - |
| Total Current Liabilities | 1,791,710 | 256,856 | 269,459 |
| Noncurrent Liabilities | | | |
| Compensated Absences | 19,334 | 73,754 | - |
| Claims and Judgments | 2,079,710 | - | - |
| Other Post Employment Benefits | 1,674 | 10,779 | - |
| Total Noncurrent Liabilities | 2,100,718 | 84,533 | - |
| Total Liabilities | 3,892,428 | 341,389 | 269,459 |
| Equity | | | |
| Invested in Capital Assets, Net of Related Debt | 704 | 687,438 | - |
| Unrestricted | (3,067,294) | 135,471 | - |
| Total Equity | (3,066,590) | 822,909 | - |
| Total Liabilities and Equity | \$ 825,838 | \$ 1,164,298 | \$ 269,459 |

Statement C-1

| Activities | | |
|------------------------------------|--|--|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | Total Internal Service Funds (Exhibit VII) |
| \$ - | \$ - | \$ 117,073 |
| - | - | 39,579 |
| 1,482,832 | - | 1,847,220 |
| - | 650,727 | 2,393,402 |
| - | - | 42,480 |
| - | - | 227 |
| - | - | 11,603 |
| <u>1,482,832</u> | <u>650,727</u> | <u>4,451,584</u> |
| - | - | 93,088 |
| - | - | 2,079,710 |
| - | 3,229,829 | 3,242,282 |
| <u>-</u> | <u>3,229,829</u> | <u>5,415,080</u> |
| <u>1,482,832</u> | <u>3,880,556</u> | <u>9,866,664</u> |
| - | - | 688,142 |
| - | (1,156,133) | (4,087,956) |
| <u>-</u> | <u>(1,156,133)</u> | <u>(3,399,814)</u> |
| <u>\$ 1,482,832</u> | <u>\$ 2,724,423</u> | <u>\$ 6,466,850</u> |

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Self Insurance | Garage Services | Governmental Clerk of Court Compensated Absences |
|---|-------------------|------------------|---|
| Operating Revenues | | | |
| Charges for Services | \$ 12,583,692 | \$ 3,873,959 | \$ 4,341 |
| Fines | 35 | - | - |
| Miscellaneous | 1,181 | 73 | - |
| Total Operating Revenues | 12,584,908 | 3,874,032 | 4,341 |
| Operating Expenses | | | |
| Personal Services | 214,300 | 1,093,622 | 4,341 |
| Contractual Services | 117,992 | 2,900 | - |
| Supplies | 2,660 | 2,645,713 | - |
| Insurance Premiums and Claims | 13,133,556 | - | - |
| Utilities | - | 8,675 | - |
| Other Operating Expenses | 5,671 | 233,274 | - |
| Depreciation/Amortization | 1,136 | 107,109 | - |
| Total Operating Expenses | 13,475,315 | 4,091,293 | 4,341 |
| Operating Income (Loss) | (890,407) | (217,261) | - |
| Nonoperating Revenues (Expenses) | | | |
| Investment Income | 30,804 | 1,004 | - |
| Gain/Loss on Disposal of Capital Assets | - | 27,380 | - |
| Total Nonoperating Revenues (Expenses) | 30,804 | 28,384 | - |
| Income (Loss) Before Contributions and Transfers | (859,603) | (188,877) | - |
| Capital Contributions | - | 80,511 | - |
| Change in Equity | (859,603) | (108,366) | - |
| Total Equity - Beginning | (2,206,987) | 931,275 | - |
| Total Equity - Ending | \$ (3,066,590) | \$ 822,909 | \$ - |

| Activities | | |
|------------------------------------|--|---|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | Total Internal Service Funds (Exhibit VIII) |
| \$ - | \$ 3,886,891 | \$ 20,348,883 |
| - | - | 35 |
| - | - | 1,254 |
| - | 3,886,891 | 20,350,172 |
| - | 691,393 | 2,003,656 |
| - | 213,641 | 334,533 |
| - | - | 2,648,373 |
| - | 2,604,467 | 15,738,023 |
| - | - | 8,675 |
| - | 1,325 | 240,270 |
| - | - | 108,245 |
| - | 3,510,826 | 21,081,775 |
| - | 376,065 | (731,603) |
| - | 1,963 | 33,771 |
| - | - | 27,380 |
| - | 1,963 | 61,151 |
| - | 378,028 | (670,452) |
| - | - | 80,511 |
| - | 378,028 | (589,941) |
| - | (1,534,161) | (2,809,873) |
| \$ - | \$ (1,156,133) | \$ (3,399,814) |

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Governmental | | |
|---|-------------------|-------------------|---|
| | Self Insurance | Garage Services | Clerk of Court Compensated Absences |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 9,544,298 | \$ 733,167 | \$ - |
| Receipts from Interfund Services Provided | 3,042,305 | 3,111,628 | 4,341 |
| Payments to Suppliers | (12,842,228) | (2,791,955) | - |
| Payments to Employees | (213,742) | (1,068,758) | - |
| Payments for Interfund Services Used | (40,093) | (96,869) | - |
| Net Cash Provided (Used) by Operating Activities | <u>(509,460)</u> | <u>(112,787)</u> | <u>4,341</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Interest Expense | - | (947) | - |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>-</u> | <u>(947)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | - | (1,120) | - |
| Proceeds from Disposal of Capital Assets | - | 29,352 | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>-</u> | <u>28,232</u> | <u>-</u> |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale and Maturities of Investments | 1,922,441 | 4,333 | - |
| Interest Income | 21,286 | - | - |
| Purchases of Investments | (1,282,057) | - | - |
| Net Cash Provided (Used) by Investing Activities | <u>661,670</u> | <u>4,333</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 152,210 | (81,169) | 4,341 |
| Cash and Cash Equivalents - Beginning of Year | <u>114,282</u> | <u>187,253</u> | <u>265,118</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 266,492</u> | <u>\$ 106,084</u> | <u>\$ 269,459</u> |
| Cash and Cash Equivalents at End of Year Consist of: | | | |
| Current assets | <u>\$ 266,492</u> | <u>\$ 106,084</u> | <u>\$ 269,459</u> |
| Total | <u>\$ 266,492</u> | <u>\$ 106,084</u> | <u>\$ 269,459</u> |

Reconciliation of Operating Income (Loss) to Net
Cash Provided (Used) by Operating Activities

Statement C-3

| Activities | | |
|------------------------------------|--|--|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | Total Internal Service Funds (Exhibit IX) |
| \$ - | \$ - | \$ 10,277,465 |
| 354,810 | 3,730,769 | 10,243,853 |
| - | (2,677,044) | (18,311,227) |
| - | - | (1,282,500) |
| - | - | (136,962) |
| <u>354,810</u> | <u>1,053,725</u> | <u>790,629</u> |
| - | - | (947) |
| - | - | (947) |
| - | - | (1,120) |
| - | - | 29,352 |
| - | - | 28,232 |
| - | - | 1,926,774 |
| - | 1,963 | 23,249 |
| - | - | (1,282,057) |
| - | 1,963 | 667,966 |
| 354,810 | 1,055,688 | 1,485,880 |
| 910,594 | 1,569,814 | 3,047,061 |
| <u>\$ 1,265,404</u> | <u>\$ 2,625,502</u> | <u>\$ 4,532,941</u> |
| <u>\$ 1,265,404</u> | <u>\$ 2,625,502</u> | <u>\$ 4,532,941</u> |
| <u>\$ 1,265,404</u> | <u>\$ 2,625,502</u> | <u>\$ 4,532,941</u> |

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Governmental | | |
|--|---------------------|---------------------|---|
| | Self Insurance | Garage Services | Clerk of Court Compensated Absences |
| Operating Income (Loss) | \$ (890,407) | \$ (217,261) | \$ - |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation/Amortization | 1,136 | 107,109 | - |
| Decrease (Increase) in Assets | | | |
| Accounts Receivable | (1,855) | (1,616) | - |
| Due from Other Funds | (653) | 260 | - |
| Due from Other Governments | - | (27,881) | - |
| Inventories | - | 16,524 | - |
| Prepaid Expenses | 5,862 | - | - |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities - Continued | | | |
| Increase (Decrease) in Liabilities | | | |
| Accounts Payable | (37,936) | 8,743 | - |
| Service Contracts Payable | 12,887 | 9,387 | - |
| Due to Other Governments | 227 | (12,923) | - |
| Compensated Absences Payable | (1,184) | (3,655) | 4,341 |
| Claims and Judgments Payable | 396,948 | - | - |
| Other Accrued Liabilities | 734 | 4,866 | - |
| Deferred Revenue | 4,203 | - | - |
| Other Post Employment Benefits | 578 | 3,660 | - |
| Total Adjustments | <u>380,947</u> | <u>104,474</u> | <u>4,341</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (509,460)</u> | <u>\$ (112,787)</u> | <u>\$ 4,341</u> |
| Noncash Investing, Capital, and Financing Activities: | | | |
| Transfer of Capital Assets From Other Funds | \$ - | \$ 80,511 | \$ - |
| Loss on Disposal of Capital Assets | \$ - | \$ (1,972) | \$ - |
| Unrealized Gain/(Loss) on Investments | \$ (7,021) | \$ 300 | \$ - |

Statement C-3

| Activities | | | Total |
|------------------------------------|--|--|---|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | | Internal Service Funds (Exhibit IX) |
| \$ - | \$ 376,065 | | \$ (731,603) |
| - | - | | 108,245 |
| - | - | | (3,471) |
| 137,381 | - | | 136,988 |
| - | (156,121) | | (184,002) |
| - | - | | 16,524 |
| - | - | | 5,862 |
| - | - | | (29,193) |
| - | - | | 22,274 |
| - | - | | (12,696) |
| 217,429 | - | | 216,931 |
| - | 691,393 | | 1,088,341 |
| - | - | | 5,600 |
| - | - | | 4,203 |
| - | 142,388 | | 146,626 |
| <u>354,810</u> | <u>677,660</u> | | <u>1,522,232</u> |
| <u>\$ 354,810</u> | <u>\$ 1,053,725</u> | | <u>\$ 790,629</u> |
| \$ - | \$ - | | \$ 80,511 |
| \$ - | \$ - | | \$ (1,972) |
| \$ - | \$ - | | \$ (6,721) |

Agency Funds

Agency funds are used to account for assets held by the Okaloosa County as agent for individuals, private organizations, other governments, and/or other funds.

Clerk of Circuit Court

Fine and Forfeiture Fund

This fund is used to account for the collection and disbursement of fines and court costs to Okaloosa County, State of Florida, and Municipalities. These fines and costs sources are generated from traffic, misdemeanor, felony and court ordered probation.

Jury and Witness Fund

This fund is used to account for the juror and witness payments received from Okaloosa County and State of Florida and subsequent disbursement to jurors and witnesses for court services.

Tax Deed Fund

This fund is used to account for the collection and disbursement of child support and alimony payments, pursuant to orders of the court.

Support Fund

This fund is used to account for the collection and disbursement of child support and alimony payments, pursuant to orders of the court.

Registry of Court Fund

This fund is used to account for court ordered deposits that are held pending litigation and disbursed based on final disposition by the court.

Board of County Commissioners Trust Fund

This fund is used to account for collection of recording fees collected by the Clerk's office and remitted to the Board of County Commissioners to fund judicial information technology.

State Trust Fund

This fund is used to account for various taxes, fees and service charges collected by the Clerk's office and remitted to the State of Florida.

Bridgeway Center Incorporated Trust Fund

This fund is used to account for collection of certain court costs on traffic and misdemeanor cases and their subsequent disbursement to Bridgeway Center, Inc. to fund education costs.

Escrow Trust Fund

This fund is used to account for deposits from title companies and is used to pay for monthly copy usage. These accounts are reconciled monthly and copy revenue earned is transferred to the Clerk's General Fund. This fund also accounts for escrow funds from Circuit and County Court cases.

Juvenile Trust Fund

This fund is used to account for the collection and disbursement of Juvenile Restitution payments, pursuant to orders of the court. These funds are disbursed to the victim in each case.

Foreclosure Escrow Trust Fund

This fund is used to account for court ordered deposits from foreclosure sales until final certificates of disbursement are issued.

Cash Bond Trust Fund

This fund is used to account for the receipt and disbursement of cash bond monies as directed by the court.

Sheriff

Suspense (Levies) Fund

This fund is used to account for monies collected and disbursed pursuant to levies.

Tax Collector

Disbursements Fund

This fund is used to account for collection of current and delinquent property tax assessments as well as licenses and fees collected on behalf of Okaloosa County, municipalities and other taxing districts.

Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2010

| | Fine and Forfeiture | Jury and Witness | Tax Deed | Support | Registry of Court | State Trust | Bridgeway Center Inc. Trust |
|----------------------------|---------------------------|------------------------|-------------------|------------------|-------------------------|-------------------|-----------------------------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 893,641 | \$ 34,360 | \$ 461,387 | \$ 64,317 | \$ 1,663,168 | \$ 320,368 | \$ - |
| Accounts Receivable | 3,243 | - | - | 6,389 | - | - | - |
| Total Assets | <u>\$ 896,884</u> | <u>\$ 34,360</u> | <u>\$ 461,387</u> | <u>\$ 70,706</u> | <u>\$ 1,663,168</u> | <u>\$ 320,368</u> | <u>\$ -</u> |
| LIABILITIES | | | | | | | |
| Due to Other Governments | \$ 896,884 | \$ - | \$ - | \$ 448 | \$ - | \$ 320,368 | \$ - |
| Due to Depositors | - | 34,360 | 461,387 | 70,258 | 1,663,168 | - | - |
| Taxes Collected in Advance | - | - | - | - | - | - | - |
| Total Liabilities | <u>896,884</u> | <u>34,360</u> | <u>461,387</u> | <u>70,706</u> | <u>1,663,168</u> | <u>320,368</u> | <u>-</u> |
| NET ASSETS | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

-

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2010

| | Escrow Trust | Juvenile Trust | Foreclosure Escrow Trust | Cash Bond Trust | Suspense (Levies) | Disbursements | Total Agency Funds (Exhibit X) |
|----------------------------|-------------------|-------------------|--------------------------------|--------------------|----------------------|---------------------|---|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 143,128 | \$ 466 | \$ 597,717 | \$ 343,246 | \$ 12,705 | \$ 1,202,631 | \$ 5,737,134 |
| Accounts Receivable | - | - | - | - | - | 11,990 | 21,622 |
| Total Assets | <u>\$ 143,128</u> | <u>\$ 466</u> | <u>\$ 597,717</u> | <u>\$ 343,246</u> | <u>\$ 12,705</u> | <u>\$ 1,214,621</u> | <u>\$ 5,758,756</u> |
| LIABILITIES | | | | | | | |
| Due to Other Governments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 15,795 | \$ 1,233,495 |
| Due to Depositors | 143,128 | 466 | 597,717 | 343,246 | 12,705 | 198,519 | 3,524,954 |
| Taxes Collected in Advance | - | - | - | - | - | 1,000,307 | 1,000,307 |
| Total Liabilities | <u>143,128</u> | <u>466</u> | <u>597,717</u> | <u>343,246</u> | <u>12,705</u> | <u>1,214,621</u> | <u>5,758,756</u> |
| NET ASSETS | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Balances September 30, 2009 | Additions | Deletions | Balances September 30, 2010 |
|--|-----------------------------------|----------------------|----------------------|-----------------------------------|
| FINE AND FORFEITURE AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 934,207 | \$ 12,781,327 | \$ 12,821,893 | \$ 893,641 |
| Accounts Receivable | 5,274 | 21,375 | 23,406 | 3,243 |
| Total Assets | <u>\$ 939,481</u> | <u>\$ 12,802,702</u> | <u>\$ 12,845,299</u> | <u>\$ 896,884</u> |
| LIABILITIES | | | | |
| Due to Other Governments | <u>\$ 939,481</u> | <u>\$ 11,012,048</u> | <u>\$ 11,054,645</u> | <u>\$ 896,884</u> |
| JURY AND WITNESS AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 34,978</u> | <u>\$ 37,109</u> | <u>\$ 37,727</u> | <u>\$ 34,360</u> |
| LIABILITIES | | | | |
| Due to Depositors | <u>\$ 34,978</u> | <u>\$ 37,109</u> | <u>\$ 37,727</u> | <u>\$ 34,360</u> |
| TAX DEED AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 99,299</u> | <u>\$ 855,725</u> | <u>\$ 493,637</u> | <u>\$ 461,387</u> |
| LIABILITIES | | | | |
| Due to Depositors | <u>\$ 99,299</u> | <u>\$ 1,328,349</u> | <u>\$ 966,261</u> | <u>\$ 461,387</u> |
| SUPPORT AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 65,653 | \$ 4,452,366 | \$ 4,453,702 | \$ 64,317 |
| Accounts Receivable | 5,633 | 15,712 | 14,956 | 6,389 |
| Total Assets | <u>\$ 71,286</u> | <u>\$ 4,468,078</u> | <u>\$ 4,468,658</u> | <u>\$ 70,706</u> |
| LIABILITIES | | | | |
| Due to Other Governments | \$ 487 | \$ 5,390 | \$ 5,429 | \$ 448 |
| Due to Depositors | 70,799 | 4,440,515 | 4,441,056 | 70,258 |
| Total Liabilities | <u>\$ 71,286</u> | <u>\$ 5,390</u> | <u>\$ 5,429</u> | <u>\$ 70,706</u> |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Balances September 30, 2009 | Additions | Deletions | Balances September 30, 2010 |
|---|-----------------------------------|---------------|---------------|-----------------------------------|
| REGISTRY OF COURT AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 960,718 | \$ 9,316,223 | \$ 8,613,773 | \$ 1,663,168 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 960,718 | \$ 9,903,591 | \$ 9,201,141 | \$ 1,663,168 |
| STATE TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 320,737 | \$ 14,789,880 | \$ 14,790,249 | \$ 320,368 |
| Due from Other Governments | 2 | 15 | 17 | - |
| Total Assets | \$ 320,739 | \$ 14,789,895 | \$ 14,790,266 | \$ 320,368 |
| LIABILITIES | | | | |
| Due to Other Governments | \$ 320,739 | \$ 14,789,880 | \$ 14,790,251 | \$ 320,368 |
| BRIDGEWAY CENTER, INC. TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 320 | \$ 530 | \$ 850 | \$ - |
| LIABILITIES | | | | |
| Due to Depositors | \$ 320 | \$ 530 | \$ 850 | \$ - |
| ESCROW AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 145,373 | \$ 363,356 | \$ 365,601 | \$ 143,128 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 145,373 | \$ 362,703 | \$ 364,948 | \$ 143,128 |
| JUVENILE TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,354 | \$ 22,272 | \$ 23,160 | \$ 466 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 1,354 | \$ 22,212 | \$ 23,100 | \$ 466 |
| FORECLOSURE ESCROW TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ - | \$ 7,716,309 | \$ 7,118,592 | \$ 597,717 |
| LIABILITIES | | | | |
| Due to Depositors | \$ - | \$ 7,715,248 | \$ 7,117,531 | \$ 597,717 |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Balances September 30, 2009 | Additions | Deletions | Balances September 30, 2010 |
|--------------------------------------|-----------------------------------|-----------------------|-----------------------|-----------------------------------|
| CASH BOND TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 475,444 | \$ 936,125 | \$ 1,068,323 | \$ 343,246 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 475,444 | \$ 935,166 | \$ 1,067,364 | \$ 343,246 |
| SUSPENSE (LEVIES) AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 4,399 | \$ 122,179 | \$ 113,873 | \$ 12,705 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 4,399 | \$ 120,309 | \$ 112,003 | \$ 12,705 |
| DISBURSEMENTS AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,044,172 | \$ 248,176,315 | \$ 248,017,856 | \$ 1,202,631 |
| Accounts Receivable | 13,523 | 11,990 | 13,523 | 11,990 |
| Total Assets | <u>\$ 1,057,695</u> | <u>\$ 248,188,305</u> | <u>\$ 248,031,379</u> | <u>\$ 1,214,621</u> |
| LIABILITIES | | | | |
| Due to Other Governments | \$ 15,024 | \$ 45,084,824 | \$ 45,084,053 | \$ 15,795 |
| Due to Depositors | 93,307 | 198,519 | 93,307 | 198,519 |
| Taxes Collected in Advance | 949,364 | 2,664,526 | 2,613,583 | 1,000,307 |
| Total Liabilities | <u>\$ 1,057,695</u> | <u>\$ 47,947,869</u> | <u>\$ 47,790,943</u> | <u>\$ 1,214,621</u> |
| TOTAL - ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 4,086,654 | \$ 299,569,716 | \$ 297,919,236 | \$ 5,737,134 |
| Accounts Receivable | 24,430 | 49,077 | 51,885 | 21,622 |
| Due from Other Governments | 2 | 1,105 | 1,107 | - |
| Total Assets | <u>\$ 4,111,086</u> | <u>\$ 299,619,898</u> | <u>\$ 297,972,228</u> | <u>\$ 5,758,756</u> |
| LIABILITIES | | | | |
| Due to Other Governments | \$ 1,275,731 | \$ 70,892,142 | \$ 70,934,378 | \$ 1,233,495 |
| Due to Depositors | 1,885,991 | 25,064,251 | 23,425,288 | 3,524,954 |
| Taxes Collected in Advance | 949,364 | 2,664,526 | 2,613,583 | 1,000,307 |
| Total Liabilities | <u>\$ 4,111,086</u> | <u>\$ 98,620,919</u> | <u>\$ 96,973,249</u> | <u>\$ 5,758,756</u> |

STATISTICAL SECTION

Statistical Section

This part of Okaloosa County, Florida's comprehensive annual financial report presents detailed information as a context of understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health. The following types of schedules are included.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

The statistical schedule mandated by the GASB's Codification, Section 2800, concerning legal debt margin is omitted because the County has no established debt limitation.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

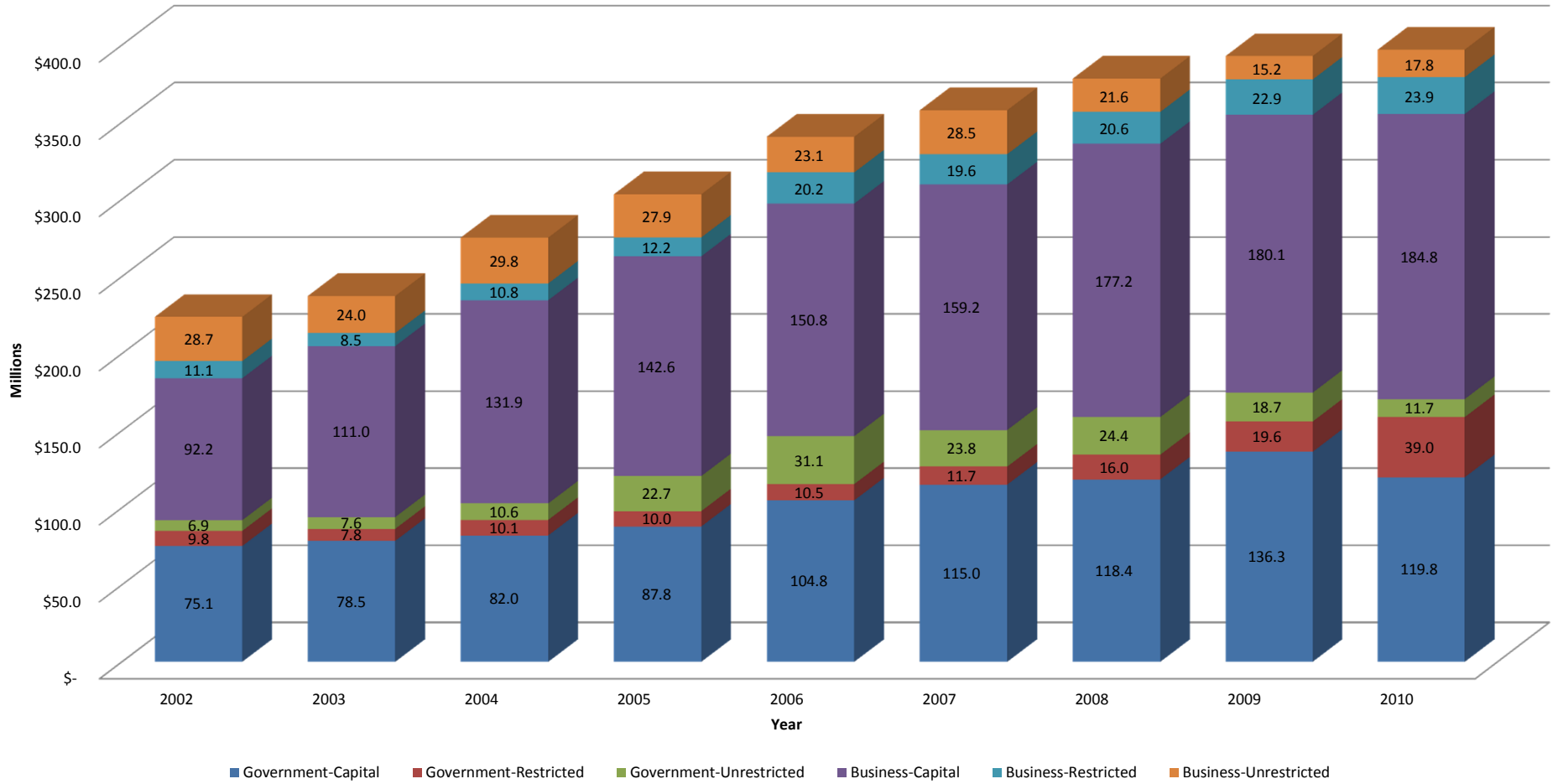
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

NET ASSETS BY CATEGORY - LAST NINE FISCAL YEARS * - (ACCRUAL BASIS OF ACCOUNTING)

| (amounts in thousands) | FISCAL YEAR | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| GOVERNMENTAL ACTIVITIES: | | | | | | | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | \$75,138 | \$78,471 | \$82,040 | \$87,817 | \$104,807 | \$114,990 | \$118,399 | \$136,255 | \$119,778 |
| RESTRICTED: | | | | | | | | | |
| DEBT SERVICE | \$2,133 | \$1,182 | \$1,359 | \$1,165 | \$810 | \$491 | \$467 | \$485 | \$1,173 |
| OTHER PURPOSES | \$7,688 | \$6,656 | \$8,730 | \$8,793 | \$9,707 | \$11,190 | \$15,537 | \$19,153 | \$37,871 |
| UNRESTRICTED | \$6,893 | \$7,583 | \$10,634 | \$22,725 | \$31,083 | \$23,766 | \$24,418 | \$18,709 | \$11,668 |
| TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS | \$91,852 | \$93,892 | \$102,763 | \$120,500 | \$146,407 | \$150,437 | \$158,821 | \$174,602 | \$170,490 |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | \$92,164 | \$110,983 | \$131,884 | \$142,566 | \$150,847 | \$159,248 | \$177,168 | \$180,105 | \$184,811 |
| RESTRICTED: | | | | | | | | | |
| DEBT SERVICE | \$5,196 | \$1,288 | \$2,307 | \$3,409 | \$10,075 | \$8,388 | \$10,068 | \$12,650 | \$13,654 |
| OTHER PURPOSES | \$5,928 | \$7,203 | \$8,509 | \$8,818 | \$10,092 | \$11,167 | \$10,570 | \$10,262 | \$10,249 |
| UNRESTRICTED | \$28,662 | \$23,992 | \$29,752 | \$27,942 | \$23,140 | \$28,517 | \$21,632 | \$15,200 | \$17,827 |
| TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS | \$131,950 | \$143,466 | \$172,452 | \$182,735 | \$194,154 | \$207,320 | \$219,438 | \$218,217 | \$226,541 |
| PRIMARY GOVERNMENT | | | | | | | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | \$167,302 | \$189,454 | \$213,924 | \$230,383 | \$255,654 | \$274,238 | \$295,567 | \$316,360 | \$304,589 |
| RESTRICTED: | | | | | | | | | |
| DEBT SERVICE | \$7,329 | \$2,470 | \$3,666 | \$4,574 | \$10,885 | \$8,879 | \$10,535 | \$13,135 | \$14,827 |
| OTHER PURPOSES | \$13,616 | \$13,859 | \$17,239 | \$17,611 | \$19,799 | \$22,357 | \$26,107 | \$29,415 | \$48,120 |
| UNRESTRICTED | \$35,555 | \$31,575 | \$40,386 | \$50,667 | \$54,223 | \$52,283 | \$46,050 | \$33,909 | \$29,495 |
| TOTAL PRIMARY GOVERNMENT NET ASSETS | \$223,802 | \$237,358 | \$275,215 | \$303,235 | \$340,561 | \$357,757 | \$378,259 | \$392,819 | \$397,031 |

*Only eight years are available due to initial GASB 34 implementation in fiscal year 2002.

Net Assets by Category Last Nine Fiscal Years

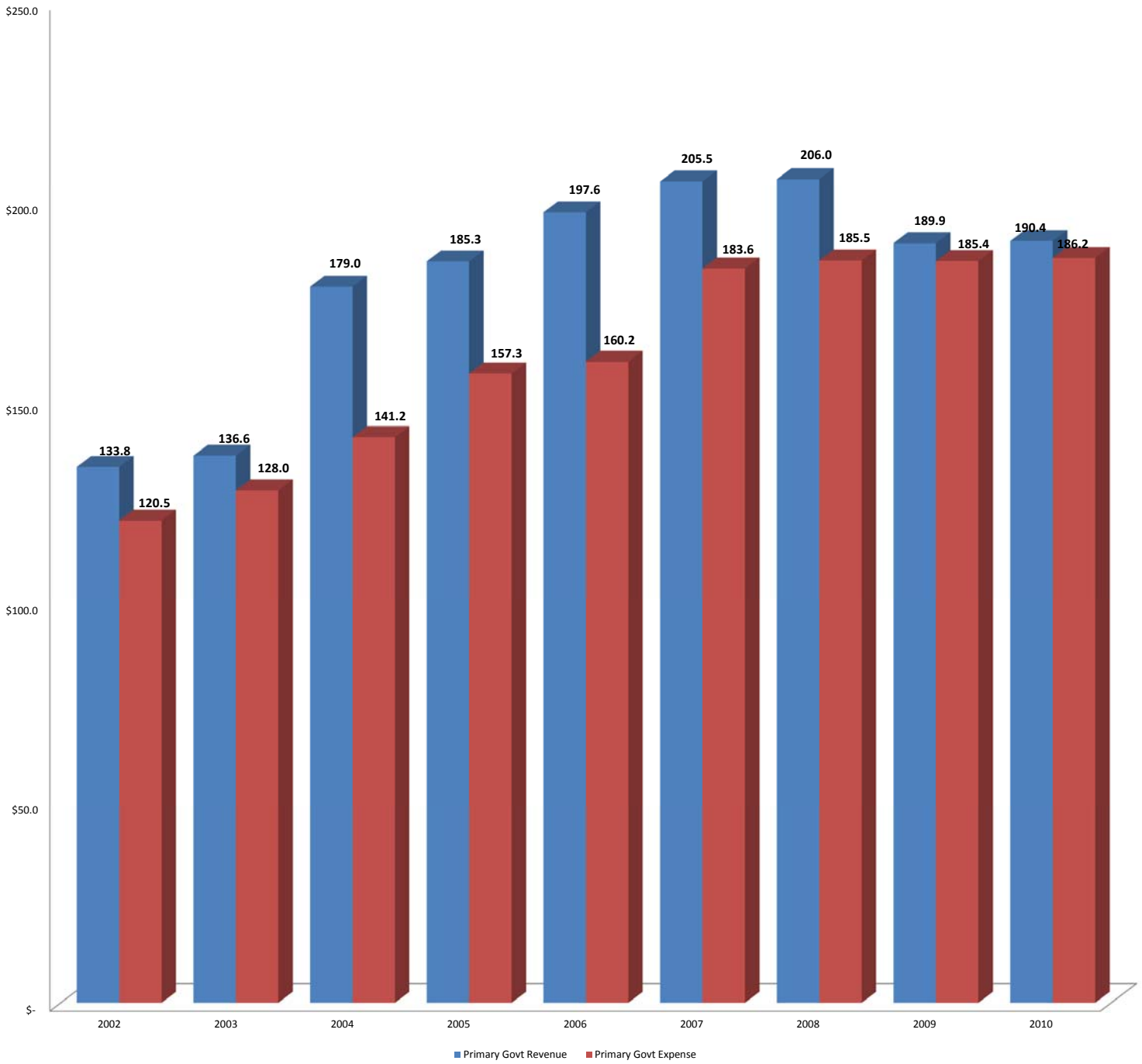


CHANGES IN NET ASSETS - LAST NINE FISCAL YEARS * - (ACCRUAL BASIS OF ACCOUNTING)

| (amounts in thousands) | FISCAL YEAR | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| EXPENSES | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | | | | | |
| GENERAL GOVERNMENT | \$20,800 | \$22,324 | \$23,079 | \$25,088 | \$27,579 | \$31,202 | \$34,777 | \$31,008 | \$32,146 |
| PUBLIC SAFETY | 29,686 | 32,501 | 35,416 | 38,476 | 41,752 | 47,315 | 49,963 | 53,499 | 47,995 |
| PHYSICAL ENVIRONMENT | 865 | 1,204 | 558 | 599 | 928 | 897 | 1,138 | 867 | 2,594 |
| TRANSPORTATION | 14,627 | 13,727 | 13,935 | 14,955 | 16,736 | 16,809 | 17,229 | 18,901 | 18,922 |
| ECONOMIC ENVIRONMENT | 5,738 | 5,510 | 12,240 | 14,182 | 7,966 | 6,581 | 6,471 | 7,456 | 8,980 |
| HUMAN SERVICES | 3,923 | 3,669 | 3,997 | 4,061 | 4,651 | 4,851 | 4,964 | 5,110 | 4,672 |
| CULTURE AND RECREATION | 2,517 | 2,550 | 2,870 | 3,426 | 3,695 | 8,496 | 5,069 | 4,500 | 5,031 |
| COURT-RELATED | 6,469 | 6,770 | 6,849 | 7,593 | 8,256 | 11,661 | 9,088 | 8,082 | 7,390 |
| INTEREST AND FISCAL CHARGES | 711 | 168 | 191 | 185 | 302 | 264 | 181 | 116 | 1,138 |
| TOTAL GOVERNMENTAL EXPENSES | \$85,336 | \$88,423 | \$99,135 | \$108,565 | \$111,865 | \$128,076 | \$128,880 | \$129,539 | \$128,868 |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | | |
| WATER AND SEWER | \$16,397 | \$17,601 | \$19,179 | \$19,391 | \$20,892 | \$25,078 | \$25,057 | \$24,067 | \$25,752 |
| AIRPORT | 3,191 | 3,367 | 3,871 | 8,632 | 6,832 | 7,649 | 8,363 | 9,804 | 10,575 |
| SOLID WASTE | 8,597 | 9,578 | 8,378 | 9,069 | 8,577 | 9,517 | 9,757 | 8,404 | 7,757 |
| INSPECTIONS | 1,175 | 1,371 | 1,915 | 2,206 | 2,398 | 2,207 | 1,582 | 1,245 | 7,561 |
| EMERGENCY MEDICAL SERVICES | 4,664 | 5,080 | 5,318 | 5,704 | 5,872 | 6,770 | 7,326 | 7,504 | 1,241 |
| CONFERENCE CENTER | 1,093 | 2,538 | 3,418 | 3,725 | 3,811 | 4,258 | 4,556 | 4,817 | 4,424 |
| TOTAL BUSINESS-TYPE EXPENSES | \$35,117 | \$39,535 | \$42,079 | \$48,727 | \$48,382 | \$55,479 | \$56,641 | \$55,841 | \$57,310 |
| TOTAL PRIMARY GOVERNMENT EXPENSES | \$120,453 | \$127,958 | \$141,214 | \$157,292 | \$160,247 | \$183,555 | \$185,521 | \$185,380 | \$186,178 |
| PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES: | | | | | | | | | |
| CHARGES FOR SERVICES | | | | | | | | | |
| GENERAL GOVERNMENTAL | \$8,088 | \$8,281 | \$9,020 | \$11,708 | \$11,757 | \$12,503 | \$11,996 | \$10,590 | \$10,488 |
| OTHER | 8,269 | 9,035 | 11,888 | 13,213 | 15,818 | 14,433 | 17,218 | 17,359 | 12,287 |
| OPERATING GRANTS AND CONTRIBUTIONS | 10,075 | 9,895 | 18,505 | 22,627 | 13,854 | 10,986 | 6,167 | 10,843 | 9,867 |
| CAPITAL GRANTS AND CONTRIBUTIONS | 915 | 566 | 789 | 2,271 | 3,323 | 526 | 579 | 7,611 | 4,287 |
| TOTAL GOVERNMENTAL PROGRAM REVENUE | \$27,347 | \$27,777 | \$40,202 | \$49,819 | \$44,752 | \$38,448 | \$35,960 | \$46,403 | \$36,929 |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | | |
| CHARGES FOR SERVICES | | | | | | | | | |
| WATER & SEWER | \$19,405 | \$19,777 | \$21,179 | \$21,206 | \$22,387 | \$22,403 | \$24,207 | \$22,662 | \$24,107 |
| OTHER | 16,689 | 18,440 | 18,210 | 21,791 | 21,915 | 23,750 | 25,857 | 25,613 | 26,086 |
| OPERATING GRANTS AND CONTRIBUTIONS | 1,005 | 1,007 | 340 | 980 | 868 | 1,081 | 771 | 584 | 797 |
| CAPITAL GRANTS AND CONTRIBUTIONS | 2,825 | 4,967 | 25,018 | 8,897 | 5,716 | 9,927 | 9,204 | 6,226 | 9,027 |
| TOTAL BUSINESS-TYPE PROGRAM REVENUE | \$39,924 | \$44,191 | \$64,747 | \$52,874 | \$50,886 | \$57,161 | \$60,039 | \$55,085 | \$60,017 |
| TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES | \$67,271 | \$71,968 | \$104,949 | \$102,693 | \$95,638 | \$95,609 | \$95,999 | \$101,488 | \$96,946 |
| NET (EXPENSE)/REVENUE | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES | (\$57,989) | (\$60,646) | (\$58,933) | (\$58,746) | (\$67,113) | (\$89,628) | (\$92,920) | (\$83,136) | (\$91,939) |
| BUSINESS-TYPE ACTIVITIES | \$4,807 | \$4,656 | \$22,668 | \$4,147 | \$2,504 | \$1,682 | \$3,398 | (\$756) | \$2,707 |
| TOTAL PRIMARY GOVERNMENT NET EXPENSE | (\$53,182) | (\$55,990) | (\$36,265) | (\$54,599) | (\$64,609) | (\$87,946) | (\$89,522) | (\$83,892) | (\$89,232) |
| GENERAL REVENUES | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | | | | | |
| TAXES | \$40,543 | \$44,101 | \$48,617 | \$54,145 | \$66,042 | \$73,868 | \$76,704 | \$68,952 | \$64,567 |
| STATE SHARED REVENUE | 14,630 | 15,355 | 17,317 | 18,586 | 19,823 | 19,004 | 17,573 | 16,130 | 15,801 |
| GRANT AND CONTRIBUTIONS NOT RESTRICTED | 756 | 162 | 100 | 1,137 | 2,591 | 782 | 2,033 | 256 | 1,725 |
| OTHER | 2,782 | (2,361) | 1,771 | 2,615 | 4,563 | 4,725 | 3,710 | 3,783 | 5,734 |
| TOTAL GOVERNMENTAL ACTIVITIES | \$58,711 | \$57,257 | \$67,805 | \$76,483 | \$93,019 | \$98,379 | \$100,020 | \$89,121 | \$87,827 |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | | |
| TAXES | \$5,305 | \$5,261 | \$5,479 | \$5,638 | \$6,497 | \$6,746 | \$6,869 | \$5,825 | \$4,830 |
| STATE SHARED REVENUE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GRANT AND CONTRIBUTIONS NOT RESTRICTED | 5 | 705 | 0 | 8 | 674 | (300) | 96 | 25 | 0 |
| OTHER | 2,523 | 1,438 | 739 | 498 | 1,745 | 5,037 | 3,039 | (6,594) | 786 |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$7,833 | \$7,404 | \$6,218 | \$6,144 | \$8,916 | \$11,483 | \$10,004 | (\$744) | \$5,616 |
| CHANGES IN NET ASSETS | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES | \$722 | (\$3,389) | \$8,872 | \$17,737 | \$25,906 | \$8,751 | \$7,100 | \$5,985 | (\$4,112) |
| BUSINESS-TYPE ACTIVITIES | \$12,640 | \$12,060 | \$28,886 | \$10,291 | \$11,420 | \$13,165 | \$13,402 | (\$1,500) | \$8,323 |
| TOTAL PRIMARY GOVERNMENT | \$13,362 | \$8,671 | \$37,758 | \$28,028 | \$37,326 | \$21,916 | \$20,502 | \$4,485 | \$4,211 |

*Only eight years are available due to initial GASB 34 implementation in fiscal year 2002.

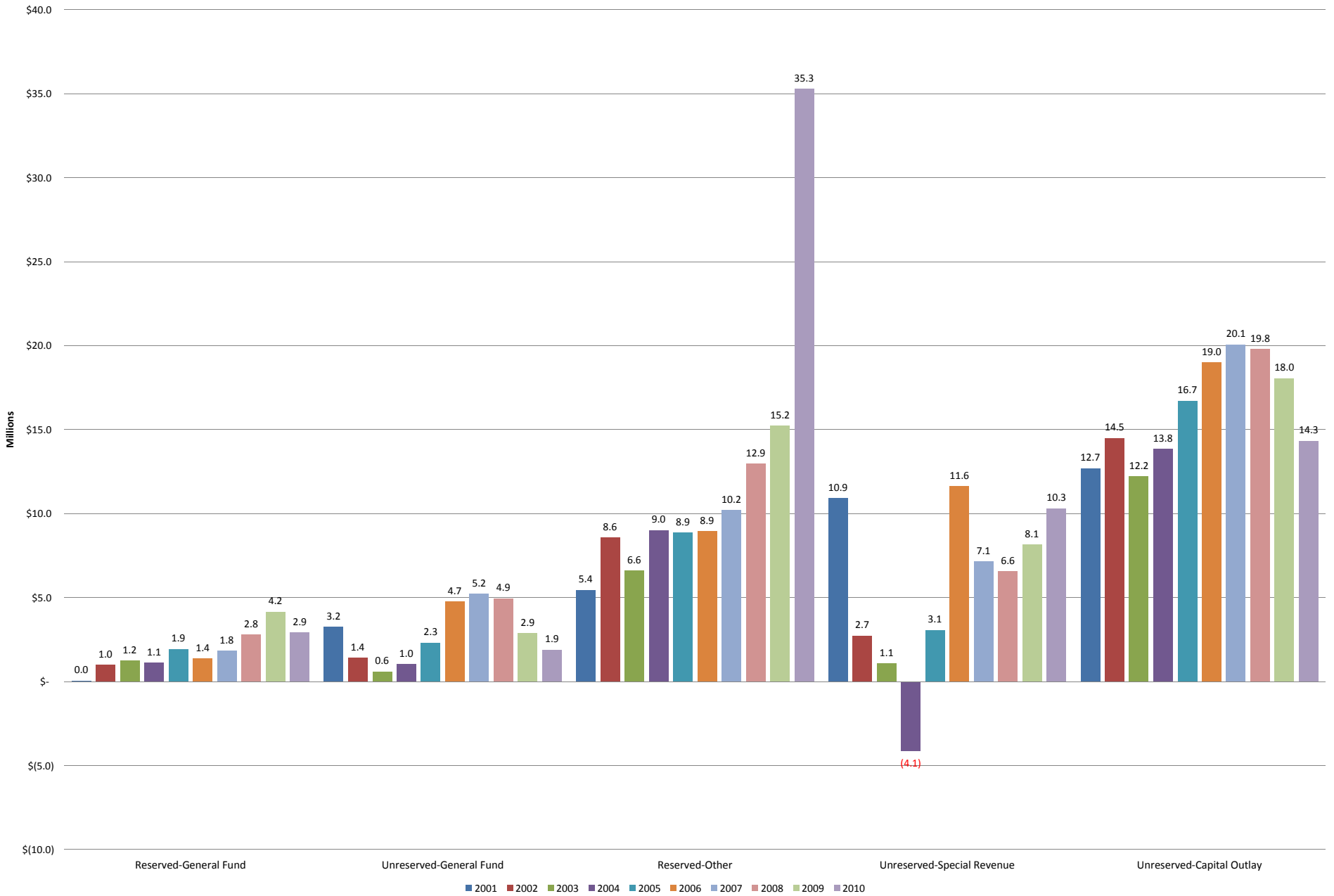
Changes in Net Assets - Primary Government Last Nine Fiscal Years



FUND BALANCES - GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS

| (modified accrual basis of accounting) | FISCAL YEAR | | | | | | | | | |
|--|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| GENERAL FUND | | | | | | | | | | |
| RESERVED | \$44,264 | \$979,234 | \$1,223,759 | \$1,097,214 | \$1,938,678 | \$1,369,275 | \$1,812,954 | \$2,797,024 | \$4,150,682 | \$2,897,805 |
| UNRESERVED | \$3,232,617 | \$1,401,793 | \$589,918 | \$1,029,675 | \$2,298,682 | \$4,748,244 | \$5,220,535 | \$4,937,348 | \$2,866,210 | \$1,879,189 |
| TOTAL GENERAL FUND | \$3,276,881 | \$2,381,027 | \$1,813,677 | \$2,126,889 | \$4,237,360 | \$6,117,519 | \$7,033,489 | \$7,734,372 | \$7,016,892 | \$4,776,994 |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | | | | | | |
| RESERVED | \$5,449,831 | \$8,570,380 | \$6,598,434 | \$9,008,718 | \$8,853,686 | \$8,926,974 | \$10,205,357 | \$12,946,707 | \$15,218,909 | \$35,273,294 |
| UNRESERVED, REPORTED IN: | | | | | | | | | | |
| SPECIAL REVENUE FUNDS | \$10,897,386 | \$2,728,442 | \$1,073,163 | (\$4,122,276) | \$3,062,924 | \$11,623,002 | \$7,136,986 | \$6,561,536 | \$8,143,049 | \$10,305,647 |
| CAPITAL OUTLAY FUNDS | \$12,690,223 | \$14,488,019 | \$12,191,043 | \$13,841,110 | \$16,694,319 | \$18,982,709 | \$20,060,394 | \$19,778,366 | \$18,039,439 | \$14,324,892 |
| TOTAL ALL OTHER GOVERNMENTAL FUNDS | \$29,037,440 | \$25,786,841 | \$19,862,640 | \$18,727,552 | \$28,610,929 | \$39,532,685 | \$37,402,737 | \$39,286,609 | \$41,401,397 | \$59,903,833 |
| TOTAL FUND BALANCES | \$32,314,321 | \$28,167,868 | \$21,676,317 | \$20,854,441 | \$32,848,289 | \$45,650,204 | \$44,436,226 | \$47,020,981 | \$48,418,289 | \$64,680,827 |

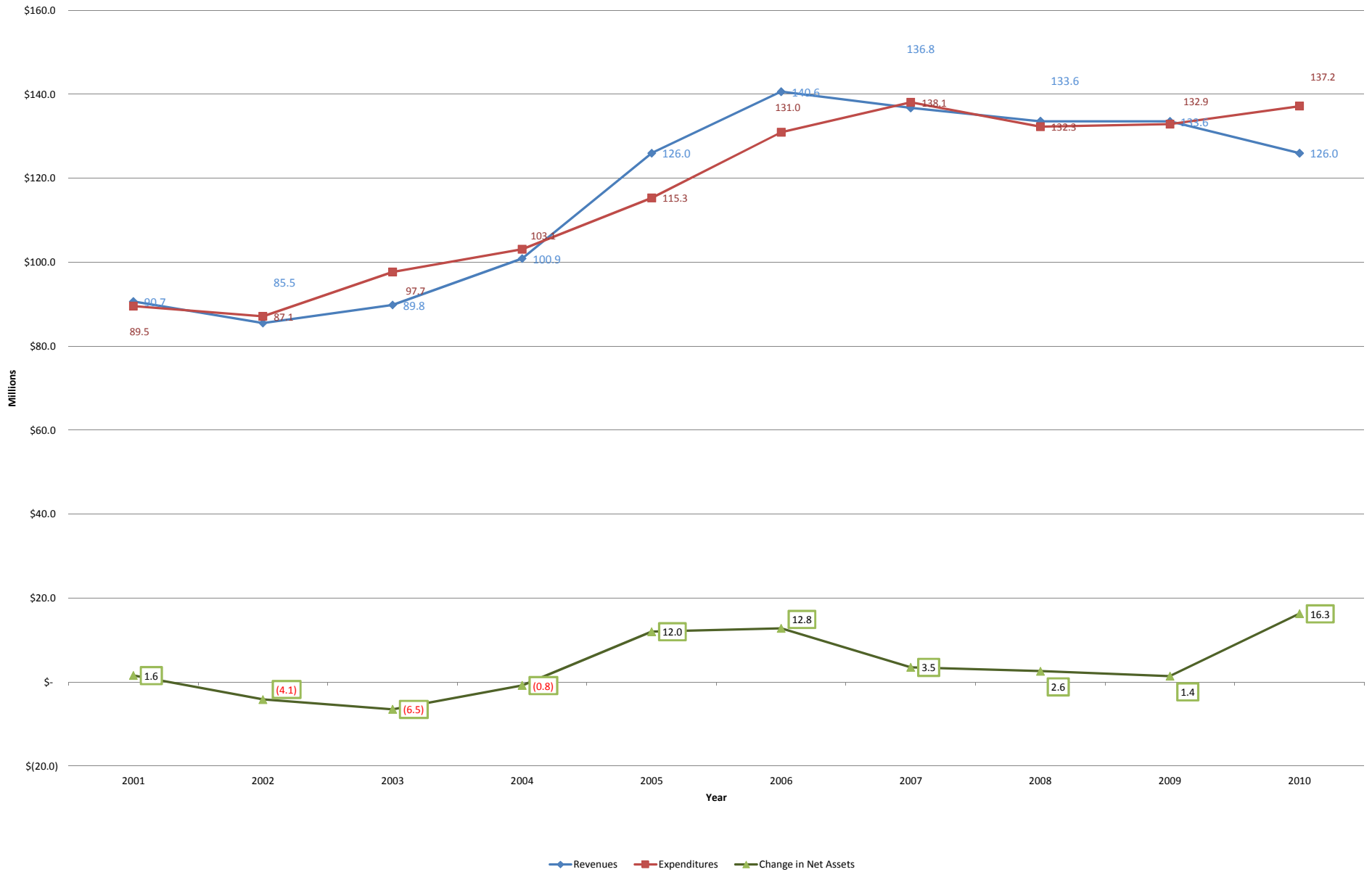
Fund Balances - Governmental Funds Last Ten Fiscal Years



CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS-LAST TEN FISCAL YEARS

| | FISCAL YEAR | | | | | | | | | |
|--|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| REVENUES | | | | | | | | | | |
| TAXES | \$39,888,339 | \$40,520,854 | \$44,079,158 | \$48,610,746 | \$54,145,087 | \$66,042,747 | \$73,867,055 | \$73,373,458 | \$72,281,816 | \$64,566,859 |
| LICENSES & PERMITS | \$327,776 | \$277,960 | \$211,365 | \$307,090 | \$313,921 | \$284,662 | \$214,234 | \$9,100 | \$1,380,759 | \$1,327,905 |
| INTERGOVERNMENTAL | \$31,507,232 | \$25,550,457 | \$25,736,508 | \$29,948,522 | \$44,050,979 | \$42,539,492 | \$31,531,631 | \$30,009,477 | \$35,475,825 | \$36,535,915 |
| CHARGES FOR SERVICES | \$14,300,586 | \$15,404,032 | \$16,763,572 | \$19,859,820 | \$23,363,924 | \$24,735,690 | \$23,289,780 | \$22,131,456 | \$20,050,104 | \$16,832,903 |
| FINES & FORFEITURES | \$381,709 | \$243,741 | \$340,185 | \$253,841 | \$493,912 | \$719,436 | \$2,522,536 | \$1,611,445 | \$311,933 | \$263,008 |
| MISCELLANEOUS | \$4,268,485 | \$3,492,621 | \$2,698,607 | \$1,908,070 | \$3,603,462 | \$6,305,145 | \$5,359,597 | \$6,452,039 | \$4,053,181 | \$6,474,468 |
| TOTAL REVENUES | \$90,674,127 | \$85,489,665 | \$89,829,395 | \$100,888,089 | \$125,971,285 | \$140,627,172 | \$136,784,833 | \$133,586,975 | \$133,553,618 | \$126,001,058 |
| EXPENDITURES | | | | | | | | | | |
| GENERAL GOVERNMENT SERVICES | \$18,717,186 | \$19,260,964 | \$21,570,112 | \$22,138,458 | \$24,124,802 | \$26,533,691 | \$29,818,265 | \$33,527,359 | \$31,564,827 | \$30,831,739 |
| PUBLIC SAFETY | \$26,235,367 | \$27,551,754 | \$30,967,864 | \$33,702,978 | \$36,640,308 | \$39,715,240 | \$45,003,091 | \$47,406,613 | \$48,819,375 | \$44,472,469 |
| PHYSICAL ENVIRONMENT | \$470,648 | \$784,080 | \$984,816 | \$539,630 | \$582,092 | \$769,308 | \$869,499 | \$952,412 | \$822,003 | \$2,267,404 |
| TRANSPORTATION | \$10,032,015 | \$11,215,465 | \$10,585,261 | \$10,757,562 | \$11,595,450 | \$13,126,158 | \$12,859,021 | \$13,124,250 | \$14,177,430 | \$14,276,604 |
| ECONOMIC ENVIRONMENT | \$4,983,462 | \$5,690,974 | \$5,465,572 | \$12,205,205 | \$14,145,616 | \$7,793,104 | \$6,387,789 | \$6,297,322 | \$7,415,472 | \$9,052,837 |
| HUMAN SERVICES | \$2,828,631 | \$3,618,738 | \$3,385,124 | \$3,736,433 | \$3,806,130 | \$4,372,186 | \$4,538,445 | \$4,654,542 | \$4,803,243 | \$4,323,033 |
| CULTURE AND RECREATION | \$1,952,606 | \$2,071,854 | \$2,116,443 | \$2,464,105 | \$3,003,389 | \$3,355,917 | \$8,137,562 | \$4,494,534 | \$3,887,890 | \$4,452,522 |
| COURT RELATED | \$5,762,977 | \$6,260,577 | \$6,633,646 | \$6,733,490 | \$7,489,743 | \$7,947,657 | \$11,448,620 | \$8,752,790 | \$8,114,665 | \$7,102,441 |
| CAPITAL OUTLAY | \$18,021,322 | \$10,010,816 | \$14,274,768 | \$9,943,885 | \$13,283,171 | \$26,494,998 | \$16,993,757 | \$11,226,400 | \$12,625,889 | \$18,693,921 |
| PRINCIPAL RETIREMENT | \$423,242 | \$560,971 | \$1,683,484 | \$809,166 | \$629,345 | \$818,774 | \$1,934,681 | \$1,737,530 | \$587,575 | \$587,505 |
| INTEREST | \$108,445 | \$82,547 | \$29,792 | \$46,392 | \$36,382 | \$48,794 | \$66,319 | \$85,381 | \$45,532 | \$435,901 |
| OTHER CHARGES | \$1,358 | \$1,015 | \$1,587 | \$1,500 | \$1,000 | \$2,000 | \$23,699 | \$24,187 | \$22,836 | \$692,498 |
| TOTAL EXPENDITURES | \$89,537,259 | \$87,109,755 | \$97,698,469 | \$103,078,804 | \$115,337,428 | \$130,977,827 | \$138,080,748 | \$132,283,320 | \$132,886,737 | \$137,188,874 |
| EXCESS OF REVENUES OVER(UNDER) EXPENDITURES | \$1,136,868 | (\$1,620,090) | (\$7,869,074) | (\$2,190,715) | \$10,633,857 | \$9,649,345 | (\$1,295,915) | \$1,303,655 | \$666,881 | (\$11,187,816) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| OPERATING TRANSFERS IN | \$6,476,841 | \$8,430,164 | \$5,021,377 | \$6,648,881 | \$7,706,649 | \$7,908,387 | \$9,898,053 | \$9,066,308 | \$8,965,209 | \$7,963,351 |
| OPERATING TRANSFERS OUT | (\$6,061,437) | (\$11,422,313) | (\$4,478,111) | (\$6,223,181) | (\$6,796,666) | (\$7,305,817) | (\$8,895,030) | (\$7,782,208) | (\$8,234,782) | (\$6,876,756) |
| BUDGET TRANSFERS AMOUNG | | | | | | | | | | |
| CONSTITUTIONAL OFFICERS | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| PROCEEDS FROM CAPITAL LEASES | \$0 | \$0 | \$0 | \$0 | \$450,009 | \$0 | \$0 | \$0 | \$0 | \$0 |
| EXCESS FEES DUE TO OTHER GOVERNMENTS | \$0 | (\$34,214) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| PROCEED FROM LONG-TERM-DEBT | \$0 | \$500,000 | \$834,257 | \$943,138 | \$0 | \$2,550,000 | \$3,800,000 | \$0 | \$0 | \$26,363,759 |
| TOTAL OTHER FINANCING SOURCES(USES) | \$415,404 | (\$2,526,363) | \$1,377,523 | \$1,368,838 | \$1,359,992 | \$3,152,570 | \$4,803,023 | \$1,284,100 | \$730,427 | \$27,450,354 |
| NET CHANGE IN FUND BALANCES | \$1,552,272 | (\$4,146,453) | (\$6,491,551) | (\$821,877) | \$11,993,849 | \$12,801,915 | \$3,507,108 | \$2,587,755 | \$1,397,308 | \$16,262,538 |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | 0.75% | 0.84% | 2.06% | 0.92% | 0.65% | 0.83% | 1.67% | 1.53% | 0.55% | 1.45% |

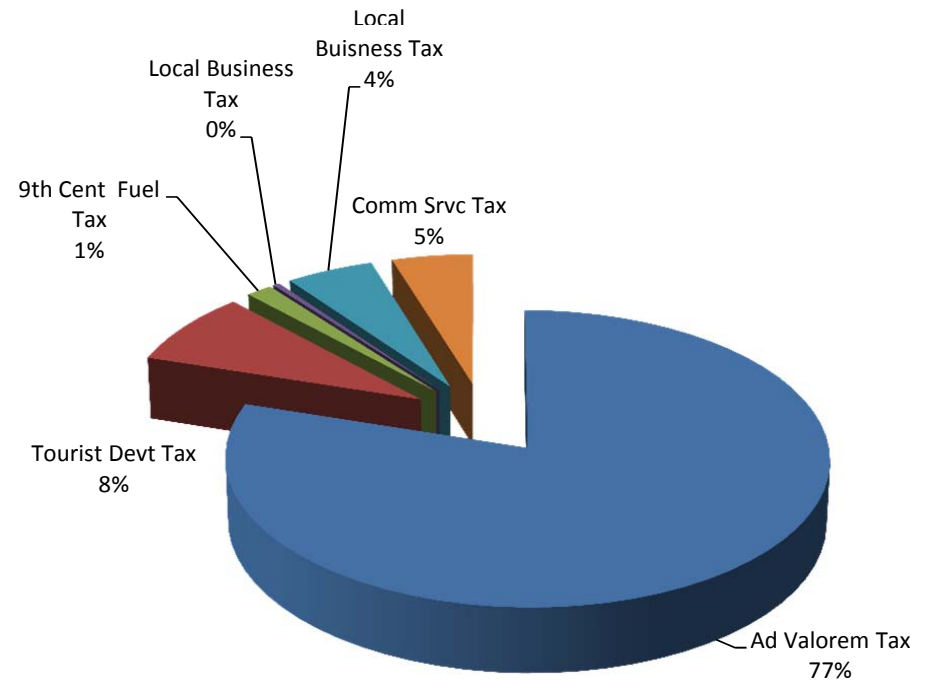
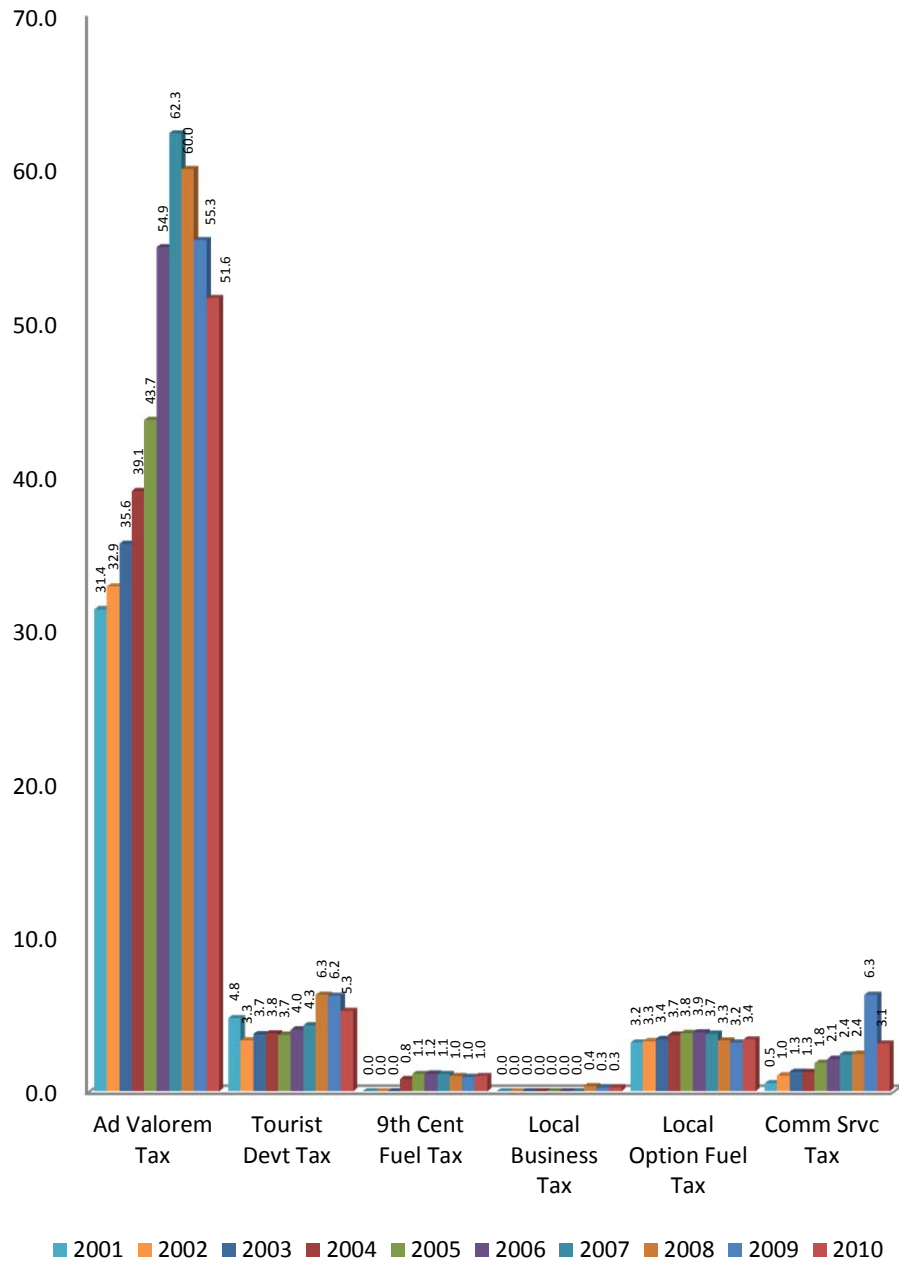
Changes in Fund Balances - Governmental Funds Last Ten Fiscal Years



GOVERNMENTAL TAX REVENUES BY SOURCE - LAST TEN FISCAL YEARS

| FISCAL YEAR | AD VALOREM TAX | TOURIST DEVELOPMENT TAX | 9TH CENT VOTED FUEL TAX | LOCAL TAX | LOCAL OPTION FUEL TAX | COMMUNICATION SERVICE TAX | TOTAL TAXES |
|-------------|----------------|-------------------------|-------------------------|-----------|-----------------------|---------------------------|--------------|
| 2001 | \$31,389,482 | \$4,779,203 | | \$0 | \$3,185,769 | \$533,885 | \$39,888,339 |
| 2002 | \$32,870,420 | \$3,339,205 | | \$0 | \$3,278,258 | \$1,032,971 | \$40,520,854 |
| 2003 | \$35,639,550 | \$3,739,558 | | \$0 | \$3,411,982 | \$1,288,068 | \$44,079,158 |
| 2004 | \$39,068,982 | \$3,797,314 | \$803,205 | \$0 | \$3,682,774 | \$1,258,471 | \$48,610,746 |
| 2005 | \$43,674,282 | \$3,680,706 | \$1,139,965 | \$0 | \$3,807,944 | \$1,842,188 | \$54,145,086 |
| 2006 | \$54,897,396 | \$4,023,127 | \$1,160,768 | \$0 | \$3,858,003 | \$2,103,453 | \$66,042,748 |
| 2007 | \$62,280,020 | \$4,293,620 | \$1,128,995 | \$0 | \$3,749,553 | \$2,414,866 | \$73,867,054 |
| 2008 | \$59,958,051 | \$6,285,864 | \$1,003,998 | \$350,931 | \$3,337,538 | \$2,437,077 | \$73,373,458 |
| 2009 | \$55,342,840 | \$6,226,986 | \$957,813 | \$252,511 | \$3,188,176 | \$6,313,490 | \$72,281,816 |
| 2010 | \$51,591,467 | \$5,260,031 | \$1,007,578 | \$251,035 | \$3,360,644 | \$3,096,105 | \$64,566,860 |

Governmental Tax Revenues by Source Fiscal Year 2010 (\$64,566,860)



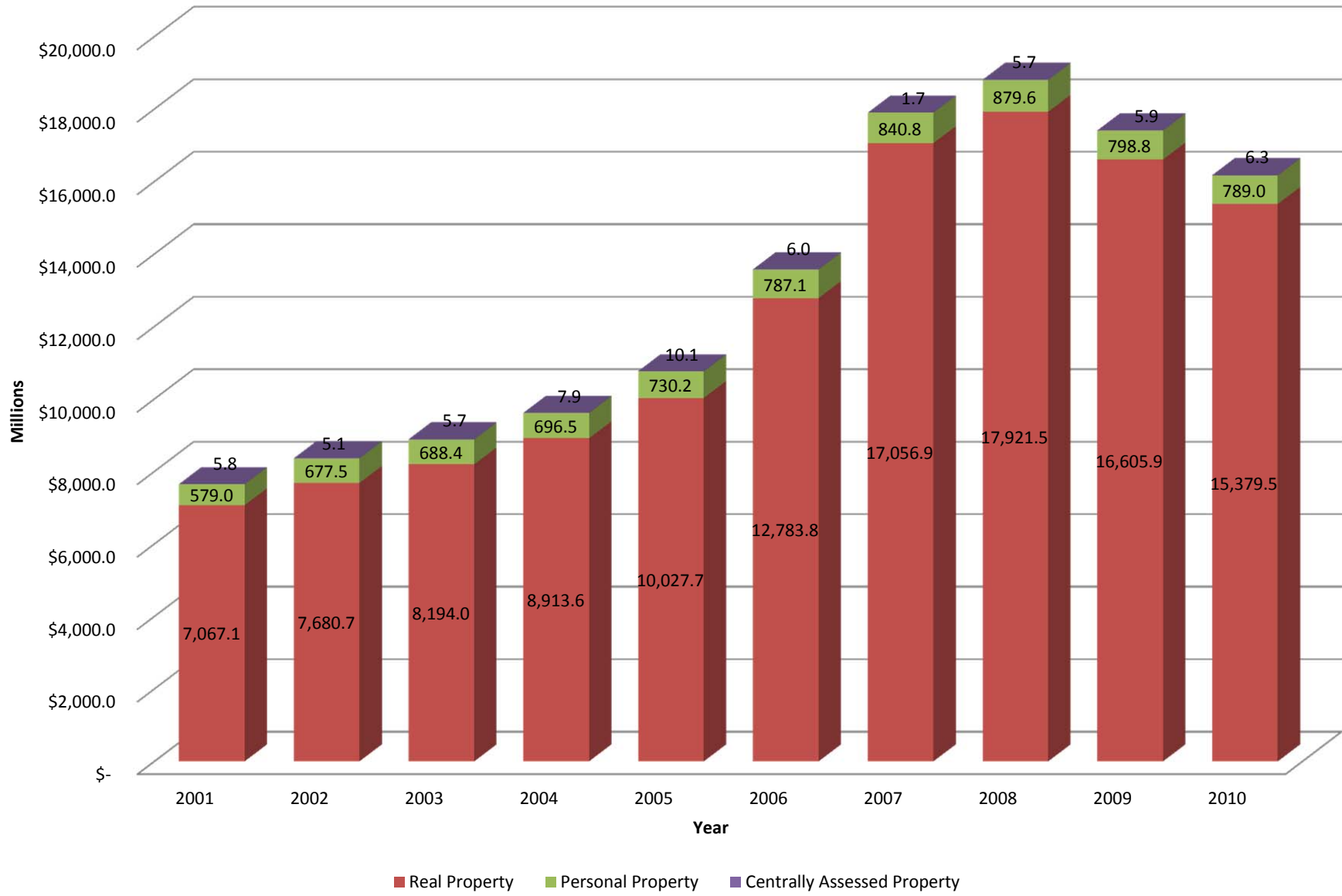
TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY - LAST TEN FISCAL YEARS

| FISCAL YEAR | ASSESSED VALUE | | | TOTAL TAXABLE ASSESSED VALUE | TOTAL DIRECT TAX RATE | ESTIMATED ACTUAL VALUE (1) | ASSESSED TO ESTIMATED ACTUAL |
|----------------|------------------|----------------------|-----------------------------------|---------------------------------------|--------------------------------|----------------------------------|---------------------------------------|
| | REAL PROPERTY | PERSONAL PROPERTY | CENTRALLY ASSESSED PROPERTY | | | | |
| 2001 | 7,067,061,592 | 578,955,906 | 5,766,918 | 7,651,784,416 | 12.7262 | 9,002,099,313 | 85.00% |
| 2002 | 7,680,697,180 | 677,541,625 | 5,110,044 | 8,363,348,849 | 12.6007 | 9,839,233,940 | 85.00% |
| 2003 | 8,193,996,199 | 688,433,422 | 5,742,536 | 8,888,172,157 | 12.7927 | 10,456,673,126 | 85.00% |
| 2004 | 8,913,575,789 | 696,513,719 | 7,934,493 | 9,618,024,001 | 12.8094 | 11,315,322,354 | 85.00% |
| 2005 | 10,027,698,523 | 730,162,016 | 10,055,839 | 10,767,916,378 | 12.8094 | 12,668,136,915 | 85.00% |
| 2006 | 12,783,763,622 | 787,145,427 | 5,994,612 | 13,576,903,661 | 12.5784 | 15,972,827,836 | 85.00% |
| 2007 | 17,056,877,307 | 840,818,749 | 1,672,030 | 17,899,368,086 | 11.6445 | 21,058,080,101 | 85.00% |
| 2008 | 17,921,513,970 | 879,629,168 | 5,697,214 | 18,806,840,352 | 11.1721 | 22,125,694,532 | 85.00% |
| 2009 | 16,605,928,228 | 798,827,354 | 5,875,411 | 17,410,630,993 | 11.1035 | 20,483,095,286 | 85.00% |
| 2010 | 15,379,485,139 | 788,963,431 | 6,340,541 | 16,174,789,111 | 11.1089 | 19,029,163,660 | 85.00% |

(1) BASED ON PROPERTY APPRAISER'S ESTIMATE OF ASSESSED PROPERTY VALUATION BEING 85% OF MARKET VALUE

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Taxable Assesed Value Last Ten Fiscal Years

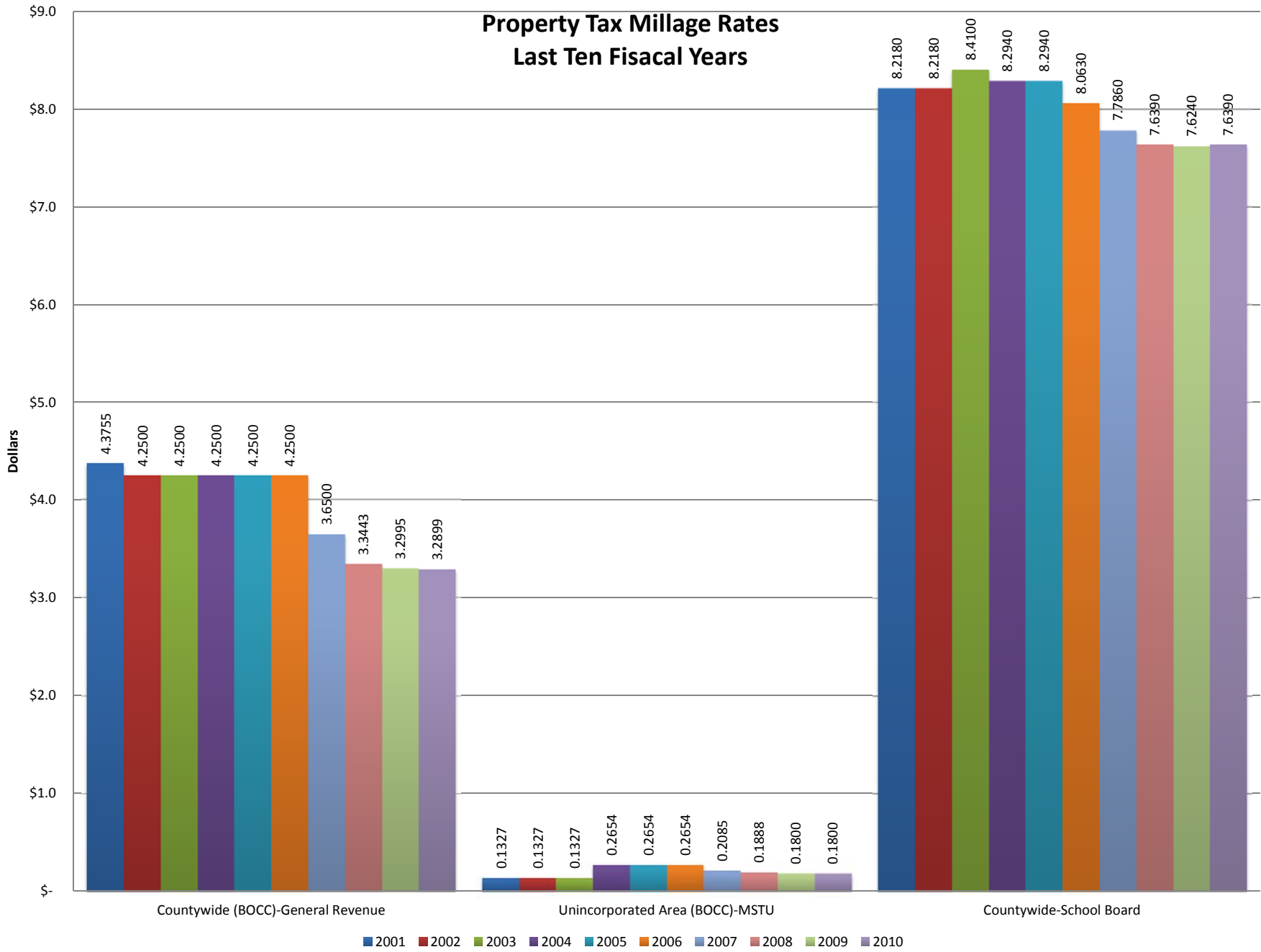


PROPERTY TAX MILLAGE RATES FOR DIRECT AND OVERLAPPING GOVERNMENTS - LAST TEN FISCAL YEARS

| | FISCAL YEAR | | | | | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| COUNTYWIDE (BOCC) | | | | | | | | | | |
| GENERAL REVENUE | 4.3755 | 4.2500 | 4.2500 | 4.2500 | 4.2500 | 4.2500 | 3.6500 | 3.3443 | 3.2995 | 3.2899 |
| UNINCORPORATED AREA (BOCC) | | | | | | | | | | |
| MUNICIPAL SERVICE TAXING UNIT (MSTU) | 0.1327 | 0.1327 | 0.1327 | 0.2654 | 0.2654 | 0.2654 | 0.2085 | 0.1888 | 0.1800 | 0.1800 |
| COUNTYWIDE (OTHER) | | | | | | | | | | |
| SCHOOL BOARD | 8.2180 | 8.2180 | 8.4100 | 8.2940 | 8.2940 | 8.0630 | 7.7860 | 7.6390 | 7.6240 | 7.6390 |
| TOTAL MILLAGES | 12.7262 | 12.6007 | 12.7927 | 12.8094 | 12.8094 | 12.5784 | 11.6445 | 11.1721 | 11.1035 | 11.1089 |
| MUNICIPALITIES | | | | | | | | | | |
| CINCO BAYOU | 2.3000 | 2.3000 | 2.3000 | 2.3000 | 2.3000 | 2.3000 | 2.3000 | 2.0639 | 2.0639 | 2.0639 |
| CRESTVIEW | 6.9990 | 6.9990 | 6.9990 | 6.9000 | 6.9000 | 6.9990 | 6.4989 | 5.8466 | 5.8466 | 5.8466 |
| DESTIN | 1.7500 | 1.8000 | 1.8000 | 1.8000 | 1.8000 | 1.8000 | 1.5000 | 1.4550 | 1.4550 | 1.4550 |
| FORT WALTON BEACH | 4.9700 | 4.9700 | 4.9700 | 4.9700 | 4.9700 | 4.9700 | 4.6400 | 4.1986 | 4.1986 | 4.1986 |
| LAUREL HILL | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 5.0000 | 4.8400 | 3.5000 |
| MARY ESTHER | 2.8370 | 3.5000 | 3.5000 | 3.5000 | 3.5000 | 3.5000 | 3.4000 | 3.0125 | 2.6996 | 2.6996 |
| NICEVILLE | 3.0000 | 3.0000 | 3.3000 | 3.3000 | 3.5000 | 3.5000 | 3.5000 | 3.2669 | 3.2000 | 3.4500 |
| SHALIMAR | 3.0000 | 2.8000 | 2.8000 | 2.8000 | 2.7000 | 2.4000 | 2.2000 | 2.0000 | 2.0000 | 2.0000 |
| VALPARAISO | 3.5000 | 3.9900 | 3.9900 | 3.9900 | 3.9900 | 3.9900 | 3.1200 | 2.8754 | 3.7500 | 4.1591 |
| SPECIAL DISTRICTS | | | | | | | | | | |
| NW FLORIDA WATER MANAGEMENT | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0450 | 0.0450 | 0.0450 |
| LAKE PIPPIN MSBU | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| DESTIN FIRE | 0.7386 | 0.7386 | 0.8600 | 0.8600 | 0.8600 | 0.8300 | 0.7700 | 0.8004 | 0.9009 | 1.0000 |
| EAST NICEVILLE FIRE | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 2.0000 | 2.0000 | 1.9200 | 2.0000 | 2.3500 |
| FLOROSA FIRE | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |
| NORTH BAY FIRE | 1.6500 | 1.7500 | 1.8500 | 1.8500 | 1.8750 | 2.0700 | 1.8000 | 1.6819 | 1.7827 | 2.0500 |
| OCEAN CITY-WRIGHT FIRE | 1.6900 | 1.6900 | 1.8000 | 1.8000 | 1.8000 | 1.8300 | 1.7800 | 1.6460 | 1.8144 | 1.8144 |
| OKALOOSA ISLAND FIRE | 3.3745 | 3.3042 | 2.9500 | 2.9950 | 2.6461 | 2.4305 | 1.9855 | 2.0250 | 1.9998 | 2.1900 |
| SYLVANIA HEIGHTS | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| ALMARANTE FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| BAKER FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| BLACKMAN FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| DORCAS FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| HOLT FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| NORTH OKALOOSA FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Property Tax Millage Rates Last Ten Fiscal Years

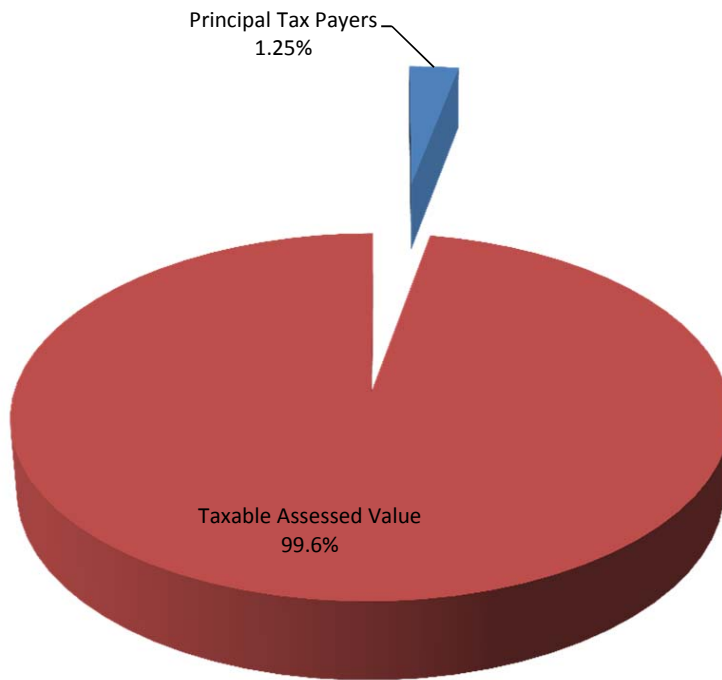


PRINCIPAL PROPERTY TAX PAYERS - LAST FISCAL YEAR COMPARED TO THE FISCAL YEAR NINE YEARS EARLIER

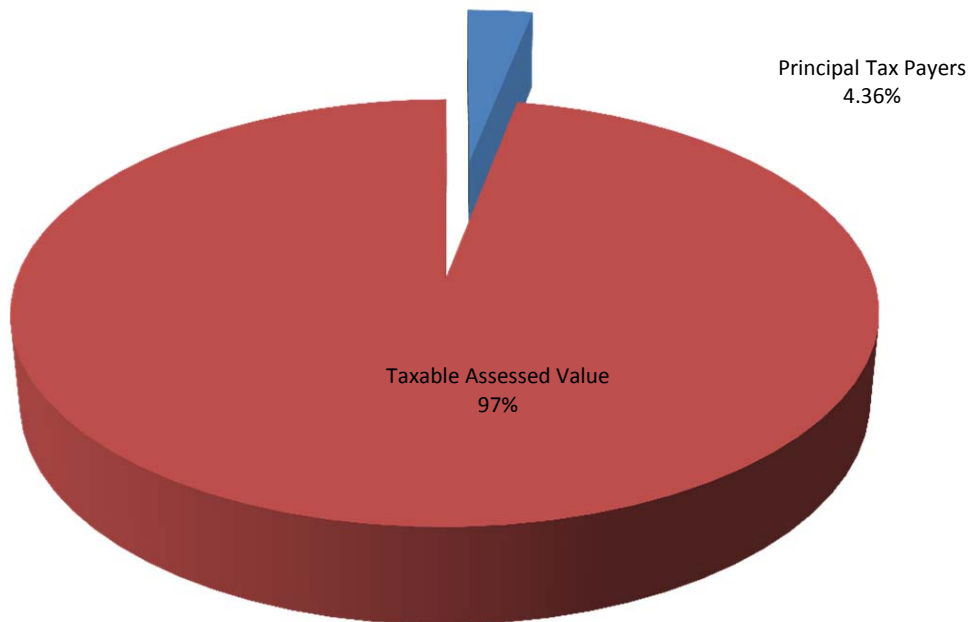
| TAXPAYER | 2010 | | 2001 | |
|---------------------------------------|------------------------------|--|------------------------------|--|
| | TAXABLE ASSESSED VALUE | PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE | TAXABLE ASSESSED VALUE | PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE |
| GULF POWER COMPANY | \$130,283,893 | 0.81% | \$80,553,920 | 1.05% |
| EMBARQ CORP | \$65,340,361 | 0.40% | | |
| EMERALD GRANDE INC | \$64,649,530 | 0.40% | | |
| DESTIN COMMONS LTD | \$39,655,906 | 0.25% | | |
| SRM-SPE LLC | \$38,300,727 | 0.24% | | |
| COXCOM INC | \$34,995,393 | 0.22% | | |
| USO NORGE WATERSCAPE LLC | \$29,918,480 | 0.18% | | |
| CHOCTAWHATCHEE ELECTRIC CO | \$29,550,646 | 0.18% | \$16,606,466 | 0.22% |
| VALPARAISO REALTY | \$23,949,178 | 0.15% | \$19,256,957 | 0.25% |
| HCA | \$23,827,205 | 0.15% | | |
| SPRINT FLORIDA INC | | | \$103,452,460 | 1.35% |
| SANTA ROSA MALL LLC | | | \$34,923,712 | 0.46% |
| FLORIDA GAS TRANS CO | | | \$27,849,261 | 0.36% |
| WAL-MART SOTRES, INC | | | \$20,636,203 | 0.27% |
| RESORT DEV OF DESTIN, INC | | | \$19,711,000 | 0.26% |
| TOLBERT ENTERPRISES | | | \$16,478,746 | 0.22% |
| FT WALTON BEACH MEDICAL CENTER | | | \$16,070,304 | 0.21% |
| TOTAL PRINCIPAL TAXPAYER VALUE | \$480,471,319 | 2.97% | \$239,121,686 | 3.13% |
| TOTAL TAXABLE ASSESSED VALUE | \$16,174,789,111 | 100.0% | \$7,651,784,416 | 100.0% |

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Principal Property Tax Payers Current Year 2010



Principal Property Tax Payers Year 2001

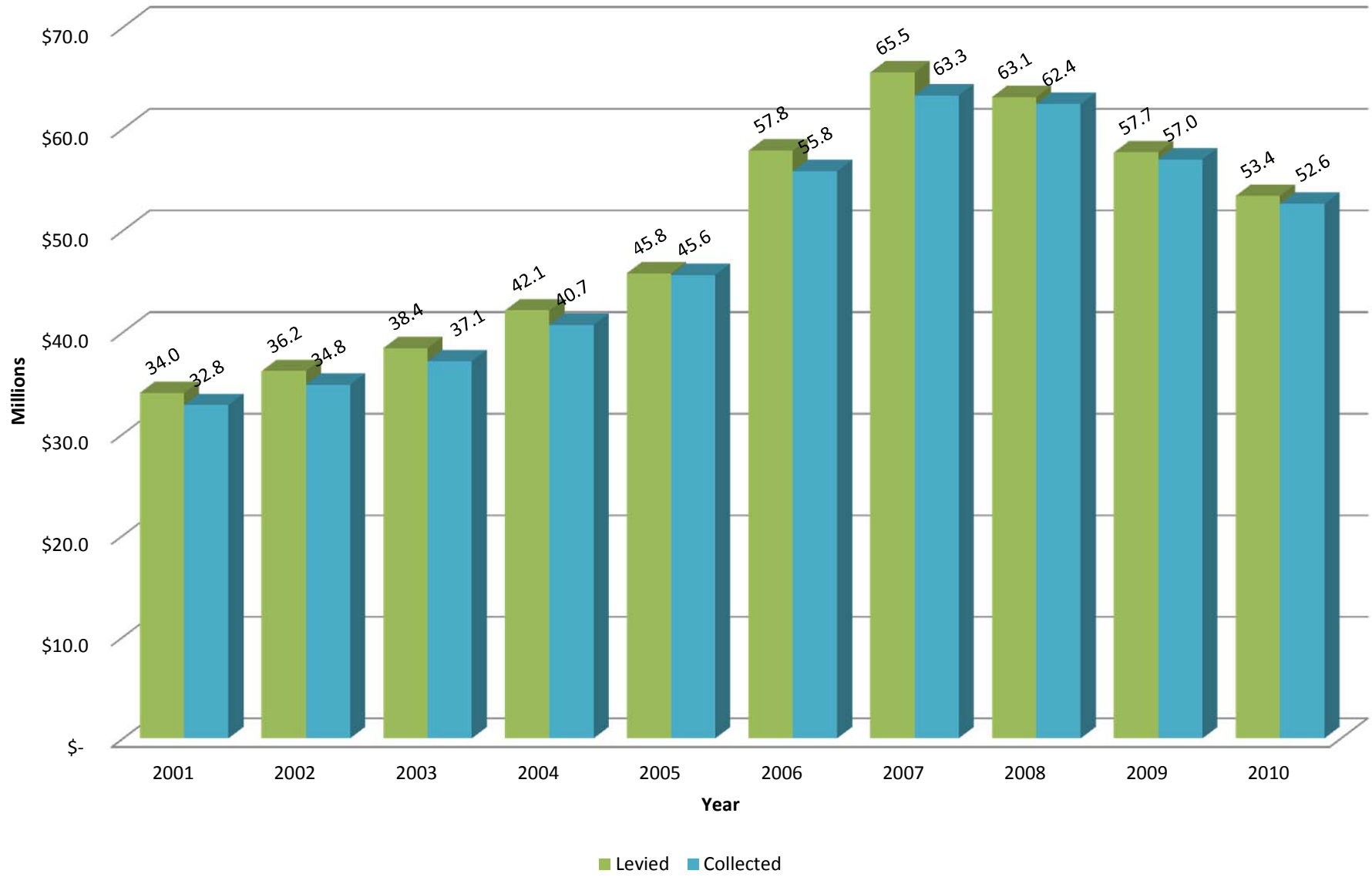


PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS

| FISCAL YEAR | TAXES LEVIED FOR THE FISCAL YEAR | COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY | | COLLECTIONS IN SUBSEQUENT YEARS | TOTAL COLLECTIONS TO DATE | |
|----------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | AMOUNT | PERCENTAGE OF LEVY | | AMOUNT | PERCENTAGE OF LEVY |
| 2001 | \$34,028,086 | \$32,733,079 | 96.2% | \$88,893 | \$32,821,972 | 96.5% |
| 2002 | \$36,174,693 | \$34,743,059 | 96.0% | \$91,122 | \$34,834,181 | 96.3% |
| 2003 | \$38,431,441 | \$36,971,496 | 96.2% | \$174,458 | \$37,145,955 | 96.7% |
| 2004 | \$42,144,165 | \$40,556,384 | 96.2% | \$150,954 | \$40,707,338 | 96.6% |
| 2005 | \$45,794,926 | \$45,449,663 | 99.2% | \$181,918 | \$45,631,581 | 99.6% |
| 2006 | \$57,849,177 | \$55,634,769 | 96.2% | \$184,070 | \$55,818,839 | 96.5% |
| 2007 | \$65,531,728 | \$63,181,930 | 96.4% | \$100,657 | \$63,282,587 | 96.6% |
| 2008 | \$63,123,125 | \$62,249,498 | 98.6% | \$173,101 | \$62,422,599 | 98.9% |
| 2009 | \$57,679,952 | \$56,797,501 | 98.5% | \$198,907 | \$56,996,408 | 98.8% |
| 2010 | \$53,408,513 | \$52,477,263 | 98.3% | \$137,394 | \$52,614,657 | 98.5% |

SOURCE: OKALOOSA COUNTY TAX COLLECTOR RECAPITULATION OF THE TAX ROLL

Property Tax Levies and Collections Last Ten Fiscal Years



RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS

| FISCAL YEAR | GOVERNMENTAL ACTIVITIES | | | | BUSINESS-TYPE ACTIVITIES | | | | | TOTAL PRIMARY GOVERNMENT | PERCENTAGE OF PERSONAL INCOME | PER CAPITA |
|-------------|-----------------------------|-------------------|--------------------|---------------------------|--------------------------|-------------------|-----------------------|-----------------------------|----------------|--------------------------|-------------------------------|------------|
| | SPECIAL OBLIGATION BONDS(1) | REVENUE BONDS (2) | CAPITAL LEASES (3) | COMMERCIAL PAPER LOAN (4) | WATER BONDS (5) | AIRPORT BONDS (6) | SOLID WASTE BONDS (7) | CONFERENCE CENTER BONDS (8) | CAPITAL LEASES | | | |
| 2001 | \$2,745,421 | \$0 | \$292,820 | \$0 | \$30,036,883 | \$4,500,000 | \$1,702,283 | \$13,450,000 | \$139,172 | \$52,866,579 | 1.11% | \$283 |
| 2002 | \$2,629,483 | \$0 | \$491,543 | \$0 | \$27,671,420 | \$4,300,000 | \$1,602,123 | \$13,450,000 | \$47,878 | \$50,192,447 | 0.97% | \$289 |
| 2003 | \$1,731,175 | \$0 | \$599,787 | \$0 | \$25,169,712 | \$10,860,000 | \$1,495,595 | \$13,450,000 | \$24,679 | \$53,330,948 | 0.97% | \$301 |
| 2004 | \$1,599,772 | \$0 | \$566,446 | \$0 | \$39,098,543 | \$10,860,000 | \$1,382,074 | \$13,235,000 | \$0 | \$66,741,835 | 1.12% | \$369 |
| 2005 | \$1,462,338 | \$0 | \$430,218 | \$0 | \$36,832,336 | \$10,635,000 | \$1,263,342 | \$12,780,000 | \$0 | \$63,403,234 | 0.99% | \$341 |
| 2006 | \$1,321,071 | \$0 | \$294,832 | \$0 | \$40,196,034 | \$10,635,000 | \$1,141,298 | \$12,235,000 | \$0 | \$65,823,235 | 0.97% | \$348 |
| 2007 | \$1,161,258 | \$0 | \$151,578 | \$0 | \$98,789,222 | \$10,405,000 | \$1,003,232 | \$12,280,000 | \$0 | \$123,790,290 | 1.73% | \$642 |
| 2008 | \$857,792 | \$0 | \$0 | \$3,580,000 | \$95,688,762 | \$22,150,000 | \$741,063 | \$12,010,000 | \$0 | \$135,027,617 | 1.81% | \$687 |
| 2009 | \$530,526 | \$0 | \$0 | \$3,360,000 | \$92,162,708 | \$21,905,000 | \$458,332 | \$12,010,000 | \$0 | \$130,426,566 | 1.75% | \$663 |
| 2010 | \$182,412 | \$26,615,000 | \$0 | \$3,140,000 | \$88,501,056 | \$21,430,000 | \$157,589 | \$11,725,000 | \$0 | \$151,751,057 | 2.03% | \$772 |

(1) Includes Refunding, Revenue & Improvement Bonds, 1985 and Capital Imprvement Bonds, 1991

(2) Includes Sales Tax Revenue Bonds, Series 2009

(3) Includes Capital Leases and Operating Leases with Escalator Clauses

(4) Includes Florida Local Government Finance Commission Pooled Paper Loan

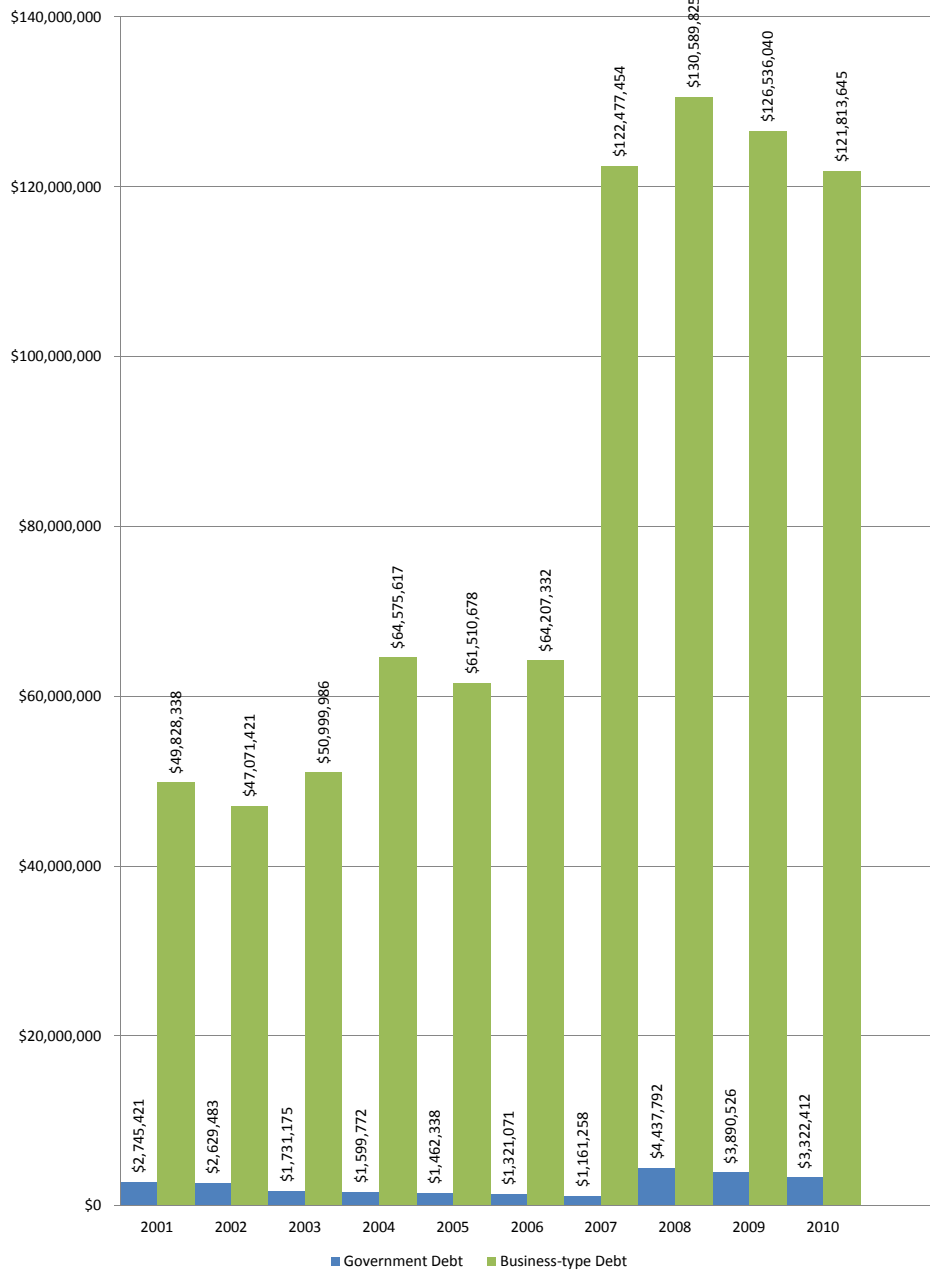
(5) Includes State Pollution Control Bonds, Subordinated Revenue, 1985, Refunding, Revenue, 2004, 2006, State Revolving, and Personal Loans

(6) Includes Revenue Bonds 2003 and 2007 and Florida Local Government Finance Commission Pooled Paper Loan

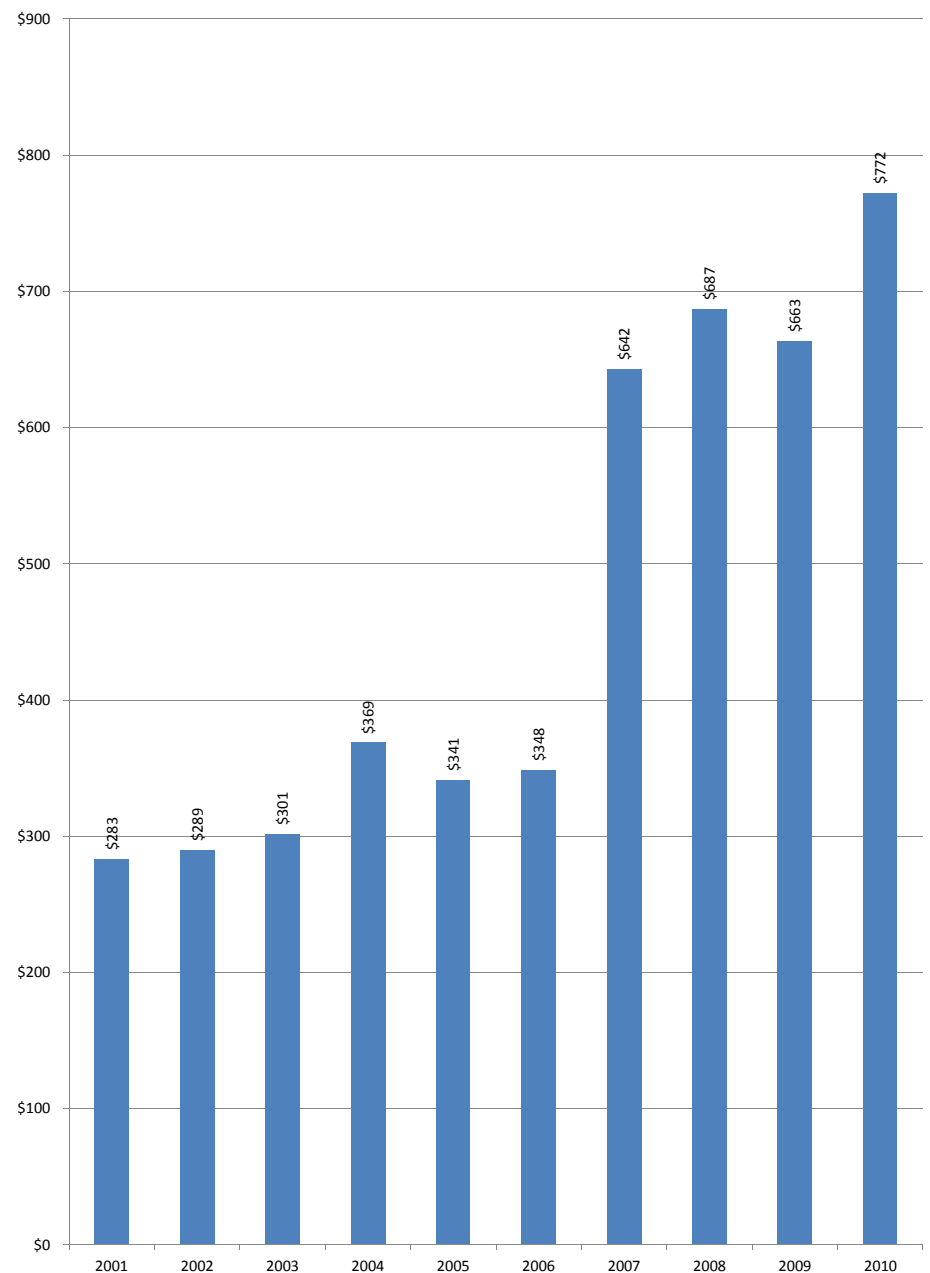
(7) Includes Capital Imprvement Bonds, 1991

(8) Includes Fourth Cent Tourist Development Tax Revenue Bonds, 2000

**Debt by Type
Last Ten Fiscal Years**



**Per Capita Debt
Last Ten Fiscal Years**



PLEGDED-REVENUE BOND COVERAGE

| FISCAL YEAR | Gross Operating Revenue | Direct Operat Expense | Net Revenue Avail -Debt Serv | WATER REVENUE BONDS (PRINCIPAL + INTEREST) | | | | | | | TOTAL | COVERAGE |
|----------------|----------------------------|--------------------------|---------------------------------|--|----------|-----------|-------------|-------------|-------------|-------------|--------------|----------|
| | | | | 1976 | 1985 | 1992 | 1993 | 1998 | 2004 | 2006 | | |
| 2001 | \$19,594,982 | \$9,934,675 | \$9,660,307 | \$0 | \$68,249 | \$333,580 | \$2,014,449 | \$825,298 | \$0 | \$0 | \$3,241,576 | 2.98 |
| 2002 | \$20,366,019 | \$11,453,629 | \$8,912,390 | \$0 | \$68,205 | \$331,440 | \$2,011,633 | \$830,682 | \$0 | \$0 | \$3,241,960 | 2.75 |
| 2003 | \$20,347,258 | \$12,630,511 | \$7,716,747 | \$0 | \$72,087 | \$334,790 | \$2,033,675 | \$845,202 | \$0 | \$0 | \$3,285,754 | 2.35 |
| 2004 | \$21,830,902 | \$13,870,719 | \$7,960,183 | \$0 | \$68,677 | \$332,293 | \$7,293,005 | \$7,333,152 | \$2,902,268 | \$0 | \$17,929,395 | 0.44 |
| 2005 | \$21,917,622 | \$14,246,469 | \$7,671,153 | \$0 | \$68,680 | \$337,060 | \$0 | \$0 | \$3,390,070 | \$0 | \$3,795,810 | 2.02 |
| 2006 | \$23,719,695 | \$15,272,060 | \$8,447,635 | \$0 | \$68,680 | \$331,924 | \$0 | \$0 | \$3,422,370 | \$0 | \$3,822,974 | 2.21 |
| 2007 | \$26,745,817 | \$15,974,674 | \$10,771,143 | \$0 | \$68,677 | \$194,186 | \$0 | \$0 | \$2,967,970 | \$1,171,405 | \$4,402,238 | 2.45 |
| 2008 | \$24,694,611 | \$16,827,092 | \$7,867,519 | \$0 | \$67,831 | \$0 | \$0 | \$0 | \$2,964,695 | \$1,900,194 | \$4,932,720 | 1.59 |
| 2009 | \$23,481,347 | \$16,371,638 | \$7,109,709 | \$0 | \$67,743 | \$0 | \$0 | \$0 | \$2,976,286 | \$509,283 | \$3,553,312 | 2.00 |
| 2010 | \$24,831,872 | \$15,267,581 | \$9,564,291 | \$0 | \$67,648 | \$0 | \$0 | \$0 | \$801,210 | \$5,171,437 | \$6,040,295 | 1.58 |

PLEDGED-REVENUE BOND COVERAGE

| PLEDGED-REVENUE BOND COVERAGE | | | | | | | |
|-------------------------------|----------------------------|--------------------------|---------------------------------|---|-----------|-------------|----------|
| FISCAL YEAR | Gross Operating Revenue | Direct Operat Expense | Net Revenue Avail -Debt Serv | AIRPORT REVENUE BONDS (PRINCIPAL + INTEREST) | | | COVERAGE |
| | | | | 2003 | 2007 | TOTAL | |
| 2004 | \$4,716,535 | \$2,696,158 | \$2,020,377 | \$157,772 | \$0 | \$157,772 | 12.81 |
| 2005 | \$6,017,008 | \$3,768,649 | \$2,248,359 | \$719,499 | \$0 | \$719,499 | 3.12 |
| 2006 | \$7,462,550 | \$4,221,206 | \$3,241,344 | \$797,195 | \$0 | \$797,195 | 4.07 |
| 2007 | \$8,302,612 | \$4,851,237 | \$3,451,375 | \$796,109 | \$0 | \$796,109 | 4.34 |
| 2008 | \$8,039,113 | \$5,132,705 | \$2,906,408 | \$788,232 | \$263,413 | \$1,051,645 | 2.76 |
| 2009 | \$8,557,210 | \$5,674,469 | \$2,882,741 | \$789,413 | \$208,221 | \$997,634 | 2.89 |
| 2010 | \$9,118,672 | \$6,036,864 | \$3,081,808 | \$799,213 | \$891,775 | \$1,690,988 | 1.82 |

PLEDGED-REVENUE BOND COVERAGE

| PLEDGED-REVENUE BOND COVERAGE | | | | | | |
|-------------------------------|----------------------------|--------------------------|---------------------------------|---|-----------|----------|
| FISCAL YEAR | Gross Operating Revenue | Direct Operat Expense | Net Revenue Avail -Debt Serv | CONFERENCE CENTER REVENUE BONDS (PRINCIPAL + INTEREST) | | |
| | | | | Bond | TOTAL | COVERAGE |
| 2004 | \$4,361,084 | \$1,977,740 | \$2,383,344 | \$946,320 | \$946,320 | 2.52 |
| 2005 | \$4,479,689 | \$2,309,740 | \$2,169,949 | \$940,980 | \$940,980 | 2.31 |
| 2006 | \$5,120,607 | \$2,401,044 | \$2,719,563 | \$944,700 | \$944,700 | 2.88 |
| 2007 | \$5,603,899 | \$2,841,814 | \$2,762,085 | \$942,695 | \$942,695 | 2.93 |
| 2008 | \$5,358,647 | \$3,163,561 | \$2,195,086 | \$955,073 | \$955,073 | 2.30 |
| 2009 | \$5,249,570 | \$3,419,702 | \$1,829,868 | \$671,573 | \$671,573 | 2.72 |
| 2010 | \$4,617,857 | \$3,094,242 | \$1,523,615 | \$942,038 | \$942,038 | 1.62 |

COMPUTATION OF DIRECT AND UNDERLYING DEBT (1)

| <u>DIRECT:</u> | <u>NET BONDED DEBT (2)</u> | <u>PERCENT APPLICABLE TO COUNTY</u> | <u>COUNTY'S SHARE OF NET DEBT</u> |
|----------------------------------|----------------------------|-------------------------------------|-----------------------------------|
| OKALOOSA COUNTY (NO BONDED DEBT) | \$0 | 0% | \$0 |
| <u>UNDERLYING:</u> | | | |
| OKALOOSA COUNTY SCHOOL BOARD | \$74,505,000 | 100% | \$74,505,000 |

(1) THIS SCHEDULE IS NORMALLY TITLED "COMPUTATION OF OVERLAPPING DEBT", HOWEVER BECAUSE OKALOOSA COUNTY HAS NO OVERLAPPING DEBT, THE TITLE HAS BEEN CHANGED TO REFLECT THE CONTENTS OF THE SCHEDULE.

(2) NET BONDED DEBT IS DEFINED HERE AS GROSS BONDED DEBT LESS AMOUNT AVAILABLE IN DEBT SERVICE

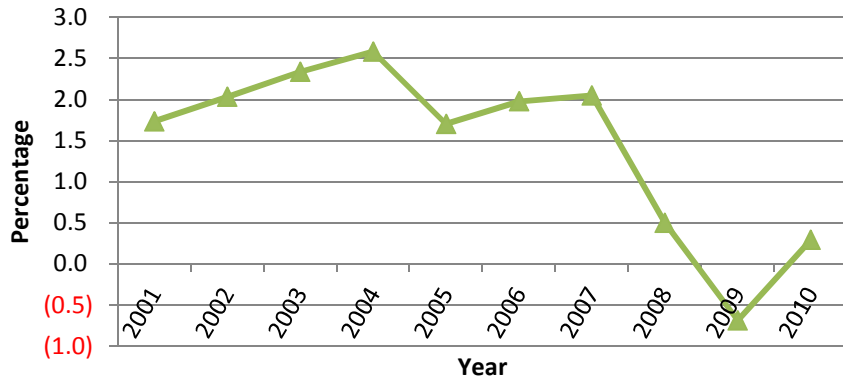
DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN YEARS

| YEAR | POPULATION | PERCENT +/- | PERSONAL INCOME IN THOUSANDS | PERCENT +/- | PER CAPITA PERSONAL INCOME | PERCENT +/- | UNEMPLOYMENT RATE |
|------|------------|----------------|------------------------------------|----------------|----------------------------------|----------------|----------------------|
| 2001 | 173,450 | 1.7% | \$4,757,566 | 3.2% | \$28,336 | 5.1% | 3.97% |
| 2002 | 176,971 | 2.0% | \$5,166,167 | 8.6% | \$29,481 | 4.0% | 4.41% |
| 2003 | 181,102 | 2.3% | \$5,506,510 | 6.6% | \$30,969 | 5.0% | 3.83% |
| 2004 | 185,778 | 2.6% | \$5,982,411 | 8.6% | \$33,068 | 6.8% | 3.47% |
| 2005 | 188,939 | 1.7% | \$6,392,599 | 6.9% | \$35,275 | 6.7% | 2.80% |
| 2006 | 192,672 | 2.0% | \$6,861,716 | 7.3% | \$37,497 | 6.3% | 2.40% |
| 2007 | 196,617 | 2.0% | \$7,090,979 | 3.3% | \$39,158 | 4.4% | 2.55% |
| 2008 | 197,597 | 0.5% | \$7,369,683 | 3.9% | \$41,050 | 4.8% | 5.10% |
| 2009 | 196,234 | -0.7% | \$7,517,077 (1) | 2.0% | \$41,871 (1) | 2.0% | 7.40% |
| 2010 | 196,800 | 0.3% | \$7,667,418 (1) | 2.0% | \$42,708 (1) | 2.0% | 8.20% |

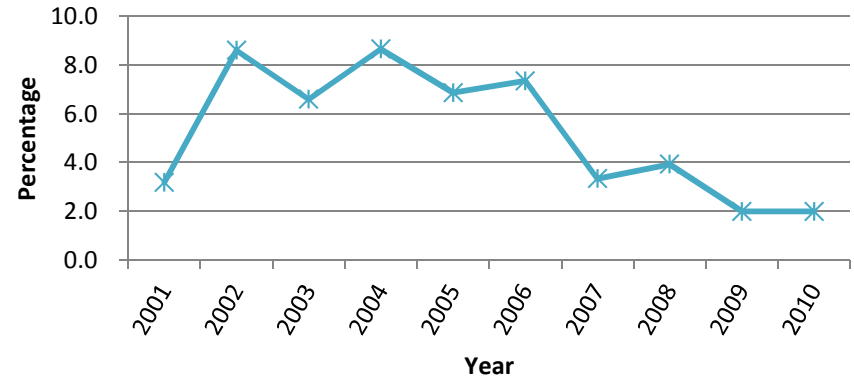
(1) Estimated income figures based upon average percent in prior years.

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

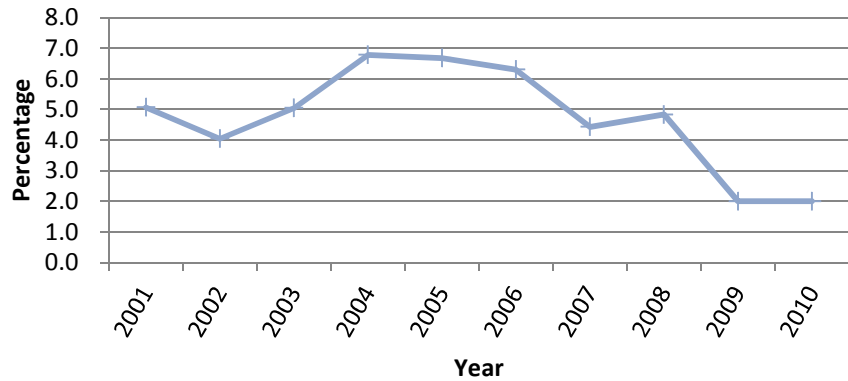
**Population
Last Ten Fiscal Years**



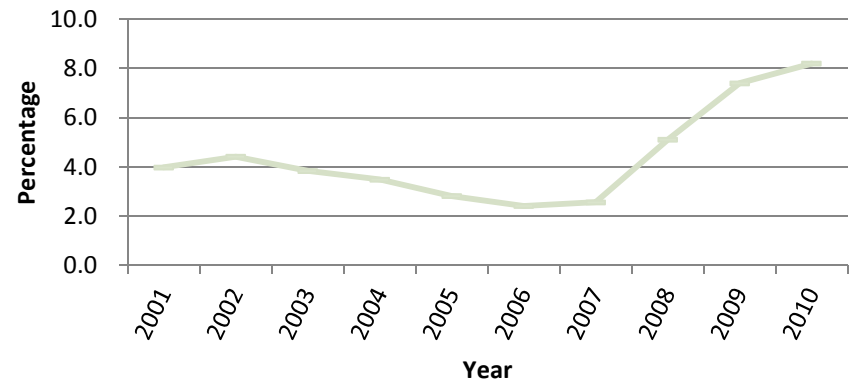
**Personal Income
Last Ten Fiscal Years**



**Per Capita Income
Last Ten Fiscal Years**



**Unemployment Rate
Last Ten Fiscal Years**

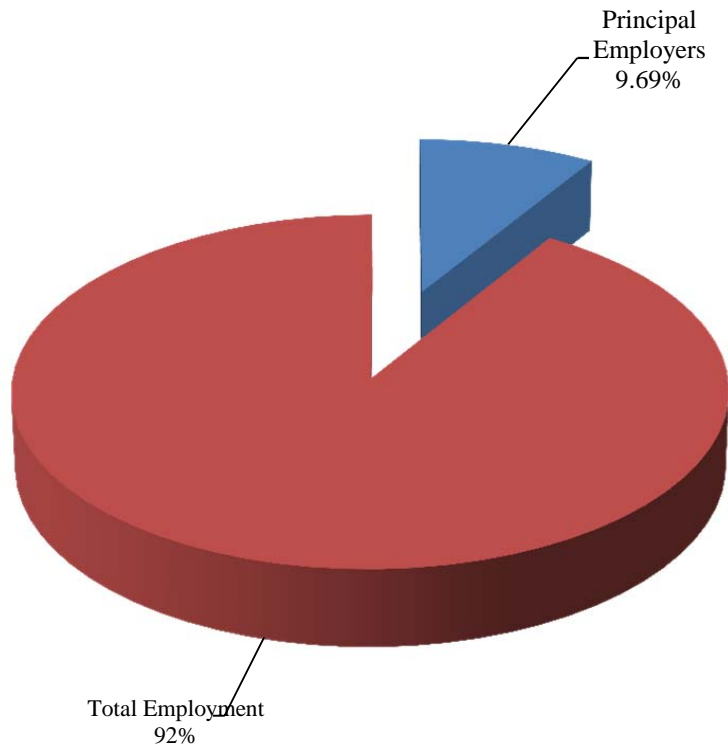


PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO

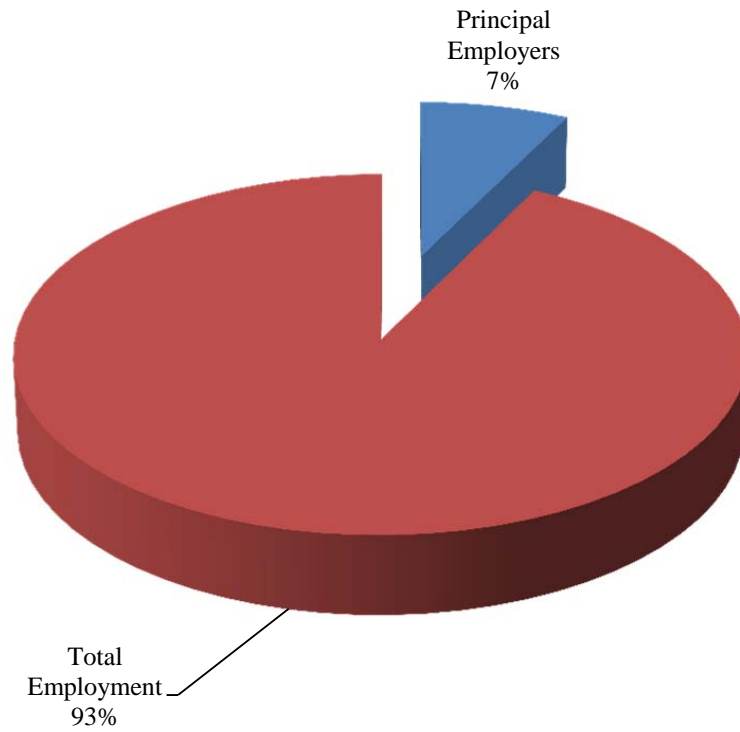
| EMPLOYER | 2010 | | 2001 | |
|--------------------------------|-----------|--------------------------------------|-----------|--------------------------------------|
| | EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT |
| FT WALTON BEACH MEDICAL CENTER | 992 | 1.24% | 850 | 1.01% |
| L-3/CRESTVIEW AEROSPACE CORP | 973 | 1.22% | 370 | 0.44% |
| RESORT QUEST | 930 | 1.17% | | |
| INDYNE, INC | 861 | 1.08% | | |
| DRS TRAINING & CONTROL SYSTEMS | 860 | 1.08% | | |
| SVERDRUP TECHNOLOGY | 700 | 0.88% | 520 | 0.62% |
| NORTH OKALOOSA MEDICAL CENTER | 673 | 0.84% | 552 | 0.65% |
| N.E.W. | 590 | 0.74% | | |
| TYBRIN CORPORATION | 584 | 0.73% | 600 | 0.71% |
| COX COMMUNICATIONS | 575 | 0.72% | | |
| BAE SYSTEMS | | | 1,000 | 1.18% |
| ABBOT RESORTS/RESORT QUEST | | | 1,500 | 1.78% |
| METRIC SYSTEMS CORPORATION | | | 600 | 0.71% |
| SPRINT | | | 360 | 0.43% |
| WHITE-WILSON MEDICAL CENTER | | | 370 | 0.44% |
| TOTAL | 7,738 | 9.69% | 6,722 | 7.96% |
| TOTAL COUNTY EMPLOYMENT | 79,825 | | 84,481 | |

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

Principal Employers Current Year 2010



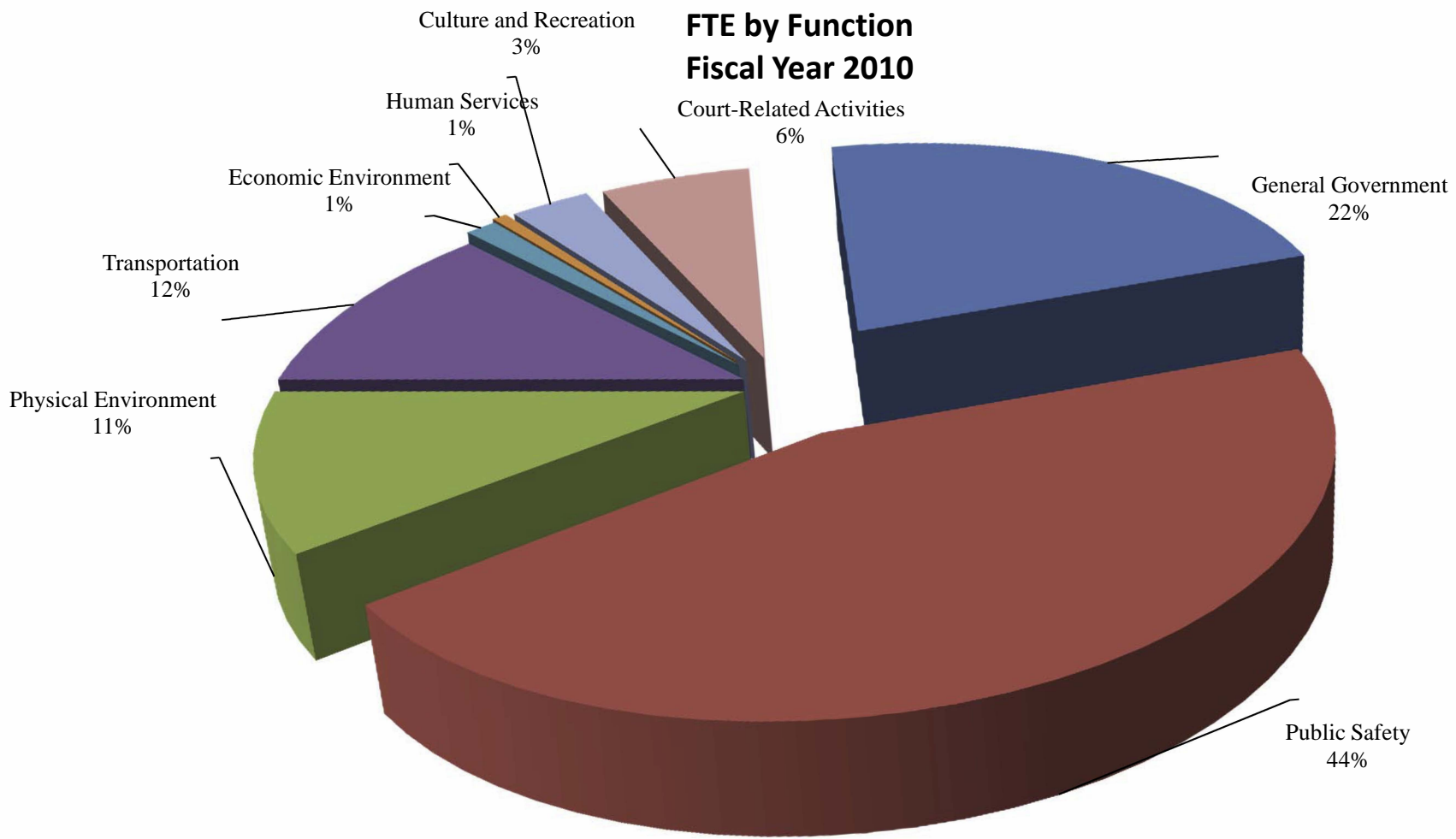
Principal Employers Nine Years Ago 2001



FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION - LAST TEN YEARS

| FUNCTION | FULL-TIME EQUIVALENT EMPLOYEES AS OF OCTOBER 1 | | | | | | | | | |
|--------------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| GENERAL GOVERNMENT | 279 | 276 | 279 | 280 | 285 | 249 | 305 | 299 | 308 | 316 |
| PUBLIC SAFETY | 507 | 506 | 520 | 534 | 543 | 625 | 609 | 661 | 641 | 635 |
| PHYSICAL ENVIRONMENT | 152 | 158 | 160 | 161 | 163 | 161 | 169 | 169 | 157 | 161 |
| TRANSPORTATION | 159 | 161 | 161 | 163 | 172 | 177 | 158 | 175 | 168 | 166 |
| ECONOMIC ENVIRONMENT | 14 | 12 | 12 | 13 | 13 | 16 | 13 | 14 | 18 | 17 |
| HUMAN SERVICES | 11 | 8 | 9 | 9 | 9 | 13 | 11 | 13 | 9 | 8 |
| CULTURE AND RECREATION | 11 | 14 | 30 | 31 | 35 | 38 | 41 | 43 | 42 | 43 |
| COURT-RELATED ACTIVITIES | 73 | 92 | 94 | 92 | 87 | 128 | 102 | 109 | 78 | 82 |
| TOTAL | 1,206 | 1,227 | 1,265 | 1,283 | 1,307 | 1,407 | 1,408 | 1,483 | 1,420 | 1,427 |

SOURCE: BUDGET OFFICE



OPERATING INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

| FUNCTION/PROGRAM | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| TRANSIT | | | | | | | | | | |
| TOTAL ROUTE MILES | 57 | 102 | 114 | 129 | 129 | 182 | 163 | 163 | 163 | 163 |
| PASSENGERS | 27,664 | 64,870 | 96,795 | 92,181 | 71,193 | 138,491 | 169,389 | 211,330 | 171,967 | 162,820 |
| LIBRARY | | | | | | | | | | |
| CIRCULATION | 364,922 | 447,552 | 508,292 | 519,496 | 542,039 | 572,074 | 608,803 | 679,720 | 750,643 | 751,432 |
| REGISTERED BORROWERS | 66,471 | 81,061 | 80,311 | 78,646 | 88,793 | 98,100 | 100,335 | 92,629 | 96,474 | 94,493 |
| PUBLIC WORKS | | | | | | | | | | |
| ASPHALT OVERLAY (SQUARE YARDS) | 271,353 | 306,482 | 204,342 | 143,386 | 82,564 | 48,700 | 71,832 | 126,312 | 52,000 | 61,778 |
| BRIDGES REPAIRED/REPLACED | 31 | 10 | 6 | 11 | 27 | 11 | 14 | 6 | 12 | 14 |
| WATER | | | | | | | | | | |
| NEW CONNECTIONS | 808 | 665 | 568 | 575 | 554 | 594 | 404 | 128 | 496 | 134 |
| WATER MAINS REPAIRS | 1,170 | 1,152 | 1,743 | 1,943 | 2,419 | 990 | 1,344 | 425 | 476 | 52 |
| ANNUAL WATER UNITS BILLED | 393,816 | 402,198 | 405,109 | 426,503 | 428,058 | 428,601 | 429,081 | 430,692 | 429,412 | 434,148 |
| SEWER | | | | | | | | | | |
| ANNUAL SEWER UNITS BILLED | 456,454 | 375,462 | 483,058 | 393,856 | 400,975 | 403,138 | 403,631 | 406,807 | 398,541 | 399,660 |
| AIRPORTS | | | | | | | | | | |
| ENPLANEMENTS | 410,447 | 329,481 | 355,367 | 388,958 | 407,052 | 365,045 | 396,045 | 400,105 | 332,556 | 360,517 |
| DEPLANEMENTS | 409,508 | 323,290 | 347,520 | 382,688 | 401,747 | 366,111 | 393,800 | 400,866 | 332,325 | 356,443 |
| GROWTH MANAGEMENT | | | | | | | | | | |
| DEVELOPMENT PERMITS ISSUED | 2,175 | 2,289 | 2,365 | 2,446 | 2,524 | 2,031 | 1,536 | 975 | 771 | 817 |
| HOME OCCUPATIONS | 480 | 527 | 608 | 671 | 795 | 635 | 547 | 405 | 347 | 359 |
| REFUSE COLLECTION | | | | | | | | | | |
| TRANSFER STATION TONNAGE | 108,421 | 135,991 | 126,228 | 128,953 | 144,253 | 148,694 | 173,655 | 168,224 | 141,633 | 128,360 |
| RECYCLING TONNAGE | 4,735 | 6,623 | 5,647 | 5,512 | 5,422 | 5,889 | 4,823 | 4,181 | 5,286 | 5,898 |
| PUBLIC SAFETY | | | | | | | | | | |
| EMERGENCY CALLS (EMS) | 14,345 | 14,775 | 15,834 | 21,256 | 27,507 | 34,908 | 35,184 | 41,446 | 21,018 | 38,728 |
| SYSTEM CALLS (9-1-1) | 87,918 | 57,714 | 64,870 | 90,854 | 97,576 | 110,851 | 106,684 | 100,547 | 102,199 | 11,065 |

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

CAPITAL INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

| FUNCTION/PROGRAM | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| PARKS AND RECREATION | | | | | | | | | | |
| COUNTY PARKS | 17 | 17 | 17 | 17 | 17 | 16 | 17 | 18 | 19 | 18 |
| UNINCORPORATED PARKS | 33 | 33 | 33 | 34 | 35 | 34 | 34 | 32 | 31 | 32 |
| TRANSIT | | | | | | | | | | |
| BUSES/PASSENGER VAN | 4 | 12 | 14 | 15 | 15 | 17 | 17 | 17 | 17 | 17 |
| LIBRARY | | | | | | | | | | |
| COLLECTIO N | 213,841 | 240,931 | 255,619 | 249,753 | 267,011 | 272,936 | 286,500 | 295,721 | 309,859 | 312,747 |
| PUBLIC WORKS | | | | | | | | | | |
| PAVED ROADS MAINTAINED (MILES) | 565 | 568 | 568 | 568 | 568 | 640 | 621 | 652 | 703 | 652 |
| DIRT ROADS MAINTAINED (MILES) | 293 | 291 | 290 | 291 | 291 | 238 | 264 | 280 | 122 | 207 |
| COLD MIX ROADS MAINTAINED (MILES) | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- | 74 | 74 |
| TRAFFIC SIGNALS | 6 | 6 | 7 | 7 | 7 | 7 | 8 | 9 | 11 | 11 |
| WATER | | | | | | | | | | |
| WATER MAINS (MILES) | 399 | 406 | 412 | 415 | 437 | 445 | 447 | 448 | 455 | 455 |
| FIRE HYDRANTS | 1,550 | 1,632 | 1,718 | 1,808 | 1,903 | 2,004 | 2,109 | 2,220 | 2,267 | 2,267 |
| MAXIMUM DILY CAPACITY | 18,330 | 18,330 | 18,330 | 18,330 | 18,730 | 18,300 | 18,300 | 17,300 | 17,300 | 17,200 |
| SEWERS | | | | | | | | | | |
| SEWERS (THOUSANDS OF GALLONS) | 393 | 395 | 396 | 396 | 396 | 398 | 398 | 399 | 400 | 400 |
| SANITARY SEWERS (MILES) | 9,006 | 9,006 | 9,006 | 9,006 | 9,006 | 9,006 | 9,006 | 9,006 | 12,506 | 13,206 |
| MAXIMUM DAILY TREATMENT CAPACIT | | | | | | | | | | |
| (THOUSANDS OF GALLONS) | | | | | | | | | | |

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

SINGLE AUDIT SECTION

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 Fiscal Year Ended September 30, 2010

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures | |
|---|------------------------|-----------------------------|--------------------|-----------------------------------|
| | | | Expenditures | Disbursements to Subrecipients |
| <u>U.S. Department of Agriculture</u> | | | | |
| Indirect Programs | | | | |
| Passed through <u>Florida Department of Agriculture & Consumer Services</u> Food Distribution Program | 10.550 | 82002 | 771 | - |
| Passed through <u>Florida Department of Education</u> School Breakfast Program | 10.553 | 01-0303 | 29,890 | - |
| National School Lunch Program | 10.555 | 01-0303 | 29,890 | - |
| Passed through <u>Florida Department of Financial Services</u> Schools and Roads - Grants to States | 10.665 | N/A | 6,408 | - |
| Total U.S. Department of Agriculture | | | 66,959 | - |
| <u>U.S. Department of Commerce</u> | | | | |
| Indirect Programs | | | | |
| Passed through <u>Florida Department of Community Affairs</u> Public Safety Interoperable Communications Grant | 11.555 | 09-DS-31-01-56-01-240 | 288,042 | - |
| <u>U. S. Department of Defense</u> | | | | |
| Direct Program | | | | |
| Planning Assisatnce to States Section 22 | | | 50,000 | |
| Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation | 12.607 | RA0692-08-02 | 466,636 | |
| Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation | 12.607 | RA0692-10-03 | 23,317 | |
| Total U. S. Department of Defense | | | 539,953 | - |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Indirect Programs | | | | |
| Passed through <u>Florida Department of Community Affairs</u> Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 10DB-4X-01-56-01-F18 | 1,101,671 | - |
| Total U.S. Department of Housing and Urban Development | | | 1,101,671 | - |

Continued...

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 Fiscal Year Ended September 30, 2010

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures | |
|--|------------------------|-----------------------------|--------------------|-----------------------------------|
| | | | Expenditures | Disbursements to Subrecipients |
| <u>U.S. Department of the Interior</u> | | | | |
| Direct Program | | | | |
| Payments in Lieu of Taxes | 15.226 | N/A | 8,574 | - |
| Total U.S. Department of the Interior | | | 8,574 | - |
| <u>U.S. Department of Justice</u> | | | | |
| Direct Programs | | | | |
| State Criminal Alien Assistance Program (SCAAP) | 16.606 | 2009-AP-BX-0554 | 55,841 | - |
| Supervised Visitation, Save Havens for Children | 16.527 | 2006-CW-AX-0006 | - | 164,731 |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2009-CK-WX-0493 | 453,291 | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2009-DJ-BX-1149 | 43,999 | |
| Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program /Grants to Units of Local Government | 16.804 | 2009-SB-B9-1544 | 38,078 | |
| Indirect Programs | | | | |
| Passed through <u>Florida Department of</u> | | | | |
| <u>Law Enforcement</u> | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2010-JAGC-OKAL-4-4X-156 | | 25,000 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2010-JAGC-OKAL-2-4X-129 | | 28,489 |
| Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program /Grants to States and Territories | 16.803 | 2010-ARRC-OKAL-2-W7-044 | 150,781 | |
| Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program /Grants to States and Territories | 16.803 | 2010-ARRC-OKAL-3-W7-029 | | 61,001 |
| Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program /Grants to States and Territories | 16.803 | 2010-ARRC-OKAL-W7-064 | | 60,000 |
| Passed through <u>Florida Department of</u> | | | | |
| <u>Children and Families</u> | | | | |
| Violence Against Women Formula Grants | 16.588 | LN921 | 81,094 | - |
| Total U.S. Department of Justice | | | 823,084 | 339,221 |

Continued...

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 Fiscal Year Ended September 30, 2010

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures Expenditures | Disbursements to Subrecipients |
|--|------------------------|-----------------------------|------------------------------------|-----------------------------------|
| <u>U.S. Department of Transportation</u> | | | | |
| Direct Programs | | | | |
| <u>Federal Aviation Administration</u> | | | | |
| Airport Improvement Program | 20.106 | Not Assigned | (32,401) | |
| Airport Improvement Program | 20.106 | 312-0081-020-2007 | 1,679 | - |
| Relocate Fuel Farm at Okaloosa Regional Airport | Matching | ANS91, 41604919401 | 37 | - |
| Airport Improvement Program | 20.106 | 312-0081-019-2007 | 16,990 | - |
| Master Plan Update - CRA | Matching | AOU66, 42301119401 | 304 | - |
| Airport Improvement Program | 20.106 | 312-0020-014-2007 | 23,077 | - |
| Master Plan Update - Destin | Matching | AOU 67, 42301219401 | 630 | - |
| Airport Improvement Program | 20.106 | 312-0014-020-2007 | 7,655 | - |
| Master Plan Update - Bob Sikes | Matching | AOU68, 42301019401 | 201 | - |
| Airport Improvement Program | 20.106 | 312-0081-018-2007 | 80,752 | - |
| Design of Terminal Addition at ORA | Matching | AOY61, 42318119401 | 13,168 | - |
| Airport Improvement Program | 20.106 | 312-0020-015-2008 | 1,801 | - |
| Purchase and Install Nav aids (PAPI) at Destin Airport | Matching | AP185, 40738519401 | 47 | - |
| Airport Improvement Program | 20.106 | 312-0081-022-2009 | 3,478,606 | - |
| Purchase and Install Two Backup Emergency Generators at ORA | Matching | AP309, 40747129401 | 37,746 | - |
| Terminal Expansion - Phase I, Terminal Access Road, Baldwin Building | Matching | APC83, 41579919401 | 52,474 | - |
| Airport Improvement Program | 20.106 | 312-0014-022-2010 | 306,996 | - |
| Widen all Taxiways at Bob Sikes Airport | Matching | APT84, 40738919401 | 5,465 | - |
| Airport Improvement Program | 20.106 | 312-0081-023-2010 | 296,907 | - |
| Airport Improvement Program | 20.106 | 312-0081-023-2010 | 22,362 | - |
| Terminal Expansion Phase II-A- Construct Second Level Cone | Matching | APT92, 4181939401 | 588 | - |
| <u>Federal Transit Administration</u> | | | | |
| Federal Transit Formula Grants | 20.507 | FL 90-X583-00 | 13,043 | 82,588 |
| Federal Transit Formula Grants | 20.507 | FL 90-X642-00 | 1,041 | 172,904 |
| Federal Transit Formula Grants | 20.507 | FL 90-X680-00 | 25,364 | 71,517 |
| Federal Transit Formula Grants | 20.507 | FL 90-X715-00 | 4,851 | - |
| Federal Transit Formula Grants | 20.507 | FL 96-X014-00 | 152,566 | 140,000 |
| <u>U.S. Department of Transportation -Cont'd</u> | | | | |
| Indirect Programs | | | | |
| Passed through Florida Department of <u>Transportation</u> | | | | |
| Highway Planning and Construction | 20.205 | ANZ38, FY 10 | 179,737 | - |
| Highway Planning and Construction | 20.205 | APX43, 220239,4-88-01 | 3,027 | - |
| Highway Planning and Construction | 20.205 | AOV73 | 20,029 | - |
| "ARRA" - Highway Planning and Construction | 20.205 | APL23, 426707-1-58-01 | 1,390,568 | - |
| "ARRA" - Highway Planning and Construction | 20.205 | APL24, 426710-1-58-01 | 80,985 | - |
| Highway Planning and Construction | 20.205 | APT85,426797-1-58-01 | 4,593 | - |
| Formula Grants for Other than Urbanized Areas | 20.509 | AOI-19,421365184 | 1,999 | 177,885 |
| Formula Grants for Other than Urbanized Areas | 20.509 | API59, 42666419401 | 45,063 | |
| Total U.S. Department of Transportation | | | 6,127,290 | 644,894 |
| Sub-Total Florida Matching | | | 110,660 | |

Continued...

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 Fiscal Year Ended September 30, 2010

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures | |
|--|------------------------|-----------------------------|--------------------|-----------------------------------|
| | | | Expenditures | Disbursements to Subrecipients |
| <u>Election Assistance Commission</u> | | | | |
| Indirect Programs | | | | |
| Passed through <u>Florida Department of State</u> | | | | |
| Help America Vote Act Requirement Payments | 90.401 | N/A | 53 | - |
| Help America Vote Act Requirement Payments | 90.401 | N/A | 2,038 | - |
| Help America Vote Act Requirement Payments | 90.401 | N/A | 22,434 | - |
| Total Election Assistance Commission | | | 24,525 | - |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Indirect Programs | | | | |
| Passed through <u>Florida Department of Revenue</u> | | | | |
| Child Support Enforcement | 93.563 | CSP46 | 27,562 | - |
| Child Support Enforcement | 93.563 | CD346 | 577,747 | - |
| Child Support Enforcement | 93.563 | N/A | 1,981 | - |
| Passed through <u>Florida Department of State</u> | | | | |
| | 93.617 | N/A | 2,697 | - |
| Passed through the <u>Florida Department of Transportation</u> | | | | |
| Medical Assistance Program, <i>Medicaid</i> ; Title XIX | 93.778 | BDN10,41604318201 | - | 198,916 |
| Total U.S. Department of Health and Human Services | | | 609,987 | 198,916 |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Direct Programs | | | | |
| Law Enforcement Officer Reimbursement Agreement Program | | | | |
| | 97.090 | HSTS0208HSLR287 | 183,697 | - |
| Indirect Programs | | | | |
| Passed through <u>Florida Department of Community Affairs</u> | | | | |
| Pre-Disaster Mitigation Grant Program(PDM) | | | | |
| Competitive Grant | 97.017 | 08DM-06-01-56-01-045 | 385 | - |
| Disaster Grants-Public Assistance-Ivan | 97.036 | 05-PA-G=-01-56-02-513 | 1,610 | - |
| Disaster Grants-Public Assistance-Dennis | 97.036 | 06-PA-'@G-01-56-01-507 | 2,756 | - |
| Disaster Grants-Public Assistance-2009 N. Florida Flooding | 97.036 | 09-SS-E8-01-56-02-502 | 806,656 | - |
| Disaster Grants-2009 N. Florida Flooding | Matching | 09-SS-E8-01-56-02-502 | 134,443 | - |
| Hazard Mitigation Grant | 97.039 | 07-EC-33-01-56-01-493 | 306,186 | - |
| Emergency Management Performance Grants | 97.042 | 10-BG-25-01-56-01-064 | 50,559 | - |
| Homeland Security Grant Program | 97.067 | 07DS-5N-01-56-01-462 | 6,258 | - |
| Homeland Security Grant Program | 97.067 | 08-DS-60-01-56-23-170 | 10,081 | - |
| Homeland Security Grant Program | 97.067 | 08-DS-14-01-56-01-325 | 758 | - |
| Homeland Security Grant Program | 97.067 | 09-CC-49-01-56-01-232 | 345 | - |
| Homeland Security Grant Program | 97.067 | 09-CI-49-01-56-01-313 | 804 | - |
| Homeland Security Grant Program | 97.067 | 10-CC-43-01-56-01-281 | 400 | - |

Continued...

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 Fiscal Year Ended September 30, 2010

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures Expenditures | Disbursements to Subrecipients |
|--|------------------------|-----------------------------|------------------------------------|-----------------------------------|
| <u>Passed through Florida Department of</u> | | | | |
| <u>Law Enforcement</u> | | | | |
| Homeland Security Grant Program | 97.067 | 2007-SHSP-OKAL-2-Q5-010 | 24,400 | - |
| Homeland Security Grant Program | 97.067 | 2007-SHSP-OKAL-1-Q5-011 | 24,171 | - |
| Homeland Security Grant Program | 97.067 | 2008-LETP-OKAL-2-S3-013 | 55,804 | - |
| Homeland Security Grant Program | 97.067 | 2008-SHSP-OKAL-3-S4-048 | 34,650 | - |
| Homeland Security Grant Program | 97.067 | 2009-LETP-OKAL-3-S3-070 | 55,719 | - |
| Homeland Security Grant Program | 97.067 | 09DS-51-01-56-01-332 | 51,325 | - |
| Homeland Security Grant Program | 97.067 | 2010-SHSP-OKAL-5-V3-073 | 7,170 | - |
| Homeland Security Grant Program | 97.067 | 2010-SHSP-OKAL-2-V3-074 | 1,147 | - |
| Homeland Security Grant Program | 97.067 | 2010-SHSP-OKAL-4-V3-091 | 144,000 | - |
| Total U.S. Department of Homeland Security | | | 1,768,881 | - |
| Sub-Total Florida Matching | | | 134,443 | - |
| TOTAL FEDERAL AWARDS | | | 11,358,966 | 1,183,031 |
| Total Florida Matching Funds | | | 245,103 | - |
| STATE FINANCIAL ASSISTANCE | | | | |
| <u>Executive Office of the Governor</u> | | | | |
| Indirect Programs | | | | |
| Passed through <u>Enterprise Florida, Inc.</u> | | | | |
| Enterprise Florida, Inc. | 31.003 | DRG 05-07 | 157,707 | - |
| Military Base Protection | 31.044 | DIG 09-07 | - | 200,000 |
| Total Executive Office of the Governor | | | 157,707 | 200,000 |
| <u>Florida Department of Environmental Protection</u> | | | | |
| Direct Programs | | | | |
| Cooperative Collection Center Grant | 37.007 | SO473 | 25,000 | - |
| Cooperative Collection Center Grant - Washington | 37.007 | SO447 | 15,576 | - |
| Cooperative Collection Center Grant - Walton | 37.007 | SO448 | 27,077 | - |
| Cooperative Collection Center Grant - Santa Rosa | 37.007 | SO449 | 29,642 | - |
| Cooperative Collection Center Grant - Liberty | 37.007 | SO450 | 15,137 | - |
| Cooperative Collection Center Grant - Jackson | 37.007 | SO451 | 19,656 | - |
| Cooperative Collection Center Grant - Holmes | 37.007 | SO452 | 13,326 | - |
| Cooperative Collection Center Grant - Gulf | 37.007 | SO453 | 15,000 | - |
| Cooperative Collection Center Grant - Gadsden | 37.007 | SO454 | 6,248 | - |
| Cooperative Collection Center Grant - Franklin | 37.007 | SO455 | 6,048 | - |
| Cooperative Collection Center Grant - Calhoun | 37.007 | SO456 | 16,170 | - |
| Cooperative Collection Center Grant - Holmes | 37.007 | SO512 | 2,119 | - |
| Cooperative Collection Center Grant - Jackson | 37.007 | SO513 | 8,882 | - |
| Cooperative Collection Center Grant - Walton | 37.007 | SO516 | 11,387 | - |
| Cooperative Collection Center Grant - Franklin | 37.007 | SO509 | 9,047 | - |
| Cooperative Collection Center Grant - Gadsden | 37.007 | SO510 | 9,594 | - |
| Florida Recreation Development Assistance | 37.017 | A9115 | 37,851 | - |
| Statewide Surface Water Restoration and Wastewater Projects | 37.039 | LP8957 | - | 120,833 |
| Innovative Waste Reduction and Recycling Grants | 37.050 | IG09-01 | 175,692 | - |
| Innovative Waste Reduction and Recycling Grants | 37.050 | IG09-03 | 30,689 | - |
| 2004 Hurricane Recovery Plan Grant Program | 37.065 | H50K1 | 787 | - |

Continued...

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 Fiscal Year Ended September 30, 2010

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures Expenditures | Disbursements to Subrecipients |
|--|------------------------|-----------------------------|------------------------------------|-----------------------------------|
| Indirect Programs | | | | |
| Passed through <u>Northwest Florida Water Management District</u> | | | | |
| Water Management Districts - Land Acquisition | 37.022 | 08-048 | 17,156 | |
| Water Management Districts - Land Acquisition | 37.022 | 08-053 | 24,766 | |
| Water Protection and Sustainability Program | 37.066 | 07-008 | 243,769 | |
| Plugging and Abandoning Seven Wells and one Conversion | N/A | N/A | 6,563 | - |
| Total Florida Department of Environmental Protection | | | 767,182 | 120,833 |
| <u>Florida Department of Agriculture and Consumer Services</u> | | | | |
| Mosquito Control | 42.003 | 014151 | 23,968 | - |
| Mosquito Control | 42.003 | 014969 | 9,573 | |
| Total Florida Department of Agriculture and Consumer Services | | | 33,541 | - |
| <u>Florida Department of State and Secretary of State</u> | | | | |
| State Aid to Libraries | 45.030 | 08-ST-48 | 37,970 | - |
| State Aid to Libraries | 45.030 | 09-ST-47 | 1,289 | - |
| State Aid to Libraries | 45.030 | 10-ST-47 | 72,603 | |
| Total Florida Department of State and Secretary of State | | | 111,862 | - |
| <u>Florida Department of Community Affairs</u> | | | | |
| Emergency Management Programs | 52.008 | 10-BG-25-01-56-01-064 | 105,524 | - |
| Growth Management Projects | 52.023 | 09CP-0401-56-01-117 | 893 | - |
| Growth Management Implementation | 52.033 | 10-CP-04-01-56-01-181 | 5,818 | - |
| Total Florida Department of Community Affairs | | | 112,235 | - |
| <u>Florida Housing Finance Agency</u> | | | | |
| State Housing Initiatives Partnership (SHIP) | 52.901 | 2007/2010 | - | 142,323 |
| <u>Florida Department of Transportation</u> | | | | |
| Commission for the Transportation of Disadvantaged Trip and Equipment Grant | 55.001 | APK71 | - | 224,516 |
| Commission for the Transportation of Disadvantaged Trip and Equipment Grant | 55.001 | APZ86 | - | 80,233 |
| Aviation Development Grant | 55.004 | AP523, 42164715401 | 56,773 | - |
| Aviation Development Grant | 55.004 | APG04, 40951519401 | 12,000 | - |
| Aviation Development Grant | 55.004 | APG05,40738419401 | 9,950 | - |
| Aviation Development Grant | 55.004 | AOW91, 41818129401 | 1,690 | - |
| Aviation Development Grant | 55.004 | APY60, 41819319401 | 2,075 | - |
| Commuter Assistance/Rideshare Grant | 55.007 | AP967, 42031518401 | 11,520 | |
| Public Transit Block Grant Program | 55.010 | AOL06, 41409818401 | 21,048 | 376,000 |
| Transit Corridor Program | 55.013 | AOJ56,42027518401 | - | 127,999 |
| Transportation Regional Incentive Program | 55.026 | AOM93, & AOS16 | 232,133 | - |
| Total Florida Department of Transportation | | | 347,189 | 808,748 |

Continued...

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 Fiscal Year Ended September 30, 2010

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures | |
|--|------------------------|-----------------------------|--------------------|-----------------------------------|
| | | | Expenditures | Disbursements to Subrecipients |
| <u>Florida Department of Children and Families</u> | | | | |
| Baker Act | 60.006 | AH402 | 87,687 | - |
| Substance Abuse Treatment and Aftercare Service for Adults | 60.033 | AH402 | 35,584 | - |
| Adult Community Mental Health - Community Support Services | 60.053 | AH402 | 50,988 | - |
| Total Florida Department of Children and Families | | | 174,259 | - |
| <u>Florida Department of Health</u> | | | | |
| Emergency Medical Services Matching Award | 64.003 | M7004 | 2,549 | - |
| County Grant Awards | 64.005 | C8046 | 2,626 | - |
| County Grant Awards | 64.005 | C9046 | 8,775 | - |
| Total Florida Department of Health | | | 13,950 | - |
| <u>Florida Department of Management Services</u> | | | | |
| Wireless 911 Emergency Telephone System | 72.001 | S-08-04-17 | 435,668 | - |
| Wireless 911 Emergency Telephone System | 72.001 | S-08-04-18 | 862,389 | - |
| Wireless 911 Emergency Telephone System | 72.001 | S-08-07-34 | 131,198 | - |
| Wireless 911 Emergency Telephone System | 72.001 | S2-09-1-10 | 144,723 | - |
| Wireless 911 Emergency Telephone System | 72.001 | S2-09-1-16 | 1,122,650 | - |
| | | | 2,696,628 | - |
| Total Florida Matching Funds | | | 245,103 | - |
| TOTAL STATE FINANCIAL ASSISTANCE | | | 4,414,553 | 1,271,904 |
| TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE | | | 16,018,622 | 2,454,935 |

Okaloosa County, Florida
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2010

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal funded programs and state funded projects of Okaloosa County, Florida. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. Funds received and expended as state financial assistance reported on the schedule include only those state funds provided from state resources to carry out state projects.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the modified accrual basis of accounting for all governmental fund grants and the accrual basis of accounting for all proprietary fund grants. These basis of accounting are described in Note 1 C to the County's financial statements.

y, Florida
Airport Enterprise Fund
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Fiscal Year Ended September 30, 2010

Grantor/Program: Passenger Facility Charges

Application Approval Number: 00-01-C-00-VPS

Latest ROD 07-03-C-00-VPS

| <u>Amended Amount of Approval</u> | <u>Cumulative Earned Amount at September 30, 2009</u> | <u>Current Year Earned Amount</u> | <u>Cumulative Earned Amount at September 30, 2010</u> | <u>Current Year Expenditures</u> | <u>Unliquidated Passenger Facility Charges</u> | |
|---|---|---|---|--|--|----------------------------------|
| | | | | | <u>at September 30, 2009</u> | <u>at September 30, 2010</u> |
| \$ 39,922,121 | \$ 12,707,613 | \$ 1,667,985 | \$ 14,375,598 | \$ 881,463 | \$ 5,706,604 | \$ 6,493,126 |

Okaloosa Count



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Board of County Commissioners
Okaloosa County Courthouse
Okaloosa County, Florida

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*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Okaloosa County, Florida as of and for the year ended September 30, 2010, which collectively comprise Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Board of County Commissioners
Okaloosa County Courthouse
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* (Continued)

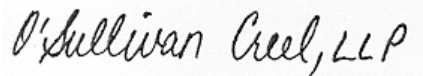
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okaloosa County, Florida'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 that are required to be reported under *Government Auditing Standards*.

The Sheriff of Okaloosa County and Management of the Board of County Commissioners of Okaloosa County, Florida responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses, and accordingly, we express no opinion on them.

We noted certain matters that we reported to management of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

This report is intended solely for the information and use of the Okaloosa County Board of County Commissioners, management, others within the organization, the Auditor General of the State of Florida, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "O'Sullivan Creel, LLP". The signature is written in a cursive style and is positioned above a light gray rectangular background.

March 18, 2011



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Board of County Commissioners
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL AND COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM

Compliance

We have audited Okaloosa County, Florida's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*; the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement* and the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration that are could have a direct and material effect on each of Okaloosa County, Florida's major federal programs, state projects and passenger facility charge program for the year ended September 30, 2010. Okaloosa County, Florida'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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs, state projects and passenger facility charge program is the responsibility of Okaloosa County, Florida's management. Our responsibility is to express an opinion on Okaloosa County, Florida's compliance based on our audit.

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 Okaloosa County, Florida'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. Our audit does not provide a legal determination on Okaloosa County, Florida's compliance with those requirements.

In our opinion, Okaloosa County, Florida complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs, state projects and passenger facility charge program for the fiscal year ended September 30, 2010.

Board of County Commissioners
Okaloosa County, Florida
Independent Auditor's Report on Compliance with Requirements that
Could Have a Direct and Material Effect on Each Major Federal Program
and State Project and on Internal Control over Compliance in Accordance
with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*,
and Compliance with Requirements Applicable to the Passenger Facility
Charge Program (Continued)

Internal Control over Compliance

The management of Okaloosa County, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs, state projects and the passenger facility charge program. In planning and performing our audit, we considered Okaloosa County, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program, state project or the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, 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 Okaloosa County, Florida'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, state project or the passenger facility charge program 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, state project or the passenger facility charge program will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Okaloosa County Board of County Commissioners, management, the Auditor General of the State of Florida, the Federal Aviation Administration and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

March 18, 2011

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2010

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? X Yes _____ No
- Non-compliance material to financial statements noted? _____ Yes X No

Federal Awards and State Projects

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? _____ Yes X No

Type of auditor's report issues on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*? _____ Yes X No

Identification of major federal programs:

U.S. Department of Housing and Urban Development

| | CFDA # | Expenditures |
|------------------------------------|--------|--------------|
| Community Development Block Grants | 14.228 | \$ 1,101,671 |

U.S. Department of Justice

| | CFDA # | Expenditures |
|---|--------|--------------|
| Public Safety Partnership and Community Policing Grants | 16.710 | \$ 453,291 |

U.S. Department of Transportation

| | CFDA # | Expenditures |
|-----------------------------------|--------|--------------|
| Highway Planning and Construction | 20.205 | \$ 1,678,939 |

U.S. Department of Health and Human Services

| | CFDA # | Expenditures |
|---|--------|--------------|
| Medical Assistance Program, Medicaid; Title XIX | 93.778 | \$ 198,916 |

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2010

1. Summary of Auditor's Results – Continued

U.S. Department of Homeland Security

| | <u>CFDA #</u> | <u>Expenditures</u> |
|-------------------------------------|---------------|---------------------|
| Disaster Grants – Public Assistance | 97.036 | \$ 811,022 |
| Homeland Security Grant Program | 97.067 | \$ 417,032 |

Identification of major state projects:

Florida Executive Office of the Governor

| | <u>CFSA#</u> | <u>Expenditures</u> |
|--------------------------|--------------|---------------------|
| Military Base Protection | 31.044 | \$ 200,000 |

Florida Department of Transportation

| | <u>CFSA#</u> | <u>Expenditures</u> |
|---|--------------|---------------------|
| Commission for the Transportation of Disadvantaged Trip and Equipment Grant | 55.001 | \$ 304,749 |

Florida Department of Transportation

| | <u>CFSA#</u> | <u>Expenditures</u> |
|--|--------------|---------------------|
| Commission for the Transportation Disadvantaged Trip and Equipment Grant | 72.001 | \$ 2,696,628 |

- The threshold for distinguishing Type A and B programs was \$383,513 for federal programs and \$300,000 for state projects.
- Okaloosa County, Florida qualified as a low risk auditee pursuant to OMB Circular A-133.

2. Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)

Finding 2010-1 MONTHLY CLOSING PROCEDURES - SHERIFF

Criteria –Authority and responsibility of the Sheriff's office fiscal management function rests with the Chief Financial Officer (CFO), as defined in OCSO Fiscal Management Policy, General Order 7.01. That policy defines fiscal management to include participation in the preparation of the agency's budget; accounting system; collecting, safeguarding and disbursing of cash; and all finance, payroll, grants, and travel functions.

Condition –Various general ledger accounts were not reconciled timely throughout the year. Significant audit adjustments were necessary during the annual audit process and to the reporting package submitted to the Okaloosa County Clerk of Courts in November, 2010.

Cause – The former Director of Administration contributed to the condition above. Duties within the Sheriff's office were re-aligned but there was not adequate oversight (training) for accounting personnel, nor timely review of accounting information or account reconciliations by management.

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2010

2. **Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS) - Continued**

Finding 2010-1 MONTHLY CLOSING PROCEDURES – SHERIFF - CONTINUED

Effect – Significant audit adjustments were necessary to correct the general ledger balances, and the financial reporting package submitted to the Okaloosa County Clerk of Courts.

Recommendations -

- Finance should establish monthly procedures to comply with its Fiscal Management Policy, 7.01 to ensure fiscal responsibility is met by management.
- Monthly reconciliation of key subsidiary ledgers with general ledger accounts should be made for each key account – including bank accounts, accounts receivable, accounts payable, payroll liabilities, and capital outlay purchases. In addition, key accounts with the Okaloosa County Board of County Commissioners (appropriations, due to/from) should be reconciled.
- Quarterly monitoring procedures should be employed to determine whether budgetary amendments, if any, are necessary. Reconciling accounts monthly as recommended above should allow for better tracking of budgetary dollars.

Views of the Responsible Officials and Planned Corrective Actions –

The OCSO will ensure the books and records are materially correct at the end of each reporting period, and that key accounts are reconciled monthly. Such procedures include monthly reconciliation of key subsidiary accounts, independent monitoring of status reports and continued re-alignment of certain accounting functions.

Finding 2010-2 – INTERNAL CONTROL OVER BILLINGS AT AIRPORT

Criteria – Okaloosa County Airport’s system of internal control should be designed so that management and employees, in the normal course of performing their assigned functions, can prevent or detect misstatements on a timely basis.

Condition – Billings to an operator who leases space at the Destin airport were calculated incorrectly for the period from June 1, 2006 to September 30, 2010. A lease amendment signed April 7, 2008, and made effective retroactive to the period of June 1, 2006, was not considered in the monthly billing process. As a result, the operator was under billed approximately \$290,000 during this time period. In addition a CPI adjustment to the lease was allowable as of January 1, 2010 and such adjustment was not made in the billing examined after that date.

Cause – The Airport Enterprise fund and other Okaloosa County enterprise activities, independently process revenue transactions including billing to customers and the related account receivable. Revenue and accounts receivable are recorded by BOCC in the County’s accounting system based on source data provided by the respective enterprise funds. The airport derives significant revenue from lease agreements and there is not a formal process in place to periodically compare lease agreements with monthly billings. The lease agreements are complex as well as multi-faceted deriving revenue based on the activities of the vendor, such as sales of particular products or services.

Effect – The airport has under collected and underreported revenue earned from the lease during the time period from June 1, 2006 to September 30, 2010.

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2010

2. Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS) - Continued

Finding 2010-2 – INTERNAL CONTROL OVER BILLINGS AT AIRPORT – CONTINUED

Recommendations –

- Institute a procedure that requires all leases to be examined on an annual basis and billings agreed to lease terms. This should be done by someone independent of the monthly billing function.

- Create a comprehensive lease listing that indicates lease start and end dates, dates in which CPI increases take effect, and other facets of the agreements, such as additional provisions to include supplementary billings based on sales, etc. Use this listing to update monthly billings as needed and to make inquiries concerning lease extensions or amendments that would be executed by the governing body of Okaloosa County, Florida.

Views of the Responsible Officials and Planned Corrective Actions

Airport management concurs. The Airport Property/Lease Specialist will create a comprehensive spreadsheet or database listing each contract/lease with information relating to each revenue factor. Information such as CPI adjustments and credits authorized will also be entered. Each contract/lease master file will also contain a control sheet indicating dates of reviews and notation that any extensions/amendments have been furnished to the Airports Financial Specialist for billing updates, and the Administration & Finance Manager for follow-up.

3. Findings and Questioned Costs for Major Federal Awards and State Projects

The results of our audit of Okaloosa County, Florida disclosed no findings required to be reported under the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations or Chapter 10.550, Rules of the Auditor General.

4. Summary Schedule of Prior Audit Findings

No Corrective Action Plan is required for the current year because there were no findings required to be reported under Federal or Florida Single Audit Acts.



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To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and State Project and on Internal Control over Compliance and Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance, and Schedule of Finding and Questioned Costs. Disclosures in those reports and schedule that are dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- 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 report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading **Prior Year Recommendation**.
- Section 10.554 (1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i) 3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the financial management of Okaloosa County, Florida. In connection with our audit, there were no current year recommendations.
- Section 10.544(1)(i)4., *Rules of the Auditor General*, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida
Management Letter (Continued)

- Section 10.544(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

BOARD OF COUNTY COMMISSIONERS

PRIOR YEAR RECOMMENDATIONS

1. RECONCILIATION OF ACCOUNTS RECEIVABLE AIRPORT ENTERPRISE FUND

Prior Year Comment Summarized

The independent subsidiary accounts receivable detail maintained by the Airport Enterprise Fund improperly included previously paid accounts at September 30, 2009. As a result accounts receivable recorded by BOCC Clerk Finance was overstated by \$70,000 which was discovered via audit procedures. We recommended procedures be established to ensure that both billings and cash collections are posted to the accounts receivable subsidiary maintained by the Airport Enterprise Fund on a consistent and timely basis.

Status

An adjustment of approximately \$7,500 to the control account was necessary to record additional billings included on the airport's independent subsidiary detail not initially recorded by BOCC Clerk Finance. An audit adjustment of \$13,000 was made to correct an additional accounts receivable account that was overstated as a result of returned checks that were re-deposited during the year under audit. Billings and cash collections were posted to the subsidiary ledger maintained by the Airport Enterprise Fund consistently and timely during the year ended September 30, 2010.

Continuing Recommendation

Correctly recording accounts receivable and related revenue in the Airport Enterprise Fund must involve active communication between personnel at the Airport and BOCC Clerk Finance. We recommend the two parties collaborate and collectively approve the accounts receivable detail at year end prior to transmittal of the trial balance to the auditors.

Management's Response and Action Plan

Airport management and the BOCC Clerk Finance will collaborate and approve the year end accounts receivable balance prior to the start of audit fieldwork. In addition, when NSF checks are returned to the Airport, BOCC Finance will reduce the deposited amount pending any redeposit of the funds.

2. RELIANCE ON VENDOR DOCUMENTATION AIRPORT ENTERPRISE FUND

Prior Year Comment Summarized

Certain revenues in the airport enterprise fund are based on variable factors such as the number/type/weight of planes departing or arriving or the revenue base of the rental car companies. The Airport Enterprise Fund relies heavily on reports produced and provided by the service and concession providers to record revenue earned. The Airport Enterprise fund does not perform audits of the service provider records to substantiate revenue remitted.

To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida
Management Letter (Continued)

BOARD OF COUNTY COMMISSIONERS (CONTINUED)

PRIOR YEAR RECOMMENDATION (CONTINUED)

2. RELIANCE ON VENDOR DOCUMENTATION AIRPORT ENTERPRISE FUND (CONTINUED)

Status

Airport Management reviewed several alternatives during the year ended September 30, 2010 and the following modification were made to the system of internal control:

- Effective for FY10-11 flight data is obtained from an independent third party, which allows the airport to verify data provided by the commercial airlines used in billing.
- Audits of the revenue reported by the rental car companies are in progress as of the date of the auditor's report by an independent CPA firm that specializes in this type of activity.
- Standardized self reporting forms for the FBO's have been developed to report various types of revenue on which rents and charges are based. The General Aviation Airports Manger for the Crestview and Destin airports is responsible for reviewing the information subsequent to the billing process and researching any significant or unusual variances on a monthly basis. Airport management also has the right to inspect the records of the FBO's although no formal schedule for these reviews has been implemented.

CLERK OF THE CIRCUIT COURT

No management comments necessary.

SHERIFF

No management comments necessary

TAX COLLECTOR

No management comments necessary.

PROPERTY APPRAISER

No management comments necessary.

SUPERVISOR OF ELECTIONS

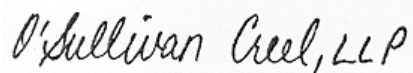
No management comments necessary.

To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida
Management Letter (Continued)

- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Okaloosa County, Florida, is a political subdivision of the State of Florida organized under Title VIII, Section 1(e) of the Florida Constitution. The primary government includes the Board of County Commissioners, the Clerk of the Circuit Court, the Sheriff, the Tax Collector, the Property Appraiser, and the Supervisor of Elections. As of September 30, 2010, Okaloosa County had one component unit, as defined by GASB 14, with a significant operational or financial relationship with the County. The Emerald Coast Bridge Authority is reported as a discretely presented component unit in the financial statements of Okaloosa County. The Authority was established in May 2001 by legislative action amending Chapter 90-412, Laws of Florida.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of any such specific condition(s) met. In connection with our audit, we determined that Okaloosa County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for Okaloosa County, Florida for the fiscal year ended September 30, 2010, filed with the 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, 2010. In connection with our audit we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor Okaloosa 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 the same.
- Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of County Commissioners of Okaloosa County, Florida, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



March 18, 2011

**BOARD OF COUNTY
COMMISSIONERS**

**OKALOOSA COUNTY, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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 GENERAL, CHAPTER 10.557**

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**OKALOOSA COUNTY, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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Basic Financial Statements



Honorable Chairman and the Members of the
Board of County Commissioners
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of County Commissioners of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Board of County Commissioners of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

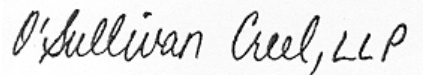
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Fine and Forfeiture Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Chairman and the Members of the
Board of County Commissioners
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011 on our consideration of the Board of County Commissioners of Okaloosa County, Florida'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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of County Commissioners of Okaloosa County, Florida's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

A handwritten signature in cursive script that reads "O'Sullivan Creel, LLP". The signature is written in black ink on a light-colored background.

March 18, 2011



**Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010**

| | General Fund | Fine and Forfeiture Special Revenue Fund |
|-------------------------------------|--------------|---|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 236,735 | \$ 34,349 |
| Investments | 2,711,169 | 2,079,784 |
| Accounts Receivable | 203,806 | 42,578 |
| Due from Other Elected Officials | 1,113,256 | 1,278,864 |
| Due from Other Governments | 1,178,019 | 1,572,753 |
| Prepays | 566,771 | 11,770 |
| Investments - Restricted | - | - |
| | - | - |
| Total Assets | \$ 6,009,756 | \$ 5,020,098 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts Payable | \$ 215,795 | \$ 73,225 |
| Contracts Payable | 392,099 | 105,873 |
| Other Accrued Liabilities | 331,615 | 336,241 |
| Due to Other Funds | - | - |
| Due to Other Elected Officials | 15,804 | 814,406 |
| Due to Other Governments | 3,560 | 26,588 |
| Due to Depositors | 109,567 | 111,246 |
| Deferred Revenue | 164,322 | 214,003 |
| | 1,232,762 | 1,681,582 |
| Total Liabilities | 1,232,762 | 1,681,582 |
| Fund Balances | | |
| Reserved for | | |
| Encumbrances | 290,948 | 42,000 |
| Prepays | 566,771 | 11,770 |
| Debt Service | - | - |
| Other Restricted Purposes | 1,906,860 | 1,747,296 |
| Unreserved Reported in | | |
| General Fund | 2,012,415 | - |
| Special Revenue Funds | - | 1,537,450 |
| Capital Project Funds | - | - |
| | 4,776,994 | 3,338,516 |
| Total Fund Balances | 4,776,994 | 3,338,516 |
| Total Liabilities and Fund Balances | \$ 6,009,756 | \$ 5,020,098 |

Exhibit I

| Capital Outlay Construction Trust Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------|--------------------------------|
| \$ 268,652 | \$ 1,547,231 | \$ 2,086,967 |
| 10,827,723 | 26,786,479 | 42,405,155 |
| - | 709,636 | 956,020 |
| 104,810 | 11,205 | 2,508,135 |
| 82,839 | 1,897,642 | 4,731,253 |
| - | 37,424 | 615,965 |
| 16,292,608 | - | 16,292,608 |
| <u>\$ 27,576,632</u> | <u>\$ 30,989,617</u> | <u>\$ 69,596,103</u> |
| | | |
| \$ 417,428 | \$ 54,860 | \$ 761,308 |
| 1,750,638 | 771,882 | 3,020,492 |
| 2,724 | 233,711 | 904,291 |
| - | 278,569 | 278,569 |
| - | - | 830,210 |
| - | 2,778 | 32,926 |
| - | 87,595 | 308,408 |
| - | 15,432 | 393,757 |
| <u>2,170,790</u> | <u>1,444,827</u> | <u>6,529,961</u> |
| | | |
| 2,214,362 | 605,934 | 3,153,244 |
| - | 37,424 | 615,965 |
| - | 300,796 | 300,796 |
| 18,517,853 | 10,181,174 | 32,353,183 |
| - | - | 2,012,415 |
| - | 8,768,197 | 10,305,647 |
| 4,673,627 | 9,651,265 | 14,324,892 |
| <u>25,405,842</u> | <u>29,544,790</u> | <u>63,066,142</u> |
| <u>\$ 27,576,632</u> | <u>\$ 30,989,617</u> | <u>\$ 69,596,103</u> |

The notes to the financial statements are an integral part of this statement.

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | <u>General Fund</u> | <u>Fine and Forfeiture Special Revenue Fund</u> |
|--|---------------------|---|
| Revenues | | |
| Taxes | \$ 22,330,880 | \$ 30,499,136 |
| Licenses and Permits | 8,700 | - |
| Intergovernmental | 7,931,528 | 10,012,093 |
| Charges for Services | 3,045,864 | 5,236,208 |
| Fines | 4,300 | 257,517 |
| Miscellaneous | 800,866 | 921,676 |
| | <hr/> | <hr/> |
| Total Revenues | 34,122,138 | 46,926,630 |
| | <hr/> | <hr/> |
| Expenditures | | |
| Current | | |
| General Government | 17,274,916 | - |
| Public Safety | 3,848,636 | 13,441,940 |
| Physical Environment | 470,777 | - |
| Transportation | 1,862,153 | - |
| Economic Environment | 2,367,608 | - |
| Human Services | 3,443,944 | - |
| Culture and Recreation | 545,808 | - |
| Court-Related | - | 1,678,575 |
| Capital Outlay | 2,682,073 | 32,100 |
| Debt Service | | |
| Principal | - | - |
| Interest | - | - |
| Other Debt Service Costs | - | - |
| | <hr/> | <hr/> |
| Total Expenditures | 32,495,915 | 15,152,615 |
| | <hr/> | <hr/> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,626,223 | 31,774,015 |

Exhibit II

| Capital Outlay Construction Trust Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------|--------------------------------|
| \$ - | \$ 11,736,843 | \$ 64,566,859 |
| - | 1,319,205 | 1,327,905 |
| 411,827 | 14,090,936 | 32,446,384 |
| 130,000 | 276,351 | 8,688,423 |
| - | 766 | 262,583 |
| 537,143 | 3,787,507 | 6,047,192 |
| <u>1,078,970</u> | <u>31,211,608</u> | <u>113,339,346</u> |
| 581,356 | 190,750 | 18,047,022 |
| - | - | 17,290,576 |
| - | 489,805 | 960,582 |
| - | 12,414,451 | 14,276,604 |
| - | 6,685,229 | 9,052,837 |
| - | 647,055 | 4,090,999 |
| 75,728 | 3,830,986 | 4,452,522 |
| - | - | 1,678,575 |
| 10,126,156 | 3,240,334 | 16,080,663 |
| - | 587,505 | 587,505 |
| - | 435,901 | 435,901 |
| - | 692,498 | 692,498 |
| <u>10,783,240</u> | <u>29,214,514</u> | <u>87,646,284</u> |
| <u>(9,704,270)</u> | <u>1,997,094</u> | <u>25,693,062</u> |

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010**

| | <u>General Fund</u> | <u>Fine and Forfeiture Special Revenue Fund</u> |
|---|-----------------------------|---|
| Other Financing Sources (Uses) | | |
| Transfers In | 1,001,459 | 1,679,012 |
| Transfers Out | - | (1,213,284) |
| Transfers Among Constitutional Officers | (4,867,580) | (31,783,052) |
| Issuance of Debt | - | - |
| Discount on Debt Issuance | - | - |
| | <u> </u> | <u> </u> |
| Total Other Financing Sources (Uses) | (3,866,121) | (31,317,324) |
| | <u> </u> | <u> </u> |
| Net Change in Fund Balances | (2,239,898) | 456,691 |
| | <u> </u> | <u> </u> |
| Fund Balances - Beginning | 7,016,892 | 2,881,825 |
| | <u> </u> | <u> </u> |
| Fund Balances - Ending | <u>\$ 4,776,994</u> | <u>\$ 3,338,516</u> |

Exhibit II

| Capital Outlay Construction Trust Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------|--------------------------------|
| 678,427 | 4,604,453 | 7,963,351 |
| (1,659,417) | (4,004,055) | (6,876,756) |
| - | 34,444 | (36,616,188) |
| 25,671,794 | 943,206 | 26,615,000 |
| - | (251,241) | (251,241) |
| <u>24,690,804</u> | <u>1,326,807</u> | <u>(9,165,834)</u> |
| 14,986,534 | 3,323,901 | 16,527,228 |
| <u>10,419,308</u> | <u>26,220,889</u> | <u>46,538,914</u> |
| <u>\$ 25,405,842</u> | <u>\$ 29,544,790</u> | <u>\$ 63,066,142</u> |

The notes to the financial statements are an integral part of this statement.

Board of County Commissioners
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|---------------------|--------------------|---------------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 21,609,140 | \$ 22,329,845 | \$ 22,330,880 | \$ 1,035 |
| Licenses and Permits | 10,300 | 10,300 | 8,700 | (1,600) |
| Intergovernmental | 1,395,126 | 17,696,602 | 7,931,528 | (9,765,074) |
| Charges for Services | 3,093,394 | 3,116,824 | 3,045,864 | (70,960) |
| Fines | 1,000 | 4,300 | 4,300 | - |
| Miscellaneous | 899,049 | 809,015 | 800,866 | (8,149) |
| Total Revenues | <u>27,008,009</u> | <u>43,966,886</u> | <u>34,122,138</u> | <u>(9,844,748)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | 18,250,292 | 21,343,242 | 17,274,916 | 4,068,326 |
| Public Safety | 7,065,522 | 7,568,734 | 3,848,636 | 3,720,098 |
| Physical Environment | 443,904 | 458,063 | 470,777 | (12,714) |
| Transportation | 444,004 | 4,541,178 | 1,862,153 | 2,679,025 |
| Economic Environment | 2,720,541 | 2,815,944 | 2,367,608 | 448,336 |
| Human Services | 3,433,572 | 3,593,038 | 3,443,944 | 149,094 |
| Culture and Recreation | 598,727 | 598,727 | 545,808 | 52,919 |
| Capital Outlay | 64,800 | 6,649,634 | 2,682,073 | 3,967,561 |
| Debt Service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total Expenditures | <u>33,021,362</u> | <u>47,568,560</u> | <u>32,495,915</u> | <u>15,072,645</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(6,013,353)</u> | <u>(3,601,674)</u> | <u>1,626,223</u> | <u>5,227,897</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 278,000 | 1,001,459 | 1,001,459 | - |
| Transfers Among Constitutional Officers | <u>(5,677,674)</u> | <u>(5,752,674)</u> | <u>(4,867,580)</u> | <u>885,094</u> |
| Total Other Financing Sources (Uses) | <u>(5,399,674)</u> | <u>(4,751,215)</u> | <u>(3,866,121)</u> | <u>885,094</u> |
| Net Change in Fund Balance | <u>(11,413,027)</u> | <u>(8,352,889)</u> | <u>(2,239,898)</u> | <u>6,112,991</u> |
| Fund Balance - Beginning | <u>11,413,027</u> | <u>8,352,889</u> | <u>7,016,892</u> | <u>(1,335,997)</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,776,994</u> | <u>\$ 4,776,994</u> |

The notes to the financial statements are an integral part of this statement.

**Board of County Commissioners
Okaloosa County, Florida
FINE AND FORFEITURE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|---------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 30,885,655 | \$ 30,922,755 | \$ 30,499,136 | \$ (423,619) |
| Intergovernmental | 8,371,883 | 10,932,200 | 10,012,093 | (920,107) |
| Charges for Services | 5,028,485 | 5,178,527 | 5,236,208 | 57,681 |
| Fines | 225,000 | 278,349 | 257,517 | (20,832) |
| Miscellaneous | 361,500 | 719,535 | 921,676 | 202,141 |
| | | | | |
| Total Revenues | 44,872,523 | 48,031,366 | 46,926,630 | (1,104,736) |
| Expenditures | | | | |
| Public Safety | 14,253,614 | 14,861,830 | 13,441,940 | 1,419,890 |
| Transportation | - | 3,500 | - | 3,500 |
| Court-Related | 2,375,251 | 2,824,814 | 1,678,575 | 1,146,239 |
| Capital Outlay | 180,000 | 220,574 | 32,100 | 188,474 |
| | | | | |
| Total Expenditures | 16,808,865 | 17,910,718 | 15,152,615 | 2,758,103 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 28,063,658 | 30,120,648 | 31,774,015 | 1,653,367 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 1,686,512 | 1,679,012 | 1,679,012 | - |
| Transfers Out | (950,000) | (1,300,289) | (1,213,284) | 87,005 |
| Transfers Among Constitutional Officers | (31,077,700) | (33,381,194) | (31,783,052) | 1,598,142 |
| | | | | |
| Total Other Financing Sources (Uses) | (30,341,188) | (33,002,471) | (31,317,324) | 1,685,147 |
| Net Change in Fund Balance | (2,277,530) | (2,881,823) | 456,691 | 3,338,514 |
| Fund Balance - Beginning | 2,277,530 | 2,881,823 | 2,881,825 | 2 |
| Fund Balance - Ending | \$ - | \$ - | \$ 3,338,516 | \$ 3,338,516 |

The notes to the financial statements are an integral part of this statement.

**Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010**

| | Business-type | | |
|--|------------------------------------|----------------------------|--------------------------------|
| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Solid Waste Enterprise Fund |
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 380,200 | \$ 2,101,871 | \$ 1,600 |
| Investments | 11,440,706 | 12,995,248 | - |
| Receivables, Net of Allowance for Uncollectible | 2,426,388 | 1,020,262 | 505,965 |
| Due from Other Funds | - | - | - |
| Due from Other Elected Officials | 60 | - | - |
| Due from Other Governments | 272,859 | 2,427,669 | 147,225 |
| Inventory | 1,547,759 | 61,596 | - |
| Prepays | 54,213 | 15,739 | - |
| Restricted Assets | | | |
| Cash and Cash Equivalents | | | |
| Customer Deposits | 1,391,785 | 23,375 | 20,643 |
| Other Deposits | 2,359,613 | - | - |
| Investments | 1,229,702 | 2,882,114 | - |
| Total Restricted Assets | 4,981,100 | 2,905,489 | 20,643 |
| Total Current Assets | 21,103,285 | 21,527,874 | 675,433 |
| Capital Assets | | | |
| Land | 4,802,034 | 5,553,582 | 133,301 |
| Buildings | 6,019,664 | 52,380,085 | 115,363 |
| Improvements Other Than Buildings | - | - | 276,776 |
| Intangibles | 655,456 | 94,400 | - |
| Machinery and Equipment | 9,404,505 | 2,299,348 | 3,091,589 |
| Construction in Progress | 12,354,684 | 5,489,606 | - |
| Infrastructure | 225,681,459 | 60,367,033 | - |
| Works of Art | - | 69,865 | - |
| Less Accumulated Depreciation/Amortization | (76,340,700) | (19,647,299) | (3,066,773) |
| Total Capital Assets (Net of Accumulated Depreciation/Amortization) | 182,577,102 | 106,606,620 | 550,256 |

Exhibit V

| Activities | | | Governmental |
|-------------------|------------------|------------------|---------------|
| Convention Center | Other | Total | Activities -- |
| Enterprise Fund | Enterprise Funds | Enterprise Funds | Internal |
| | | | Service Funds |
| \$ 51,099 | \$ 2,365 | \$ 2,537,135 | \$ 372,576 |
| 12,108,787 | - | 36,544,741 | 549,960 |
| - | 3,266,727 | 7,219,342 | 10,122 |
| 278,569 | - | 278,569 | - |
| - | 2 | 62 | 753 |
| - | - | 2,847,753 | 147,171 |
| - | - | 1,609,355 | 221,412 |
| 217 | 5,447 | 75,616 | - |
| - | - | 1,435,803 | - |
| - | - | 2,359,613 | - |
| 992,875 | - | 5,104,691 | - |
| 992,875 | - | 8,900,107 | - |
| 13,431,547 | 3,274,541 | 60,012,680 | 1,301,994 |
| - | - | 10,488,917 | 316,861 |
| 17,895,784 | - | 76,410,896 | 900,466 |
| 9,915 | - | 286,691 | 257,345 |
| 23,840 | 72,575 | 846,271 | - |
| 1,113,005 | 4,694,014 | 20,602,461 | 2,500,552 |
| 48,634 | - | 17,892,924 | - |
| 363,670 | - | 286,412,162 | - |
| - | - | 69,865 | - |
| (4,343,284) | (3,169,681) | (106,567,737) | (3,287,082) |
| 15,111,564 | 1,596,908 | 306,442,450 | 688,142 |

Continued...

**Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010**

| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Business-type Solid Waste Enterprise Fund |
|---|------------------------------------|----------------------------|---|
| Other Assets | | | |
| Investment in Joint Venture, at Equity | 629,548 | - | - |
| Total Other Assets | 629,548 | - | - |
| Total Noncurrent Assets | 183,206,650 | 106,606,620 | 550,256 |
| Total Assets | \$ 204,309,935 | \$ 128,134,494 | \$ 1,225,689 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 316,396 | \$ 35,553 | \$ 217,790 |
| Contracts Payable | 1,943,238 | 461,625 | 323,296 |
| Accrued Liabilities | | | |
| Compensated Absences | 507,008 | 77,637 | 61,846 |
| Closure Costs Payable | - | - | 239,973 |
| Claims and Judgments | - | - | - |
| Other Accrued Liabilities | 224,484 | 44,621 | 29,553 |
| Due to Other Funds | - | - | - |
| Due to Other Elected Officials | - | - | - |
| Due to Other Governments | 48,032 | 15,879 | 231 |
| Notes Payable | 93,303 | - | - |
| Revenue Bonds Payable | 45,376 | - | 157,589 |
| Deferred Revenue | 5,506,438 | 233,226 | - |
| Current Liabilities Payable from Restricted Assets | | | |
| Customer Deposits Payable | 1,507,795 | 23,375 | 21,643 |
| Interest Payable | 949,843 | 595,494 | - |
| Loan - State of Florida | 1,081,676 | - | - |
| Revenue Bonds Payable | 2,580,000 | 500,000 | - |
| Total Current Liabilities Payable from Restricted Assets | 6,119,314 | 1,118,869 | 21,643 |
| Total Current Liabilities | 14,803,589 | 1,987,410 | 1,051,921 |

Exhibit V

| Activities | | | Governmental |
|-------------------|------------------|------------------|---------------|
| Convention Center | Other | Total | Activities -- |
| Enterprise Fund | Enterprise Funds | Enterprise Funds | Internal |
| | | | Service Funds |
| - | - | 629,548 | - |
| - | - | 629,548 | - |
| 15,111,564 | 1,596,908 | 307,071,998 | 688,142 |
| \$ 28,543,111 | \$ 4,871,449 | \$ 367,084,678 | \$ 1,990,136 |
| \$ 37,066 | \$ 733,200 | \$ 1,340,005 | \$ 117,073 |
| 4,311 | 56,396 | 2,788,866 | 39,579 |
| 40,447 | 244,490 | 931,428 | 94,929 |
| - | - | 239,973 | - |
| - | - | - | 1,742,675 |
| 32,311 | 237,786 | 568,755 | 42,480 |
| - | - | - | - |
| 8,998 | 130 | 9,128 | - |
| 98 | 7,600 | 71,840 | 227 |
| - | - | 93,303 | - |
| - | - | 202,965 | - |
| 50,109 | 65,685 | 5,855,458 | 11,603 |
| - | - | 1,552,813 | - |
| 328,519 | - | 1,873,856 | - |
| - | - | 1,081,676 | - |
| 300,000 | - | 3,380,000 | - |
| 628,519 | - | 7,888,345 | - |
| 801,859 | 1,345,287 | 19,990,066 | 2,048,566 |

Continued...

Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010

| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Business-type Solid Waste Enterprise Fund |
|--|------------------------------------|----------------------------|---|
| Noncurrent Liabilities | | | |
| Compensated Absences | 456,962 | 50,444 | 63,758 |
| Closure Costs Payable | - | - | 3,748,760 |
| Claims and Judgments | - | - | - |
| Notes Payable | 73,208 | 2,000,000 | - |
| Loan- State of Florida (Net of Unamortized Discounts) | 8,209,344 | - | - |
| Revenue Bonds Payable (Net of Unamortized Discounts and Deferred Amount on Refunding) | 76,393,612 | 17,783,475 | (4,368) |
| Other Post Employment Benefits | 75,456 | 13,780 | 8,548 |
| Total Noncurrent Liabilities | 85,208,582 | 19,847,699 | 3,816,698 |
| Total Liabilities | 100,012,171 | 21,835,109 | 4,868,619 |
| Equity | | | |
| Invested in Capital Assets, Net of Related Debt | 92,953,889 | 86,323,146 | 550,256 |
| Restricted for Debt Service | 2,639,473 | 2,081,289 | - |
| Restricted for Other Purposes | - | 6,292,920 | - |
| Unrestricted | 8,704,402 | 11,602,030 | (4,193,186) |
| Total Equity | 104,297,764 | 106,299,385 | (3,642,930) |
| Total Liabilities and Equity | \$ 204,309,935 | \$ 128,134,494 | \$ 1,225,689 |

| Activities | | | Governmental |
|-------------------|------------------|------------------|---------------|
| Convention Center | Other | Total | Activities -- |
| Enterprise Fund | Enterprise Funds | Enterprise Funds | Internal |
| | | | Service Funds |
| 28,541 | 140,560 | 740,265 | 93,088 |
| - | - | 3,748,760 | - |
| - | - | - | 2,079,710 |
| - | - | 2,073,208 | - |
| - | - | 8,209,344 | - |
| 11,425,000 | - | 105,597,719 | - |
| 11,353 | 75,190 | 184,327 | 12,453 |
| 11,464,894 | 215,750 | 120,553,623 | 2,185,251 |
| 12,266,753 | 1,561,037 | 140,543,689 | 4,233,817 |
| 3,386,565 | 1,596,908 | 184,810,764 | 688,142 |
| 8,933,523 | - | 13,654,285 | - |
| 3,956,270 | - | 10,249,190 | - |
| - | 1,713,504 | 17,826,750 | (2,931,823) |
| 16,276,358 | 3,310,412 | 226,540,989 | (2,243,681) |
| \$ 28,543,111 | \$ 4,871,449 | \$ 367,084,678 | \$ 1,990,136 |

The notes to the financial statements are an integral part of this statement.

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type | | |
|---|------------------------------------|----------------------------|--------------------------------|
| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Solid Waste Enterprise Fund |
| Operating Revenues | | | |
| Licenses and Permits | \$ - | \$ - | \$ - |
| Charges for Services | 23,984,342 | 8,656,082 | 7,382,757 |
| Fines | 2,201 | - | - |
| Miscellaneous | 60,326 | 101,441 | 540 |
| Total Operating Revenues | 24,046,869 | 8,757,523 | 7,383,297 |
| Operating Expenses | | | |
| Personal services | 6,756,645 | 1,425,680 | 926,191 |
| Contractual Services | 3,867,176 | 1,608,640 | 5,663,637 |
| Supplies | 699,277 | 565,966 | 104,517 |
| Insurance Premiums and Claims | - | - | - |
| Utilities | 1,781,482 | 785,564 | 8,924 |
| Other Operating Expenses | 2,163,001 | 1,651,014 | 914,476 |
| Depreciation/Amortization | 6,565,753 | 3,182,841 | 115,699 |
| Total Operating Expenses | 21,833,334 | 9,219,705 | 7,733,444 |
| Operating Income (Loss) | 2,213,535 | (462,182) | (350,147) |
| Nonoperating Revenues (Expenses) | | | |
| Taxes | - | - | - |
| Intergovernmental | 185,704 | 267,673 | 436,291 |
| Investment Income | 465,577 | 361,149 | (524) |
| Net Gain/(Loss) from Joint Venture | 319,446 | - | - |
| Other Non-Operating Revenue | 277,586 | 5,500 | - |
| Interest Expenses | (3,808,985) | (1,199,270) | (16,752) |
| Other Debt Services Costs | (93,645) | (152,531) | (7,489) |
| Gain/(Loss) on Disposal of Capital Assets | (6,257) | (1,800) | 11,625 |
| Passenger and Customer Facility Charges | - | 2,539,493 | - |
| Administrative Charges | - | - | - |
| Total nonoperating Revenues (Expenses) | (2,660,574) | 1,820,214 | 423,151 |
| Income (Loss) Before Contributions and Transfers | (447,039) | 1,358,032 | 73,004 |

Exhibit VI

| Activities | | | Governmental |
|-------------------|------------------|------------------|---------------|
| Convention Center | Other | Total | Activities -- |
| Enterprise Fund | Enterprise Funds | Enterprise Funds | Internal |
| \$ - | \$ 894,021 | \$ 894,021 | \$ - |
| 842,538 | 5,791,528 | 46,657,247 | 16,457,651 |
| - | - | 2,201 | 35 |
| 281 | 2,849 | 165,437 | 1,254 |
| 842,819 | 6,688,398 | 47,718,906 | 16,458,940 |
| 941,709 | 6,682,379 | 16,732,604 | 1,307,922 |
| 1,177,277 | 428,808 | 12,745,538 | 120,892 |
| 75,843 | 549,304 | 1,994,907 | 2,648,373 |
| - | - | - | 13,133,556 |
| 314,077 | 36,193 | 2,926,240 | 8,675 |
| 585,336 | 489,601 | 5,803,428 | 238,945 |
| 564,568 | 579,870 | 11,008,731 | 108,245 |
| 3,658,810 | 8,766,155 | 51,211,448 | 17,566,608 |
| (2,815,991) | (2,077,757) | (3,492,542) | (1,107,668) |
| 3,506,687 | 1,323,527 | 4,830,214 | - |
| - | 8,920 | 898,588 | - |
| 268,351 | (13,504) | 1,081,049 | 31,808 |
| - | - | 319,446 | - |
| - | - | 283,086 | - |
| (657,038) | - | (5,682,045) | - |
| (975) | - | (254,640) | - |
| - | (35,722) | (32,154) | 27,380 |
| - | - | 2,539,493 | - |
| (106,874) | - | (106,874) | - |
| 3,010,151 | 1,283,221 | 3,876,163 | 59,188 |
| 194,160 | (794,536) | 383,621 | (1,048,480) |

Continued...

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Business-type Solid Waste Enterprise Fund |
|--------------------------|------------------------------------|----------------------------|---|
| Capital Contributions | 4,712,420 | 4,313,934 | - |
| Transfers In | - | - | - |
| Transfers Out | - | (1,119,595) | - |
| Change in Equity | 4,265,381 | 4,552,371 | 73,004 |
| Total Equity - Beginning | 100,032,383 | 101,747,014 | (3,715,934) |
| Total Equity - Ending | \$ 104,297,764 | \$ 106,299,385 | \$ (3,642,930) |

Exhibit VI

| Activities | | | Governmental |
|--------------------------------------|---------------------------|---------------------------|---------------------------|
| Convention Center Enterprise Fund | Other Enterprise Funds | Total Enterprise Funds | Activities -- Internal |
| 96 | 287 | 9,026,737 | 80,511 |
| - | 283,000 | 283,000 | - |
| (250,000) | - | (1,369,595) | - |
| (55,744) | (511,249) | 8,323,763 | (967,969) |
| 16,332,102 | 3,821,661 | 218,217,226 | (1,275,712) |
| <u>\$ 16,276,358</u> | <u>\$ 3,310,412</u> | <u>\$ 226,540,989</u> | <u>\$ (2,243,681)</u> |

The notes to the financial statements are an integral part of this statement.

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010**

| | Business-type Activities | | |
|---|------------------------------|-----------------------|------------------|
| | Water and Sewer System | Airport Enterprise | Solid Waste |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 23,436,774 | \$ 8,796,326 | \$ 7,703,533 |
| Receipts from Interfund Services Provided | 354,291 | - | 30,503 |
| Payments to Suppliers | (6,281,645) | (4,125,732) | (6,101,644) |
| Payments to Employees | (6,495,576) | (1,393,339) | (896,721) |
| Payments for Interfund Services Used | (2,775,348) | (931,885) | (785,300) |
| Net Cash Provided (Used) by Operating Activities | <u>8,238,496</u> | <u>2,345,370</u> | <u>(49,629)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Operating Subsidy - Taxes | - | - | - |
| Operating Subsidy - Intergovernmental Revenue | 65,033 | 399,945 | 363,752 |
| Transfers In | - | - | - |
| Transfers (Out) | - | (1,119,595) | - |
| Interest Paid on Non-Capital Debt | - | - | - |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>65,033</u> | <u>(719,650)</u> | <u>363,752</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | (10,446,673) | (5,153,925) | (9,095) |
| Passenger Facility Charges | - | 1,466,902 | - |
| Customer Facility Charges | - | 1,072,591 | - |
| Proceeds from Disposal of Capital Assets | 10,185 | 1,840 | 11,625 |
| Net Borrowing (Repayments) | | | |
| Proceeds from Capital Debt | - | - | 16,752 |
| Principal Paid on Capital Debt | (3,661,651) | (475,000) | (317,495) |
| Interest Paid on Capital Debt | (3,851,284) | (1,210,970) | - |
| Other Debt Service Costs | (4,433) | (26,304) | (16,752) |
| Taxes | - | - | - |
| Tap Fees in Excess of Cost | 437,649 | - | - |
| Capital Contributions | 5,212,768 | 2,997,815 | - |
| Net cash provided (used) by capital and related financing activities | <u>(12,303,439)</u> | <u>(1,327,051)</u> | <u>(314,965)</u> |

Exhibit VII

| - Enterprise Funds | | | Governmental |
|--------------------|--------------|---------------|---------------|
| Convention | Other | | Activities |
| Center | Enterprise | Total | Internal |
| | Funds | | Service Funds |
| \$ 837,816 | \$ 6,507,436 | \$ 47,281,885 | \$ 10,277,465 |
| - | - | 384,794 | 6,153,933 |
| (1,824,762) | (792,162) | (19,125,945) | (15,634,183) |
| (928,435) | (6,337,895) | (16,051,966) | (1,282,500) |
| (349,081) | (716,402) | (5,558,016) | (136,962) |
| (2,264,462) | (1,339,023) | 6,930,752 | (622,247) |
| 1,771,336 | 1,323,963 | 3,095,299 | - |
| - | 44,986 | 873,716 | - |
| - | 283,000 | 283,000 | - |
| (250,000) | - | (1,369,595) | - |
| - | (7,342) | (7,342) | (947) |
| 1,521,336 | 1,644,607 | 2,875,078 | (947) |
| (97,726) | (299,037) | (16,006,456) | (1,120) |
| - | - | 1,466,902 | - |
| - | - | 1,072,591 | - |
| - | - | 23,650 | 29,352 |
| - | - | 16,752 | - |
| (285,000) | - | (4,739,146) | - |
| (664,305) | - | (5,726,559) | - |
| (112,841) | - | (160,330) | - |
| 1,771,336 | - | 1,771,336 | - |
| - | - | 437,649 | - |
| - | - | 8,210,583 | - |
| 611,464 | (299,037) | (13,633,028) | 28,232 |

Continued...

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|--|------------------------------|-----------------------|------------------|
| | Water and Sewer System | Airport Enterprise | Solid Waste |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale and Maturities of Investments | 13,955,635 | 5,001,855 | 248,227 |
| Interest Income | 335,306 | 305,253 | 950 |
| Purchases of Investments | (10,002,451) | (5,738,895) | (249,202) |
| Net Cash Provided (Used) by Investing Activities | <u>4,288,490</u> | <u>(431,787)</u> | <u>(25)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 288,580 | (133,118) | (867) |
| Cash and Cash Equivalents - Beginning of Year | <u>3,843,018</u> | <u>2,258,364</u> | <u>23,110</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 4,131,598</u> | <u>\$ 2,125,246</u> | <u>\$ 22,243</u> |
| Cash and Cash Equivalents at End of Year Consist of: | | | |
| Current assets | \$ 380,200 | \$ 2,101,871 | \$ 1,600 |
| Restricted assets | 3,751,398 | 23,375 | 20,643 |
| Total | <u>\$ 4,131,598</u> | <u>\$ 2,125,246</u> | <u>\$ 22,243</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ 2,213,535 | \$ (462,182) | \$ (350,147) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation/Amortization | 6,051,072 | 3,182,840 | 115,700 |
| Other revenue | 277,586 | 5,500 | - |
| Decrease (Increase) in Assets | | | |
| Accounts Receivable | (334,365) | 24,689 | 349,739 |
| Due from Other Funds | (60) | - | - |
| Due from Other Governments | (149,928) | - | - |
| Inventories | 22,014 | (18,085) | - |
| Prepaid Expenses | 13,736 | (7,297) | - |

Exhibit VII

| - Enterprise Funds | | | Governmental |
|--------------------|-----------------|---------------------|-------------------|
| Convention | Other | | Activities |
| Center | Enterprise | Total | Internal |
| | Funds | | Service Funds |
| 3,952,615 | 6,215 | 23,164,547 | 1,926,774 |
| 213,808 | - | 855,317 | 21,286 |
| (4,376,114) | (10,397) | (20,377,059) | (1,282,057) |
| <u>(209,691)</u> | <u>(4,182)</u> | <u>3,642,805</u> | <u>666,003</u> |
| (341,353) | 2,365 | (184,393) | 71,041 |
| 392,452 | 0 | 6,516,944 | 301,535 |
| <u>\$ 51,099</u> | <u>\$ 2,365</u> | <u>\$ 6,332,551</u> | <u>\$ 372,576</u> |
| \$ 51,099 | \$ 2,365 | \$ 2,537,135 | \$ 372,576 |
| - | - | 3,795,416 | - |
| <u>\$ 51,099</u> | <u>\$ 2,365</u> | <u>\$ 6,332,551</u> | <u>\$ 372,576</u> |
| \$ (2,815,991) | \$ (2,077,757) | \$ (3,492,542) | \$ (1,107,668) |
| 564,569 | 579,870 | 10,494,051 | 108,245 |
| - | - | 283,086 | - |
| 49 | (166,313) | (126,201) | (3,471) |
| - | - | (60) | (393) |
| - | - | (149,928) | (27,881) |
| - | - | 3,929 | 16,524 |
| 1,746 | (3,427) | 4,758 | 5,862 |

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010**

| | Business-type Activities | | |
|--|------------------------------|-----------------------|--------------------|
| | Water and Sewer System | Airport Enterprise | Solid Waste |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities - Continued | | | |
| Increase (Decrease) in Liabilities | | | |
| Accounts Payable | (9,619) | (452,360) | (244,402) |
| Service Contracts Payable | 91,807 | 54,740 | 234,380 |
| Due to Other Funds | (54) | (80) | - |
| Due to Other Governments | 46,610 | 5,602 | 149 |
| Compensated Absences Payable | 24,730 | (2,973) | (5,092) |
| Closure Cost Payable | - | - | (157,056) |
| Claims and Judgments Payable | - | - | - |
| Other Accrued Liabilities | 14,854 | 6,955 | 3,211 |
| Deposits | 11,615 | - | 1,000 |
| Deferred Revenue | (60,652) | 3,013 | - |
| Other Post Employment Benefits | 25,615 | 5,008 | 2,889 |
| Total Adjustments | <u>6,024,961</u> | <u>2,807,552</u> | <u>300,518</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 8,238,496</u> | <u>\$ 2,345,370</u> | <u>\$ (49,629)</u> |
| Noncash Investing, Capital, and Financing Activities: | | | |
| Improvements Acquired Through Contributions | \$ - | \$ - | \$ - |
| Amortization of Loan Costs and Refunding Losses | \$ (89,213) | \$ (126,226) | \$ (7,489) |
| Transfer of Fixed Assets From Other Funds | \$ - | \$ - | \$ - |
| Transfer of Fixed Assets to Other Funds | \$ - | \$ (1,175) | \$ - |
| Gain on Joint Venture | \$ 319,446 | \$ - | \$ - |
| Loss on Disposal of Capital Assets | \$ (16,442) | \$ (2,465) | \$ - |
| Unrealized Gain/(Loss) on Investments | \$ (109,441) | \$ (107,043) | \$ 1,621 |

Exhibit VII

| - Enterprise Funds | | | Governmental |
|-----------------------|-----------------------|---------------------|---------------------|
| Convention | Other | | Activities |
| Center | Enterprise | Total | Internal |
| | Funds | | Service Funds |
| 24,458 | 254,576 | (427,347) | (29,193) |
| (36,220) | 25,518 | 370,225 | 22,274 |
| - | 130 | (4) | - |
| (747) | 3,353 | 54,967 | (12,696) |
| (8,382) | 9,263 | 17,546 | (4,839) |
| - | - | (157,056) | - |
| - | - | - | 396,948 |
| 6,317 | 25,972 | 57,309 | 5,600 |
| - | - | 12,615 | - |
| (4,306) | (15,245) | (77,190) | 4,203 |
| 4,045 | 25,037 | 62,594 | 4,238 |
| 551,529 | 738,734 | 10,423,294 | 485,421 |
| <u>\$ (2,264,462)</u> | <u>\$ (1,339,023)</u> | <u>\$ 6,930,752</u> | <u>\$ (622,247)</u> |
| \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ (222,928) | \$ - |
| \$ - | \$ 287 | \$ 287 | \$ 80,511 |
| \$ - | \$ (25,929) | \$ (27,104) | \$ - |
| \$ - | \$ - | \$ 319,446 | \$ - |
| \$ - | \$ (9,793) | \$ (28,700) | \$ (1,972) |
| \$ (88,284) | \$ 4,135 | \$ (299,012) | \$ (6,721) |

The notes to the financial statements are an integral part of this statement.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Okaloosa County is a political subdivision of the State of Florida, governed by a five member Board of County Commissioners (Board), each elected at large for four-year terms. The Board has no powers other than those expressly vested in it by State Statute and their governmental powers cannot be delegated.

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Board uses the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes.

The Board also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its proprietary funds at the fund reporting level, provided they do not conflict or contradict GASB pronouncements.

The following is a summary of the more significant accounting policies of the Board of County Commissioners of Okaloosa County, Florida.

A. The Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Board consists of all funds, departments, boards and agencies of the Board that are not legally separate from the Board. Component units are legally separate organizations for which the Board is financially accountable.

The Board is financially accountable for an organization if the Board appoints a voting majority of the organization's governing board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access the organization's resources; the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Board is obligated for the debt of the organization.

Component units are presented either as "blended" or "discretely presented". If blended, it is reported as if it was a fund of the Board throughout the year and is included at both the government-wide and fund financial reporting levels. Discretely presented component units are reported only at the government-wide reporting level.

The Board is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Board's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. The Reporting Entity – Continued

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections.

As required by generally accepted accounting principles, these financial statements present the Board of County Commissioners of Okaloosa County, Florida (the primary government) and its component units. As of September 30, 2010, the Board had one component unit as defined by GASB 14, the Emerald Coast Bridge Authority (Authority). It is included in the Board's reporting entity as a result of fiscal dependency upon the Board and is presented as a governmental fund type. The Authority is discretely presented in a separate column in the combined financial statements of Okaloosa County to emphasize it is legally separate from the primary government. In the separate financial statements of the Board, the Authority's financial information is presented as part of the notes to the financial statements to emphasize it is legally separate from the primary government. The Authority has a September 30 year-end. The Authority does not issue separately issued financial statements. Following is a description.

Emerald Coast Bridge Authority

The Emerald Coast Bridge Authority was established in May 2001 by legislative action amending Chapter 90-412, Laws of Florida. The legislative action changed the name of the Fort Walton Beach Bridge Authority to the Emerald Coast Bridge Authority (hereinafter referred to as the Authority). The Authority consists of five members all appointed by the Governor of Florida. The purpose of the Authority is the planning, constructing, operating, and maintaining of a bridge or bridges transversing Choctawhatchee Bay or Santa Rosa Sound, or both, and access roads to the bridge or bridges. The Authority is fiscally dependent on the Board of County Commissioners because the Board has the responsibility to review and change the Authority's budget on an annual basis pursuant to the authorizing legislation forming the Authority. The Authority has been in the planning state of its mission statement and has conducted feasibility studies to determine the best location for a bridge. During fiscal year 2006, public meetings were held to discuss the bridge corridor options recommended by the studies. It was determined that none of the options were acceptable to the local public. In May of 2006, the Authority requested that the Okaloosa County Board of County Commissioners forward a letter to the Florida Legislature asking that they, 1) dissolve the Authority, 2) forgive the debt owed and 3) state that the bridge corridor options have no public support. No action has been taken by the Florida Legislature. The Authority is now dormant. Following are their last available financial statements as of September 30, 2010.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. The Reporting Entity – Continued

Emerald Coast Bridge Authority – Continued

Emerald Coast Bridge Authority
Condensed Statement of Net Assets
September 30, 2010

| | |
|--------------------------|-----------------------|
| Total Assets - Cash | \$ - |
| Liabilities | |
| Notes Payable- Long Term | \$ 1,777,289 |
| Net Assets, Unrestricted | <u>\$ (1,777,289)</u> |

Emerald Coast Bridge Authority
Condensed Statement of Activities
September 30, 2010

| | |
|------------------------|-----------------------|
| Expenses | |
| Transportation | \$ - |
| Program Revenue | <u>-</u> |
| Change in Net Assets | - |
| Net Assets - Beginning | <u>(1,777,289)</u> |
| Net Assets - Ending | <u>\$ (1,777,289)</u> |

B. Special Purpose Financial Statements

The financial statements presented for the Board of County Commissioners in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define “basic financial statements,” “required supplementary information,” and “disclosures presented in the notes to the financial statements” for those entities such as the Board that have implemented GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Special Purpose Financial Statements - Continued

The Board segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and proprietary funds of the Board. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is a charge for service, rent, in exchange for a specific service, use of a County building. Non-exchange transactions are those in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is property tax revenue received by the County which is used to fund various general governmental services. The revenue from these exchange and non-exchange transactions is recognized in the financial statements in varying ways depending on the basis of accounting used.

2. Governmental Fund Financial Statements

All governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are sales tax, gasoline taxes and other intergovernmental revenues collected and held by the state at year-end on behalf of the Board, special assessments, licenses, interest revenue and charges for service. Current year property taxes uncollected at the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and are not recorded as a receivable on the balance sheet. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

3. Proprietary Fund Financial Statements

The proprietary fund financial statements are reported using the *economic resources measurement focus*. Under this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The statement of revenue, expenses and changes in equity reports revenues and expenses. The proprietary funds are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. The principal operating revenues for the proprietary funds are fees and charges for water and sewer, airports, solid waste, inspection services, emergency medical services, convention center, self-insurance, and fleet internal service operations. Operating expenses for the enterprise funds, and the internal service funds, include the cost of sales and services, administrative expenses and depreciation of capital assets.

Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. They include property taxes, grants, entitlements, donations and capital contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Contributions of capital in proprietary fund financial statements arise from internal and external contributions of capital assets or from grants or outside contribution of resources restricted to capital acquisition and construction.

4. Other Financial Statement Presentation Information

The Board currently employs an indirect allocation system. An administrative service fee is charged by the General Fund, at the direction of the Board of County Commissioners, to several special revenue and enterprise funds to address General Fund services (finance, personnel, purchasing, legal, technology management, etc.) provided.

The Board reports the following major governmental funds:

General Fund

This is the Board's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

4. Other Financial Statement Presentation Information - Continued

Fine and Forfeiture Fund

This fund is used to account for all criminal justice activity of the Board including the concession sales and expenses related to prisoner activities. This fund includes appropriations to the Sheriff, the County Department of Corrections, the Clerk of the Circuit and County Courts (the Clerk), the Circuit and County Judges, the County Medical Examiner, the State Attorney and the State Public Defender. The fund accounts for most restricted activity related to fees generated from the assessment of court costs or fees collected by the Clerk for the County such as those for the improving of court facilities, providing education and training for law enforcement officers, activities of the Law Library and Legal Aid that are funded under Chapter 67-1787, Laws of Florida from assessment of a court cost and the proceeds from the sale of confiscated property declared forfeited by the Circuit Court.

Capital Outlay Construction Trust Fund

This fund is used to account for proceeds of bond issues, federal and state grants, and local appropriations for major capital projects. At the end of the fiscal year, completed projects are capitalized and reported on the government-wide financial statements of Okaloosa County, Florida.

The Board reports the following major enterprise funds:

Water and Sewer Fund

This fund is used to account for the user charges and expenses including debt service associated with the provision of water and sewer services to residents of the unincorporated areas of Okaloosa County.

Airport Enterprise Fund

This fund is used to account for the operation of three Okaloosa County airports including debt service. Revenue sources include federal and state grants, fees from concessionaires and other fees and charges for services to tenants and airport users.

Solid Waste Fund

This fund is used to account for the revenues and expenses associated with the provision of solid waste management within Okaloosa County.

Convention Center Fund

This fund is used to account for the general operation of the Okaloosa County Convention Center. This fund also accounts for the debt service on the Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000, issued to fund construction of the Convention Center.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

4. Other Financial Statement Presentation Information - Continued

The Board reports the following fund type:

Internal Service Funds

These funds account for insurance coverage and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; SEC registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the Board has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the name of Okaloosa County, Florida by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Board adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which establishes registration procedures for securities and dealers.

The Board maintains cash and investment pools available for use by all funds of the primary government. Earnings from such accounts are allocated to the respective funds based on applicable cash participation by each fund. In addition, certificates of deposits, money market accounts and debt securities can be separately maintained by individual funds.

Each fund's portion of the pooled cash account, cash on hand, any individual demand deposit accounts and highly liquid investments are displayed on the balance sheet as "cash and cash equivalents." For purposes of these statements, all highly liquid investments (including restricted assets) with maturity of 90 days or less when purchased are considered to be cash equivalents.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

1. Deposits and Investments - Continued

U.S. Treasury and agency obligations with maturities of one (1) year or less when purchased are reported on the balance sheet at their amortized cost. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost. All other investments are reported at fair value. The State of Florida provides regulatory oversight for the external investment pools in which the Board invests. The pools either meet the “2A-7 like” criteria of GASB 31 or value investments at fair value. Therefore, fair value of the position in these pools is the same as the value of the pool shares.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds or elected officials” or “due to other funds or elected officials” on the balance sheet. Short-term interfund loans are also classified as “interfund receivables/payables.” If applicable, non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources, and therefore are not available for appropriation.

The Emergency Medical Services Enterprise Fund, the Airport Fund, and the Water and Sewer Enterprise Fund are the only funds of the Board that provide for an allowance for doubtful accounts for trade accounts receivables. All other funds accounts receivable write offs are insignificant.

Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

| | |
|-----------------|------------------|
| Lien Date | January 1, 2010 |
| Levy Date | November 1, 2010 |
| Due Date | November 1, 2010 |
| Delinquent Date | April 1, 2011 |

Discounts of 1% for each month taxes are paid prior to March 2011 are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. Current year taxes that are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

3. Inventories and Prepaid Items

Inventory is presented by the Board only in the proprietary funds and is valued at lower of cost (first-in, first-out) or market. The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

4. Restricted Assets

Certain proceeds of the Water and Sewer System Enterprise Fund revenue bonds, the Airport Enterprise Fund revenue bonds and the Convention Center Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, restricted assets include funds set aside for repayment of customer deposits in several enterprise funds.

5. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County. Capital assets acquired by proprietary funds are reported in those funds.

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Board's capitalization levels are \$1,000 on tangible personal property and \$5,000 on buildings, improvements other than buildings, intangibles, and infrastructure. Other costs incurred for repairs and maintenance is expensed as incurred. General infrastructure assets acquired prior to July 1, 1980 are included in the capital asset inventory and are reported at estimated historical cost using deflated replacement cost.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| Assets | Years |
|------------------------------------|-------|
| Buildings | 10-50 |
| Improvements Other Than Buildings | 7-25 |
| Intangibles | 5 |
| Equipment | 3-7 |
| Vehicles | 2-15 |
| Roads and Bridges | 10-75 |
| Wastewater Lines and Pump Stations | 10-50 |
| Other Infrastructure | 10-50 |

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

6. Compensated Absences

The liability for compensated absences reported in the governmental and proprietary fund statements consists of unpaid, accumulated annual and sick leave or compensatory time balances. A liability for these amounts is reported in governmental funds financial statements only if they have matured, for example, as a result of employee resignations and retirements. The liability is accrued when incurred in the proprietary fund financial statements.

7. Accrued liabilities and Long-Term Obligations

Proprietary fund types report long-term debt such as capital leases and other long-term obligations as liabilities in the proprietary fund type balance sheet.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligation of these funds. However, compensated absences and claims that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due. At the inception of capital leases reported in governmental funds, expenditures and an “Other Financing Source” of an equal amount are reported at the net present value of future minimum lease payments.

8. Bond Premiums, Discounts and Issuance Costs

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the proprietary fund type statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Unamortized losses on bonds are presented as a reduction of the face amount of bonds payable. The Water and Sewer Enterprise Fund is the only fund that has unamortized losses on bonds. The unamortized loss on revenue bonds as of September 30, 2010 is \$50,090 (Series 2006).

9. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change. When both restricted and unrestricted resources are available for use, it is the policy of the Board to use restricted resources first, and then unrestricted resources as they are needed.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental and proprietary funds; however, budgets for proprietary funds are not required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board re-adopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each elected official is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

A. BUDGETARY INFORMATION - CONTINUED

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. Supplemental budgetary appropriations of \$93,549,826, representing a 35.49% increase over the original adopted budget, were necessary during the fiscal year. All amendments to originally adopted amounts were made in a legally permissible manner.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances at fiscal year end do not constitute expenditures since the commitments will be honored during the subsequent year. Encumbrances will instead be reported as a reservation of fund balance.

B. DEFICIT FUND EQUITY

The Solid Waste Enterprise Fund reported deficit fund equity of \$3,642,930 for the year ended September 30, 2010. The deficit is caused by changes in reporting closure costs and long-term care costs for the solid waste landfills of the County. Further description of these costs and methods of funding them are discussed in Note 7.

The Inspection and Code Enforcement Fund reported deficit fund equity of \$347,113 for the year ended September 30, 2010. The deficit is caused by the slowed housing market resulting in decreased revenues such as building, re-inspection, home occupation, and development permits.

The Self Insurance Internal Service Fund reported deficit fund equity of \$3,066,590. Claim liabilities for workers' compensation, general and automobile liabilities and property damage are funded by actuarially projected budget requirements for expected yearly cash payouts. This funding method results in a deficit fund balance which will be charged back to the other funds over a reasonable period of time so that service fund revenues and expenses will be equal.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Board maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. Collateral requirements may increase according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Board deposits, including certificates of deposit, are considered fully insured.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED

As of September 30, 2010 the Board had the following investments:

| Investment Type and Quantity | Principal/ Par Value | Fair Value | Maturity |
|---------------------------------------|-------------------------|-----------------------|---------------|
| Florida Local Government Surplus | | | |
| Funds Trust investment pool - Fund A | \$ 17,254,720 | \$ 17,254,721 | On Demand |
| Florida Local Government Surplus | | | |
| Funds Trust investment pool - Fund B | 1,799,911 | 1,799,911 | As Available* |
| Florida Local Government Investment | | | |
| Trust investment pool | 35,051,221 | 35,051,221 | On Demand |
| Florida Local Government Investment | | | |
| Trust day to day fund | 10,071,056 | 10,071,056 | On Demand |
| STI Classic Institutional Cash Mgmt | 10,183,125 | 10,183,125 | On Demand |
| U.S. Treasury bill (1) | | | |
| Repurchase Agreement (1) | 800,825 | 800,825 | 10/1/2013 |
| Federal Home Loan Mortgage Corp (2) | 1,000,000 | 1,002,810 | 8/17/2017 |
| | 1,000,000 | 1,002,810 | 11/19/2018 |
| Federal National Mortgage Assoc. (13) | 3,806,137 | 4,032,488 | 7/25/2016 |
| | 2,238,561 | 2,334,103 | 1/1/2012 |
| | 1,792,888 | 1,842,748 | 11/1/2011 |
| | 782,172 | 812,019 | 7/1/2012 |
| | 498,896 | 513,508 | 10/1/2011 |
| | 989,731 | 1,017,829 | 10/1/2014 |
| | 2,350,000 | 2,371,291 | 12/30/2015 |
| | 941,442 | 992,129 | 5/1/2013 |
| | 1,513,253 | 1,599,811 | 2/1/2013 |
| | 1,083,487 | 1,172,550 | 1/1/2015 |
| | 3,000,000 | 3,004,680 | 5/26/2015 |
| | 2,000,000 | 2,023,760 | 4/7/2014 |
| | 2,000,000 | 2,013,760 | 5/14/2014 |
| | <u>\$ 100,157,425</u> | <u>\$ 100,897,155</u> | |

*Fund B cash holdings are being distributed to participants as they become available from maturities, sales and received income. The investment objective for Fund B is to maximize the present value of the distributions.

State Statutes and the formal investments and portfolio policies adopted by the Board restrict the types of investments that can be made by the Board. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1.

The investment policy manual details the methods used to manage the risks inherent to the investment process. The authority for investment of County funds rests with the Clerk who has delegated management of the investment program to the Finance Director. Investments can only be made by majority vote of the investment committee appointed by the Clerk. Although the policies allow investments in many types of instruments, the investment committee has chosen to limit investment risks by investing mainly in allowed investment pools. The pools are 2a7-like investment pools and manage interest rate risk by limiting the weighted average maturity of their portfolios, manage credit risk by investing in mainly governmental and other highly rated securities, manage concentration of credit risk by limiting investment in any one issuer to

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED

less than 5% of the portfolio and manage custodial credit risk by requiring collateral for investments held by counterparties.

Interest rate risk. In accordance with the investment policy, the exposure to declines in fair value of investments outside of the pools is managed by matching the investments to a specific cash flow requirement. The repurchase agreement and instrumentalities are matched to the timing of required debt service payments.

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Florida Local Government Investment Trust Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriated assets, and Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk.

Credit risk. As of September 30, 2010, Standard & Poor's rated the investment in Florida Local Government Investment Trust investment pool AA Af, Florida Local Government Investment Day to Day AA Am, Florida Local Government Surplus Fund Trust AA Am, and STI Classic Institutional Cash Management AA Am. The Florida Local Government Surplus Fund Trust Fund B investment pool was not rated by any nationally recognized statistical rating agency as of September 2010. As of September 30, 2010 all U.S. Instrumentalities held by the County were rated AAA. The investment policies of the County manage credit risk by limiting investments in U. S. Instrumentalities to the two highest ratings issued by nationally recognized statistical rating organization.

Concentration of credit risk. The investment policies of the County diversify the portfolio by limiting the maximum percentage of various types of investments that can be purchased. The investment policy maximum percentages for the current portfolio are 50% for U.S. agencies and instrumentalities and 50% for repurchase agreements. More than 5% of the County's investments are in the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. These investments are 2% and 24% respectively, of the County's total investments.

Custodial credit risk. Okaloosa County has a perfected first security interest in the collateral underlying the repurchase agreement. STI Classic Institutional Cash Management and U.S. instrumentalities are held by the County's agent in the County's name in accordance with the Okaloosa County Investment Policy requiring third party custody and safekeeping.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 – RECEIVABLES

Receivables as of September 30, 2010 for the government’s individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| Funds | Accounts | Due From Other Governments | Total Receivables | Less: Allowance for Doubtful Accounts | Net Total Receivables Sept. 30, 2009 |
|-----------------------------|----------------------|----------------------------------|----------------------|---|--|
| General | \$ 203,806 | \$ 1,178,019 | \$ 1,381,825 | \$ - | \$ 1,381,825 |
| Fine and Forfeiture | 42,578 | 1,572,753 | 1,615,331 | - | 1,615,331 |
| Capital Outlay | - | 82,839 | 82,839 | - | 82,839 |
| Water and Sewer | 2,626,388 | 272,859 | 2,899,247 | (200,000) | 2,699,247 |
| Airport | 1,655,902 | 2,427,669 | 4,083,571 | (635,640) | 3,447,931 |
| Solid Waste | 505,965 | 147,225 | 653,190 | - | 653,190 |
| Nonmajor and Other Funds | 6,636,471 | 2,044,813 | 8,681,284 | (2,649,986) | 6,031,298 |
| Total | \$ 11,671,110 | \$ 7,726,177 | \$ 19,397,287 | \$ (3,485,626) | \$ 15,911,661 |

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows.

| | Unavailable | Unearned |
|---|-------------|-------------------|
| General Fund | | |
| Grant revenue | \$ - | \$ 157,756 |
| Rent Received in Advance | - | 6,566 |
| Special Revenue Funds | | |
| Fine and Forfeiture | | |
| Grant revenue | - | 6,428 |
| Commissions Received in Advance | - | 207,575 |
| Nonmajor Funds | | |
| Grant revenue | - | 15,432 |
| Total deferred/unearned revenue for governmental funds | \$ - | \$ 393,757 |

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 5 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets, regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Board of County Commissioners of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 9,898,076 | \$ - | \$ - | \$ 9,898,076 |
| Intangibles | 1,133,116 | 13,789 | - | 1,146,905 |
| Construction in progress | 5,543,977 | 11,024,312 | (2,406,994) | 14,161,295 |
| Total capital assets, not being depreciated/amortized | <u>16,575,169</u> | <u>11,038,101</u> | <u>(2,406,994)</u> | <u>25,206,276</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings | 41,356,402 | 222,155 | - | 41,578,557 |
| Improvements other than buildings | 27,519,569 | 793,575 | - | 28,313,144 |
| Intangibles | 1,442,820 | 127,620 | - | 1,570,440 |
| Machinery and equipment | 34,012,716 | 3,712,439 | (2,665,588) | 35,059,567 |
| Infrastructure | 128,568,381 | 4,843,562 | - | 133,411,943 |
| Total capital assets being depreciated/amortized | <u>232,899,888</u> | <u>9,699,351</u> | <u>(2,665,588)</u> | <u>239,933,651</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | (16,937,400) | (1,094,704) | - | (18,032,104) |
| Improvements other than buildings | (6,031,414) | (695,759) | - | (6,727,173) |
| Intangibles | (666,029) | (246,317) | - | (912,346) |
| Machinery and equipment | (24,855,758) | (3,547,440) | 2,331,183 | (26,072,015) |
| Infrastructure | (69,428,550) | (3,250,258) | - | (72,678,808) |
| Total accumulated depreciation/amortization | <u>(117,919,151)</u> | <u>(8,834,478)</u> | <u>2,331,183</u> | <u>(124,422,446)</u> |
| Total capital assets, being depreciated/amortized, net | <u>114,980,737</u> | <u>864,873</u> | <u>(334,405)</u> | <u>115,511,205</u> |
| Governmental activities capital assets, net | <u>\$ 131,555,906</u> | <u>\$ 11,902,974</u> | <u>\$ (2,741,399)</u> | <u>\$ 140,717,481</u> |

Note: The "Increases" column includes transfers of assets purchased in prior years from business-type activities to governmental activities as well as reclassifications from completed multiyear construction projects. Therefore the amounts in the column will not be equal to capital outlay or total depreciation expense by major capital asset class in the governmental funds.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 5 – CAPITAL ASSETS – CONTINUED

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|---------------------|-----------------------|-----------------------|
| Business - type activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 10,488,917 | \$ - | \$ - | \$ 10,488,917 |
| Construction in progress | 9,963,550 | 9,267,453 | (1,338,079) | 17,892,924 |
| Works of art | 69,865 | - | - | 69,865 |
| Total capital assets not being depreciated/amortized | <u>20,522,332</u> | <u>9,267,453</u> | <u>(1,338,079)</u> | <u>28,451,706</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings | 75,609,032 | 950,721 | (148,857) | 76,410,896 |
| Improvement other than buildings | 286,691 | - | - | 286,691 |
| Intangibles | 760,931 | 85,340 | - | 846,271 |
| Machinery and equipment | 20,659,226 | 582,670 | (639,435) | 20,602,461 |
| Infrastructure | 283,209,231 | 3,202,931 | - | 286,412,162 |
| Total capital assets being depreciated/amortized | <u>380,525,111</u> | <u>4,821,662</u> | <u>(788,292)</u> | <u>384,558,481</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | (11,238,696) | (1,904,853) | 139,064 | (13,004,485) |
| Improvements other than buildings | (123,863) | (10,218) | - | (134,081) |
| Intangibles | (171,329) | (149,171) | - | (320,500) |
| Machinery and equipment | (14,998,456) | (1,800,383) | 595,199 | (16,203,640) |
| Infrastructure | (69,719,030) | (7,186,001) | - | (76,905,031) |
| Total accumulated depreciation/amortization | <u>(96,251,374)</u> | <u>(11,050,626)</u> | <u>734,263</u> | <u>(106,567,737)</u> |
| Total capital assets, being depreciated/amortized, net | <u>284,273,737</u> | <u>(6,228,964)</u> | <u>(54,029)</u> | <u>277,990,744</u> |
| Business-type activities capital assets, net | <u>\$ 304,796,069</u> | <u>\$ 3,038,489</u> | <u>\$ (1,392,108)</u> | <u>\$ 306,442,450</u> |

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 5 – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions/programs as follows:

| | <u>Depreciation</u> | <u>Amortization</u> |
|--|----------------------|---------------------|
| Government activities: | | |
| General government | \$ 1,175,387 | \$ 96,585 |
| Public safety | 950,288 | 4,313 |
| Physical environment | 43,965 | - |
| Transportation, including depreciation of general infrastructure assets | 4,727,704 | 30,967 |
| Economic environment | 39,369 | - |
| Human services | 347,590 | - |
| Culture and recreation | 592,495 | - |
| Court related | 189,173 | 114,452 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 108,245 | - |
| Total depreciation expense - governmental activities | <u>\$ 8,174,216</u> | <u>\$ 246,317</u> |
| Business - type activities: | | |
| Water and sewer | \$ 6,451,730 | \$ 114,023 |
| Airport | 3,163,961 | 18,880 |
| Solid waste | 115,699 | - |
| Convention center | 559,800 | 4,768 |
| Other enterprise funds | 568,370 | 11,500 |
| Total depreciation expense - business - type activities | <u>\$ 10,859,560</u> | <u>\$ 149,171</u> |

Construction Commitments

Judicial/Governmental Center

The Board of County Commissioners has entered into contracts for the design of a new judicial/governmental center. The total of the two contracts is \$25,963,159. Expenditures to date total \$8,295,412, and the remaining balance is \$17,667,747.

Fiber Optic Network

The Board entered into a contract with World Fiber Technologies for the development of Phase V of the fiber optic network to facilitate communications and networking. The total contract amount is \$957,010. Total expenditures on the project to date are \$861,989 leaving a balance of \$95,021.

In-House Improvements

The Board of County Commissioners is continuing in-house renovations of various county facilities. Cumulative expenditures total \$227,717 to date.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 5 – CAPITAL ASSETS – CONTINUED

Construction Commitments –Continued

Road and Other Infrastructure Improvements

The Board has also entered into contracts to improve roads and other infrastructure at various locations throughout the County. The contracts total \$1,669,491. Cumulative expenditures total \$1,384,639, with \$284,852 remaining liability outstanding at September 30, 2010.

Water and Sewer Expansion and Renovation

The Water and Sewer System is continuing significant expansion and renovations throughout the County. Based on the fiscal year 2010 capital budget, total expenditures will approximate \$4,000,000 on contracted projects, plus an additional \$2,000,000 for in-house construction.

Construction of a new wastewater treatment plant to service the Garnier's area of south Okaloosa County was completed in Fiscal Year 2010. The total project cost was approximately \$62 million and was funded by the proceeds of the 2006 bond issue.

Construction at Northwest Florida Regional Airport

The Airport has completed the design and started construction of additions to the main terminal building. Total expenditures for the design were approximately \$1,200,000. The construction contract total amount is \$1,266,980 and expenditures to date are \$1,064,394 leaving a balance of \$202,586. The Airport is also involved in an Emergency Power Upgrade project at the main airport. The total amount of the contract is \$653,415, and expenditures to date are \$588,074, leaving a balance of \$65,341. The Airport has also begun a project to expand the credit card parking lot at the main airport. Expenditures on the project to date are approximately \$600,000.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 6 – COMPENSATED ABSENCES

The policy of the Board of County Commissioners for annual and sick leave and compensatory time is as follows.

Employees may accrue an unlimited amount of annual and sick leave. The employees earn leave at varying rates per month based on their work schedules.

| | Years of Service | Group A 40 hours/ week | Group B 45 hours/ week | Group C 24 hours on/ 48 hours off |
|---|---------------------|------------------------------|------------------------------|---|
| <u>Annual Leave</u> | | | | |
| Full time employees | 0-5 | 8 hours | 9 hours | 11 hours |
| | 6-10 | 10 hours | 11 hours | 14 hours |
| | 11-15 | 12 hours | 14 hours | 17 hours |
| | 16-20 | 14 hours | 16 hours | 20 hours |
| | 21-25 | 16 hours | 18 hours | 22 hours |
| | 26+ | 18 hours | 20 hours | 25 hours |
| Part time employees | 1 | 4 hours | | |
| Amount paid upon separation from service | | 240 hours | 270 hours | 336 hours |
| <u>Sick Leave</u> | | | | |
| Full time employees | | 8 hours | 9 hours | 11 hours |
| Part time employees | | 0 hours | | |

Unused sick leave will be paid to employees having ten consecutive years of service upon termination or retirement at varying percentages based on the total unused hours: 50% for the first 480 hours; 25% for the second 480 hours and 20% for all hours over 960.

Compensatory Time

Compensatory time is available only to hourly (non-exempt) employees. Most employees may accrue up to 240 hours except for law enforcement and correctional officers who can accrue up to 480 hours. Unused amounts will be paid upon termination or retirement.

The total amounts of accumulated compensated absences for the funds of the Board of County Commissioners as of September 30, 2010 are as follows:

| | Current Portion | Long-Term Portion | Totals |
|----------------------|--------------------|----------------------|--------------|
| Compensated Absences | \$ 2,588,490 | \$ 1,998,672 | \$ 4,587,162 |

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

The Board is required to study, estimate, and certify to the U.S. Environmental Protection Agency through the Florida Department of Environmental Protection the estimated cost to close and to perform certain maintenance and monitoring functions at Baker Landfill and Wright Landfill for 30 years after closure and Niceville Landfill for 20 years after closure. One hundred percent of the landfill capacity has been used in the landfills and they have all been permanently closed.

The Florida Department of Environmental Protection approved termination of long-term care at the permanently closed Laurel Hill Landfill effective September 25, 2006.

The Board is required by state and federal laws and regulations to develop its estimates using rates normal to commercial contracting firms and is based on the amount of the landfill capacity used to date, 100%. The landfill closure and post closure costs are reevaluated each year. The estimate is subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations. The effect of this change in estimates has been reflected in the operations of the Solid Waste Enterprise Fund and has increased net income by \$157,056. The estimated liability for landfill closure and post closure care costs has a balance of \$3,988,733 as of September 30, 2010.

The Board issued bonds during the fiscal year ended September 30, 1991 to cover a portion of the estimated closure and post-closure care costs for the Wright Landfill, which ceased operations on March 1, 1990. Information on that Bond Issue can be found in Note 10.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:

| Receivable Fund | Payable Fund | Amount | Purpose |
|-------------------------|-------------------------|---------------------|-----------------------------|
| Other Funds | | | |
| Convention Center | Nonmajor Governmental | \$ 278,569 | Allocation of taxes |
| Other Elected Officials | | | |
| General | Supervisor of Elections | \$ 11,874 | Excess Appropriations |
| General | Clerk of Courts | 15,925 | Fees |
| General | Property Appraiser | 218,697 | Excess Appropriations |
| General | Tax Collector | 814,834 | Unused Revenue |
| General | Tax Collector | 36,170 | Unused Rent/Lease |
| General | Tax Collector | 15,605 | Unused Bank Fees |
| General | Tax Collector | 151 | Interest |
| Fine and Forfeiture | Sheriff | 15,925 | Fees |
| Fine and Forfeiture | Sheriff | 23,242 | Ivan Overpayment |
| Fine and Forfeiture | Sheriff | 902,474 | 2010 Excess Appropriations |
| Fine and Forfeiture | Sheriff | 113,465 | 2009 Excess Appropriations |
| Fine and Forfeiture | Clerk of Courts | 127,725 | Fines and Fees |
| Fine and Forfeiture | Clerk of Courts | 26,588 | Fees |
| Fine and Forfeiture | Clerk of Courts | 69,397 | Excess Appropriations |
| Fine and Forfeiture | Tax Collector | 48 | Interest |
| Capital Outlay | Tax Collector | 104,810 | Retained Vessel Commissions |
| Nonmajor Governmental | Tax Collector | 4,083 | Unused Revenue |
| Nonmajor Governmental | Tax Collector | 1 | Interest |
| Nonmajor Governmental | Tax Collector | 1,257 | Unused Revenue |
| Nonmajor Governmental | Tax Collector | 5,862 | Unused Revenue |
| Nonmajor Governmental | Tax Collector | 2 | Interest |
| Water and Sewer | Clerk of Courts | 60 | Restitution |
| Nonmajor Enterprise | Tax Collector | 2 | Interest |
| Nonmajor Enterprise | Clerk of Courts | 653 | Restitution |
| Nonmajor Enterprise | Clerk of Courts | 100 | Interfund Services |
| Clerk of Courts | General | (13,497) | Administrative Fees |
| Tax Collector | General | (2,307) | Delinquent Taxes |
| Clerk of Courts | Fine and Forfeiture | (230) | Local Ordinance Fees |
| Sheriff | Fine and Forfeiture | (298,621) | Grant revenue |
| Sheriff | Fine and Forfeiture | (34,405) | Law Enforcement Trust Fund |
| Sheriff | Fine and Forfeiture | (481,150) | Appropriations |
| Clerk of Courts | Convention Center | (8,998) | Administrative Fees |
| Tax Collector | Nonmajor Enterprise | (130) | Vehicle registration fees |
| Total | | <u>\$ 1,669,612</u> | |

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 – INTERFUND BALANCES AND ACTIVITY -CONTINUED

Interfund transfers:

| Transfer In | Transfer Out | Amount | Purpose |
|--------------------------------|-----------------------|-----------------------------|--------------------------------------|
| Other Funds | | | |
| General | Nonmajor Governmental | \$ 16,350 | Transfer of additional funding |
| General | Nonmajor Governmental | 400,000 | Transfer of additional funding |
| General | Nonmajor Governmental | 28,000 | Allocation racing monies |
| General | Conference Center | 250,000 | Allocation of tax revenues |
| General | Fine and Forfeiture | 307,109 | Transfer of Grant Funding |
| Fine and Forfeiture | Capital Outlay | 659,417 | Allocation of tax revenues |
| Fine and Forfeiture | Airport | 1,019,595 | Sheriff Appropriations |
| Capital Outlay | Airport | 100,000 | Transfer of additional funding |
| Capital Outlay | Fine and Forfeiture | 578,427 | Transferring judicial center funding |
| Nonmajor Governmental | Nonmajor Governmental | 2,121,503 | Allocation of tax revenues |
| Nonmajor Governmental | Capital Outlay | 1,000,000 | Allocation of tax revenues |
| Nonmajor Governmental | Fine and Forfeiture | 43,179 | Transfer of additional funding |
| Nonmajor Governmental | Nonmajor Governmental | 900,000 | Allocation of tax revenues |
| Nonmajor Governmental | Nonmajor Governmental | 4,000 | Allocation of tax revenues |
| Nonmajor Governmental | Nonmajor Governmental | 251,202 | Debt Service Transfer |
| Nonmajor Governmental | Fine and Forfeiture | 284,569 | Transfer of Debt Proceeds |
| Nonmajor Enterprise | Nonmajor Governmental | 250,000 | Transfer of additional funding |
| Nonmajor Enterprise | Nonmajor Governmental | 33,000 | Allocation racing monies |
| Total | | <u><u>\$ 8,246,351</u></u> | |
| Other Elected Officials | | | |
| General | Tax Collector | \$ (814,834) | Excess Appropriations |
| Fine and Forfeiture | Clerk of Courts | (69,397) | Excess Appropriations |
| Fine and Forfeiture | Sheriff | (902,474) | Excess Appropriations |
| Nonmajor Governmental | Tax Collector | (4,083) | Excess Appropriations |
| Nonmajor Governmental | Tax Collector | (1,257) | Excess Appropriations |
| Nonmajor Governmental | Tax Collector | (5,862) | Excess Appropriations |
| Nonmajor Governmental | Sheriff | (23,242) | Ivan Overpayment |
| Clerk of Courts | General | 1,350,582 | Appropriations |
| Property Appraiser | General | 2,706,726 | Appropriations |
| Supervisor of Elections | General | 1,625,106 | Appropriations |
| Sheriff | Fine and Forfeiture | 31,569,514 | Appropriations |
| Sheriff | Fine and Forfeiture | 1,185,409 | Appropriations - Grants |
| Total | | <u><u>\$ 36,616,188</u></u> | |

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 9 - LEASES

Operating Leases – Lessor

The Board of County Commissioners leases four county-owned parks and park buildings located on Okaloosa Island to outside parties. Capitalized investment in these assets is \$6,588,730. Accumulated depreciation of \$1,658,108 has been recorded as of September 30, 2010. All of the leases were for a 25-year period. However, two of the leases have been renegotiated and the period extended to thirty years. Three of the leases contain a 20% rent increase every five years. The first renegotiated lease contains a fixed rental through 2029. The second renegotiated lease contains a contingent rent fee of 15% of gross revenue if that amount is greater than the set rent amount through 2012. To date, the contingent rent option has not been needed. The remaining terms of the leases range from 3 to 20 years.

The Board of County Commissioners leases land and a building to a convenience store company. Capitalized investment in the building is \$132,488. Accumulated depreciation of \$38,090 has been recorded as of September 30, 2010. The lease was renegotiated to a five year lease with four five-year renewals beginning in 2008. The rent will increase at the beginning of each option period by the consumer price index. These option periods extend through 2032.

The Board of County Commissioners leases space in a building to six (6) leases. Capitalized investment in the building is \$546,688. The one year leases may have two (2) one year renewals through 2011. Rental fees total \$3,499 monthly.

The Board of County Commissioners has leased space on a water tower to a wireless communication company. The five year lease can be renewed for five five-year periods through 2034. Monthly rental fees begin at \$1,667 and increase at each renewal to \$3,352 in the final renewal period. There is no capitalized investment related to this lease.

The Board of County Commissioners has leased space on a telecommunications tower and the parcel of land on which it is located to a wireless communication company. The five year lease can be renewed for four five-year periods through 2031. Monthly rental fees begin at \$1,900 and increase at each renewal period by 15% to \$3,324 in the final renewal period. There is no capitalized investment related to this lease.

The Board of County Commissioners has leased space on a telecommunications tower and the parcel of land on which it is located to a wireless communication company. The five year lease can be renewed for five five-year periods through 2035. Monthly rental fees begin at \$1,900 and increase at each renewal period by 15% to \$3,824 in the final renewal period. There is no capitalized investment related to this lease.

The Board of County Commissioners has entered into operating leases with various lessees and concessionaires for lease of space and facilities at the Okaloosa County Air Terminal, the Bob Sikes Airport and the Destin Airport. Lease periods vary with expiration dates through 2048. Capitalized investment in assets associated with these leases is \$35,094,657. Accumulated depreciation of \$4,271,192 has been recorded as of September 30, 2010.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 9 – LEASES - CONTINUED

Operating Leases – Lessor – Continued

Total minimum future rentals for material operating leases in which the Board of County Commissioners is the lessor are as follows:

| <u>Fiscal Year Ended September 30</u> | |
|---------------------------------------|----------------------------|
| 2011 | \$ 903,781 |
| 2012 | 857,626 |
| 2013 | 658,130 |
| 2014 | 639,111 |
| 2015 | 633,905 |
| Thereafter | <u>3,711,080</u> |
| | <u><u>\$ 7,403,633</u></u> |

Operating Leases – Lessee

1. The Board of County Commissioners leases the land on which the airport facilities are located from the United States Government under a thirty-year lease agreement expiring in February 2031. The lease was renegotiated in 2008 adding an additional 22.6 acres for the rental car facilities under a twenty-five year lease expiring in September 2032. The land lease agreement contains a built in rent increase of 3% for annual escalation factor. The lease has an option for renewal at the end of the current lease period. The future minimum lease payments total \$10,611,143 over the life time of the lease. Lease expense for fiscal year 2010 was \$337,366.
2. The Board of County Commissioners leases the land on which Water and Sewer's Water Reclamation Facility is located from the United States Government under a 30 year lease agreement expiring in September 2037. The lease agreement contains a built in rent increase of 3% for annual escalation factor. The lease has an option of renewal at the end of the current lease period. The future minimum lease payments total \$12,778,689 over the life time of the lease. Lease expense for fiscal year 2010 was \$338,130.
3. The Board of County Commissioners leases office space used by the Tax Collector and the Property Appraiser through September 30, 2014. The rent is based on \$33,147 per month plus a proportionate amount of any annual Consumer Price Index increase beginning in year three (3). The five (5) year lease has three (3) one year renewals beginning in 2012. Based on assumed increases of 3%, future minimum lease payments total \$2,931,577. Lease expenditure for fiscal year 2010 was \$460,285.
4. The Board of County Commissioners leases office space used by public safety and veterans' affairs departments of the Board through March 2011. All offices were relocated to County buildings and the lease was terminated December 2010. Monthly payments under the lease are \$4,495 with total minimum lease payments of \$6,613 for the remaining term of the lease. Lease expenditure for fiscal year 2010 was \$53,940.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 9 – LEASES – CONTINUED

Operating Leases – Lessee

5. The Board of County Commissioners leases office space used by the Commissioners, County Administrator, Law Library, and Information System departments of the Board as well as various other elected officials and State Agencies through November 2009. The first renewal of three (3) three year renewals was exercised December 2009. Monthly payments under the lease are \$20,625 for 2009 and increased to \$22,275 for the three (3) year renewal with the total minimum lease payments for the years 2011 through 2013 of \$579,150. Lease expenditure for fiscal year 2010 was \$264,000.
6. The Board of County Commissioners leases four (4) Volvo G930 motor Graders used by public works department for the Board through May 2013. The three (3) year lease is based on monthly payments of \$6,790 at 4.31% interest with a balloon payment of \$480,000 in June 2013. Future lease payments total \$217,290 for the remaining term of the lease. Lease expenditures for fiscal year 2010 were \$27,161.

Total lease expenditure/expense for material operating leases in which the Board of County Commissioners is the lessee for fiscal year ended September 30, 2010 was \$1,453,721. Future minimum lease payments for these leases are as follows:

| <u>Fiscal Year Ended September 30</u> | |
|---------------------------------------|----------------------|
| 2011 | \$ 1,445,547 |
| 2012 | 1,456,255 |
| 2013 | 1,236,050 |
| 2014 | 1,167,706 |
| 2015 | 1,186,417 |
| 2016-2020 | 5,002,684 |
| 2021-2025 | 4,667,228 |
| 2026-2030 | 5,289,839 |
| 2031-2035 | 3,941,060 |
| 2036-2038 | 1,731,676 |
| | <u>\$ 27,124,462</u> |

NOTE 10 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Board of County Commissioners of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Component Unit

The following is a summary of long-term debt transactions of the Emerald Coast Bridge Authority for the fiscal year ended September 30, 2010.

| | Note Payable |
|--|-----------------|
| Long-term debt payable October 1, 2009 | \$ 1,777,289 |
| Increase/Decrease in long-term debt | - |
| | \$ 1,777,289 |

NOTES PAYABLE

| | |
|--|-------------------------|
| \$1,033,391 loan advances, 1991-92, due in annual payments (payments have not been made) through 2005, including interest. | \$ 1,033,391 |
| \$298,000 loan advance, 2003 zero interest, repayable from future toll revenue. No payment date or amount. | 298,000 |
| \$500,000 loan advance, 2005, zero interest, repayable from future toll revenue. No payment date or amount. | <u>445,898</u> |
| Total Notes Payable | <u>\$ 1,777,289</u> |

Primary Government

The following debt issues are outstanding for September 30, 2010.

Governmental Activities:

REVENUE BONDS

| | |
|--|------------|
| \$2,524,287 Capital Improvement Revenue Bonds, Series 1991, capital appreciation bonds with no stated interest rate, effective interest rate of 7.15 percent compounded semi-annually through December 1, 2010; issued in denominations of \$5,000 maturity value due in annual installments of \$35,000 to \$685,000 from December 1, 1993 through December 1, 2010. "Second Guaranteed Entitlement Revenues" as defined in Paragraph II, Chapter 218 Florida Statutes are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance the acquisition and construction of roads within the County. | \$ 182,412 |
|--|------------|

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government - Continued

Governmental Activities - Continued:

REVENUE BONDS - CONTINUED

\$26,615,000 Sales Tax Revenue Bonds, Series 2009, serial and term bonds with states interest rates ranging from 3.0 percent to 6.375 percent compounded semiannually through October 1, 2039; issued in denominations of \$5,000 maturity value due in annual installments of \$315,000 to \$1,495,000 from October 1, 2011 through October 1, 2039. Sales tax revenues along with any direct federal subsidy payments received with respect to the Taxable Series 2009B Bonds (Direct Payment Build America Bonds) are pledged for payment of the bonds. Proceeds of the bonds are being used to finance the construction of a new judicial center complex in the County. This issue is subject to federal arbitrage regulations.

26,615,000

Total Governmental Activities Revenue Bonds

\$ 26,797,412

LOANS AND NOTES

\$3,800,000 Commercial Paper Loan from the Florida Local Government Finance Commission Pooled Commercial Paper Loan Program; interest and fee payments are made monthly beginning August 1, 2007; Three principal payments of \$220,000 each are due on June 3, 2008, June 2, 2009, and June 2, 2010, with the remaining \$3,140,000 due on December 7, 2010 (See Note 20). The loan finances the County's portion of a joint beach renourishment project with the City of Destin and is payable solely from Tourist Development taxes.

\$ 3,140,000

Total Governmental Activities Loans and Notes

\$ 3,140,000

Business-type Activities:

REVENUE BONDS

Solid Waste

\$2,180,777 Capital Improvement Revenue Bonds, Series 1991, capital appreciation bonds with no stated interest rate, effective interest rate of 7.15 percent compounded semi-annually through December 1, 2010; issued in denominations of \$5,000 maturity value due in annual installments of \$35,000 to \$685,000 from December 1, 1993 through December 1, 2010. "Second Guaranteed Entitlement Revenues" as defined in Paragraph II, Chapter 218 Florida Statutes are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance landfill closure and post closure costs of the Wright Landfill.

\$ 157,589

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued:

Business-type Activities:

REVENUE BONDS

Airport

\$10,860,000 Airport Revenue Bonds, Series 2003, serial and term bonds with stated interest rates ranging from 2.4 percent to 6.0 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$225,000 to \$750,000 from October 1, 2003 through October 1, 2030. Net revenues derived from the operation of the Airport System and the Passenger Facility Charges imposed per enplaned passenger at the Northwest Florida Regional Airport are pledged for payment of the bonds. Proceeds from the bonds were used to finance a portion of the cost of the Terminal Development Program and to repay a commercial paper loan that provided partial temporary financing for the project. This issue is subject to federal arbitrage regulations. 9,670,000

\$9,980,000 Taxable Airport Revenue Bonds, Series 2007, term bonds with stated interest rates ranging from 6.0 percent to 7.0 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$220,000 to \$830,000 from October 1, 2009 through October 1, 2030. Net revenue derived from the operation of the Airport System and the Customer Facility Charges imposed per rental car transaction day at the Northwest Florida Regional Airport are pledged for payment of the bonds. Proceeds from the bonds were used to finance a portion of the cost of the East Side Development Program. This issue is not subject to federal arbitrage regulations. 9,760,000

Convention Center

\$13,450,000 Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000, serial and term bonds with stated interest rates ranging from 4.6 percent to 5.75 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$215,000 to \$940,000 from October 1, 2003 through October 1, 2030. Fourth Cent Tourist Development Tax monies are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance the costs of acquisition and construction of the Okaloosa County Convention Center. This issue is subject to federal arbitrage regulations. 11,725,000

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued:

Business-type Activities - Continued:

Revenue Bonds – Continued:

Water and Sewer

The following parity bonds are secured by a pledge of the net revenues from the operation of the water and sewer system.

| | |
|--|---------|
| \$650,000 Subordinated Revenue Bond, Series 1985, term bond due in semi-annual installments of \$34,338 beginning July 1, 1985 through January 2, 2015; interest at 10.0 percent per annum. Proceeds from the bonds were used to finance constructing and acquiring additions, extensions and improvements to the County Water and Sewer System. | 244,070 |
|--|---------|

| | |
|--|------------|
| \$31,170,000 Water and Sewer Revenue Bonds, Series 2004, due in annual installments of \$300,000 to \$3,680,000 through July 1, 2016; interest ranging from 1.017 percent to 3.61 percent per annum. Proceeds from the bond were used to refund Water and Sewer Revenue Refunding Bonds, Series 1993 and Water and Sewer Refunding Revenue Bonds, Series 1998 as well as constructing and acquiring additions, extensions and improvements to the County Water and Sewer System. This issue is subject to federal arbitrage regulations. | 15,685,000 |
|--|------------|

| | |
|---|-------------------|
| \$65,150,000 Water and Sewer Revenue Bonds, Series 2006, due in annual installments of \$525,000 to \$4,500,000 through July 1, 2036; interest ranging from 4.00 percent to 5.00 percent per annum. Proceeds from the bond were used to refund Water and Sewer Revenue Bonds, Series 1992 as well as construct the Arbennie Pritchett Water Reclamation Facility. This issue is subject to federal arbitrage regulations. | <u>62,965,000</u> |
|---|-------------------|

| | |
|-----------------------------------|------------------------------|
| Total Business-type Revenue Bonds | \$ <u><u>110,206,659</u></u> |
|-----------------------------------|------------------------------|

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued:

Business-type Activities – Continued:

The following loans from the State of Florida were obtained for construction of extensions and improvements to the County sewer system. Water and Sewer revenue net of operating costs and debt service are pledged for repayment of these loans.

LOANS – STATE OF FLORIDA

\$5,927,701 State of Florida Department of Environmental Regulation Revolving Loan Fund; annual payments of \$429,920 including capitalized interest at 4.20% to 4.26% beginning April 1, 1992 through April 1, 2011. \$ 412,473

\$1,458,000 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$46,776 including interest at 2.59% and 3.24% beginning December 30, 1994 through June 30, 2014. 352,413

\$729,744 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$22,230 at 2.59% beginning October 10, 1995 through April 10, 2015. 207,249

\$1,949,795 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$74,622 at 3.28% and 2.63% beginning April 1, 1997 reducing to \$58,007 beginning April 1, 2001 through October 1, 2016. 679,854

\$1,768,312 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$59,870 at 2.63% and 2.99% beginning September 15, 1999 reducing to \$56,219 beginning September 15, 1999 through March 15, 2017. 665,722

\$351,895 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$23,204 at 3.18% beginning February 15, 2000 reducing to \$11,073 beginning February 15, 2001 through August 15, 2019. 172,151

\$8,168,888 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$291,598 at 2.71% and 3.00% beginning June 15, 2007 reducing to \$263,938 beginning December 15, 2008 through December 15, 2023. 6,950,613

Total Loans – State of Florida 9,440,475

OTHER LOANS

\$440,000 loan from individual; annual payments of \$101,629 including interest at 5% beginning November 1, 2007 through November 1, 2011. 166,511

\$2,000,000 Commercial Paper Loan from the Florida Local Government Finance Commission Pooled Commercial Paper Loan Program; interest and fee payments are made monthly beginning July 1, 2008; the entire principal balance of the loan is due on December 4, 2012. The loan finances construction at Northwest Florida Regional Airport and Bob Sikes Airport and is payable from net revenues of the Airport. 2,000,000

Total Business-type Loans and Notes \$ 11,606,986

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government - Continued

The following is a summary of the changes in long-term debt of the Board of County Commissioners for the fiscal year ended September 30, 2010.

| | Balance Due October 1, 2009 | Increases | Decreases | Balance Due September 30, 2010 | Due Within One Year |
|---|-----------------------------------|----------------------|-----------------------|--------------------------------------|------------------------|
| Governmental Activities: | | | | | |
| Revenue Bonds | | | | | |
| Capital Improvement Revenue | | | | | |
| Bonds, Series 1991 | \$ 530,526 | \$ 19,391 * | \$ (367,505) | \$ 182,412 | \$ 182,412 |
| Sales Tax Revenue Bonds, Series 2009 | - | 26,615,000 | - | 26,615,000 | - |
| Less deferred amounts | | | | | |
| For issuance discounts/premiums | - | (922,110) | 57,029 | (865,081) | - |
| Total Revenue Bonds | 530,526 | 25,712,281 | (310,476) | 25,932,331 | 182,412 |
| Loans and Notes | | | | | |
| Commercial Paper Loan | 3,360,000 | - | (220,000) | 3,140,000 | 400,000 |
| Accrued compensated absences | 3,100,099 | 105,068 | (289,698) | 2,915,469 | 1,657,062 |
| Estimated claims payable | 3,425,437 | 1,366,029 | (969,081) | 3,822,385 | 1,742,675 |
| Other post employment benefits | 193,164 | 185,397 | (85,826) | 292,735 | - |
| Total Governmental Activities | \$ 10,609,226 | \$ 27,368,775 | \$ (1,875,081) | \$ 36,102,920 | \$ 3,982,149 |
| Business-type Activities: | | | | | |
| Revenue Bonds | | | | | |
| Capital Improvement Revenue | | | | | |
| Bonds, Series 1991 | \$ 458,332 | \$ 16,752 * | \$ (317,495) | \$ 157,589 | \$ 157,589 |
| Airport Revenue Bonds, Series 2003 | 9,925,000 | - | (255,000) | 9,670,000 | 265,000 |
| Airport Taxable Revenue Bonds, Series 2007 | 9,980,000 | - | (220,000) | 9,760,000 | 235,000 |
| Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000 | 12,010,000 | - | (285,000) | 11,725,000 | 300,000 |
| Subordinated Revenue Bonds, Series 1985 | 285,228 | - | (41,158) | 244,070 | 45,376 |
| Water and Sewer Revenue, Series 2004 | 15,985,000 | - | (300,000) | 15,685,000 | 490,000 |
| Water and Sewer Revenue, Series 2006 | 65,150,000 | - | (2,185,000) | 62,965,000 | 2,090,000 |
| Less deferred amounts | | | | | |
| For issuance discounts/premiums | (1,117,234) | (122,227) | 263,576 | (975,885) | - |
| On refunding | (116,877) | - | 66,787 | (50,090) | - |
| Total Revenue Bonds | 112,559,449 | (105,475) | (3,273,290) | 109,180,684 | 3,582,965 |

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government - Continued

| | Balance Due October 1, 2009 | Increases | Decreases | Balance Due September 30, 2010 | Due Within One Year |
|---|-----------------------------------|-------------------|-----------------------|--------------------------------------|------------------------|
| Business-type Activities - Continued | | | | | |
| Loans and Notes | | | | | |
| State of Florida Revolving Loan Fund, April 1, 1992 through April 1, 2011 | 808,208 | - | (395,735) | 412,473 | 412,473 |
| State of Florida Revolving Loan Fund, December 30, 1994 through June 30, 2014 | 434,750 | - | (82,337) | 352,413 | 84,579 |
| State of Florida Revolving Loan Fund, October 10, 1995 through April 10, 2015 | 245,594 | - | (38,345) | 207,249 | 39,345 |
| State of Florida Revolving Loan Fund, April 1, 2001 through October 1, 2016 | 773,159 | - | (93,305) | 679,854 | 96,149 |
| State of Florida Revolving Loan Fund, September 15, 1999 through March 15, 2017 | 758,153 | - | (92,431) | 665,722 | 94,963 |
| State of Florida Revolving Loan Fund, February 15, 2001 through August 15, 2019 | 188,433 | - | (16,282) | 172,151 | 16,804 |
| State of Florida Revolving Loan Fund, beginning June 15, 2007 through December 15, 2023 | 7,278,812 | - | (328,199) | 6,950,613 | 337,363 |
| Personal Loan | 255,371 | - | (88,860) | 166,511 | 93,303 |
| Commercial Paper Loan | 2,000,000 | - | - | 2,000,000 | - |
| Less deferred amounts For issuance discounts | (164,245) | - | 14,790 | (149,455) | - |
| Total Loans and Notes | 12,578,235 | - | (1,120,704) | 11,457,531 | 1,174,979 |
| Accrued compensated absences | 1,654,147 | 89,658 | (72,112) | 1,671,693 | 931,428 |
| Estimated closure costs payable | 4,145,789 | - | (157,056) | 3,988,733 | 239,973 |
| Other post employment benefits | 121,733 | 116,546 | (53,952) | 184,327 | - |
| Total Business-type Activities | \$ 131,059,353 | \$ 100,729 | \$ (4,677,114) | \$ 126,482,968 | \$ 5,929,345 |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$188,017 of internal service funds compensated absences, \$3,822,385 of estimated claims, and \$12,453 of other post employment benefits are included in the above amounts.

Compensated absences and other post employment benefits are liquidated in the general and other governmental funds. Claims liabilities are liquidated in the internal service fund.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government - Continued

Debt service requirements to maturity on long-term debt at September 30, 2010 are as follows.

| <u>Year Ending September 30,</u> | Governmental Activities | | | |
|----------------------------------|-------------------------|----------------------|---------------------|------------------|
| | Revenue Bonds | | Loans and Notes | |
| | Principal | Interest | Principal | Interest |
| 2011 | 182,412 | 1,608,008 | 400,000 | 10,048 |
| 2012 | 310,000 | 1,461,894 | 400,000 | 8,768 |
| 2013 | 580,000 | 1,444,494 | 400,000 | 7,488 |
| 2014 | 600,000 | 1,426,494 | 400,000 | 6,208 |
| 2015 | 615,000 | 1,408,044 | 1,540,000 | 4,928 |
| 2016-2020 | 3,370,000 | 6,643,313 | - | - |
| 2021-2025 | 3,925,000 | 5,739,363 | - | - |
| 2026-2030 | 4,660,000 | 4,540,390 | - | - |
| 2031-2035 | 5,650,000 | 2,935,344 | - | - |
| 2036-2040 | 6,905,000 | 916,087 | - | - |
| | <u>\$ 26,797,412</u> | <u>\$ 28,123,431</u> | <u>\$ 3,140,000</u> | <u>\$ 37,440</u> |

| <u>Year Ending September 30,</u> | Business-type Activities | | | | | |
|--------------------------------------|--------------------------|----------------------|----------------------|---------------------|------------------------|-------------|
| | Revenue Bonds | | Loans and Notes | | Landfill Closure Costs | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | 3,582,965 | 5,365,781 | 1,174,979 | 309,897 | 239,973 | - |
| 2012 | 4,155,027 | 5,103,140 | 761,233 | 269,062 | 239,973 | - |
| 2013 | 4,335,155 | 4,953,074 | 2,707,380 | 218,392 | 239,973 | - |
| 2014 | 4,520,809 | 4,795,922 | 727,296 | 189,204 | 239,973 | - |
| 2015 | 4,692,703 | 4,621,563 | 653,564 | 169,371 | 239,973 | - |
| 2016-2020 | 15,810,000 | 20,738,534 | 2,462,716 | 607,929 | 1,199,865 | - |
| 2021-2025 | 20,310,000 | 16,133,181 | 2,349,483 | 289,897 | 1,085,715 | - |
| 2026-2030 | 26,230,000 | 10,104,450 | 770,335 | 21,478 | 503,288 | - |
| 2031-2035 | 22,070,000 | 4,072,700 | - | - | - | - |
| 2036-2040 | 4,500,000 | 225,000 | - | - | - | - |
| | <u>\$ 110,206,659</u> | <u>\$ 76,113,345</u> | <u>\$ 11,606,986</u> | <u>\$ 2,075,230</u> | <u>\$ 3,988,733</u> | <u>\$ -</u> |

In prior years, the County has defeased various bond issues. Of those defeased issues, the following amounts are outstanding at September 30, 2010.

Business-type activities:

Water and Sewer System Enterprise Fund
Revenue Bonds, Series 1992

\$ 2,225,000

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11 - CONDUIT DEBT

Since 1984, the Board has authorized eight industrial development revenue bond issues that are still outstanding. The original issues totaled \$55,814,025 and as of September 30, 2010, \$35,184,025 was the principal liability. These bonds do not constitute an indebtedness of the County and are not a charge against its general credit or taxing powers. The bonds are payable solely from revenues of the respective industries to which these bond proceeds were remitted.

NOTE 12 - RESERVED FUND BALANCES

The governmental fund balance sheet contains the line item "Reserved for Other Restricted Purposes". Following is a list of the detail balances contained in that line item for September 30, 2010.

| Fund | Amount | Purpose |
|--|----------------------|---|
| General | \$ 1,462,347 | 911 Emergency System |
| General | 418,601 | County Revolving Loan Fund Program |
| General | 25,912 | Code Enforcement/Nuisance Abatement |
| Special Revenue Funds | | |
| Fine and Forfeiture | 127,524 | Police Academy |
| Fine and Forfeiture | 88,982 | Law Enforcement Trust Fund |
| Fine and Forfeiture | 5,255 | Family Mediation Services |
| Fine and Forfeiture | 13,889 | Law Library |
| Fine and Forfeiture | 251,861 | Prisoner Benefit Trust |
| Fine and Forfeiture | 85,980 | Teen Court |
| Fine and Forfeiture | 98,135 | Alcohol and Other Drug Abuse Trust Fund |
| Fine and Forfeiture | 241,252 | Domestic Violence Trust Fund |
| Fine and Forfeiture | 194,059 | Radio Communications Program |
| Fine and Forfeiture | 640,359 | Public Records Innovation |
| Tourist Development | 9,728,656 | Tourist Development Tax |
| Municipal Services | | |
| Benefit Units | 452,518 | Assessments Reserve |
| Capital Projects Fund | | |
| Capital Outlay Construction | 560,656 | Florida Boating Improvement Trust |
| Capital Outlay Construction | 1,605,888 | Court Facility Improvement Trust |
| Capital Outlay Construction | 58,701 | Parks Development Trust |
| Capital Outlay Construction | 16,292,608 | Judicial Center Funding |
| Total Reserved for Other Restricted Purposes | <u>\$ 32,353,183</u> | |

The proprietary fund balance sheet contains the line item "Equity Restricted for Other Purposes". Following is a list of the detail balances contained in that line item for September 30, 2010.

| Fund | Amount | Purpose |
|--|----------------------|------------------------------------|
| Airport Enterprise Fund | 6,292,920 | Passenger Facility Charges Program |
| Convention Center Enterprise Fund | 3,956,270 | Tourist Development Tax |
| Total Equity Restricted for Other Purposes | <u>\$ 10,249,190</u> | |

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 13 - PENSION PLAN

Florida Retirement System

Plan Description

The Board of County Commissioners contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payroll are for regular employees 8.74%, special risk employees 19.81%, special risk administrative support 11.44%, elected judges 18.45%, elected county officers 15.42%, senior management service class 12.01%, and 9.80% for the Deferred Retirement Option Program (DROP). The Board's contributions to the plan for the years ended September 30, 2010, 2009 and 2008 were \$4,348,214, \$4,278,096, and \$4,423,713, respectively, equal to the required contributions for the year.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 13 - PENSION PLAN - CONTINUED

Health Insurance Subsidy

Plan Description

The Board of County Commissioners contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 14 – POST EMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described, the Board of County Commissioners and all other elected officials except for the Sheriff (County) provides post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses through a single-employer defined benefit plan administered by Blue Cross Blue Shield of Florida (BCBSFL). Benefits, benefit levels, employee contributions and employer contributions are governed and amended through its personnel manual by the County's Self Insurance Fund with approval by the Board. The plan does not issue a separate report.

Benefits Provided

The County provides post-employment health care and dental benefits to its retirees. To be eligible for benefits an employee must retire under the County's retirement plan and must have been covered under the medical plan as an active employee immediately prior to retirement. Elected officials are not eligible for benefits if they qualify for retirement.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 14 – POST EMPLOYMENT BENEFITS – CONTINUED

Benefits Provided - Continued

All health care benefits are provided through the County’s health care provider, BCBSFL. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; dental care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the County’s plan becomes secondary.

Membership

At September 30, 2010, membership consisted of:

| | |
|--|-----|
| Retirees and Beneficiaries Currently Receiving Benefits | 39 |
| Terminated Employees Entitled to Benefits But Not Yet Receiving Them | - |
| Active Employees | 872 |
| Total | 911 |
| Participating Employers | 1 |

Funding Policy

The County and County contracted Insurance Broker negotiates the premium rates with BCBSFL. The required contribution is based on pay-as-you-go financing requirements. Retirees and beneficiaries currently receiving benefits are required to contribute 100% of their current premium costs which for fiscal year 2010 was \$391,249. The County contributes the remainder to cover the costs of providing the benefits to the retirees via the insured plan. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The County annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 30 years. The following shows the components of the County’s net OPEB obligation:

| | |
|--|------------|
| Annual Required Contribution | \$ 395,855 |
| Interest on Prior Year Net OPEB Obligation | 15,994 |
| Adjustment to Annual Required Contribution | (23,124) |
| Annual OPEB Costs | 388,725 |
| Estimated Employer Contributions made | (179,953) |
| Increase (Decrease) in Net OPEB Obligation | 208,772 |
| Net OPEB Obligation , Beginning of Year | 399,860 |
| Estimated Net OPEB Obligation, End of Year | \$ 608,632 |

The County first had an actuarial valuation performed for the plan as of September 30, 2010 to determine the employer’s ARC for the fiscal year ended September 30, 2010. The County’s annual OPEB cost (expense) of \$290,143 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 31, 2007. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and the prior three (3) years were as follows:

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 14 – POST EMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Costs and Net OPEB Obligation - Continued

| Fiscal Year Ended | Annual OPEB Costs | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|----------------------|---|------------------------|
| 9/30/2008 | \$ 290,143 | 32.06% | \$ 197,135 |
| 9/30/2009 | \$ 300,610 | 32.56% | \$ 399,860 |
| 9/30/2010 | \$ 388,725 | 46.29% | \$ 608,632 |

Funded Status and Funding Progress

As of September 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$3,335,095 was unfunded. Actuarial valuation of an ongoing plan involves 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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements in the government-wide financial statements of Okaloosa County, Florida, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

In the September 30, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.7% initially, reduced by decrements to an ultimate rate of 4.2% in 2080. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2010, was 27 years.

NOTE 15 - RISK MANAGEMENT

The Board is exposed to risk of loss for claims and judgments for public liability, workers' compensation, employee medical benefits and other special risks. The Board uses the Self Insurance Internal Services Fund to account for all risks from workers' compensation loss, general liability and medical benefit claims for all County employees except those of the Sheriff, from catastrophic damage to real and tangible property and from special risk policies for the Board. A mixture of commercial insurance coverage and self-insurance, which is described below, manages the risk to the Board. There has been no significant reduction in insurance coverage from the prior fiscal year, and insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 15 - RISK MANAGEMENT - CONTINUED

A. Method of Risk Management

Public Liability

Florida Statutes 768.28(5) limits the maximum County liability for claims and judgments by any one person and any one incident to \$100,000 and \$200,000, respectively. The County self-insures public liability claims for automobile, general and professional liability. A third party administrator manages claims. Currently, the County retains the risk for the first \$200,000 (\$50,000 for automobile liability) of each claim or incident. Excess insurance is purchased to cover losses over the \$200,000 (\$50,000 for automobile liability) self-insured retention.

Property Insurance

The County self-insures the risk of physical loss to its real property, business property and equipment. The County retains the risk of the first \$50,000 of physical damage to County property. The self-insurance retention amount increases to a maximum of \$200,000 if the damage is the result of a named storm. Excess insurance is purchased to cover the physical damage exposure over the self-insured retention amount.

All Lines Aggregate Policy

The County purchased an All Lines Aggregate insurance policy that limits the County's risk for deductible and self-insured retention expenses to \$2,407,500 for the fiscal year ended September 30, 2010.

Workers' Compensation

The County contracts with a Third Party Administrator to have its workers' compensation claims processed. The County retains risk for all claims up to \$500,000 per employee per accident. Excess insurance is purchased to cover losses up to \$25,000,000 for workers' compensation and \$1,000,000 for employers' liability. The County retains no liability for claims that have been settled by purchase of annuity contracts.

Employee Medical Benefits

The Board of County Commissioners and all other elected officials of Okaloosa County, except the Sheriff, use a fully insured commercial insurance plan to fund employee medical benefits. The Board of County Commissioners or elected official pays the premiums for the employees while the individual pays for dependent and retiree coverage. The County bears no risk of loss under this type of coverage.

Special Risk Policies

The Board of County Commissioners purchases commercial crime coverage against theft of money and securities. All of the other elected officials, except the Sheriff, are covered under the policy. Florida Statute requires certain classes of employees be provided with a special death and disability benefit. The Board of County Commissioners purchases a commercial policy. The County bears no risk of loss under this type of coverage. The Sheriff insures this exposure separately.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 15 - RISK MANAGEMENT - CONTINUED

B. Claim Liabilities for Retained Risk

Claim liabilities for workers' compensation, general liabilities (including errors and omissions), and auto liability (both bodily injury and property damage) have been determined based on an actuarial evaluation of all claims reported and all claims incurred but not reported (IBNR) as of September 30, 2010. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The actuarial estimation of ultimate losses does not include any future recoveries from the Florida Special Disability Fund, subrogation or third party liens, etc. except to the degree they are implicitly included in the trending process of estimating ultimate losses. The ultimate loss calculation does take into consideration specific excess reinsurance recoverable. Claims liabilities recognized in the Self Insurance Fund at September 30, 2010 were as follows.

| | <u>Current</u> | <u>Long-term</u> | <u>Total</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| Workers' compensation | \$ 1,407,321 | \$ 1,327,670 | \$ 2,734,991 |
| General liability | 273,877 | 726,024 | 999,901 |
| Automobile liability | 61,477 | 26,016 | 87,493 |
| Total claims liability recognized | <u>\$ 1,742,675</u> | <u>\$ 2,079,710</u> | <u>\$ 3,822,385</u> |

C. Funding of Claims Liabilities

The Self Insurance Fund charges the other funds of the Board and other participating elected officials for the cost of claim liabilities based on actuarially projected budget requirements for expected yearly cash payouts. This funding method results in a deficit fund balance that will be charged back to the other funds over a reasonable period of time so that service fund revenues and expenses will be approximately equal.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 15 - RISK MANAGEMENT - CONTINUED

D. Reconciliation of Claims Liabilities

| | As of September 30, 2010 | | | | As of September 30, 2009 | | | |
|---|--------------------------|--------------------|----------------|---------------------|--------------------------|-------------------|-----------------|---------------------|
| | Workers' Compensation | Liability | Property | Total | Workers' Compensation | Liability | Property | Total |
| Unpaid claims and adjustment expenses at beginning of year | \$ 2,569,062 | \$ 856,375 | \$ - | \$ 3,425,437 | \$ 2,667,277 | \$1,120,401 | \$ - | \$ 3,787,678 |
| Incurred claims and claim adjustment expenses | | | | | | | | |
| A) Provision for insured events of current fiscal year | 643,794 | 382,430 | - | 1,026,224 | 803,957 | 263,603 | 405 | 1,067,965 |
| B) Increases (decreases) in provision for insured events of prior fiscal years | <u>269,284</u> | <u>71,521</u> | <u>(1,000)</u> | <u>339,805</u> | <u>(249,679)</u> | <u>(599,570)</u> | <u>(46,001)</u> | <u>(895,250)</u> |
| Total incurred claims and claim adjustment expenses | <u>913,078</u> | <u>453,951</u> | <u>(1,000)</u> | <u>1,366,029</u> | <u>554,278</u> | <u>(335,967)</u> | <u>(45,596)</u> | <u>172,715</u> |
| Payments | | | | | | | | |
| A) Claims and claim adjustment expenses attributable to insured events of current fiscal year | 161,270 | 53,213 | - | 214,483 | 199,889 | 47,880 | 405 | 248,174 |
| B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year | <u>585,879</u> | <u>169,719</u> | <u>(1,000)</u> | <u>754,598</u> | <u>452,604</u> | <u>(119,821)</u> | <u>(46,001)</u> | <u>286,782</u> |
| Total payments | <u>747,149</u> | <u>222,932</u> | <u>(1,000)</u> | <u>969,081</u> | <u>652,493</u> | <u>(71,941)</u> | <u>(45,596)</u> | <u>534,956</u> |
| Unpaid claims and claim adjustment expenses at end of year | <u>\$ 2,734,991</u> | <u>\$1,087,394</u> | <u>\$ -</u> | <u>\$ 3,822,385</u> | <u>\$ 2,569,062</u> | <u>\$ 856,375</u> | <u>\$ -</u> | <u>\$ 3,425,437</u> |

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Reclaimed Water System

The Board has entered into an agreement to share equally in the costs to expand a reclaimed water system with the City of Niceville. Prior capital expenditures by the County of approximately \$1,300,000 have been matched by the City to achieve an equitable basis for in the agreement. Additional capital expenditure by the County totaled \$1,071,102 through September 30, 2010. The County agreed to perform minor maintenance services, equally share with the City of Niceville the future costs of capital expenditures, operations, major maintenance and billing and collection services. The agreement, signed in October 2002, has an initial term of 20 years which may be continued for additional ten-year increments by mutual written consent of both parties. The system began preliminary operations in November, 2006. Rate studies were conducted to determine charges. The County’s investment in this joint agreement will be carried in the Water and Sewer Enterprise Fund.

Wastewater Service Interlocal Agreement with Fort Walton Beach

In 2009, the Board adopted the Wastewater Service Interlocal Agreement with the City of Fort Walton Beach (Agreement). The Agreement outlines a long-term association for the treatment of the City’s influent wastewater flow at a set percentage of the County’s base sewer rate plus a locked-in annual rate escalator. The agreement provides other ancillary benefits to the City such as the provision of “no cost” tertiary treated effluent for use as irrigation water at the City’s 36-hole municipal Golf Club. The Agreement is effective for 30 years and can be automatically extended for up to two additional terms for a period of ten years for each extension term.

The City will be billed monthly at a rate equal to \$2.46 per each 1,000 gallons of wastewater flow. Additionally, the City will pay to the County the Sewer Readiness to Serve Fee, which is equal to \$3,750 per month. Beginning March 2011, and each year thereafter, the Readiness to Serve Fee will increase by 3% annually. Service to the City is scheduled to begin March 2010. Fees of \$1,043,698 paid by the City during 2010 are reflected as Charges for Services in the Water and Sewer fund. The minimum commitment to the County under the Agreement is as follows:

| Fiscal Year Ending September 30, | <u>Payment</u> |
|----------------------------------|---------------------|
| 2011 | \$ 45,675 |
| 2012 | 47,045 |
| 2013 | 48,457 |
| 2014 | 49,910 |
| 2015 | 51,408 |
| 2016-2020 | 281,118 |
| 2021-2025 | 325,893 |
| 2026-2030 | 377,799 |
| 2031-2035 | 437,973 |
| 2036-2039 | 400,094 |
| Total | <u>\$ 2,065,372</u> |

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 16 – COMMITMENTS AND CONTINGENCIES - CONTINUED

7th Special Forces Group Complex

In May 2009, the Okaloosa County Water and Sewer System (OCWS) executed agreements with the United States Army Corp of Engineers to design and build approximately 17 miles of force main and a lift station to transmit wastewater from the 7th Special Forces Complex being constructed on Eglin Air Force Base property in North Okaloosa County, to the new OCWS wastewater treatment plant in Fort Walton Beach.

An agreement was also signed with Eglin Air Force Base (AFB) increasing the diameter of the original force main to accommodate future Eglin AFB wastewater flow.

The agreements totaled \$5,232,000 and a significant portion of the agreement amount (\$3,973,000) has been paid in cash or through the recognition of the value of in-kind services. In-kind agreement payments are equal to the rent due from OCWS for the land on which the new wastewater treatment facility was constructed. These amounts have been or will be recognized as rent expense and contributed capital based on the following schedule:

| Rent Due Date | Amount |
|------------------|--------------|
| October 15, 2009 | \$ 338,130 |
| October 15, 2010 | \$ 344,893 |
| October 15, 2011 | \$ 134,977 * |
| | \$ 818,000 |

*Partial credit for \$351,790 rent due

OCWS has also received prepayment of \$3,155,200 for sewer capacity expansion charges (tap fees) to effectively reserve wastewater treatment and disposal capacity of 345,100 gallons per day for use by the 7th Special Forces Group. These fees will be recorded as income when the project is completed and wastewater treatment and disposal services commence.

Customer Facility Charge Agreement

As of December 1, 2004, the County entered into a Customer Facility Charge Agreement with the on-airport rental car companies. In accordance with Ordinance No. 04-64, the County imposes and the rental car companies collect on behalf of the County, a Customer Facility Charge (CFC). Effective July 2007, Ordinance 04-64 was amended to increase the CFC charge from two dollars and fifty cents (\$2.50) to three dollars and twenty-five cents (\$3.25) per rental car transaction day on all rental car contracts. In December 2010, Ordinance 10-16 was implemented increasing the CFC charge from three dollars and twenty-five cents (\$3.25) to three dollars and seventy-five cents (\$3.75). CFC revenue will be utilized by the County to construct, operate and maintain facilities and services for the rental car operators and their customers at the Northwest Florida Regional Airport. The facilities were completed and began operations in fiscal year 2009. CFC collections for the year ended September 30, 2010 were \$1,072,591 and will be used for debt service on the Series 2007 taxable airport revenue bonds.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 16 – COMMITMENTS AND CONTINGENCIES - CONTINUED

Emergency Operations Center

Okaloosa County and Northwest Florida State College executed a memorandum of understanding in 2005 for a joint use facility which would house the College's Community Life, Safety and Military Science programs, and the County's Public Safety Administration, Emergency Operation Center, and the 911 Dispatch Center. The facility also may serve as a hurricane evacuation shelter. The facility is under construction on the College's Niceville, Florida campus. The County funded approximately \$502,056 in fiscal year 2010 for the project. Prior year contributions to the project are \$6,497,944. The joint use facility is expected to be completed in December 2010.

Deepwater Horizon Oil Spill

April 2010, the Deepwater Horizon drilling platform and well exploded resulting in a sea-floor oil gusher into the Gulf of Mexico for three months. The spill resulted in extensive damage to the tourism industry and caused additional financial burden on local Gulf Coast governments to protect their coast against oil, oil sheen, and tar balls. BP was identified as the responsible party and being held accountable for all cleanup costs and other damages. To aide with the tourism industry, BP gave Florida \$25 million and Florida Coastal Northwest Communications Council \$7 million to promote the beaches. Okaloosa County received \$750,000 of the State funds to host two free beach concerts during the summer of 2010. The \$1,371,939 funding provided by the Florida Coastal Northwest Communications Council was used to purchase prepaid credit cards which were disbursed to tourist staying in Okaloosa County. Additionally, at September 30, 2010 the County has received \$111,614 in reimbursements for oil cleanup and prevention measures implemented by the County.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 the grantor cannot be determined at this time although the Board expects such amount, if any, to be immaterial.

Lawsuits

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

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 16 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Arbitrage Rebate

Section 148(f) of the Internal Revenue Code of 1986, as amended, and the proposed and temporary regulations issued by the Internal Revenue Service on May 15, 1989, and made final effective May 18, 1992, require the rebate to the United States government of the excess of earnings on non-purpose investments over earnings which would have been made on such investments if they had been made at bond yield, together with earnings on all future rebate amounts. Although rebates need not be remitted until five years after issuance of the bonds and each five (5) years thereafter, computations must be made annually to show financial position at fiscal year end. Okaloosa County has four bond issues falling within the purview of the above directives - \$26,615,000 Sales Tax Revenue Bonds, Series 2009; \$13,450,000 Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000; \$10,860,000 Airport Revenue Bonds, Series 2003; and \$65,150,000 Water and Sewer Revenue Bond, Series 2006.

According to the calculations, the Board has no rebate liability with respect to the bonds at September 30, 2010. This determination reflects the liability on that date only and does not represent any amount that may be due at the end of the five-year period from the delivery date of the bonds.

NOTE 17 – RELATED ORGANIZATION

Library Cooperative

The Okaloosa County Board of County Commissioners entered into an inter-local agreement with six (6) municipalities located within Okaloosa County, Florida to provide for operation of a countywide public library system. The governing body of the cooperative is the Okaloosa County Public Library Cooperative Board made up of one appointee from each municipality and the County. Capital assets remain the property of the participating municipalities. Under the agreement, the County agreed to provide annual funding to the cooperative of not less than the following amounts for the term of the agreement. The current agreement was effective October 1, 2009 and ended on September 30, 2010 and is subject to renewal or revision October 2010. The Okaloosa County Board of County Commissioners' contribution to the library cooperative for the year ended September 30, 2010 was \$900,000. In addition approximately \$400,000 of allocable indirect costs was charged to the fund. These charges were treated as an in-kind contribution by the County during the year ended September 30, 2010. The future commitment to the library cooperative in 2011 is \$535,000.

NOTE 18 - JOINT VENTURE

Okaloosa County, in alliance with the City of Valparaiso and City of Niceville, began implementation, in 1975, of initial steps leading to the eventual construction of a comprehensive regional sanitary sewer system designed to provide service to residents of Niceville and Valparaiso as well as County residents within the general area. The project was funded 75% by U.S. Environmental Protection Agency (EPA) Grants under provisions of Public Law 92-500 and 25% by the local government applicants.

The system was completed and placed in service during the fiscal year ended September 30, 1982. During the fiscal year ended September 30, 1990, a one million gallon-per-day expansion was completed. The Board of County Commissioners presently owns 36% of the operating capacity of the total system. The City of Niceville is a 44% owner and the City of Valparaiso is a 20% owner. The in-service cost of the property, plant and equipment paid for through the combined funding of the participants and the EPA is recorded pro-rata on the accounting records of the individual participants.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 18 - JOINT VENTURE - CONTINUED

The Board of County Commissioners' portion of assets (at original cost) accounted for in its Water and Sewer Enterprise Fund are as follows.

| | | |
|--|------------------|---------------------|
| Land | | \$ 33,496 |
| Building and plant Infrastructure | | 877,641 |
| Plant improvements | \$ 978,577 | |
| Lift stations, force mains and sprayfields | <u>3,460,547</u> | |
| | | 4,439,124 |
| Machinery and equipment | | <u>14,978</u> |
| Total | | <u>\$ 5,365,239</u> |

The system is managed and operated by a separate governing body (Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc.) consisting of six members; two appointed by each of the three participants. The Sewer Board is responsible for preparing and approving its own budget. The cost of operations, including additional equipment, inventory purchases, etc., are funded by water and sewer user fees and are accounted for, in total, on the books and financial statements of the Sewer Board. The County's share of the operating results of the Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc. is reported in the Board of County Commissioner's water and sewer enterprise fund. The Board of County Commissioners' portion of the equity in the joint venture is \$629,548 as of September 30, 2010. Complete financial statements for the Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc. can be obtained from the Sewer Board's administrative office at 507 Crestview Avenue, Niceville, Florida or from the County Clerk's office at the Okaloosa County Courthouse in Crestview, Florida.

NOTE 19 – GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, will be effective for the County beginning with its year ending September 30, 2011. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is based to observe constraints imposed upon the use of the resources reporting in the governmental funds. Management has not determined what impact, if any, this GASB statement may have on its financial statements.

NOTE 20 – SUBSEQUENT EVENTS

Special Mandatory Redemption

The Okaloosa County Tourist Development Tax 4th Cent Bonds, Series 2000 which funded the construction of the Okaloosa County Convention Center included a Special Mandatory Redemption bond resolution provision scheduled for October 1, 2010. The Special Mandatory Redemption Account, in accordance with the bond resolution cash flow, contains surplus monies set aside from the pledged 4th Cent TDT less several priority expenditures related to debt service costs and renewal and replacement costs. The bond paying agent was notified in January 2011 that the Redemption Account contained \$8,017,534 and that they could now proceed with the execution of the redemption provision to be completed on March 1, 2011.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 20 – SUBSEQUENT EVENTS - CONTINUED

Florida Department of Juvenile Justice Reconciliation

In accordance with Section 985.686, Florida Statutes, Okaloosa County is billed monthly, in accordance with the State of Florida Detention Cost Share allocation for all counties, based upon an estimated number of “pre-disposition” days utilized by Okaloosa detainees. The State Detention Cost Share program is required each fiscal year to adjust the allocated costs based upon the reconciliation of the actual costs and “pre-disposition” days for the State fiscal year and that bill is generally available six months following the fiscal year end. That reconciled cost, in the past, has been adjusted nominally and included in the current fiscal year expenditures. The reconciled invoice received in January 2011 by the County for the reconciliation of FY09-10 allocation totaled \$1,061,187. The County has challenged the reconciliation for FY09-10 allocation and has joined the challenge previously filed by a number of counties for FY08-09.

Florida Association of Counties (FAC) Commercial Paper Loan

November 2010, Okaloosa County approved Resolution No. 10-205 extending the FAC Commercial Paper Loan financing for the Tourist Development Council’s joint beach renourishment project with Okaloosa County, Destin, and Walton County. \$3,140,000 was refinanced with four equal payments of \$400,000 due annually and a balloon payment of \$1,540,000 due June 2015.

British Petroleum (BP) Claim Settlements

As a result of the Deepwater Horizon Oil Spill, Okaloosa County submitted claims with BP for lost revenues largely impart to the decreased vacationers renting properties within the County. The Tourist Development Council (TDC) requested \$1,724,596 for lost Bed Tax Collection Revenue from May 2010 through September 2010, and Water and Sewer requested \$112,379 in lost revenue due to the decreased consumption of water and sewer services on Okaloosa Island. February 15, 2011 the County accepted BP’s offer of \$1,567,000 which was premised on the economic downturn by using the trend reflected by comparing the months of March and April of 2009 to the same months of 2010. March 15, 2011 the County accepted BP’s trend reduced offer of \$110,301 for lost Water and Sewer revenues.

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Board of County Commissioners

County Transportation Trust Fund

This fund is used to account for maintenance and in-house construction of Okaloosa County roads. These activities include road maintenance, traffic control, engineering, right-of-way acquisition, and construction of new roadways. Funds are provided from state shared revenue and certain gasoline taxes collected and distributed by the State of Florida.

Library Cooperative Fund

This fund is used to account for the activities of a county-wide library cooperative comprised of the unincorporated areas of the County and certain municipalities which have entered into an interlocal agreement.

Tourist Development Fund

This fund is used to account for funds received from imposition of the 4% tourist development tax for the purpose of improving Okaloosa County's tourist industry as authorized by 125.0104, F.S., and Okaloosa county Ordinance No. 89-23 as amended by 91-20, 92-52, 95-10 and 99-07.

Natural Disaster Fund

This fund is used to account for disaster funding and expenditures not considered normal recurring operating activity of the County.

County Public Health Fund

This fund is used to account for funds appropriated by Okaloosa County for or on behalf of the county public health unit, such as capital projects costs.

Municipal Services Benefit Units Fund

This fund is used to account for the assessments levied against benefiting properties for providing street lighting, street and drainage improvements and maintenance.

Unincorporated County Parks Fund

This fund is used to account for ad valorem tax proceeds levied on property in the unincorporated areas of Okaloosa County for the maintenance of parks in those areas.

Nonmajor Governmental Funds (Continued)

DEBT SERVICE FUND

Debt Service funds are used to account for the accumulation of resources and payment of special obligation bond principal and interest from governmental resources when Okaloosa County is obligated in some manner for the payment.

Board of County Commissioners

Okaloosa Debt Service Fund

This fund is used to account for accumulation of resources and payment of bond debt for Capital Improvement Revenue Bonds, Series 1991, and Sales Tax Revenue Bonds, Series 2009.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds

Board of County Commissioners

Road and Bridge Construction Fund

This fund is used to account for constitutional gasoline tax revenues and balances on hand, as well as a portion of the County's Local Option Gasoline Tax revenue, all available for capital improvements. All improvements from this fund are restricted to the construction of roads and bridges within Okaloosa County.

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010**

| | County Transportation Trust Special Revenue Fund | Library Cooperative Special Revenue Fund | Tourist Development Special Revenue Fund | Natural Disaster Special Revenue Fund | County Public Health Special Revenue Fund |
|--------------------------------------|---|---|---|--|--|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 123,418 | \$ 87,974 | \$ 99,476 | \$ 320,534 | \$ 189,681 |
| Investments | 2,139,995 | 29,849 | 9,658,399 | 966,058 | 4,254 |
| Accounts Receivable | 1,525 | 10 | 698,479 | - | 568 |
| Due from Other Elected Officials | - | - | 4,083 | - | 1 |
| Due from Other Governments | 720,172 | - | 82,902 | 278,419 | - |
| Prepays | 26,233 | 6,149 | 3,404 | - | - |
| Total Assets | <u>\$ 3,011,343</u> | <u>\$ 123,982</u> | <u>\$ 10,546,743</u> | <u>\$ 1,565,011</u> | <u>\$ 194,504</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 16,023 | \$ 4,675 | \$ 7,805 | \$ - | \$ - |
| Contracts Payable | 58,607 | - | 487,412 | - | 4,265 |
| Other Accrued Liabilities | 192,909 | 4,037 | 19,281 | - | - |
| Due to Other Funds | - | - | 278,569 | - | - |
| Due to Other Elected Officials | - | - | - | - | - |
| Due to Other Governments | 2,616 | - | 20 | - | - |
| Due to Depositors | 60,095 | - | 25,000 | - | - |
| Deferred Revenue | - | 15,432 | - | - | - |
| Total Liabilities | <u>330,250</u> | <u>24,144</u> | <u>818,087</u> | <u>-</u> | <u>4,265</u> |

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010**

| | County Transportation Trust Special Revenue Fund | Library Cooperative Special Revenue Fund | Tourist Development Special Revenue Fund | Natural Disaster Special Revenue Fund | County Public Health Special Revenue Fund |
|-------------------------------------|---|---|---|--|--|
| Fund Balances | | | | | |
| Reserved for | | | | | |
| Encumbrances | 44,814 | - | - | 233,875 | - |
| Prepays | 26,233 | 6,149 | 3,404 | - | - |
| Debt Service | - | - | - | - | - |
| Other Restricted Purposes | - | - | 9,728,656 | - | - |
| Unreserved Reported in | | | | | |
| Special Revenue Funds | 2,610,046 | 93,689 | (3,404) | 1,331,136 | 190,239 |
| Capital Project Funds | - | - | - | - | - |
| Total Fund Balances | <u>2,681,093</u> | <u>99,838</u> | <u>9,728,656</u> | <u>1,565,011</u> | <u>190,239</u> |
| Total Liabilities and Fund Balances | <u>\$ 3,011,343</u> | <u>\$ 123,982</u> | <u>\$ 10,546,743</u> | <u>\$ 1,565,011</u> | <u>\$ 194,504</u> |

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010**

| | Municipal Services Benefit Unit Special Revenue Fund | Unincorporated County Parks Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Construction Capital Projects Fund | Total Nonmajor Governmental Funds |
|--------------------------------------|---|---|-------------------------------------|---|--|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 66,759 | \$ 465,834 | \$ 68,920 | \$ 124,635 | \$ 1,547,231 |
| Investments | 400,405 | 4,110,273 | 231,876 | 9,245,370 | 26,786,479 |
| Accounts Receivable | - | 9,054 | - | - | 709,636 |
| Due from Other Elected Officials | 1,257 | 5,864 | - | - | 11,205 |
| Due from Other Governments | 1,283 | 36,286 | - | 778,580 | 1,897,642 |
| Prepays | 1,638 | - | - | - | 37,424 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ 471,342 | \$ 4,627,311 | \$ 300,796 | \$ 10,148,585 | \$ 30,989,617 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 17,044 | \$ 9,313 | \$ - | \$ - | \$ 54,860 |
| Contracts Payable | - | 54,023 | - | 167,575 | 771,882 |
| Accrued Liabilities | - | 17,484 | - | - | 233,711 |
| Due to Other Funds | - | - | - | - | 278,569 |
| Due to Other Elected Officials | - | - | - | - | - |
| Due to Other Governments | 142 | - | - | - | 2,778 |
| Due to Depositors | - | - | - | 2,500 | 87,595 |
| Deferred Revenue | - | - | - | - | 15,432 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 17,186 | 80,820 | - | 170,075 | 1,444,827 |

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010**

| | Municipal Services Benefit Unit Special Revenue Fund | Unincorporated County Parks Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Construction Capital Projects Fund | Total Nonmajor Governmental Funds |
|-------------------------------------|---|---|-------------------------------------|---|--|
| Fund Balances | | | | | |
| Reserved for | | | | | |
| Encumbrances | - | - | - | 327,245 | 605,934 |
| Prepays | 1,638 | - | - | - | 37,424 |
| Debt Service | - | - | 300,796 | - | 300,796 |
| Other Restricted Purposes | 452,518 | - | - | - | 10,181,174 |
| Unreserved Reported in | | | | | |
| Special Revenue Funds | - | 4,546,491 | - | - | 8,768,197 |
| Capital Project Funds | - | - | - | 9,651,265 | 9,651,265 |
| Total Fund Balances | <u>454,156</u> | <u>4,546,491</u> | <u>300,796</u> | <u>9,978,510</u> | <u>29,544,790</u> |
| Total Liabilities and Fund Balances | <u>\$ 471,342</u> | <u>\$ 4,627,311</u> | <u>\$ 300,796</u> | <u>\$ 10,148,585</u> | <u>\$ 30,989,617</u> |

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | County Transportation Trust Special Revenue Fund | Library Cooperative Special Revenue Fund | Tourist Development Special Revenue Fund | Natural Disaster Special Revenue Fund | County Public Health Special Revenue Fund |
|---------------------------|---|---|---|--|--|
| Revenues | | | | | |
| Taxes | \$ 2,687,900 | \$ - | \$ 5,260,031 | \$ - | \$ 824,046 |
| Licenses and Permits | - | - | 898,550 | - | - |
| Intergovernmental | 4,571,600 | 111,863 | 878,785 | 648,201 | - |
| Charges for Services | 251,307 | 24,000 | 44 | - | - |
| Fines | 650 | - | - | - | - |
| Miscellaneous | 20,153 | 429,660 | 1,625,067 | 1,126,668 | 134,843 |
| Total Revenues | 7,531,610 | 565,523 | 8,662,477 | 1,774,869 | 958,889 |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | - | - | - | - | - |
| Physical Environment | 489,805 | - | - | - | - |
| Transportation | 9,030,577 | - | 409,999 | - | - |
| Economic Environment | - | - | 5,727,451 | 957,778 | - |
| Human Services | - | - | - | - | 647,055 |
| Culture and Recreation | - | 1,500,390 | 1,458,864 | - | - |
| Capital Outlay | 574,450 | - | (162,920) | 5,684 | 131,972 |
| Debt Service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Other Debt Service Costs | - | - | - | - | - |
| Total Expenditures | 10,094,832 | 1,500,390 | 7,433,394 | 963,462 | 779,027 |

Continued...

**Board of County Commissioners
Okaloosa County, Florida**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010**

| | County Transportation Trust Special Revenue Fund | Library Cooperative Special Revenue Fund | Tourist Development Special Revenue Fund | Natural Disaster Special Revenue Fund | County Public Health Special Revenue Fund |
|--|---|---|---|--|--|
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,563,222) | (934,867) | 1,229,083 | 811,407 | 179,862 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 3,121,503 | 943,179 | - | - | 4,000 |
| Transfers Out | - | - | (251,202) | (266,350) | - |
| Transfers Among Constitutional Officers | - | - | 4,083 | 23,242 | - |
| Total Other Financing Sources (Uses) | 3,121,503 | 943,179 | (247,119) | (243,108) | 4,000 |
| Net Change in Fund Balances | 558,281 | 8,312 | 981,964 | 568,299 | 183,862 |
| Fund Balances - Beginning | 2,122,812 | 91,526 | 8,746,692 | 996,712 | 6,377 |
| Fund Balances - Ending | \$ 2,681,093 | \$ 99,838 | \$ 9,728,656 | \$ 1,565,011 | \$ 190,239 |

Continued...

**Board of County Commissioners
Okaloosa County, Florida**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010**

| | Municipal Services Benefit Unit Special Revenue Fund | Unincorporated County Parks Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Construction Capital Projects Fund | Total Nonmajor Governmental Funds |
|---------------------------|---|---|-------------------------------------|---|--|
| Revenues | | | | | |
| Taxes | \$ - | \$ 1,284,544 | \$ - | \$ 1,680,322 | \$ 11,736,843 |
| Licenses and Permits | 420,655 | - | - | - | 1,319,205 |
| Intergovernmental | - | 37,851 | 4,109,625 | 3,733,011 | 14,090,936 |
| Charges for Services | - | 1,000 | - | - | 276,351 |
| Fines | - | 116 | - | - | 766 |
| Miscellaneous | 10,749 | 107,041 | 139,746 | 193,580 | 3,787,507 |
| Total Revenues | 431,404 | 1,430,552 | 4,249,371 | 5,606,913 | 31,211,608 |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | - | - | 190,750 | - | 190,750 |
| Physical Environment | - | - | - | - | 489,805 |
| Transportation | 424,987 | - | - | 2,548,888 | 12,414,451 |
| Economic Environment | - | - | - | - | 6,685,229 |
| Human Services | - | - | - | - | 647,055 |
| Culture and Recreation | - | 871,732 | - | - | 3,830,986 |
| Capital Outlay | - | 276,046 | - | 2,415,102 | 3,240,334 |
| Debt Service | | | | | |
| Principal | - | - | 587,505 | - | 587,505 |
| Interest | - | - | 435,901 | - | 435,901 |
| Other Debt Service Costs | - | - | 692,498 | - | 692,498 |
| Total Expenditures | 424,987 | 1,147,778 | 1,906,654 | 4,963,990 | 29,214,514 |

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | Municipal Services Benefit Unit Special Revenue Fund | Unincorporated County Parks Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Construction Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|---|---|-------------------------------------|---|--|
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 6,417 | 282,774 | 2,342,717 | 642,923 | 1,997,094 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | - | - | 535,771 | - | 4,604,453 |
| Transfers Out | - | - | (3,486,503) | - | (4,004,055) |
| Transfers Among Constitutional Officers | 1,257 | 5,862 | - | - | 34,444 |
| Issuance of Debt | - | - | 943,206 | - | 943,206 |
| Discount on Debt Issuance | - | - | (251,241) | - | (251,241) |
| Total Other Financing Sources (Uses) | 1,257 | 5,862 | (2,258,767) | - | 1,326,807 |
| Net Change in Fund Balances | 7,674 | 288,636 | 83,950 | 642,923 | 3,323,901 |
| Fund Balances - Beginning | 446,482 | 4,257,855 | 216,846 | 9,335,587 | 26,220,889 |
| Fund Balances - Ending | \$ 454,156 | \$ 4,546,491 | \$ 300,796 | \$ 9,978,510 | \$ 29,544,790 |

Board of County Commissioners
Okaloosa County, Florida
CAPITAL OUTLAY CONSTRUCTION TRUST CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|---------------------|---------------------|-------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 120,000 | \$ 1,269,435 | \$ 411,827 | \$ (857,608) |
| Charges for Services | - | 130,000 | 130,000 | - |
| Miscellaneous | 250,000 | 422,000 | 537,143 | 115,143 |
| Total Revenues | 370,000 | 1,821,435 | 1,078,970 | (742,465) |
| Expenditures | | | | |
| Current | | | | |
| General Government | 8,458,995 | 20,774,187 | 581,356 | 20,192,831 |
| Culture and Recreation | 578,601 | 453,924 | 75,728 | 378,196 |
| Capital Outlay | 1,531,688 | 15,790,439 | 10,126,156 | 5,664,283 |
| Total Expenditures | 10,569,284 | 37,018,550 | 10,783,240 | 26,235,310 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (10,199,284) | (35,197,115) | (9,704,270) | 25,492,845 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 950,000 | 765,431 | 678,427 | (87,004) |
| Transfers Out | (1,659,417) | (1,659,417) | (1,659,417) | - |
| Issuance of Debt | - | 25,671,794 | 25,671,794 | - |
| Total Other Financing Sources (Uses) | (709,417) | 24,777,808 | 24,690,804 | (87,004) |
| Net Change in Fund Balance | (10,908,701) | (10,419,307) | 14,986,534 | 25,405,841 |
| Fund Balance - Beginning | 10,908,701 | 10,419,307 | 10,419,308 | 1 |
| Fund Balance - Ending | \$ - | \$ - | \$ 25,405,842 | \$ 25,405,842 |

Board of County Commissioners
Okaloosa County, Florida
COUNTY TRANSPORTATION TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|-------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 2,550,000 | \$ 2,550,000 | \$ 2,687,900 | \$ 137,900 |
| Intergovernmental | 4,475,162 | 5,279,512 | 4,571,600 | (707,912) |
| Charges for Services | 239,500 | 239,500 | 251,307 | 11,807 |
| Fines | - | - | 650 | 650 |
| Miscellaneous | 35,000 | 35,000 | 20,153 | (14,847) |
| Total Revenues | 7,299,662 | 8,104,012 | 7,531,610 | (572,402) |
| Expenditures | | | | |
| Public Safety | - | 78,183 | - | 78,183 |
| Physical Environment | 479,518 | 538,455 | 489,805 | 48,650 |
| Transportation | 9,477,847 | 9,600,194 | 9,030,577 | 569,617 |
| Capital Outlay | 2,148,800 | 3,131,495 | 574,450 | 2,557,045 |
| Total Expenditures | 12,106,165 | 13,348,327 | 10,094,832 | 3,253,495 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (4,806,503) | (5,244,315) | (2,563,222) | 2,681,093 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 3,121,503 | 3,121,503 | 3,121,503 | - |
| Total Other Financing Sources (Uses) | 3,121,503 | 3,121,503 | 3,121,503 | - |
| Net Change in Fund Balance | (1,685,000) | (2,122,812) | 558,281 | 2,681,093 |
| Fund Balance - Beginning | 1,685,000 | 2,122,812 | 2,122,812 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 2,681,093 | \$ 2,681,093 |

Board of County Commissioners
Okaloosa County, Florida
LIBRARY COOPERATIVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------------|------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 120,703 | \$ 127,295 | \$ 111,863 | \$ (15,432) |
| Charges for Services | - | 24,000 | 24,000 | - |
| Miscellaneous | 3,500 | 430,455 | 429,660 | (795) |
| Total Revenues | 124,203 | 581,750 | 565,523 | (16,227) |
| Expenditures | | | | |
| Current | | | | |
| Culture and Recreation | 1,109,203 | 1,616,456 | 1,500,390 | 116,066 |
| Capital Outlay | - | - | - | - |
| Total Expenditures | 1,109,203 | 1,616,456 | 1,500,390 | 116,066 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (985,000) | (1,034,706) | (934,867) | 99,839 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 900,000 | 943,180 | 943,179 | (1) |
| Total Other Financing Sources (Uses) | 900,000 | 943,180 | 943,179 | (1) |
| Net Change in Fund Balance | (85,000) | (91,526) | 8,312 | 99,838 |
| Fund Balance - Beginning | 85,000 | 91,526 | 91,526 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 99,838 | \$ 99,838 |

Board of County Commissioners
Okaloosa County, Florida
TOURIST DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 5,850,000 | \$ 5,850,000 | \$ 5,260,031 | \$ (589,969) |
| Licenses and Permits | 930,000 | 930,000 | 898,550 | (31,450) |
| Intergovernmental | - | 7,941,484 | 878,785 | (7,062,699) |
| Charges for Services | - | - | 44 | 44 |
| Miscellaneous | 235,000 | 1,635,461 | 1,625,067 | (10,394) |
| Total Revenues | 7,015,000 | 16,356,945 | 8,662,477 | (7,694,468) |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 282,000 | 562,593 | 409,999 | 152,594 |
| Economic Environment | 6,032,710 | 7,975,132 | 5,727,451 | 2,247,681 |
| Culture and Recreation | 7,639,140 | 16,245,673 | 1,458,864 | 14,786,809 |
| Capital Outlay | 43,150 | 52,238 | (162,920) | 215,158 |
| Total Expenditures | 13,997,000 | 24,835,636 | 7,433,394 | 17,402,242 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (6,982,000) | (8,478,691) | 1,229,083 | 9,707,774 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (268,000) | (268,000) | (251,202) | 16,798 |
| Transfers Among Constitutional Officers | - | - | 4,083 | 4,083 |
| Total Other Financing Sources (Uses) | (268,000) | (268,000) | (247,119) | 20,881 |
| Net Change in Fund Balance | (7,250,000) | (8,746,691) | 981,964 | 9,728,655 |
| Fund Balance - Beginning | 7,250,000 | 8,746,691 | 8,746,692 | 1 |
| Fund Balance - Ending | \$ - | \$ - | \$ 9,728,656 | \$ 9,728,656 |

Board of County Commissioners
Okaloosa County, Florida
NATURAL DISASTER SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------------|------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 1,288,544 | \$ 648,201 | \$ (640,343) |
| Miscellaneous | - | 1,129,979 | 1,126,668 | (3,311) |
| Total Revenues | - | 2,418,523 | 1,774,869 | (643,654) |
| Expenditures | | | | |
| Public Safety | - | 562,634 | - | 562,634 |
| Economic Environment | - | 2,166,317 | 957,778 | 1,208,539 |
| Capital Outlay | - | 419,934 | 5,684 | 414,250 |
| Total Expenditures | - | 3,148,885 | 963,462 | 2,185,423 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (730,362) | 811,407 | 1,541,769 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | - | (266,350) | (266,350) | - |
| Transfers Among Constitutional Officers | - | - | 23,242 | 23,242 |
| Total Other Financing Sources (Uses) | - | (266,350) | (243,108) | 23,242 |
| Net Change in Fund Balance | - | (996,712) | 568,299 | 1,565,011 |
| Fund Balance - Beginning | - | 996,712 | 996,712 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 1,565,011 | \$ 1,565,011 |

Board of County Commissioners
Okaloosa County, Florida
COUNTY PUBLIC HEALTH SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 823,531 | \$ 823,531 | \$ 824,046 | \$ 515 |
| Miscellaneous | 3,000 | 134,973 | 134,843 | (130) |
| Total Revenues | <u>826,531</u> | <u>958,504</u> | <u>958,889</u> | <u>385</u> |
| Expenditures | | | | |
| Current | | | | |
| Human Services | 840,531 | 578,214 | 647,055 | (68,841) |
| Capital Outlay | - | 394,290 | 131,972 | 262,318 |
| Total Expenditures | <u>840,531</u> | <u>972,504</u> | <u>779,027</u> | <u>193,477</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(14,000)</u> | <u>(14,000)</u> | <u>179,862</u> | <u>193,862</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | <u>4,000</u> | <u>4,000</u> | <u>4,000</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>4,000</u> | <u>4,000</u> | <u>4,000</u> | <u>-</u> |
| Net Change in Fund Balance | (10,000) | (10,000) | 183,862 | 193,862 |
| Fund Balance - Beginning | <u>10,000</u> | <u>10,000</u> | <u>6,377</u> | <u>(3,623)</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 190,239</u> | <u>\$ 190,239</u> |

Board of County Commissioners
Okaloosa County, Florida
MUNICIPAL SERVICES BENEFIT UNIT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Licenses and Permits | \$ 414,120 | \$ 430,675 | \$ 420,655 | \$ (10,020) |
| Miscellaneous | - | - | 10,749 | 10,749 |
| Total Revenues | 414,120 | 430,675 | 431,404 | 729 |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 750,019 | 816,214 | 424,987 | 391,227 |
| Capital Outlay | 37,575 | 60,943 | - | 60,943 |
| Total Expenditures | 787,594 | 877,157 | 424,987 | 452,170 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (373,474) | (446,482) | 6,417 | 452,899 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | - | - | 1,257 | 1,257 |
| Total Other Financing Sources (Uses) | - | - | 1,257 | 1,257 |
| Net Change in Fund Balance | (373,474) | (446,482) | 7,674 | 454,156 |
| Fund Balance - Beginning | 373,474 | 446,482 | 446,482 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 454,156 | \$ 454,156 |

Board of County Commissioners
Okaloosa County, Florida
UNINCORPORATED COUNTY PARKS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 1,269,607 | \$ 1,284,548 | \$ 1,284,544 | \$ (4) |
| Intergovernmental | - | 50,239 | 37,851 | (12,388) |
| Charges for Services | - | 1,000 | 1,000 | - |
| Fines | - | 116 | 116 | - |
| Miscellaneous | 150,000 | 153,116 | 107,041 | (46,075) |
| Total Revenues | 1,419,607 | 1,489,019 | 1,430,552 | (58,467) |
| Expenditures | | | | |
| Current | | | | |
| Culture and Recreation | 3,973,845 | 4,434,126 | 871,732 | 3,562,394 |
| Capital Outlay | 1,245,762 | 1,312,748 | 276,046 | 1,036,702 |
| Total Expenditures | 5,219,607 | 5,746,874 | 1,147,778 | 4,599,096 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,800,000) | (4,257,855) | 282,774 | 4,540,629 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | - | - | 5,862 | 5,862 |
| Total Other Financing Sources (Uses) | - | - | 5,862 | 5,862 |
| Net Change in Fund Balance | (3,800,000) | (4,257,855) | 288,636 | 4,546,491 |
| Fund Balance - Beginning | 3,800,000 | 4,257,855 | 4,257,855 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 4,546,491 | \$ 4,546,491 |

**Board of County Commissioners
Okaloosa County, Florida
OKALOOSA DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 3,946,500 | \$ 4,096,500 | \$ 4,109,625 | \$ 13,125 |
| Miscellaneous | - | 140,443 | 139,746 | (697) |
| Total Revenues | <u>3,946,500</u> | <u>4,236,943</u> | <u>4,249,371</u> | <u>12,428</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | 395,750 | 407,596 | 190,750 | 216,846 |
| Principal | 905,000 | 905,000 | 587,505 | 317,495 |
| Interest | 24,000 | 449,012 | 435,901 | 13,111 |
| Other Debt Service Costs | 25,000 | 716,964 | 692,498 | 24,466 |
| Total Expenditures | <u>1,349,750</u> | <u>2,478,572</u> | <u>1,906,654</u> | <u>571,918</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>2,596,750</u> | <u>1,758,371</u> | <u>2,342,717</u> | <u>584,346</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 284,753 | 819,322 | 535,771 | (283,551) |
| Transfers Out | (3,086,503) | (3,486,503) | (3,486,503) | - |
| Issuance of Debt | - | 943,206 | 943,206 | - |
| Discount on Debt Issuance | - | (251,242) | (251,241) | 1 |
| Total Other Financing Sources (Uses) | <u>(2,801,750)</u> | <u>(1,975,217)</u> | <u>(2,258,767)</u> | <u>(283,550)</u> |
| Net Change in Fund Balance | (205,000) | (216,846) | 83,950 | 300,796 |
| Fund Balance - Beginning | <u>205,000</u> | <u>216,846</u> | <u>216,846</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 300,796</u> | <u>\$ 300,796</u> |

**Board of County Commissioners
Okaloosa County, Florida
ROAD AND BRIDGE CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|--------------------|--------------------|---------------------|---|
| | Original | Final | | (Negative) |
| Revenues | | | | |
| Taxes | \$ 1,600,000 | \$ 1,600,000 | \$ 1,680,322 | \$ 80,322 |
| Intergovernmental | 2,350,000 | 5,159,272 | 3,733,011 | (1,426,261) |
| Miscellaneous | 790,238 | 790,238 | 193,580 | (596,658) |
| Total Revenues | <u>4,740,238</u> | <u>7,549,510</u> | <u>5,606,913</u> | <u>(1,942,597)</u> |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 2,360,530 | 6,448,636 | 2,548,888 | 3,899,748 |
| Capital Outlay | 10,616,546 | 10,436,461 | 2,415,102 | 8,021,359 |
| Total Expenditures | <u>12,977,076</u> | <u>16,885,097</u> | <u>4,963,990</u> | <u>11,921,107</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(8,236,838)</u> | <u>(9,335,587)</u> | <u>642,923</u> | <u>9,978,510</u> |
| Net Change in Fund Balance | (8,236,838) | (9,335,587) | 642,923 | 9,978,510 |
| Fund Balance - Beginning | <u>8,236,838</u> | <u>9,335,587</u> | <u>9,335,587</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,978,510</u> | <u>\$ 9,978,510</u> |

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Board of County Commissioner of Okaloosa County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Board has decided that periodic determination of net income is appropriate for accountability purposes.

Inspection and Code Enforcement Fund

This fund is used to account for the license, permit and inspection fees and related expenses for the provision of inspection and code enforcement services to residents of the unincorporated areas of Okaloosa County.

Emergency Medical Services Fund

This fund is used to account for the operation of a county-wide emergency medical technician and paramedic service. Revenue sources include ad valorem property tax subsidy, user charges, and private donations.

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR ENTERPRISE FUNDS
September 30, 2010**

| | Business-type Activities | | |
|--|---------------------------------------|----------------------------------|--|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit V) |
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 1,735 | \$ 630 | \$ 2,365 |
| Receivables, Net of Allowance for Uncollectible | 24,943 | 3,241,784 | 3,266,727 |
| Due from Other Elected Officials | - | 2 | 2 |
| Prepays | 3,370 | 2,077 | 5,447 |
| Total Current Assets | 30,048 | 3,244,493 | 3,274,541 |
| Capital Assets | | | |
| Intangible | 42,425 | 30,150 | 72,575 |
| Machinery and Equipment | 342,234 | 4,351,780 | 4,694,014 |
| Less Accumulated Depreciation/Amortization | (363,631) | (2,806,050) | (3,169,681) |
| Total Capital Assets (Net of Accumulated Depreciation/Amortization) | 21,028 | 1,575,880 | 1,596,908 |
| Total Noncurrent Assets | 21,028 | 1,575,880 | 1,596,908 |
| Total Assets | \$ 51,076 | \$ 4,820,373 | \$ 4,871,449 |

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR ENTERPRISE FUNDS
September 30, 2010**

| | Business-type Activities | | |
|--|---------------------------------------|----------------------------------|--|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit V) |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 218,887 | \$ 514,313 | \$ 733,200 |
| Contracts Payable | 3,704 | 52,692 | 56,396 |
| Accrued Liabilities | | | |
| Compensated Absences | 60,557 | 183,933 | 244,490 |
| Other Accrued Liabilities | 41,410 | 196,376 | 237,786 |
| Due to Other Elected Officials | - | 130 | 130 |
| Due to Other Governments | 3,507 | 4,093 | 7,600 |
| Deferred Revenue | 24,446 | 41,239 | 65,685 |
| Total Current Liabilities | 352,511 | 992,776 | 1,345,287 |
| Noncurrent Liabilities | | | |
| Compensated Absences | 36,839 | 103,721 | 140,560 |
| Other Post Employment Benefits | 8,839 | 66,351 | 75,190 |
| Total Noncurrent Liabilities | 45,678 | 170,072 | 215,750 |
| Total Liabilities | 398,189 | 1,162,848 | 1,561,037 |
| Equity | | | |
| Invested in Capital Assets, Net of Related Debt | 21,028 | 1,575,880 | 1,596,908 |
| Unrestricted | (368,141) | 2,081,645 | 1,713,504 |
| Total Equity | (347,113) | 3,657,525 | 3,310,412 |
| Total Liabilities and Equity | \$ 51,076 | \$ 4,820,373 | \$ 4,871,449 |

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN EQUITY
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|---|---------------------------------------|----------------------------------|---|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit VI) |
| Operating Revenues | | | |
| Licenses and Permits | \$ 894,021 | \$ - | \$ 894,021 |
| Charges for Services | 144,192 | 5,647,336 | 5,791,528 |
| Miscellaneous | 2,849 | - | 2,849 |
| | <u>1,041,062</u> | <u>5,647,336</u> | <u>6,688,398</u> |
| Total Operating Revenues | | | |
| Operating Expenses | | | |
| Personal services | 1,127,897 | 5,554,482 | 6,682,379 |
| Contractual Services | 5,000 | 423,808 | 428,808 |
| Supplies | 23,806 | 525,498 | 549,304 |
| Utilities | - | 36,193 | 36,193 |
| Other Operating Expenses | 57,038 | 432,563 | 489,601 |
| Depreciation/Amortization | 27,544 | 552,326 | 579,870 |
| | <u>1,241,285</u> | <u>7,524,870</u> | <u>8,766,155</u> |
| Total Operating Expenses | | | |
| Operating Income (Loss) | <u>(200,223)</u> | <u>(1,877,534)</u> | <u>(2,077,757)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Taxes | 102,113 | 1,221,414 | 1,323,527 |
| Intergovernmental | - | 8,920 | 8,920 |
| Investment Income | (4,021) | (9,483) | (13,504) |
| Gain/Loss on Disposal of Capital Assets | - | (35,722) | (35,722) |
| | <u>98,092</u> | <u>1,185,129</u> | <u>1,283,221</u> |
| Total Nonoperating Revenues (Expenses) | | | |
| Income (Loss) Before | | | |
| Contributions and Transfers | (102,131) | (692,405) | (794,536) |
| Capital Contributions | 287 | - | 287 |
| Transfers In | - | 283,000 | 283,000 |
| | <u>(101,844)</u> | <u>(409,405)</u> | <u>(511,249)</u> |
| Change in Equity | | | |
| Total Equity - Beginning | <u>(245,269)</u> | <u>4,066,930</u> | <u>3,821,661</u> |
| Total Equity - Ending | <u>\$ (347,113)</u> | <u>\$ 3,657,525</u> | <u>\$ 3,310,412</u> |

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|---|---------------------------------------|----------------------------------|---|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit XI) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 1,015,020 | \$ 5,492,416 | \$ 6,507,436 |
| Payments to Suppliers | (23,761) | (768,401) | (792,162) |
| Payments to Employees | (1,013,185) | (5,324,710) | (6,337,895) |
| Payments for Interfund Services Used | (74,763) | (641,639) | (716,402) |
| Net Cash Provided (Used) by Operating Activities | (96,689) | (1,242,334) | (1,339,023) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Operating Subsidy - Taxes | 102,113 | 1,221,850 | 1,323,963 |
| Operating Subsidy - Intergovernmental Revenue | - | 44,986 | 44,986 |
| Transfers In | - | 283,000 | 283,000 |
| Interest Paid on Non-Capital Debt | (3,943) | (3,399) | (7,342) |
| Net Cash Provided (Used) by Non-capital Financing Activities | 98,170 | 1,546,437 | 1,644,607 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | - | (299,037) | (299,037) |
| Net cash provided (used) by capital and related financing activities | - | (299,037) | (299,037) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale and Maturities of Investments | 2,075 | 4,140 | 6,215 |
| Purchases of Investments | (1,821) | (8,576) | (10,397) |
| Net Cash Provided (Used) by Investing Activities | 254 | (4,436) | (4,182) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,735 | 630 | 2,365 |
| Cash and Cash Equivalents - Beginning of Year | - | - | - |
| Cash and Cash Equivalents - End of Year | \$ 1,735 | \$ 630 | \$ 2,365 |

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Business-type Activities | | |
|--|---------------------------------------|----------------------------------|---|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit XI) |
| Cash and Cash Equivalents at End of Year Consist of: | | | |
| Current assets | \$ 1,735 | \$ 630 | \$ 2,365 |
| Total | <u>\$ 1,735</u> | <u>\$ 630</u> | <u>\$ 2,365</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ (200,223) | \$ (1,877,534) | \$ (2,077,757) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation/Amortization | 27,544 | 552,326 | 579,870 |
| Decrease (Increase) in Assets | | | |
| Accounts Receivables | (11,393) | (154,920) | (166,313) |
| Prepaid Expenses | (3,370) | (57) | (3,427) |
| Increase (Decrease) in Liabilities | | | |
| Accounts Payable | 101,012 | 153,564 | 254,576 |
| Service Contracts Payable | 3,704 | 21,814 | 25,518 |
| Due to Other Funds | - | 130 | 130 |
| Due to Other Governments | 596 | 2,757 | 3,353 |
| Compensated Absences Payable | (10,510) | 19,773 | 9,263 |
| Other Accrued Liabilities | 8,692 | 17,280 | 25,972 |
| Deferred Revenue | (15,245) | - | (15,245) |
| Other Post Employment Benefits | 2,504 | 22,533 | 25,037 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (96,689)</u> | <u>\$ (1,242,334)</u> | <u>\$ (1,339,023)</u> |
| Noncash Investing, Capital, and Financing Activities | | | |
| Transfer of Fixed Assets From Other Funds | \$ 287 | \$ - | 287 |
| Transfer of Fixed Assets to Other Funds | \$ - | \$ (25,929) | (25,929) |
| Loss on Disposal of Assets | \$ - | \$ (9,793) | \$ (9,793) |
| Unrealized Gain/(Loss) on Investments | \$ 1,593 | \$ 2,542 | \$ 4,135 |

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Board of County Commissioners of Okaloosa County and to other government units, on a cost reimbursement basis.

Self Insurance

This fund is used to account for premiums and claims associated with the provision of self-insurance programs for Okaloosa County.

Garage Service Fund

This fund is used to account for user charges and expenses associated with vehicle maintenance and the centralized distribution of gasoline and special fuel to various Okaloosa County Departments as well as other County agencies.

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
September 30, 2010**

| | Governmental Activities | | Total Internal Service Funds (Exhibit V) |
|--|-------------------------|---------------------|--|
| | Self Insurance | Garage Services | |
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 266,492 | \$ 106,084 | \$ 372,576 |
| Investments | 549,830 | 130 | 549,960 |
| Receivables, Net of Allowance for Uncollectible | 8,159 | 1,963 | 10,122 |
| Due from Other Elected Officials | 653 | 100 | 753 |
| Due from Other Governments | - | 147,171 | 147,171 |
| Inventory | - | 221,412 | 221,412 |
| Total Current Assets | 825,134 | 476,860 | 1,301,994 |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Land | - | 316,861 | 316,861 |
| Buildings | - | 900,466 | 900,466 |
| Improvements Other Than Buildings | - | 257,345 | 257,345 |
| Machinery and Equipment | 33,478 | 2,467,074 | 2,500,552 |
| Less Accumulated Depreciation/Amortization | (32,774) | (3,254,308) | (3,287,082) |
| Total Capital Assets (Net of Accumulated Depreciation/Amortization) | 704 | 687,438 | 688,142 |
| Total Noncurrent Assets | 704 | 687,438 | 688,142 |
| Total Assets | \$ 825,838 | \$ 1,164,298 | \$ 1,990,136 |

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
September 30, 2010**

| | Governmental Activities | | |
|--|-------------------------|---------------------|--|
| | Self Insurance | Garage Services | Total Internal Service Funds (Exhibit V) |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 1,213 | \$ 115,860 | \$ 117,073 |
| Contracts Payable | 12,998 | 26,581 | 39,579 |
| Accrued Liabilities | | | |
| Compensated Absences | 15,887 | 79,042 | 94,929 |
| Claims and Judgments | 1,742,675 | - | 1,742,675 |
| Other Accrued Liabilities | 7,107 | 35,373 | 42,480 |
| Due To Other Governments | 227 | - | 227 |
| Deferred Revenue | 11,603 | - | 11,603 |
| Total Current Liabilities | 1,791,710 | 256,856 | 2,048,566 |
| Noncurrent Liabilities | | | |
| Compensated Absences | 19,334 | 73,754 | 93,088 |
| Claims and Judgments | 2,079,710 | - | 2,079,710 |
| Other Post Employment Benefits | 1,674 | 10,779 | 12,453 |
| Total Noncurrent Liabilities | 2,100,718 | 84,533 | 2,185,251 |
| Total Liabilities | 3,892,428 | 341,389 | 4,233,817 |
| Equity | | | |
| Invested in Capital Assets, Net of Related Debt | 704 | 687,438 | 688,142 |
| Unrestricted | (3,067,294) | 135,471 | (2,931,823) |
| Total Equity | (3,066,590) | 822,909 | (2,243,681) |
| Total Liabilities and Equity | \$ 825,838 | \$ 1,164,298 | \$ 1,990,136 |

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN EQUITY
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Governmental Activities | | Total Internal Service Funds (Exhibit VI) |
|---|-------------------------|-------------------|---|
| | Self Insurance | Garage Services | |
| Operating Revenues | | | |
| Charges for Services | \$ 12,583,692 | \$ 3,873,959 | \$ 16,457,651 |
| Fines | 35 | - | 35 |
| Miscellaneous | 1,181 | 73 | 1,254 |
| Total Operating Revenues | 12,584,908 | 3,874,032 | 16,458,940 |
| Operating Expenses | | | |
| Personal Services | 214,300 | 1,093,622 | 1,307,922 |
| Contractual Services | 117,992 | 2,900 | 120,892 |
| Supplies | 2,660 | 2,645,713 | 2,648,373 |
| Insurance Premiums and Claims | 13,133,556 | - | 13,133,556 |
| Utilities | - | 8,675 | 8,675 |
| Other Operating Expenses | 5,671 | 233,274 | 238,945 |
| Depreciation/Amortization | 1,136 | 107,109 | 108,245 |
| Total Operating Expenses | 13,475,315 | 4,091,293 | 17,566,608 |
| Operating Income (Loss) | (890,407) | (217,261) | (1,107,668) |
| Nonoperating Revenues (Expenses) | | | |
| Investment Income | 30,804 | 1,004 | 31,808 |
| Gain/Loss on Disposal of Capital Assets | - | 27,380 | 27,380 |
| Total Nonoperating Revenues (Expenses) | 30,804 | 28,384 | 59,188 |
| Income (Loss) Before Contributions and Transfers | (859,603) | (188,877) | (1,048,480) |
| Capital Contributions | - | 80,511 | 80,511 |
| Change in Equity | (859,603) | (108,366) | (967,969) |
| Total Equity - Beginning | (2,206,987) | 931,275 | (1,275,712) |
| Total Equity - Ending | \$ (3,066,590) | \$ 822,909 | \$ (2,243,681) |

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Governmental Activities | | |
|---|-------------------------|--------------------|---|
| | Self- Insurance | Garage Services | Total Internal Service Funds (Exhibit XII) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 9,544,298 | \$ 733,167 | \$ 10,277,465 |
| Receipts from Interfund Services Provided | 3,042,305 | 3,111,628 | 6,153,933 |
| Payments to Suppliers | (12,842,228) | (2,791,955) | (15,634,183) |
| Payments to Employees | (213,742) | (1,068,758) | (1,282,500) |
| Payments for Interfund Services Used | (40,093) | (96,869) | (136,962) |
| Net Cash Provided (Used) by Operating Activities | <u>(509,460)</u> | <u>(112,787)</u> | <u>(622,247)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Interest Paid on Non-Capital Debt | - | (947) | (947) |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>-</u> | <u>(947)</u> | <u>(947)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | - | (1,120) | (1,120) |
| Proceeds from Disposal of Capital Assets | - | 29,352 | 29,352 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>-</u> | <u>28,232</u> | <u>28,232</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale and Maturities of Investments | 1,922,441 | 4,333 | 1,926,774 |
| Interest Income | 21,286 | - | 21,286 |
| Purchases of Investments | (1,282,057) | - | (1,282,057) |
| Net Cash Provided (Used) by Investing Activities | <u>661,670</u> | <u>4,333</u> | <u>666,003</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 152,210 | (81,169) | 71,041 |
| Cash and Cash Equivalents - Beginning of Year | <u>114,282</u> | <u>187,253</u> | <u>301,535</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 266,492</u> | <u>\$ 106,084</u> | <u>\$ 372,576</u> |

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2010

| | Governmental Activities | | |
|--|-------------------------|---------------------|---|
| | Self- Insurance | Garage Services | Total Internal Service Funds (Exhibit XII) |
| Cash and Cash Equivalents at End of Year Consist of: | | | |
| Current assets | \$ 266,492 | \$ 106,084 | \$ 372,576 |
| Total | <u>\$ 266,492</u> | <u>\$ 106,084</u> | <u>\$ 372,576</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ (890,407) | \$ (217,261) | \$ (1,107,668) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation/Amortization | 1,136 | 107,109 | 108,245 |
| Decrease (Increase) in Assets | | | |
| Accounts Receivable | (1,855) | (1,616) | (3,471) |
| Due from Other Funds | (653) | 260 | (393) |
| Due from Other Governments | - | (27,881) | (27,881) |
| Inventories | - | 16,524 | 16,524 |
| Prepaid Expenses | 5,862 | - | 5,862 |
| Increase (Decrease) in Liabilities | | | |
| Accounts Payable | (37,936) | 8,743 | (29,193) |
| Service Contracts Payable | 12,887 | 9,387 | 22,274 |
| Due to Other Governments | 227 | (12,923) | (12,696) |
| Compensated Absences Payable | (1,184) | (3,655) | (4,839) |
| Claims and Judgments Payable | 396,948 | - | 396,948 |
| Other Accrued Liabilities | 734 | 4,866 | 5,600 |
| Deferred Revenue | 4,203 | - | 4,203 |
| Other Post Employment Benefits | 578 | 3,660 | 4,238 |
| Total Adjustments | <u>380,947</u> | <u>104,474</u> | <u>485,421</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (509,460)</u> | <u>\$ (112,787)</u> | <u>\$ (622,247)</u> |
| Noncash Investing, Capital, and Financing Activities: | | | |
| Transfers of Capital Assets From Other Funds | \$ - | \$ 80,511 | \$ 80,511 |
| Loss on Disposal of Capital Assets | \$ - | \$ (1,972) | \$ (1,972) |
| Unrealized Gain/(Loss) on Investments | \$ (7,021) | \$ 300 | \$ (6,721) |

Other Reports

Honorable Chairman and the Members of the
Board of County Commissioners
Okaloosa County, Florida

**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***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which collectively comprise the Board of County Commissioners of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Board of County Commissioners of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 of County Commissioners of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of County Commissioners of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010-1 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

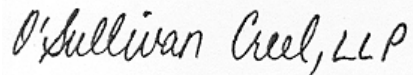
As part of obtaining reasonable assurance about whether the Board of County Commissioners of Okaloosa County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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*.

Honorable Chairman and the Members of the
Board of County Commissioners
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 (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Board of County Commissioners of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

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

A handwritten signature in cursive script that reads "O'Sullivan Creel, LLP". The signature is written in black ink on a light-colored background.

March 18, 2011

Okaloosa County, Florida
Board of County Commissioners
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended September 30, 2010

1. **Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)**

Finding 2010-1 – INTERNAL CONTROL OVER BILLINGS AT AIRPORT

Criteria – Okaloosa County Airport’s system of internal control should be designed so that management and employees, in the normal course of performing their assigned functions, can prevent or detect misstatements on a timely basis.

Condition – Billings to an operator who leases space at the Destin airport were calculated incorrectly for the period from June 1, 2006 to September 30, 2010. A lease amendment signed April 7, 2008, and made effective retroactive to the period of June 1, 2006, was not considered in the monthly billing process. As a result, the operator was under billed approximately \$290,000 during this time period. In addition a CPI adjustment to the lease was allowable as of January 1, 2010 and such adjustment was not made in the billing examined after that date.

Cause – The Airport Enterprise fund and other Okaloosa County enterprise activities, independently process revenue transactions including billing to customers and the related account receivable. Revenue and accounts receivable are recorded by BOCC in the County’s accounting system based on source data provided by the respective enterprise funds. The airport derives significant revenue from lease agreements and there is not a formal process in place to periodically compare lease agreements with monthly billings. The lease agreements are complex as well as multi-faceted deriving revenue based on the activities of the vendor, such as sales of particular products or services.

Effect – The airport has under collected and underreported revenue earned from the lease during the time period from June 1, 2006 to September 30, 2010.

Recommendations –

- Institute a procedure that requires all leases to be examined on an annual basis and billings agreed to lease terms. This should be done by someone independent of the monthly billing function.
- Create a comprehensive lease listing that indicates lease start and end dates, dates in which CPI increases take effect, and other facets of the agreements, such as additional provisions to include supplementary billings based on sales, etc. Use this listing to update monthly billings as needed and to make inquiries concerning lease extensions or amendments that would be executed by the governing body of Okaloosa County, Florida.

Views of the Responsible Officials and Planned Corrective Actions

Airport management concurs. The Airport Property/Lease Specialist will create a comprehensive spreadsheet or database listing each contract/lease with information relating to each revenue factor. Information such as CPI adjustments and credits authorized will also be entered. Each contract/lease master file will also contain a control sheet indicating dates of reviews and notation that any extensions/amendments have been furnished to the Airports Financial Specialist for billing updates, and the Administration & Finance Manager for follow-up.



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To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Board of County Commissioners of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- 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 report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted below under the heading **Prior Year Recommendation**.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Board of County Commissioners of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., 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 had no current year recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. In connection with our audit, we report the matter noted below under the heading **Prior Year Recommendations**.

To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida
Management Letter (Continued)

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Board of County Commissioners of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e). The Board of County Commissioners of Okaloosa County, Florida included one component unit, as defined by GASB 14, with a significant operational or financial relationship with the County. That component unit, Emerald Coast Bridge Authority, has been reported as a discretely-presented component unit in the financial statements of the Board of County Commissioners of Okaloosa County, Florida. The Authority was established in May 2001 by legislative action amending Chapter 90-412, Laws of Florida.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Board of County Commissioners of Okaloosa County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Board of County Commissioners of Okaloosa County, Florida for the fiscal year ended September 30, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Board of County Commissioners of Okaloosa County, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

PRIOR YEAR RECOMMENDATIONS

1. RECONCILIATION OF ACCOUNTS RECEIVABLE AIRPORT ENTERPRISE FUND

Prior Year Comment Summarized

The independent subsidiary accounts receivable detail maintained by the Airport Enterprise Fund improperly included previously paid accounts at September 30, 2009. As a result accounts receivable recorded by BOCC Clerk Finance was overstated by \$70,000 which was discovered via audit procedures. We recommended procedures be established to ensure that both billings and cash collections are posted to the accounts receivable subsidiary maintained by the Airport Enterprise Fund on a consistent and timely basis.

Status

An adjustment of approximately \$7,500 to the control account was necessary to record additional billings included on the airport's independent subsidiary detail not initially recorded by BOCC Clerk Finance. An audit adjustment of \$13,000 was made to correct an additional accounts receivable account that was overstated as a result of returned checks that were re-deposited during the year under audit. Billings and cash collections were posted to the subsidiary ledger maintained by the Airport Enterprise Fund consistently and timely during the year ended September 30, 2010.

Continuing Recommendation

Correctly recording accounts receivable and related revenue in the Airport Enterprise Fund must involve active communication between personnel at the Airport and BOCC Clerk Finance. We recommend the two parties collaborate and collectively approve the accounts receivable detail at year end prior to transmittal of the trial balance to the auditors.

To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida
Management Letter (Continued)

PRIOR YEAR RECOMMENDATIONS (CONTINUED)

1. RECONCILIATION OF ACCOUNTS RECEIVABLE AIRPORT ENTERPRISE FUND (CONTINUED)

Management's Response and Action Plan

Airport management and the BOCC Clerk Finance will collaborate and approve the year end accounts receivable balance prior to the start of audit fieldwork. In addition, when NSF checks are returned to the Airport, BOCC Finance will reduce the deposited amount pending any redeposit of the funds.

2. RELIANCE ON VENDOR DOCUMENTATION AIRPORT ENTERPRISE FUND

Prior Year Comment Summarized

Certain revenues in the airport enterprise fund are based on variable factors such as the number/type/weight of planes departing or arriving or the revenue base of the rental car companies. The Airport Enterprise Fund relies heavily on reports produced and provided by the service and concession providers to record revenue earned. The Airport Enterprise fund does not perform audits of the service provider records to substantiate revenue remitted.

Status

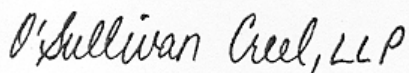
Airport Management reviewed several alternatives during the year ended September 30, 2010 and the following modification were made to the system of internal control:

- Effective for FY10-11 flight data is obtained from an independent third party, which allows the airport to verify data provided by the commercial airlines used in billing.
- Audits of the revenue reported by the rental car companies are in progress as of the date of the auditor's report by an independent CPA firm that specializes in this type of activity.
- Standardized self reporting forms for the FBO's have been developed to report various types of revenue on which rents and charges are based. The General Aviation Airports Manger for the Crestview and Destin airports is responsible for reviewing the information subsequent to the billing process and researching any significant or unusual variances on a monthly basis. Airport management also has the right to inspect the records of the FBO's although no formal schedule for these reviews has been implemented.

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

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Board of County Commissioners of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



March 18, 2011

CLERK OF THE
CIRCUIT COURT

**OKALOOSA COUNTY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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Basic Financial Statements



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

Honorable Don W. Howard
Clerk of the Circuit Court
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Clerk of the Circuit Court of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Clerk's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clerk of the Circuit Court of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Clerk of the Circuit Court of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

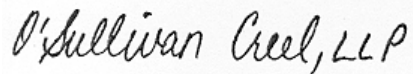
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Clerk of the Circuit Court of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Courts Special Revenue Fund, the Public Records Modernization Trust Special Revenue Fund and the Public Records Courts Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011 on our consideration of the Clerk of the Circuit Court of Okaloosa County, Florida'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 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.

Honorable Don W. Howard
Clerk of the Circuit Court
Independent Auditor's Report (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clerk of the Circuit Court of Okaloosa County, Florida's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

A handwritten signature in black ink that reads "O'Sullivan Creel, LLP". The signature is written in a cursive style and is positioned above a light gray rectangular background.

March 18, 2011

**Clerk of the Circuit Court
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010**

| | General Fund | Courts Special Revenue Fund |
|--------------------------------------|-------------------|--------------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 52,868 | \$ 200,751 |
| Accounts Receivable | 1,966 | - |
| Due from Other Funds | 8,954 | - |
| Due from Other Elected Officials | 22,494 | - |
| Due from Other Governments | 97,456 | - |
| Prepays | 3,440 | - |
| | <u>187,178</u> | <u>200,751</u> |
| Total Assets | <u>\$ 187,178</u> | <u>\$ 200,751</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts Payable | \$ 7,381 | \$ 12,061 |
| Accrued Liabilities | 49,073 | 40,354 |
| Due to Other Funds | 41,379 | - |
| Due to Other Elected Officials | 87,911 | - |
| Due to Other Governments | 1,330 | - |
| Due to Depositors | 104 | 24,997 |
| Deferred Revenue | - | 123,339 |
| | <u>187,178</u> | <u>200,751</u> |
| Total Liabilities | <u>187,178</u> | <u>200,751</u> |
| Fund Balances | | |
| Reserved for | | |
| Prepays | 3,440 | - |
| Other Restricted Purposes | - | - |
| Unreserved | (3,440) | - |
| | <u>-</u> | <u>-</u> |
| Total Fund Balances | <u>-</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 187,178</u> | <u>\$ 200,751</u> |

Exhibit I

| <u>Public Records Modernization Trust Special Revenue Fund</u> | <u>Public Records Courts Special Revenue Fund</u> | <u>Public Records 10% Fine Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
|--|---|---|---|
| \$ 890,932 | \$ 554,794 | \$ 135,432 | \$ 1,834,777 |
| - | - | - | 1,966 |
| 8,268 | 25,259 | - | 42,481 |
| - | - | - | 22,494 |
| - | - | - | 97,456 |
| - | - | - | 3,440 |
| <u>\$ 899,200</u> | <u>\$ 580,053</u> | <u>\$ 135,432</u> | <u>\$ 2,002,614</u> |
| \$ - | \$ - | \$ - | \$ 19,442 |
| - | - | - | 89,427 |
| - | - | - | 41,379 |
| - | - | - | 87,911 |
| - | - | - | 1,330 |
| - | - | - | 25,101 |
| - | - | - | 123,339 |
| - | - | - | 387,929 |
| - | - | - | 3,440 |
| 899,200 | 580,053 | 135,432 | 1,614,685 |
| - | - | - | (3,440) |
| <u>899,200</u> | <u>580,053</u> | <u>135,432</u> | <u>1,614,685</u> |
| <u>\$ 899,200</u> | <u>\$ 580,053</u> | <u>\$ 135,432</u> | <u>\$ 2,002,614</u> |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | General Fund | Courts Special Revenue Fund |
|--|------------------|--------------------------------|
| Revenues | | |
| Intergovernmental | \$ 577,747 | \$ 3,484,616 |
| Charges for Services | 1,385,759 | - |
| Fines | - | - |
| Miscellaneous | 1,994 | - |
| Total Revenues | 1,965,500 | 3,484,616 |
| Expenditures | | |
| Current | | |
| General Government | 2,853,796 | - |
| Human Services | 232,034 | - |
| Court-Related | - | 3,484,616 |
| Capital Outlay | 160,855 | - |
| Total Expenditures | 3,246,685 | 3,484,616 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,281,185) | - |
| Other Financing Sources (Uses) | | |
| Transfers Among Constitutional Officers | 1,281,185 | - |
| Total Other Financing Sources (Uses) | 1,281,185 | - |
| Net Change in Fund Balances | - | - |
| Fund Balances - Beginning | - | - |
| Fund Balances - Ending | \$ - | \$ - |

Exhibit II

| Public Records Modernization Trust Special Revenue Fund | Public Records Courts Special Revenue Fund | Public Records 10% Fine Special Revenue Fund | Total Governmental Funds |
|---|--|--|--------------------------------|
| \$ - | \$ - | \$ - | \$ 4,062,363 |
| 115,991 | 270,169 | 283,174 | 2,055,093 |
| - | - | 425 | 425 |
| 19,541 | 12,166 | - | 33,701 |
| <u>135,532</u> | <u>282,335</u> | <u>283,599</u> | <u>6,151,582</u> |
| 226,728 | - | - | 3,080,524 |
| - | - | - | 232,034 |
| - | 205,117 | 216,743 | 3,906,476 |
| 174,204 | 143,364 | - | 478,423 |
| <u>400,932</u> | <u>348,481</u> | <u>216,743</u> | <u>7,697,457</u> |
| (265,400) | (66,146) | 66,856 | (1,545,875) |
| - | - | - | 1,281,185 |
| - | - | - | 1,281,185 |
| (265,400) | (66,146) | 66,856 | (264,690) |
| <u>1,164,600</u> | <u>646,199</u> | <u>68,576</u> | <u>1,879,375</u> |
| <u>\$ 899,200</u> | <u>\$ 580,053</u> | <u>\$ 135,432</u> | <u>\$ 1,614,685</u> |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 450,000 | \$ 550,000 | \$ 577,747 | \$ 27,747 |
| Charges for Services | 1,400,800 | 1,400,800 | 1,385,759 | (15,041) |
| Miscellaneous | 8,000 | 8,000 | 1,994 | (6,006) |
| Total Revenues | 1,858,800 | 1,958,800 | 1,965,500 | 6,700 |
| Expenditures | | | | |
| Current | | | | |
| General Government | 2,947,490 | 2,896,260 | 2,853,796 | 42,464 |
| Human Services | 241,517 | 249,997 | 232,034 | 17,963 |
| Capital Outlay | 20,375 | 163,125 | 160,855 | 2,270 |
| Total Expenditures | 3,209,382 | 3,309,382 | 3,246,685 | 62,697 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,350,582) | (1,350,582) | (1,281,185) | 69,397 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | 1,350,582 | 1,350,582 | 1,281,185 | (69,397) |
| Total Other Financing Sources (Uses) | 1,350,582 | 1,350,582 | 1,281,185 | (69,397) |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | \$ - | \$ - | \$ - | \$ - |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
COURTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|--------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 3,461,642 | \$ 3,474,302 | \$ 3,484,616 | \$ 10,314 |
| Total Revenues | 3,461,642 | 3,474,302 | 3,484,616 | 10,314 |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | 3,461,642 | 3,474,302 | 3,484,616 | (10,314) |
| Total Expenditures | 3,461,642 | 3,474,302 | 3,484,616 | (10,314) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | \$ - | \$ - | \$ - | \$ - |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
PUBLIC RECORDS MODERNIZATION TRUST SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for Services | \$ 100,000 | \$ 100,000 | \$ 115,991 | \$ 15,991 |
| Miscellaneous | 1,190,000 | 1,190,000 | 19,541 | (1,170,459) |
| Total Revenues | <u>1,290,000</u> | <u>1,290,000</u> | <u>135,532</u> | <u>(1,154,468)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | - | 226,735 | 226,728 | 7 |
| Capital Outlay | 1,290,000 | 1,063,265 | 174,204 | 889,061 |
| Total Expenditures | <u>1,290,000</u> | <u>1,290,000</u> | <u>400,932</u> | <u>889,068</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>(265,400)</u> | <u>(265,400)</u> |
| Net Change in Fund Balance | - | - | (265,400) | (265,400) |
| Fund Balance - Beginning | <u>-</u> | <u>-</u> | <u>1,164,600</u> | <u>1,164,600</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 899,200</u> | <u>\$ 899,200</u> |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
PUBLIC RECORDS COURTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|----------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Charges for Services | \$ 275,000 | \$ 275,000 | \$ 270,169 | \$ (4,831) |
| Miscellaneous | 667,000 | 667,000 | 12,166 | (654,834) |
| Total Revenues | 942,000 | 942,000 | 282,335 | (659,665) |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | - | 205,125 | 205,117 | 8 |
| Capital Outlay | 942,000 | 736,875 | 143,364 | 593,511 |
| Total Expenditures | 942,000 | 942,000 | 348,481 | 593,519 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | (66,146) | (66,146) |
| Net Change in Fund Balance | - | - | (66,146) | (66,146) |
| Fund Balance - Beginning | - | - | 646,199 | 646,199 |
| Fund Balance - Ending | \$ - | \$ - | \$ 580,053 | \$ 580,053 |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida**
PUBLIC RECORDS 10% FINE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for Services | \$ 240,000 | \$ 240,000 | \$ 283,174 | \$ 43,174 |
| Fines | 68,800 | 68,800 | 425 | (68,375) |
| Total Revenues | 308,800 | 308,800 | 283,599 | (25,201) |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | - | 217,000 | 216,743 | 257 |
| Total Expenditures | 308,800 | 308,800 | 216,743 | 92,057 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | 66,856 | 66,856 |
| Net Change in Fund Balance | - | - | 66,856 | 66,856 |
| Fund Balance - Beginning | - | - | 68,576 | 68,576 |
| Fund Balance - Ending | \$ - | \$ - | \$ 135,432 | \$ 135,432 |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUND
September 30, 2010**

| | ASSETS | Governmental Activities <u>Compensated Absences</u> Internal Service <u>Fund</u> |
|------------------------------|------------------------|--|
| Cash and Cash Equivalents | | \$ 269,459 |
| Total Assets | | <u>269,459</u> |
| | LIABILITIES AND EQUITY | |
| Liabilities | | |
| Accrued Compensated Absences | | <u>269,459</u> |
| Equity | | |
| Unrestricted | | <u>-</u> |
| Total Liabilities and Equity | | <u>\$ 269,459</u> |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2010

| | Governmental Activities <hr/> Compensated Absences Internal Service Funds <hr/> |
|--------------------------|---|
| Operating Revenues | |
| Charges for Services | \$ 4,341 <hr/> |
| Total Operating Revenues | 4,341 <hr/> |
| Operating Expenses | |
| Personal services | 4,341 <hr/> |
| Total Operating Expenses | 4,341 <hr/> |
| Operating Income (Loss) | - |
| Equity - Beginning | - |
| Equity - Ending | <hr/> \$ - <hr/> |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2010**

| | Governmental Activities <hr/> Compensated Absences Internal Service Funds <hr/> |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from Interfund Services Provided | \$ 4,341 |
| Net Cash Provided (Used) by Operating Activities | <hr/> 4,341 |
| Net Increase in Cash and Cash Equivalents | 4,341 |
| Cash and Cash Equivalents - Beginning of Year | <hr/> 265,118 |
| Cash and Cash Equivalents - End of Year | <hr/> <hr/> \$ 269,459 |
| | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | \$ - |
| | |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Increase in Liabilities | |
| Compensated Absences Payable | <hr/> 4,341 |
| Net Cash Provided (Used) by Operating Activities | <hr/> <hr/> \$ 4,341 |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
September 30, 2010**

| | <u>Agency Funds</u> |
|----------------------------------|---------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 4,677,696 |
| Accounts Receivable | 9,632 |
| Due from Other Funds | 7,852 |
| Due from Other Elected Officials | 230 |
| Total Assets | 4,695,410 |
| LIABILITIES | |
| Liabilities | |
| Due to Other Funds | 8,954 |
| Due to Other Elected Officials | 155,026 |
| Due to Other Governments | 1,217,700 |
| Due to Depositors | 3,313,730 |
| Total Liabilities | 4,695,410 |
| NET ASSETS | \$ - |

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Clerk of the Circuit Court (Clerk) is an elected official established pursuant to the Constitution of the State of Florida. The Clerk is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Clerk have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Clerk uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The Clerk also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its proprietary fund at the fund reporting level, provided the statements and interpretations do not conflict or contradict GASB pronouncements.

The following is a summary of the more significant accounting policies of the Clerk.

A. The Reporting Entity

The Clerk is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Clerk's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Clerk in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Clerk that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Special Purpose Financial Statements - Continued

The Clerk segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds, the proprietary fund and the fiduciary funds of the Clerk. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is a charge for service, a fee, in exchange for a specific service, recording a document. Non-exchange transactions are those in which the Clerk gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is the Title IV-D funds received by the Clerk which are used to fund the support collection and distribution function of the Clerk. The revenue from these exchange and non-exchange transactions is recognized in the financial statements in varying ways depending on the basis of accounting used.

2. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Clerk considers all revenues reported in the governmental funds to be available if the revenues are collected within 30 days after year-end as the Clerk must remit excess appropriations and fees back to the Board of County Commissioners by October 31. Those revenues susceptible to accrual are interest, charges for service, and intergovernmental.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Proprietary and Fiduciary Fund Financial Statements

The proprietary fund financial statement is reported using the *economic resources measurement focus*. Under this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The statement of revenue, expenses and changes in equity reports revenues and expenses. The proprietary fund is reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

3. Proprietary and Fiduciary Fund Financial Statements - Continued

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. The principal operating revenues for the proprietary fund are charges to the general fund for funding the operating expenses of the fund which are for accrual of the short term portion of the Clerk's compensated absence liability.

Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The Clerk's proprietary fund usually does not have this type of revenue.

The only fiduciary funds of the Clerk are agency funds and as such do not record revenues and expenses.

4. Financial Statement Presentation

The Clerk reports the following major governmental funds:

General Fund

This is the Clerk's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Courts Special Revenue Fund

This fund is used to account for the statutory fines, fees, service charges and costs collected by the Clerk related to the performance of court-related activities. All excess funds over the amount of the Clerk's operating budget for this fund, approved by the Clerks of Court Operations Corporation, are remitted to the Florida Department of Revenue.

Public Records Modernization Trust Special Revenue Fund

This fund is used to account for recording fees collected by the Clerk under Florida Statute 28.24(12)(d). The fund is used exclusively for equipment, personnel training, and technical assistance in modernizing the public records system.

Public Records Courts Special Revenue Fund

This fund is used to account for recording fees collected by the Clerk under Florida Statute 28.24(12)(e). The fund is used exclusively for court-related technology needs.

Public Records 10% Fine Special Revenue Fund

This fund is used to account for 10% of the base fines collected by the Clerk as per Florida Statute 28.37(2) to be used exclusively for additional clerk court-related operational needs and program enhancements.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

4. Financial Statement Presentation - Continued

The Clerk reports the following fund types:

Internal Service Fund

This fund accounts for the funding of short-term compensated absence debt provided to the general fund of the Clerk on a cost reimbursement basis.

Agency Funds

These funds account for monies held on behalf of individuals and companies that use the Clerk as a depository; fines, court costs, licenses and fees collected on behalf of other governments; and surety bonds and performance deposits.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; Security and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Clerk adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers. Investments are reported at fair value.

The Clerk maintains a pooled cash account available for use by all funds. Some agency funds maintain individual deposit type investment accounts. Each fund's portion of the pooled cash and individual deposit type investments are displayed on the balance sheet as "cash and cash equivalents." For purposes of these statements and the cash flows statement of the internal service fund, all highly liquid investments with maturity of 90 days or less when purchased are considered to be cash equivalents.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds or elected officials for goods provided or services rendered. These receivables and payables are classified as “due to/from other funds” or “due to/from other elected officials” on the balance sheet. Short-term interfund loans are also classified as “interfund receivables/payables.”

The Clerk maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

4. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Clerk’s capitalization levels are \$1,000 on tangible personal property and \$5,000 on intangible assets. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation/amortization on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

| Assets | Years |
|-------------|--------|
| Intangibles | 3 |
| Equipment | 3 - 7 |
| Vehicles | 2 - 15 |

5. Compensated Absences

The liability for compensated absences consisting of unpaid accumulated annual and sick leave balances is reported on the government-wide statement of net assets of Okaloosa County and the proprietary fund statement of the Clerk. The liability is accrued when incurred in the government-wide and proprietary fund financial statements. The Clerk uses an internal service fund to accumulate the resources to fund the short-term portion of this compensated absences liability. Long-term liability is reported on the government-wide statement of net assets of Okaloosa County. A liability for these amounts is reported in governmental funds financial statements of the Clerk only if they have matured, for example, as a result of employee resignations and retirements.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Appropriated Budget

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board readopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

All appropriated court-related functions of the Clerk are reported in the Courts Special Revenue Fund. On or before October 1st, a budget prepared according to Florida Statute 28.36 for that fund for the next fiscal year must be prepared and submitted to the Clerks of Court Operations Corporation. The Clerk of Court Operations Corporation's Finance and Budget Committee reviews each budget and makes recommendations to the executive council. The executive council then submits the total budget request from all clerks on December 1st to the Legislature. The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) is established at the fund level. Effective July 1, 2009, the Clerk's office court-related functions became a state appropriated line item under the Justice Administration Commission in Tallahassee. All court-related fines, fees, costs, and service charges became revenue to the state. The legislature also changed the budget cycle to match the state fiscal year, July through June, instead of the County fiscal year. There was no payment of excess fees at the State Fiscal year end as of June 30, 2010 as all state appropriations were expended. The court-related budgets must be based on a unit cost methodology by State Fiscal Year 2010-2011.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 2 – LEGAL COMPLIANCE BUDGETS - CONTINUED

Appropriated Budget – Continued

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. There were no supplemental budgetary appropriations necessary during the fiscal year for the Clerk.

All excess fees and appropriations received by the Clerk in the funds supported by the Board appropriated budget must be returned to the Okaloosa County Board of County Commissioners by October 31 following the end of the fiscal year.

Court-Related Budget

All court-related functions of the Clerk are reported in the Courts Special Revenue Fund. On or before August 15, a budget prepared according to Florida Statute 28.36 for that fund for the next fiscal year must be prepared and submitted to the Clerks of Court Operations Corporation. In previous years, all excess court-related fees, service charges, court costs, and fines had to be remitted to the Department of Revenue by January 1 following the end of that fiscal year. Due to legislative change, the excess fees had to be paid in July of fiscal year 2008-2009. As a result, at the end of the business day on June 30, 2009, the Clerk's office court-related functions became a state appropriated line item under the Justice Administration Commission in Tallahassee. All court-related fines, fees, costs, and service charges became revenue to the state on July 1, 2009. The legislature also changed the budget cycle to match the state fiscal year, July through June, instead of the County fiscal year. There was no payment of excess fees at the State Fiscal year end as of June 30, 2010 as all state appropriations were expended. The court-related budget must be based on a unit cost methodology by State Fiscal Year 2010-2011.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Clerk maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Clerk deposits, including certificates of deposit, would be considered fully insured.

State Statutes and the formal investments and portfolio policies adopted by the Board of County Commissioners of Okaloosa County restrict the types of investments that can be made. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1.

The investment policy manual details the methods used to manage the risks inherent to the investment process. The authority for investment of County funds rests with the Clerk who has delegated management of the investment program to the Finance Director. Investments can only be made by majority vote of the investment committee appointed by the Clerk. Investments for Okaloosa County are accounted for in the books and records of the Board of County Commissioners. Individual investment accounts were not maintained in the books of the Clerk during the fiscal year ended September 30, 2010.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows.

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|--------------------|-------------------|
| Special Revenue Funds | | |
| Courts Special Revenue Fund | \$ - | \$ 123,339 |
| Total deferred/unearned revenue for governmental funds | <u>\$ -</u> | <u>\$ 123,339</u> |

NOTE 5 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Clerk of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, being depreciated/amortized: | | | | |
| Intangibles | \$ 1,060,618 | \$ 60,033 | \$ - | \$ 1,120,651 |
| Machinery and equipment | 3,353,450 | 428,207 | (1,189,495) | 2,592,162 |
| Total Capital assets, being depreciated/amortized | <u>4,414,068</u> | <u>488,240</u> | <u>(1,189,495)</u> | <u>3,712,813</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Intangibles | (429,144) | (178,495) | - | (607,639) |
| Machinery and equipment | (2,381,652) | (259,002) | 844,952 | (1,795,702) |
| Total accumulated depreciation/amortization | <u>(2,810,796)</u> | <u>(437,497)</u> | <u>844,952</u> | <u>(2,403,341)</u> |
| Governmental activities capital assets, net | <u>\$ 1,603,272</u> | <u>\$ 50,743</u> | <u>\$ (344,543)</u> | <u>\$ 1,309,472</u> |

Depreciation/amortization expense was charged to functions/programs as follows:

| | <u>Depreciation</u> | <u>Amortization</u> |
|--|---------------------|---------------------|
| Governmental activities: | | |
| General government | \$ 146,324 | \$ - |
| Court-related | <u>281,356</u> | <u>-</u> |
| Total depreciation/amortization expenses - governmental activities | <u>\$ 427,680</u> | <u>\$ -</u> |

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 6 – COMPENSATED ABSENCES

The policy of the Clerk for annual and sick leave is that full-time employees earn four hours of annual leave (five hours if employed five years or longer) and four hours of sick leave per biweekly pay period. The employee can accumulate a maximum of 240 hours of annual leave and an unlimited amount of sick leave. Annual leave earned in excess of 240 hours is credited to sick leave. Upon retirement or termination, the employee may be paid a maximum of 240 hours accumulated annual leave. Unused sick leave will be paid as follows upon termination (provided the employee has 160 hours accrued and 24 months of service.)

- 2 years service - 20% of all sick leave accrued
- 5 years service - 25% of all sick leave accrued
- 10 years service - 30% of all sick leave accrued
- 15 years service - 40% of all sick leave accrued
- 20+ years service - 50% of all sick leave accrued

Upon retirement from the Florida Retirement System with 30 years of service, of which the last 20 years of service must have been served with the Clerk’s office, employees will be paid for 100% of their accrued sick leave balance.

The vested portion of compensated absences for the Clerk as of September 30, 2010 follows:

| | Current Portion | Long-Term Portion | Totals |
|----------------------|--------------------|----------------------|------------|
| Compensated absences | \$ 269,459 | \$ 523,651 | \$ 793,110 |

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:

Due to/from other funds and elected officials:

| Receivable Fund | Payable Fund | Amount | Purpose |
|--------------------------------|--------------------------------|------------------------------|--------------------------|
| Other Funds | | | |
| General | Fiduciary Fund Type | \$ 8,954 | Fees collected |
| Public Records Modernization | General | 8,268 | Restricted fees |
| Public Records Courts | General | 25,259 | Restricted fees |
| Total | | <u>\$ 42,481</u> | |
| Other Elected Officials | | | |
| General | Board of County Commissioners | \$ 22,494 | Fees |
| Fiduciary Fund Type | Board of County Commissioners | 230 | Fees |
| Board of County Commissioners | General | (15,925) | Fees |
| Board of County Commissioners | General | (69,397) | Excess fees |
| Board of County Commissioners | General | (100) | Reimbursement of costs |
| Board of County Commissioners | General | (2,489) | Reimbursement of costs |
| Board of County Commissioners | Fiduciary Fund Type | (713) | Fees |
| Board of County Commissioners | Fiduciary Fund Type | (26,588) | Fees |
| Board of County Commissioners | Fiduciary Fund Type | (127,725) | Collected fines and fees |
| Total | | <u>\$ (220,213)</u> | |
| Transfer In | | | |
| Transfer Out | | | |
| Amount | | | |
| Purpose | | | |
| Other Elected Officials | | | |
| General | Board of County Commisssioners | \$ (1,350,582) | Appropriations |
| Board of County Commissioners | General | 69,397 | Excess fees |
| Total | | <u>\$ (1,281,185)</u> | |

NOTE 8 – OPERATING LEASES

The Clerk leases copier equipment under a non-cancelable operating lease effective for 48 months. Monthly payments under the lease are \$4,414. Future minimum lease payments for the equipment lease total \$172,146 through December 2013. Lease expenditure for the fiscal year ended September 30, 2010 was \$39,726.

The Clerk leases postal equipment for the Crestview office under a non-cancelable operating lease effective for 48 months. Monthly payments under the lease are \$596. Future minimum lease payments for the equipment lease totals \$23,244 through December 2013. Total lease expenditure for fiscal year ended September 30, 2010 was \$5,364.

The Clerk leases postal equipment for the Shalimar office under a non-cancelable operating lease effective for 60 months. Monthly payments under the lease are \$410. Future minimum lease payments for the equipment lease totals \$24,600 through December 2014. Total lease expenditure for fiscal year ended September 30, 2010 was \$0. (New lease as of October 1, 2010)

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 – OPERATING LEASES - CONTINUED

Total lease expenditure/expense for operating leases in which the Clerk is the lessee for fiscal year ended September 30, 2010 was \$45,090. Future minimum lease payments for these leases are as follows:

| <u>Fiscal Year Ended September 30</u> | | |
|---------------------------------------|-----------|----------------|
| 2011 | \$ | 65,040 |
| 2012 | | 65,040 |
| 2013 | | 65,040 |
| 2014 | | 19,950 |
| 2015 | | 4,920 |
| | <u>\$</u> | <u>219,990</u> |

NOTE 9 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that the notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Clerk of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

| | <u>Balance Due September 30, 2009</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance Due September 30, 2010</u> | <u>Due Within One Year</u> |
|--------------------------------|---|------------------|--------------------|---|--------------------------------|
| Governmental Activities: | | | | | |
| Accrued compensated absences | \$ 773,364 | \$ 19,746 | \$ - | \$ 793,110 | \$ 269,459 |
| Other post employment benefits | 40,174 | 39,446 | (18,261) | 61,359 | - |
| Total Governmental Activities | <u>\$ 813,538</u> | <u>\$ 59,192</u> | <u>\$ (18,261)</u> | <u>\$ 854,469</u> | <u>\$ 269,459</u> |

Internal service funds predominantly serve the governmental funds. Accordingly, liabilities for these funds are included as part of the above totals for governmental activities. Included in the amounts above is \$269,459 of internal service fund compensated absences.

Compensated absences typically have been liquidated in the general fund on an interim basis with transfer of activity to the internal service fund at year-end.

NOTE 10 - RESERVED FUND BALANCES

The governmental fund balance sheet contains the line item "Reserved for Other Restricted Purposes". Following is a list of the detail balances contained in that line item for September 30, 2010:

| <u>Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|--|---------------------|---------------------------------|
| Special Revenue Funds | | |
| Public Record Modernization | \$ 899,200 | General Information Technology |
| Public Records Courts | 580,053 | Judicial Information Technology |
| Public Records 10% Fine | 135,432 | Court Related Expenditures |
| Total Reserved for Other Restricted Purposes | <u>\$ 1,614,685</u> | |

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11 – PENSION PLAN

Florida Retirement System

Plan Description

The Clerk contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payrolls for regular employees are 9.85%, special risk employees 20.92%, special risk administrative support 12.55%, elected judges 19.56%, elected county officers 16.53%, senior management service class 13.12% and 10.91% for the Deferred Retirement Option Program (DROP). The Clerk's contributions to the plan for the years ended September 30, 2010, 2009 and 2008 were \$453,451, \$437,659, and \$456,576, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Clerk contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11 – PENSION PLAN – CONTINUED

Health Insurance Subsidy – Continued

Plan Description - Continued

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 12 – POSTEMPLOYMENT BENEFITS

Rules of the Auditor General of the State of Florida, Chapter 10.550 allows notes to the financial statements of a county agency to supplement rather than duplicate notes included in the government-wide financial statements of the county as a whole. The Clerk has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Clerk is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

NOTE 13 - RISK MANAGEMENT

The Clerk is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Special risks are covered by commercial insurance policies that are accounted for in the Clerk's general fund. The Clerk bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

The Clerk has chosen to participate in a group medical insurance plan along with all other elected official offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Clerk bears no risk of loss under this type of coverage.

The Clerk has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Clerk a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Clerk.

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Agency Funds

Agency funds are used to account for assets held by the Clerk of the Circuit Court (Clerk) of Okaloosa County as agent for individuals, private organizations, other governments, and/or other funds.

Fine and Forfeiture Fund

This fund is used to account for the collection and disbursement of fines and court costs to Okaloosa County, State of Florida, and Municipalities. These fines and costs sources are generated from traffic, misdemeanor, felony and court ordered probation.

Jury and Witness Fund

This fund is used to account for the juror and witness payments received from Okaloosa County and State of Florida and subsequent disbursement to jurors and witnesses for court services.

Tax Deed Fund

This fund is used to account for the collection and disbursement of child support and alimony payments, pursuant to orders of the court.

Support Fund

This fund is used to account for the collection and disbursement of child support and alimony payments, pursuant to orders of the court.

Registry of Court Fund

This fund is used to account for court ordered deposits that are held pending litigation and disbursed based on final disposition by the court.

Board of County Commissioners Trust Fund

This fund is used to account for collection of recording fees collected by the Clerk's office and remitted to the Board of County Commissioners to fund judicial information technology.

State Trust Fund

This fund is used to account for various taxes, fees and service charges collected by the Clerk's office and remitted to the State of Florida. The state revenues collected are:

Documentary Stamp taxes are paid by individuals at the time of recording deeds, mortgages and some contracts.

Intangible Tax is paid by individuals at the time of recording mortgages and some deeds.

Marriage License fees are collected on each marriage license issued and remitted to the State of Florida for funding of dispatched homemaker programs, domestic violence centers and vital statistic collection.

Court Education Trust Service Charge is an additional \$2.50 service charge for each civil action brought in Circuit or County Court.

Civil Action Service Charge is an additional \$7.00 service charge for each civil action brought in Circuit Court.

Mediation fees are paid in connection with initial divorce filing or divorce modification filings. Of the fees charged, \$1.00 in each instance is forwarded to the State Court Administration.

Bridgeway Center Incorporated Trust Fund

This fund is used to account for collection of certain court costs on traffic and misdemeanor cases and their subsequent disbursement to Bridgeway Center, Inc. to fund education costs.

Escrow Trust Fund

This fund is used to account for deposits from title companies and is used to pay for monthly copy usage. These accounts are reconciled monthly and copy revenue earned is transferred to the Clerk's General Fund. This fund also accounts for escrow funds from Circuit and County Court cases.

Juvenile Trust Fund

This fund is used to account for the collection and disbursement of Juvenile Restitution payments, pursuant to orders of the court. These funds are disbursed to the victim in each case.

Foreclosure Escrow Trust Fund

This fund is used to account for court ordered deposits from foreclosure sales until final certificates of disbursement are issued.

Cash Bond Trust Fund

This fund is used to account for the receipt and disbursement of cash bond monies as directed by the court.

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2010**

| | Fine and Forfeiture | Jury and Witness | Tax Deed | Support | Registry of Court | BCC Trust |
|----------------------------------|---------------------------|------------------------|----------------|---------------|-------------------------|---------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$ 1,021,136 | \$ 34,360 | \$ 461,387 | \$ 73,271 | \$ 1,655,316 | \$ 26,588 |
| Accounts Receivable | 3,243 | - | - | 6,389 | - | - |
| Due from Other Funds | - | - | - | - | 7,852 | - |
| Due from Other Elected Officials | 230 | - | - | - | - | - |
| Total Assets | 1,024,609 | 34,360 | 461,387 | 79,660 | 1,663,168 | 26,588 |
| LIABILITIES | | | | | | |
| Due to Other Funds | \$ - | \$ - | \$ - | \$ 8,954 | \$ - | \$ - |
| Due to Other Elected Officials | 127,725 | - | - | - | - | 26,588 |
| Due to Other Governments | 896,884 | - | - | 448 | - | - |
| Due to Depositors | - | 34,360 | 461,387 | 70,258 | 1,663,168 | - |
| Total Liabilities | 1,024,609 | 34,360 | 461,387 | 79,660 | 1,663,168 | 26,588 |
| NET ASSETS | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2010**

| | State Trust | Bridgeway Center Inc. Trust | Escrow Trust | Juvenile Trust | Foreclosure Escrow Trust | Cash Bond Trust | Total |
|----------------------------------|----------------|-----------------------------------|----------------|-------------------|--------------------------------|--------------------|------------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 320,368 | \$ - | \$ 143,781 | \$ 526 | \$ 597,717 | \$ 343,246 | \$ 4,677,696 |
| Accounts Receivable | - | - | - | - | - | - | 9,632 |
| Due from Other Funds | - | - | - | - | - | - | 7,852 |
| Due from Other Elected Officials | - | - | - | - | - | - | 230 |
| Total Assets | 320,368 | - | 143,781 | 526 | 597,717 | 343,246 | 4,695,410 |
| LIABILITIES | | | | | | | |
| Due to Other Funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,954 |
| Due to Other Elected Officials | - | - | 653 | 60 | - | - | 155,026 |
| Due to Other Governments | 320,368 | - | - | - | - | - | 1,217,700 |
| Due to Depositors | - | - | 143,128 | 466 | 597,717 | 343,246 | 3,313,730 |
| Total Liabilities | 320,368 | - | 143,781 | 526 | 597,717 | 343,246 | 4,695,410 |
| NET ASSETS | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended September 30, 2010

| | Balances September 30, 2009 | Additions | Deletions | Balances September 30, 2010 |
|--|-----------------------------------|----------------------|----------------------|-----------------------------------|
| FINE AND FORFEITURE AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,036,942 | \$ 12,781,327 | \$ 12,797,133 | \$ 1,021,136 |
| Accounts Receivable | 5,274 | 21,375 | 23,406 | 3,243 |
| Due from Other Funds | 350 | 349 | 699 | - |
| Due from Other Elected Officials | 220 | 230 | 220 | 230 |
| Total Assets | <u>\$ 1,042,786</u> | <u>\$ 12,803,281</u> | <u>\$ 12,821,458</u> | <u>\$ 1,024,609</u> |
| LIABILITIES | | | | |
| Due to Other Elected Officials | \$ 103,305 | \$ 1,685,650 | \$ 1,661,230 | \$ 127,725 |
| Due to Other Governments | 939,481 | 11,012,048 | 11,054,645 | 896,884 |
| Total Liabilities | <u>\$ 1,042,786</u> | <u>\$ 12,697,698</u> | <u>\$ 12,715,875</u> | <u>\$ 1,024,609</u> |
| JURY AND WITNESS AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 34,978</u> | <u>\$ 37,109</u> | <u>\$ 37,727</u> | <u>\$ 34,360</u> |
| LIABILITIES | | | | |
| Due to Depositors | <u>\$ 34,978</u> | <u>\$ 37,109</u> | <u>\$ 37,727</u> | <u>\$ 34,360</u> |
| TAX DEED AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 99,299</u> | <u>\$ 855,725</u> | <u>\$ 493,637</u> | <u>\$ 461,387</u> |
| LIABILITIES | | | | |
| Due to Depositors | <u>\$ 99,299</u> | <u>\$ 1,328,349</u> | <u>\$ 966,261</u> | <u>\$ 461,387</u> |

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended September 30, 2010

| | Balances September 30, 2009 | Additions | Deletions | Balances September 30, 2010 |
|--|-----------------------------------|----------------------|---------------------|-----------------------------------|
| SUPPORT AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 75,308 | \$ 4,452,366 | \$ 4,454,403 | \$ 73,271 |
| Accounts Receivable | 5,633 | 15,712 | 14,956 | 6,389 |
| Total Assets | <u>\$ 80,941</u> | <u>\$ 4,468,078</u> | <u>\$ 4,469,359</u> | <u>\$ 79,660</u> |
| LIABILITIES | | | | |
| Due to Other Funds | \$ 9,655 | \$ 8,502 | \$ 9,203 | \$ 8,954 |
| Due to Other Governments | 487 | 5,390 | 5,429 | 448 |
| Due to Depositors | 70,799 | 4,440,515 | 4,441,056 | 70,258 |
| Total Liabilities | <u>\$ 80,941</u> | <u>\$ 4,454,407</u> | <u>\$ 4,455,688</u> | <u>\$ 79,660</u> |
| REGISTRY OF COURT AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 960,718 | \$ 9,316,223 | \$ 8,621,625 | \$ 1,655,316 |
| Due from Other Funds | - | 17,460 | 9,608 | 7,852 |
| Total Assets | <u>\$ 960,718</u> | <u>\$ 9,333,683</u> | <u>\$ 8,631,233</u> | <u>\$ 1,663,168</u> |
| LIABILITIES | | | | |
| Due to Other Funds | \$ - | \$ 99,630 | \$ 99,630 | \$ - |
| Due to Depositors | 960,718 | 9,903,591 | 9,201,141 | 1,663,168 |
| Total Liabilities | <u>\$ 960,718</u> | <u>\$ 10,003,221</u> | <u>\$ 9,300,771</u> | <u>\$ 1,663,168</u> |
| BOARD OF COUNTY COMMISSIONERS TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 24,762 | \$ 287,029 | \$ 285,203 | \$ 26,588 |
| Due from Other Elected Officials | 18 | 1,032 | 1,050 | - |
| Due from Other Governments | 192 | 1,090 | 1,282 | - |
| Total Assets | <u>\$ 24,972</u> | <u>\$ 289,151</u> | <u>\$ 287,535</u> | <u>\$ 26,588</u> |
| LIABILITIES | | | | |
| Due to Other Elected Officials | <u>\$ 24,972</u> | <u>\$ 284,394</u> | <u>\$ 282,778</u> | <u>\$ 26,588</u> |

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended September 30, 2010

| | Balances September 30, 2009 | Additions | Deletions | Balances September 30, 2010 |
|---|-----------------------------------|----------------------|----------------------|-----------------------------------|
| STATE TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 320,737 | \$ 14,789,880 | \$ 14,790,249 | \$ 320,368 |
| Due from Other Governments | 2 | 15 | 17 | - |
| Total Assets | <u>\$ 320,739</u> | <u>\$ 14,789,895</u> | <u>\$ 14,790,266</u> | <u>\$ 320,368</u> |
| LIABILITIES | | | | |
| Due to Other Governments | <u>\$ 320,739</u> | <u>\$ 14,789,880</u> | <u>\$ 14,790,251</u> | <u>\$ 320,368</u> |
| BRIDGEWAY CENTER, INC. TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 320</u> | <u>\$ 530</u> | <u>\$ 850</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Due to Depositors | <u>\$ 320</u> | <u>\$ 530</u> | <u>\$ 850</u> | <u>\$ -</u> |
| ESCROW TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 145,373</u> | <u>\$ 363,356</u> | <u>\$ 364,948</u> | <u>\$ 143,781</u> |
| LIABILITIES | | | | |
| Due to Other Elected Officials | \$ - | \$ 653 | \$ - | \$ 653 |
| Due to Depositors | 145,373 | 362,703 | 364,948 | 143,128 |
| | <u>\$ 145,373</u> | <u>\$ 363,356</u> | <u>\$ 364,948</u> | <u>\$ 143,781</u> |
| JUVENILE TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 1,354</u> | <u>\$ 22,272</u> | <u>\$ 23,100</u> | <u>\$ 526</u> |
| LIABILITIES | | | | |
| Due to Other Elected Officials | \$ - | \$ 60 | \$ - | \$ 60 |
| Due to Depositors | 1,354 | 22,212 | 23,100 | 466 |
| | <u>\$ 1,354</u> | <u>\$ 22,272</u> | <u>\$ 23,100</u> | <u>\$ 526</u> |

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended September 30, 2010

| | Balances September 30, 2009 | Additions | Deletions | Balances September 30, 2010 |
|---|-----------------------------------|---------------|---------------|-----------------------------------|
| FORECLOSURE ESCROW TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ - | \$ 7,716,309 | \$ 7,118,592 | \$ 597,717 |
| LIABILITIES | | | | |
| Due to Depositors | \$ - | \$ 7,715,248 | \$ 7,117,531 | \$ 597,717 |
| CASH BOND TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 477,213 | \$ 936,125 | \$ 1,070,092 | \$ 343,246 |
| LIABILITIES | | | | |
| Due to Other Funds | \$ 1,769 | \$ 523,850 | \$ 525,619 | \$ - |
| Due to Depositors | 475,444 | 935,166 | 1,067,364 | 343,246 |
| Total Liabilities | \$ 477,213 | \$ 1,459,016 | \$ 1,592,983 | \$ 343,246 |
| TOTAL - ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 3,177,004 | \$ 51,558,251 | \$ 50,057,559 | \$ 4,677,696 |
| Accounts Receivable | 10,907 | 37,087 | 38,362 | 9,632 |
| Due from Other Funds | 350 | 17,809 | 10,307 | 7,852 |
| Due from Other Elected Officials | 238 | 1,262 | 1,270 | 230 |
| Due from Other Governments | 194 | 1,105 | 1,299 | - |
| Total Assets | \$ 3,188,693 | \$ 51,615,514 | \$ 50,108,797 | \$ 4,695,410 |
| LIABILITIES | | | | |
| Due to Other Funds | \$ 11,424 | \$ 631,982 | \$ 634,452 | \$ 8,954 |
| Due to Other Elected Officials | 128,277 | 1,970,757 | 1,944,008 | 155,026 |
| Due to Other Governments | 1,260,707 | 25,807,318 | 25,850,325 | 1,217,700 |
| Due to Depositors | 1,788,285 | 24,745,423 | 23,219,978 | 3,313,730 |
| Total Liabilities | \$ 3,188,693 | \$ 53,155,480 | \$ 51,648,763 | \$ 4,695,410 |

Other Reports



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

Honorable Don W. Howard
Clerk of the Circuit Court
Okaloosa County, Florida

**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***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Clerk of the Circuit Court of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which collectively comprise the Clerk of the Circuit Court of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Clerk of the Circuit Court of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 of the Circuit Court of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

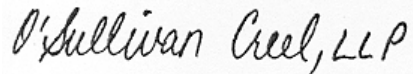
As part of obtaining reasonable assurance about whether the Clerk of the Circuit Court of Okaloosa County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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*.

Honorable Don W. Howard
Clerk of the Circuit Court
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 (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we have reported to management of the Clerk of the Circuit Court of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

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

A handwritten signature in cursive script that reads "O'Sullivan Creel, LLP". The signature is written in black ink on a light-colored background.

March 18, 2011



Honorable Don W. Howard
Clerk of the Circuit Court
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Clerk of the Circuit Court of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

- 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 significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report of the Clerk of Circuit Court of Okaloosa County.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Clerk of the Circuit Court of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

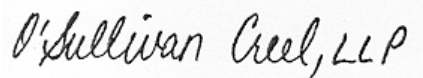
Honorable Don W. Howard
Clerk of the Circuit Court
Management Letter (Continued)

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Clerk of the Circuit Court of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e) as part of the primary government of Okaloosa County, Florida. There are no component units related to the Clerk of the Circuit Court of Okaloosa County, Florida.
- Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the Clerk of the Circuit Court complied with Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the Clerk of the Circuit Court of Okaloosa County, Florida complied with such requirements.

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

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Clerk of the Circuit Court of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.

The image shows a handwritten signature in cursive script that reads "O'Sullivan Creel, LLP". The signature is written in black ink on a light-colored background.

March 18, 2011

SHERIFF

**OKALOOSA COUNTY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
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Basic Financial Statements



To the Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sheriff of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Sheriff of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Sheriff of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Larry Ashley, Sheriff
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011 on our consideration of the Sheriff of Okaloosa County, Florida'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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff of Okaloosa County, Florida's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

**Sheriff
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2010**

| | <u>General Fund</u> |
|--|--------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 2,145,329 |
| Accounts Receivable | 216 |
| Due from Other Elected Officials | 333,026 |
| Inventory | 69,944 |
| Prepays | <u>5,532</u> |
| Total Assets | <u><u>\$ 2,554,047</u></u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Accounts Payable | \$ 471,790 |
| Other Accrued Liabilities | 914,996 |
| Due to Other Funds | 217,428 |
| Due to Other Elected Officials | 558,031 |
| Due to Other Governments | 95,674 |
| Deferred Revenue | <u>296,128</u> |
| Total Liabilities | <u>2,554,047</u> |
| Fund Balance | |
| Reserved for | |
| Inventory | 69,944 |
| Prepays | 5,532 |
| Unreserved | <u>(75,476)</u> |
| Total Fund Balance | <u>-</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 2,554,047</u></u> |

The notes to the financial statements are an integral part of this statement.

Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2010

| | General Fund |
|--|--------------|
| Revenues | |
| Miscellaneous | \$ 127,260 |
| Total Revenues | 127,260 |
| Expenditures | |
| Current | |
| Public Safety | 27,181,893 |
| Physical Environment | 1,306,822 |
| Court-Related | 1,517,390 |
| Capital Outlay | 1,950,362 |
| Total Expenditures | 31,956,467 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (31,829,207) |
| Other Financing Sources (Uses) | |
| Transfers Among Constitutional Officers | 31,829,207 |
| Total Other Financing Sources (Uses) | 31,829,207 |
| Net Change in Fund Balance | - |
| Fund Balance - Beginning | - |
| Fund Balance - Ending | \$ - |

The notes to the financial statements are an integral part of this statement.

**Sheriff
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|--------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Miscellaneous | \$ - | \$ 46,662 | \$ 127,260 | \$ 80,598 |
| Total Revenues | - | 46,662 | 127,260 | 80,598 |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | 27,699,871 | 27,899,543 | 27,181,893 | 717,650 |
| Physical Environment | 1,350,495 | 1,350,495 | 1,306,822 | 43,673 |
| Court-Related | 1,695,080 | 1,695,080 | 1,517,390 | 177,690 |
| Capital Outlay | 1,804,064 | 1,842,464 | 1,950,362 | (107,898) |
| Total Expenditures | 32,549,510 | 32,787,582 | 31,956,467 | 831,115 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (32,549,510) | (32,740,920) | (31,829,207) | 911,713 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among | | | | |
| Constitutional Officers | 32,549,510 | 32,740,920 | 31,829,207 | (911,713) |
| Total Other Financing Sources (Uses) | 32,549,510 | 32,740,920 | 31,829,207 | (911,713) |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | \$ - | \$ - | \$ - | \$ - |

The notes to the financial statements are an integral part of this statement.

**Sheriff
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010**

| | Governmental Activities |
|--------------------------------|----------------------------|
| | Internal Service Funds |
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 3,890,906 |
| Due from Other Funds | 217,428 |
| Due From Other Governments | 98,921 |
| Total Assets | \$ 4,207,255 |
| LIABILITIES AND EQUITY | |
| Current Liabilities | |
| Compensated Absences | 1,482,832 |
| Claims and Judgments | 650,727 |
| Total Current Liabilities | 2,133,559 |
| Noncurrent Liabilities | |
| Other Post Employment Benefits | 3,229,829 |
| Total Noncurrent Liabilities | 3,229,829 |
| Total Liabilities | 5,363,388 |
| Equity | |
| Unrestricted (Deficit) | (1,156,133) |
| Total Liabilities and Equity | \$ 4,207,255 |

The notes to the financial statements are an integral part of this statement.

**Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010**

| | Governmental Activities Internal Service Funds |
|---|---|
| | |
| Operating Revenues | |
| Charges for Services | \$ 3,886,891 |
| Total Operating Revenues | 3,886,891 |
| Operating Expenses | |
| Personal Services | 691,393 |
| Contractual Services | 213,641 |
| Insurance Premiums and Claims | 2,604,467 |
| Other Operating Expenses | 1,325 |
| Total Operating Expenses | 3,510,826 |
| Operating Income (Loss) | 376,065 |
| Nonoperating Revenues (Expenses) | |
| Investment Income | 1,963 |
| Income (Loss) Before Contributions and Transfers | 378,028 |
| Change in Equity | 378,028 |
| Total Equity - Beginning | (1,534,161) |
| Total Equity (Deficit) - Ending | \$ (1,156,133) |

The notes to the financial statements are an integral part of this statement.

**Sheriff
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010**

| | <u>Governmental Activities Internal Service Funds</u> |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from Interfund Services Provided | \$ 4,085,579 |
| Payments to Suppliers | (2,677,044) |
| Net Cash Provided (Used) by Operating Activities | <u>1,408,535</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest Earnings | <u>1,963</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,410,498 |
| Cash and Cash Equivalents - Beginning of Year | 2,480,408 |
| Cash and Cash Equivalents - End of Year | <u><u>\$ 3,890,906</u></u> |
| | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | \$ 376,065 |
| | |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Increase in Assets | |
| Due from Other Governments | (156,121) |
| Due from Other Funds | 137,381 |
| Increase in Liabilities | |
| Compensated Absences Payable | 217,429 |
| Claims and Judgments Payable | 691,393 |
| Other Post Employment Benefits | 142,388 |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ 1,408,535</u></u> |

The notes to the financial statements are an integral part of this statement.

Sheriff
Okaloosa County, Florida
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
September 30, 2010

| | Agency Funds |
|--------------------------------|--------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 28,630 |
| Total Assets | 28,630 |
| LIABILITIES | |
| Due to Other Elected Officials | 15,925 |
| Due to Depositors | 12,705 |
| Total Liabilities | 28,630 |
| NET ASSETS | \$ - |

The notes to the financial statements are an integral part of this statement.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sheriff is an elected official established pursuant to the Constitution of the State of Florida. The Sheriff is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Sheriff have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Sheriff uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The Sheriff applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its proprietary funds at the fund reporting level, provided they do not conflict or contradict GASB pronouncements.

The following is a summary of the more significant accounting policies of the Sheriff of Okaloosa County, Florida.

A. The Reporting Entity

The Sheriff is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Sheriff's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Sheriff in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Sheriff that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Special Purpose Financial Statements – Continued

The Sheriff segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Sheriff is the General Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is a purchase of equipment in exchange for cash or in exchange for another asset such as an used car. Non-exchange transactions are those in which the Sheriff gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is the fines revenue received by the Sheriff from specific citizens which is used to fund various police services provided to the citizens of the County. The revenue from these exchange and non-exchange transactions is recognized in the financial statements in varying ways depending on the basis of accounting used.

2. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Sheriff considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are fines, charges for service, and intergovernmental revenue.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Proprietary and Fiduciary Fund Financial Statements

The proprietary fund financial statements are reported using the *economic resources measurement focus*. Under this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The statement of revenue, expenses and changes in equity reports revenues and expenses. The proprietary funds are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

3. Proprietary and Fiduciary Fund Financial Statements - Continued

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. The principal operating revenues for the proprietary funds are fees and charges for self-insurance, and compensated absences internal service operations. Operating expenses for the internal service funds include the cost of providing services and administrative expenses.

Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. On an accrual basis, revenue from interest is recorded when earned. The only fiduciary funds of the Sheriff are agency funds and as such do not record revenues and expenses.

4. Financial Statement Presentation

The Sheriff reports the following major governmental fund:

General Fund

This is the Sheriff's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sheriff reports the following fund types:

Internal Service Fund

These funds account for the funding of short-term compensated absence debt provided to the general fund of the Sheriff on a cost reimbursement basis and for risks from medical benefit claims of the self-funded health insurance plan.

Agency Funds

These funds account for monies held on behalf of individuals and companies. The funds account for the collection and disbursement of statutory fees for services performed by the Sheriff or monies collected and disbursed pursuant to levies.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; SEC registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

1. Deposits and Investments - Continued

Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Sheriff adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers. Investments are reported at fair value.

The Sheriff maintains separate cash account available for use by all funds. Each account is displayed on the balance sheet as “cash and cash equivalents.” For purposes of these statements, all highly liquid investments with maturity of ninety days or less when purchased are considered to be cash equivalents.

2. Inventories and Prepaid Items

Inventory is valued at lower of cost (first-in, first-out) or market. The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used. Payments for goods and services applicable to future period are recorded as prepaid items in the Sheriff’s operating fund.

3. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds or elected officials” or “due to other funds or elected officials” on the balance sheet. Short-term interfund loans are also classified as “interfund receivables/payables.”

The Sheriff maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Sheriff’s capitalization level is \$1,000 on tangible personal property. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

| Assets | Years |
|-----------|-------|
| Equipment | 3-7 |
| Vehicles | 2-15 |

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

4. Compensated Absences

The liability for compensated absences reported in the governmental and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances. A liability for these amounts is reported in governmental funds financial statements only if they have matured, for example, as a result of employee resignations and retirements. The liability is accrued when incurred in the proprietary fund financial statements. The Sheriff uses an internal service fund to accumulate the resources to fund the short-term portion of this compensated absences liability. Long-term liability is reported on the government-wide statement of net assets of Okaloosa County.

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. Fund Equity

Governmental funds report zero fund balance at year end as all excess appropriations must be returned to the Board of County Commissioners. When both restricted and unrestricted resources are available for use, it is the policy of the Sheriff to use restricted resources first, and then unrestricted resources as they are needed.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other constitutional officers, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board re-adopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information - Continued

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each constitutional officer is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. Supplemental budgetary appropriations of \$68,050 representing a slight increase over the original adopted budget were necessary during the fiscal year for the Sheriff. All amendments to originally adopted amounts were made in a legally permissible manner.

B. Deficit Fund Equity

The Sheriff's Self-Insurance Fund is reflecting a deficit fund equity of \$1,156,133. This is the result of the implementation of GASB 45 which requires the unfunded liability for future employee benefits (OPEB) to be recorded at September 30, 2010.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Sheriff maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Sheriff deposits, including certificates of deposit, are considered fully insured.

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1. The Sheriff maintained no investment accounts during the fiscal year ended September 30, 2010.

NOTE 4 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---------------------|-------------|------------|
| General Fund | | |
| Federal Forfeitures | \$ - | \$ 296,128 |

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 5 - CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Sheriff of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 14,596,682 | \$ 1,950,362 | \$ (1,409,782) | \$ 15,137,262 |
| Less accumulated depreciation | <u>(9,752,587)</u> | <u>(1,650,761)</u> | <u>1,258,438</u> | <u>(10,144,910)</u> |
| Governmental activities capital assets, net | <u>\$ 4,844,095</u> | <u>\$ 299,601</u> | <u>\$ (151,344)</u> | <u>\$ 4,992,352</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--------------------------|---------------------|
| Governmental activities: | |
| Public safety | <u>\$ 1,650,761</u> |

NOTE 6 – COMPENSATED ABSENCES

The Sheriff maintains a policy providing for annual and sick leave pay for all full-time non-exempt employees. Employees are allowed to accumulate unlimited time; however, upon separation the employee will receive compensation only for any unused annual leave up to a maximum of 240 hours. Annual leave is calculated as follows:

| <u>Years of Service</u> | <u>Accrual Rate</u> |
|----------------------------|-------------------------------|
| Less than five (5) years | (8) hours per calendar month |
| Five (5) to ten (10) years | (10) hours per calendar month |
| Ten (10) and more years | (12) hours per calendar month |

Sick leave is earned by all personnel at 8 hours per month. Unused accrued leave is carried over from year to year. Employees terminating after ten years of service are compensated for unused sick leave up to a maximum of 100 hours.

An employee who meets eligibility requirements receives a minimum of 12 weeks of leave, paid and /or unpaid in accordance with federal guidelines.

The vested portion of accumulated annual leave for the Sheriff as of September 30, 2010 follows:

| | <u>Current Portion</u> | <u>Long-Term Portion</u> | <u>Totals</u> |
|--------------|----------------------------|------------------------------|---------------------|
| Annual Leave | <u>\$ 1,482,832</u> | <u>\$ 1,260,200</u> | <u>\$ 2,743,032</u> |

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:
Due to/from other funds and elected officials:

| Receivable Fund | Payable Fund | Amount | Purpose |
|--------------------------------|-------------------------------|---------------------|----------------------------|
| Other Funds | | | |
| Internal Service | General | \$ 217,428 | Internal services |
| Other Elected Officials | | | |
| General | Board of County Commissioners | \$ 298,621 | Grant revenue |
| General | Board of County Commissioners | 34,405 | LETA Expense |
| Board of County Commissioners | General | (444,566) | 2010 Excess appropriations |
| Board of County Commissioners | General | (113,465) | 2009 Excess appropriations |
| Board of County Commissioners | Fiduciary Fund Type | (15,925) | Court fees |
| Total | | \$ (240,930) | |

Interfund transfers:

| Transfer In | Transfer Out | Amount | Purpose |
|--------------------------------|-------------------------------|----------------------|-----------------------|
| Other Elected Officials | | | |
| General | Board of County Commissioners | \$ 30,643,798 | Budget appropriations |
| General | Board of County Commissioners | 1,185,409 | Grant appropriations |
| Total | | \$ 31,829,207 | |

NOTE 8 – OPERATING LEASES

Sheriff rents office space under an operating lease which expires in December, 2012. Monthly lease payments are \$10,500. Total lease expenditure for fiscal year ended September 30, 2010 was \$133,800. The future minimum lease payments are as follows:

| Fiscal Year Ended September 30 | |
|-------------------------------------|-------------------|
| 2011 | \$ 126,000 |
| 2012 | 126,000 |
| 2013 | 31,500 |
| Total minimum lease payments | \$ 283,500 |

NOTE 9 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Sheriff of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 9 – LONG-TERM DEBT - CONTINUED

The Sheriff had no outstanding debt issues at September 30, 2010. The following is a summary of long-term debt transactions of the Sheriff for the fiscal year ended September 30, 2010:

| | Balance Due | | | Balance Due | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | October | | | September | Due Within |
| | 30, 2009 | Increases | Decreases | 30, 2010 | One Year |
| Governmental Activities: | | | | | |
| Accrued Compensated Absences | \$ 3,073,403 | \$ - | \$ (330,371) | \$ 2,743,032 | \$ 1,482,832 |
| Estimated Claims Payable | 508,339 | 650,727 | (508,339) | 650,727 | 650,727 |
| Net OPEB Obligation | 2,538,436 | 691,393 | - | 3,229,829 | - |
| Total Governmental Activities | | | | | |
| Long-Term Debt | <u>\$ 6,120,178</u> | <u>\$ 1,342,120</u> | <u>\$ (838,710)</u> | <u>\$ 6,623,588</u> | <u>\$ 2,133,559</u> |

Internal service funds predominantly serve the governmental funds. Accordingly, liabilities for them are included as part of the above totals for governmental activities. At year end \$2,743,032 of internal service fund compensated absences, \$650,727 of internal service fund estimated claims payable, \$3,229,829 of internal service fund net OPEB obligation are included in the above amounts.

Compensated absences typically have been liquidated in the general fund while the estimated claims and OPEB obligations are liquidated from the internal service self-insurance fund.

NOTE 10 - PENSION PLAN

Florida Retirement System

Plan Description

The Sheriff contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 - PENSION PLAN - CONTINUED

Florida Retirement System - Continued

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payrolls for regular employees are 8.74%, special risk employees 19.81%, special risk administrative support 11.44%, elected judges 18.45%, elected county officers 15.42%, senior management service class 12.01% and 9.80% for the Deferred Retirement Option Program (DROP). The Sheriff's contributions to the plan for the years ended September 30, 2010, 2009, and 2008 were \$3,091,965, \$3,180,160, and \$3,225,225, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Sheriff contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11- POSTEMPLOYMENT BENEFITS

Background

Certain Other Post Employment Benefits (OPEB) are available to all employees eligible for disability, early or normal retirement after terminating employment with Okaloosa County Sheriff's Office (OCSO). The OPEB benefits include lifetime coverage for the retiree and dependents in the medical/prescription plans as well as participation in the dental group plan sponsored by the Sheriff's Office for employees. Beginning in fiscal year 2008, the Sheriff implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for the OPEB offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the Sheriff's retiree health benefit subsidy. Historically, the Sheriff's subsidy was funded on a pay-as-you-go basis but GASB 45 requires the Sheriff to accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Sheriff.

Plan Description

The OCSO administers a single-employer defined benefit healthcare plan ("the Plan"). The Plan provides healthcare insurance for eligible retirees and their spouses through the Sheriff's group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage. The Plan does not issue a publicly available financial report but OPEB expenses are reflected in the Sheriff's internal service fund within the County's Comprehensive Annual Financial Report (CAFR).

Benefits Provided

Eligible retirees may choose among the same medical plan options available for active employees of the employer. Dependents of retirees may be covered, at the retiree's option, the same as dependents of active employees. Prescription drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the medical plan options. Covered retirees and their dependents are subject to all the same medical and prescription benefits and rules for coverage as are active employees. Retirees and their dependents are eligible to participate in the employer-sponsored dental plans. Retirees may elect any combination of plans (i.e. only dental, medical/prescription, etc.). Retirees and their dependents who are over age 65 must enroll for Parts A and B under Medicare in order to remain covered under the program. All post-65 medical coverage is secondary to Medicare.

Membership

At September 30, 2010, membership consisted of:

| | |
|--|-----------------|
| Retirees and Beneficiaries Currently Receiving Benefits | 21 |
| Terminated Employees Entitled to Benefits But Not Yet Receiving Them | - |
| Active Employees | 308 |
| Total | <u>329</u> |
| Participating Employers | <u><u>1</u></u> |

Funding Policy

Retirees and beneficiaries currently receiving medical/prescription benefits are required to make monthly premium contributions in order to maintain their coverage. The single retiree premium is paid by the OCSO for retirees with at least 20 years of service, until the retiree reaches age 65. Effective October 1, 2010 that benefit is no longer available except to retirees that met the criteria as of September 30, 2010. Dependent coverage is paid by the retiree. The amount of the premium contribution may change from time to time. Surviving spouses of retirees are eligible to continue coverage under the plan, but must continue to pay the full premium. However, the premiums for health coverage for surviving spouses and any dependent children of officers who had sustained catastrophic injuries or death in the line of duty are paid fully by the OCSO as prescribed by FS Sec 112.19(g) and 112.19(h)1.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11- POSTEMPLOYMENT BENEFITS - CONTINUED

Annual OPEB Costs and Net OPEB Obligation

The Sheriff's annual OPEB cost (expense) is the actuarially required contribution (ARC) of the employer determined in accordance with the provisions of GASB Statement 45. The ARC represents a level of funding that, if paid on an on going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 28 years. The following shows the components of the Sheriff's net OPEB obligation as of September 30, 2010:

| | | |
|--|----|-----------|
| Annual Required Contribution | \$ | 887,276 |
| Interest on Prior Year Net OPEB Obligation | | 101,537 |
| Adjustment to Annual Required Contribution | | (90,658) |
| Annual OPEB Costs | | 898,155 |
| Estimated Employer Contributions made | | 206,762 |
| Increase (Decrease) in Net OPEB Obligation | | 691,393 |
| Net OPEB Obligation , Beginning of Year | | 2,538,436 |
| Estimated Net OPEB Obligation, End of Year | \$ | 3,229,829 |

The Sheriff's annual OPEB cost (expense) of \$898,155 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 31, 2007. The Sheriff's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and the prior three (3) years were as follows:

| Fiscal Year Ended | Annual OPEB Costs | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|----------------------|---|------------------------|
| 9/30/2008 | \$1,476,435 | 14.70% | \$1,259,328 |
| 9/30/2009 | \$1,543,888 | 17.15% | \$2,538,436 |
| 9/30/2010 | \$898,155 | 23.02% | \$3,229,829 |

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$7,977,525 was unfunded. Actuarial valuation of an ongoing plan involves 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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements in the government-wide financial statements of Okaloosa County, Florida, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 11 - POSTEMPLOYMENT BENEFITS - CONTINUED

Actuarial methods and Assumptions - Continued

In the September 30, 2010, actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5.0% in 2020. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2010, was 28 years.

NOTE 12 - RISK MANAGEMENT

The Sheriff is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Public liability and special risks are covered by commercial insurance policies which are accounted for in the Sheriff's general fund. The Sheriff bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

The Sheriff participates in the Florida Sheriff's Association Workers' Compensation Program. It is a fully insured, guaranteed cost program with a deductible trust fund and insurance with a commercial carrier. The Sheriff retains no risk.

The Sheriff utilizes a self-funded health plan to provide comprehensive medical benefits to the employees, retirees and their dependents. It is funded by contributions from the Sheriff's Office and employees. In compliance with Florida Statute, Section 112.08, an actuarial review of the Plan demonstrates that the current rate structure of the Plan plus the current net assets available for benefits appears adequate to support current outstanding claims as well as those projected claims and expenses for the next plan year.

Excess insurance is purchased from a commercial carrier to provide a specific claim and aggregate limits coverage. Specific claim coverage benefits the covered individual by providing \$1,000,000 of coverage to begin when a specific claim exceeds \$85,000. Specific claim coverage is subject to a \$2,000,000 aggregate lifetime maximum limit per covered individual. Aggregate limits coverage limits the Sheriff's total risk exposure. This coverage provides the Sheriff with an additional \$1,000,000 in coverage for the coverage year when the costs of total claims paid less the total paid under the specific claim excess coverage exceeds \$3,821,682 for the year ended September 30, 2010.

The Sheriff uses an internal service fund to account for risks from medical benefit claims. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At September 30, 2010, the amount of these liabilities was \$650,727. This liability has been determined based on an actuarial evaluation of all claims reported and all claims incurred but not reported (IBNR) as of September 30, 2010. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 12 - RISK MANAGEMENT - CONTINUED

| Reconciliation of Claims Liabilities for Medical Benefits | As of | As of |
|---|---------------------------|---------------------------|
| | <u>September 30, 2010</u> | <u>September 30, 2009</u> |
| Unpaid claims and adjustment expenses at beginning of year | \$ 508,339 | \$ 353,125 |
| Incurred claims and claim adjustment expenses | | |
| A) Provision for insured events of current fiscal year | 2,427,915 | 2,505,875 |
| B) Increases (decreases) in provision for insured events of prior fiscal years | - | - |
| Total incurred claims and claim adjustment expenses | <u>2,936,254</u> | <u>2,859,000</u> |
| Payments | | |
| A) Claims and claim adjustment expenses attributable to insured events of current fiscal year | 2,285,527 | 2,350,661 |
| B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year | - | - |
| Total payments | <u>2,285,527</u> | <u>2,350,661</u> |
| Unpaid claims and claim adjustment expenses at end of year | <u>\$ 650,727</u> | <u>\$ 508,339</u> |

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Sheriff, on a cost reimbursement basis.

Compensated Absences Fund

This fund is used to accumulate and fund the short-term portion of compensated absence liability for the Sheriff.

Health Benefits Self Insurance Fund

This fund is used to account for premiums and claims associated with the provision of self-insurance of health benefits for the Sheriff and to record the liability for other post employment benefits provided to the retirees of the Sheriff.

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
September 30, 2010

| | <u>Compensated Absences</u> | <u>Health Benefits Self Insurance</u> | <u>Total Internal Service Funds</u> |
|--------------------------------|---------------------------------|---|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 1,265,404 | \$ 2,625,502 | \$ 3,890,906 |
| Due from Other Funds | 217,428 | - | 217,428 |
| Due From Other Governments | - | 98,921 | 98,921 |
| | <u>1,482,832</u> | <u>2,724,423</u> | <u>4,207,255</u> |
| Total Current Assets | <u>\$ 1,482,832</u> | <u>\$ 2,724,423</u> | <u>\$ 4,207,255</u> |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Compensated Absences | \$ 1,482,832 | \$ - | \$ 1,482,832 |
| Claims and Judgments | - | 650,727 | 650,727 |
| | <u>1,482,832</u> | <u>650,727</u> | <u>2,133,559</u> |
| Total Current Liabilities | <u>1,482,832</u> | <u>650,727</u> | <u>2,133,559</u> |
| Noncurrent Liabilities | | | |
| Other Post Employment Benefits | - | 3,229,829 | 3,229,829 |
| Noncurrent Liabilities | - | 3,229,829 | 3,229,829 |
| | <u>1,482,832</u> | <u>3,880,556</u> | <u>5,363,388</u> |
| Total Liabilities | <u>1,482,832</u> | <u>3,880,556</u> | <u>5,363,388</u> |
| Equity | | | |
| Unrestricted | - | (1,156,133) | (1,156,133) |
| | <u>-</u> | <u>(1,156,133)</u> | <u>(1,156,133)</u> |
| Total Equity | <u>-</u> | <u>(1,156,133)</u> | <u>(1,156,133)</u> |
| Total Liabilities and Equity | <u>\$ 1,482,832</u> | <u>\$ 2,724,423</u> | <u>\$ 4,207,255</u> |

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN EQUITY
For the Fiscal Year Ended September 30, 2010

| | <u>Compensated Absences</u> | <u>Health Benefits Self Insurance</u> | <u>Total Internal Service Funds</u> |
|----------------------------------|---------------------------------|---|---|
| Operating Revenues | | | |
| Charges for Services | \$ - | \$ 3,886,891 | \$ 3,886,891 |
| Total Operating | <u>-</u> | <u>3,886,891</u> | <u>3,886,891</u> |
| Operating Expenses | | | |
| Personal Services | - | 691,393 | 691,393 |
| Contractual Services | - | 213,641 | 213,641 |
| Insurance Premiums and Claims | - | 2,604,467 | 2,604,467 |
| Other Operating Expenses | <u>-</u> | <u>1,325</u> | <u>1,325</u> |
| Total Operating Expenses | <u>-</u> | <u>3,510,826</u> | <u>3,510,826</u> |
| Operating Income (Loss) | <u>-</u> | <u>376,065</u> | <u>376,065</u> |
| Nonoperating Revenues (Expenses) | | | |
| Investment Income | <u>-</u> | <u>1,963</u> | <u>1,963</u> |
| Change in Equity | - | 378,028 | 378,028 |
| Total Equity - Beginning | <u>-</u> | <u>(1,534,161)</u> | <u>(1,534,161)</u> |
| Total Equity - Ending | <u>\$ -</u> | <u>\$ (1,156,133)</u> | <u>\$ (1,156,133)</u> |

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2010

| | Compensated Absences | Health Benefits Self Insurance | Total Internal Service Funds |
|--|-------------------------|-----------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Interfund Services Provided | \$ 354,810 | \$ 3,730,769 | \$ 4,085,579 |
| Payments to Suppliers | - | (2,677,044) | (2,677,044) |
| Net Cash Provided (Used) by Operating Activities | 354,810 | 1,053,725 | 1,408,535 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest Income | - | 1,963 | 1,963 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 354,810 | 1,055,688 | 1,410,498 |
| Cash and Cash Equivalents - Beginning of Year | 910,594 | 1,569,814 | 2,480,408 |
| Cash and Cash Equivalents - End of Year | <u>\$ 1,265,404</u> | <u>\$ 2,625,502</u> | <u>\$ 3,890,906</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ - | \$ 376,065 | \$ 376,065 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Increase in Assets | | | |
| Due from Other Governments | - | (156,121) | (156,121) |
| Due from Other Funds | 137,381 | - | 137,381 |
| Increase in Liabilities | | | |
| Compensated Absences Payable | 217,429 | - | 217,429 |
| Claims and Judgments Payable | - | 691,393 | 691,393 |
| Other Post Employment Benefits | - | 142,388 | 142,388 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 354,810</u> | <u>\$ 1,053,725</u> | <u>\$ 1,408,535</u> |

AGENCY FUNDS

Agency funds are used to account for assets held by the Sheriff of Okaloosa County as agent for individuals, private organizations, other governments, and/or other funds.

Individual Depositors Fund

This fund is used to account for the collection and disbursement of statutory fees for services performed by the Sheriff.

Suspense (Levies) Fund

This fund is used to account for monies collected and disbursed pursuant to levies.

Sheriff
Okaloosa County, Florida
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2010

| | Individual Depositors | Suspense (Levies) | Total |
|--------------------------------|--------------------------|----------------------|-------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 15,835 | \$ 12,795 | \$ 28,630 |
| LIABILITIES | | | |
| Due to Other Elected Officials | 15,835 | 90 | 15,925 |
| Due to Depositors | - | 12,705 | 12,705 |
| Total Liabilities | 15,835 | 12,795 | 28,630 |
| NET ASSETS | \$ - | \$ - | \$ - |

Sheriff
Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2010

| | Balances October 1, 2009 | Additions | Deletions | Balances September 30, 2010 |
|--|--------------------------------|------------|------------|-----------------------------------|
| INDIVIDUAL DEPOSITORS AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 18,120 | \$ 205,270 | \$ 207,555 | \$ 15,835 |
| LIABILITIES | | | | |
| Due to Other Elected Officials | \$ 18,120 | \$ 205,270 | \$ 207,555 | \$ 15,835 |
| SUSPENSE (LEVIES) AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 4,399 | \$ 122,179 | \$ 113,783 | \$ 12,795 |
| LIABILITIES | | | | |
| Due to Other Elected Officials | \$ - | \$ 1,870 | \$ 1,780 | \$ 90 |
| Due to Depositors | 4,399 | 120,309 | 112,003 | 12,705 |
| Total Liabilities | \$ 4,399 | \$ 122,179 | \$ 113,783 | \$ 12,795 |
| TOTAL - ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 22,519 | \$ 327,449 | \$ 321,338 | \$ 28,630 |
| LIABILITIES | | | | |
| Due to Other Elected Officials | \$ 18,120 | \$ 207,140 | \$ 209,335 | \$ 15,925 |
| Due to Depositors | 4,399 | 120,309 | 112,003 | 12,705 |
| Total Liabilities | \$ 22,519 | \$ 327,449 | \$ 321,338 | \$ 28,630 |

Other Reports



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548

To The Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

**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**

We have audited the basic financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which collectively comprise the Sheriff of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Sheriff of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting, Finding 2009-2. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff of Okaloosa County, Florida'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*.

The Honorable Larry Ashley, Sheriff
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 (Continued)

Compliance and Other Matters (Continued)

The Sheriff of Okaloosa County, Florida's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the Sheriff of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

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

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

Okaloosa County, Florida
Sheriff
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended September 30, 2010

Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)

Finding 2009-1 PERFORMANCE PAY - SHERIFF

Status: Corrective Action Taken.

Finding 2009-2 MONTHLY CLOSING PROCEDURES - SHERIFF

Criteria –Authority and responsibility of the Sheriff’s office fiscal management function rests with the Chief Financial Officer (CFO), as defined in OCSO Fiscal Management Policy, General Order 7.01. That policy defines fiscal management to include participation in the preparation of the agency’s budget; accounting system; collecting, safeguarding and disbursing of cash; and all finance, payroll, grants, and travel functions.

Condition –Various general ledger accounts were not reconciled timely throughout the year. Significant audit adjustments were necessary during the annual audit process and to the reporting package submitted to the Okaloosa County Clerk of Courts in November, 2010.

Cause – The former Director of Administration contributed to the condition above. Duties within the Sheriff’s office were re-aligned but there was not adequate oversight (training) for accounting personnel, nor timely review of accounting information or account reconciliations by management.

Effect – Significant audit adjustments were necessary to correct the general ledger balances, and the financial reporting package submitted to the Okaloosa County Clerk of Courts.

Recommendations -

- Finance should establish monthly procedures to comply with its Fiscal Management Policy, 7.01 to ensure fiscal responsibility is met by management.
- Monthly reconciliation of key subsidiary ledgers with general ledger accounts should be made for each key account – including bank accounts, accounts receivable, accounts payable, payroll liabilities, and capital outlay purchases. In addition, key accounts with the Okaloosa County Board of County Commissioners (appropriations, due to/from) should be reconciled.
- Quarterly monitoring procedures should be employed to determine whether budgetary amendments, if any, are necessary. Reconciling accounts monthly as recommended above should allow for better tracking of budgetary dollars.

Views of the Responsible Officials and Planned Corrective Actions –

The OCSO will ensure the books and records are materially correct at the end of each reporting period, and that key accounts are reconciled monthly. Such procedures include monthly reconciliation of key subsidiary accounts, independent monitoring of status reports and continued re-alignment of certain accounting functions.



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To the Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Sheriff of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- 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 report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we have determined that the Sheriff of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management of the Sheriff of Okaloosa County, Florida. In connection with our audit, we did not have any recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

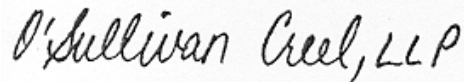
The Honorable Larry Ashley
Sheriff
Management Letter (Continued)

- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. In connection with our audit, we noted no such items.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Sheriff of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e), as part of the primary government of Okaloosa County, Florida. There are no component units related to the Sheriff of Okaloosa County, Florida.

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

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Sheriff of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



O'SULLIVAN CREEL, L.L.P.
Certified Public Accountants and Consultants

March 18, 2011

TAX COLLECTOR

**OKALOOSA COUNTY, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
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Basic Financial Statements



To the Honorable Chris Hughes
Tax Collector
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Tax Collector of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Tax Collector's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tax Collector of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Tax Collector of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Tax Collector of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Chris Hughes, Tax Collector
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011 on our consideration of the Tax Collector of Okaloosa County, Florida'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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tax Collector of Okaloosa County, Florida's basic financial statements. The individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

**Tax Collector
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2010**

| | <u>General Fund</u> |
|--|---------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 1,245,064 |
| Accounts Receivable | 361 |
| Due from Other Elected Officials | 2,438 |
| Deposits | 848 |
| Total Assets | \$ 1,248,711 |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Accounts Payable | \$ 103,532 |
| Other Accrued Liabilities | 65,719 |
| Due to Other Elected Officials | 982,825 |
| Due to Other Governments | 79,025 |
| Due to Depositors | 17,610 |
| Total Liabilities | 1,248,711 |
| Fund Balance | |
| Unreserved | - |
| Total Fund Balance | - |
| Total Liabilities and Fund Balance | \$ 1,248,711 |

The notes to the financial statements are an integral part of this statement.

Tax Collector
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2010

| | General Fund |
|--|--------------|
| Revenues | |
| Charges for Services | \$ 5,810,111 |
| Miscellaneous | 260,717 |
| Total Revenues | 6,070,828 |
| Expenditures | |
| Current | |
| General Government | 5,142,547 |
| Capital Outlay | 102,245 |
| Total Expenditures | 5,244,792 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 826,036 |
| Other Financing Sources (Uses) | |
| Transfers Among Constitutional Officers | (826,036) |
| Total Other Financing Sources (Uses) | (826,036) |
| Net Change in Fund Balance | - |
| Fund Balance - Beginning | - |
| Fund Balance - Ending | \$ - |

The notes to the financial statements are an integral part of this statement.

**Tax Collector
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for Services | \$ 5,737,200 | \$ 5,737,200 | \$ 5,810,111 | \$ 72,911 |
| Miscellaneous | 265,500 | 265,500 | 260,717 | (4,783) |
| Total Revenues | 6,002,700 | 6,002,700 | 6,070,828 | 68,128 |
| Expenditures | | | | |
| Current | | | | |
| General Government | 5,358,245 | 5,358,245 | 5,142,547 | 215,698 |
| Capital Outlay | 105,000 | 105,000 | 102,245 | 2,755 |
| Total Expenditures | 5,463,245 | 5,463,245 | 5,244,792 | 218,453 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 539,455 | 539,455 | 826,036 | 286,581 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | (539,455) | (539,455) | (826,036) | (286,581) |
| Total Other Financing Sources (Uses) | (539,455) | (539,455) | (826,036) | (286,581) |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | \$ - | \$ - | \$ - | \$ - |

The notes to the financial statements are an integral part of this statement.

Tax Collector
Okaloosa County, Florida
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
September 30, 2010

| | Disbursements Agency Fund |
|----------------------------|------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 1,525,758 |
| Accounts Receivable | 11,990 |
| Total Assets | \$ 1,537,748 |
| LIABILITIES | |
| Due to Other Governments | \$ 15,795 |
| Due to Depositors | 198,519 |
| Taxes Collected in Advance | 1,323,434 |
| Total Liabilities | 1,537,748 |
| NET ASSETS | \$ - |

The notes to the financial statements are an integral part of this statement.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tax Collector is an elected official established pursuant to the Constitution of the State of Florida. The Tax Collector is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Tax Collector have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Tax Collector uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The following is a summary of the more significant accounting policies of the Tax Collector.

A. The Reporting Entity

The Tax Collector is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Tax Collector's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Tax Collector in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Tax Collector that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

The Tax Collector segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and fiduciary funds. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Tax Collector is the General Fund.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Tax Collector considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are interest revenue and charges for service. Current year property taxes uncollected at the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and are not recorded as a receivable on the balance sheet.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is an auto license, in exchange for a specific license fee. Non-exchange transactions are those in which the Tax Collector gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is grant revenue received from the federal or state government used to fund governmental services for the citizens of Okaloosa County. The revenue from these exchange and non-exchange transactions is recognized in the financial statements of the Tax Collector using the modified accrual basis of accounting.

3. Fiduciary Fund Financial Statements

The only fiduciary fund of the Tax Collector is an agency fund and as such does not record revenues and expenses.

4. Financial Statement Presentation

The Tax Collector reports the following major governmental fund:

General Fund

This is the Tax Collector’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Tax Collector reports the following fund type:

Agency Fund

The Disbursements Agency Fund accounts for the collection of both current and delinquent property tax assessments as well as licenses and fees collected on behalf of Okaloosa County, municipalities other taxing districts, and state agencies.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Tax Collector adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers. Investments are reported at fair value.

During 2009, the Tax Collector participated in the Florida Surplus Asset Fund Trust ("FLSAFE") that was established under authority of, and in conformity with, Florida Statutes 163-01; *et seq.* FLSAFE began operations in February 2008 and was formed by and for Florida local governmental entities as a means of investing funds. The State of Florida provides regulatory oversight over FLSAFE, and FLSAFE is not registered with the U.S. Securities and Exchange Commission. FLSAFE is an external investment pool, and may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper and repurchase agreements with securities valued in excess of the repurchase agreement amount. No monies were held in the FLSAFE account during the fiscal year ended September 30, 2010.

The Tax Collector maintains a pooled cash account available for use by all funds. Each fund's portion of the pooled cash is displayed on the balance sheet as "cash and cash equivalents."

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds or elected officials for goods provided or services rendered. These receivables and payables are classified as "due from other funds or elected officials" or "due to other funds or elected officials" on the balance sheet. Short-term inter-fund loans are also classified as "interfund receivables/payables."

The Tax Collector maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

3. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Tax Collector's capitalization level is \$1,000 on tangible personal property. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

| Assets | Years |
|----------------------------|-------|
| Buildings and improvements | 5 |
| Equipment | 3-7 |
| Vehicles | 2-15 |

4. Compensated Absences

The liability for compensated absences consisting of unpaid, accumulated annual and sick leave and compensatory time balances is reported on the government-wide statement of net assets of Okaloosa County. The liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds financial statements of the Tax Collector under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - LEGAL COMPLIANCE BUDGETS

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millage and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 2 - LEGAL COMPLIANCE BUDGETS - CONTINUED

Not later than August 1 of each year, the Tax Collector submits his budget to the State of Florida Department of Revenue. Tentative approval must be given to the Tax Collector by September 15. The Department of Revenue issues their approval of the Tax Collector's final budget and simultaneously notifies the Board of County Commissioners of their approval not later than September 30.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board readopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The Tax Collector may transfer budgeted amounts between line items within his budget without approval but may not reallocate amounts between personal services, capital outlay, and operating expenses. The Department of Revenue must approve transfer of amounts between these major groups of budgetary items, and any modification of the budget that increases the total of the budget. The Department of Revenue notifies the Board of County Commissioners of all budget modifications approved by them. In the current year there were no supplemental budgetary appropriations.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Tax Collector maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Tax Collector deposits, including certificates of deposit, are considered fully insured.

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1. The Tax Collector maintained no investment accounts during the fiscal year ended September 30, 2010.

NOTE 4 - TAXES RECEIVABLE

Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector). The County bills and collects its own property taxes, as well as taxes for the County School District and taxes for municipalities and special districts within the County in accordance with the laws of the State of Florida. No accrual has been made for 2010 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Collection of taxes and remittance of them to other governmental agencies are accounted for in the tax agency fund of the Tax Collector.

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 - TAXES RECEIVABLE - CONTINUED

The following is the current property tax calendar:

| | |
|-----------------|------------------|
| Lien Date | January 1, 2010 |
| Levy Date | November 1, 2010 |
| Due Date | November 1, 2010 |
| Delinquent Date | April 1, 2011 |

Discounts of 1% for each month taxes are paid prior to March 2011 are granted.

Revenue recognition criteria for property taxes under the Government Accounting Standards Board requires that property taxes expected to be collected within 60 days of the current period be accrued. Current year taxes that are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

NOTE 5 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Tax Collector of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

| | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|-----------------|---------------------------|
| Governmental | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 21,962 | - | - | 21,962 |
| Machinery and equipment | 815,487 | 102,245 | (37,964) | 879,768 |
| Less accumulated depreciation | <u>(509,728)</u> | <u>(68,329)</u> | <u>37,964</u> | <u>(540,093)</u> |
| Governmental activities capital assets, net | <u>\$ 327,721</u> | <u>\$ 33,916</u> | <u>\$ -</u> | <u>\$ 361,637</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--------------------------|------------------|
| Governmental Activities: | |
| General government | <u>\$ 68,329</u> |

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 6 – COMPENSATED ABSENCES

The policy of the Tax Collector for annual and sick leave is that employees are entitled to two (2) weeks annual leave and 12 days sick leave. Annual leave increases by one (1) week for each five (5) years of service in the Florida Retirement System (FRS) up to 20 years and six (6) weeks. Employees may accumulate between 160-500 hours of annual leave based on FRS years of service and 240 hours of sick leave. Upon termination, unused sick leave is forfeited.

The total amounts of accumulated annual leave for the Tax Collector as of September 30, 2010 follow:

| | Current Portion | Long-Term Portion | Totals |
|--------------|--------------------|----------------------|------------|
| Annual Leave | \$ - | \$ 167,325 | \$ 167,325 |

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of inter-fund balances as of September 30, 2010 is as follows:

Due to/from other funds and elected officials:

| Receivable Fund | Payable Fund | Amount | Purpose |
|-------------------------|---------------------------------------|------------|--------------------------------|
| Other Funds | | | |
| General | Fiduciary | \$ - | Internal services |
| Other Elected Officials | | | |
| | Board of County Commissioners General | \$ 826,036 | Excess fees |
| | Board of County Commissioners General | 204 | Interest |
| | Board of County Commissioners General | 36,170 | Prepaid occupancy |
| | Board of County Commissioners General | 104,810 | Vessel commissions |
| | Board of County Commissioners General | 15,605 | Bank fees |
| | General Board of County Commissioners | (2,438) | Delq. Real & TPP, BCC Vehl Reg |
| Total | | \$ 980,387 | |

Interfund transfers:

| Transfer In | Transfer Out | Amount | Purpose |
|-------------------------|---------------------------------------|------------|-------------|
| Other Elected Officials | | | |
| | Board of County Commissioners General | \$ 826,036 | Excess fees |

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 – OPERATING LEASES

The Tax Collector rents office space for a decentralized location to accommodate residents in a certain area of the County. The twenty-year lease expires in 2025. As of October 1, 2010, the yearly rental is \$218,877. Total lease expenditure for fiscal year ended September 30, 2010 was \$213,268. Future minimum lease payments for this lease are as follows:

| <u>Fiscal Year Ended September 30</u> | |
|---------------------------------------|---------------------|
| 2011 | \$ 218,877 |
| 2012 | 218,877 |
| 2013 | 218,877 |
| 2014 | 218,877 |
| 2015 | 218,877 |
| 2016-2020 | 1,094,385 |
| 2021-2025 | 1,094,385 |
| Total minimum lease payments | <u>\$ 3,283,155</u> |

NOTE 9 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Tax Collector of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010.

| | <u>Balance Due September 30, 2009</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance Due September 30, 2010</u> | <u>Due Within One Year</u> |
|--------------------------------|---|-------------------|---------------------|---|--------------------------------|
| Governmental Activities: | | | | | |
| Accrued Compensated Absences | \$ 166,095 | \$ 202,985 | \$ (201,755) | \$ 167,325 | \$ - |
| Other post employment benefits | 24,851 | 27,612 | (12,783) | 39,680 | - |
| Total Governmental Activities | <u>\$ 190,946</u> | <u>\$ 230,597</u> | <u>\$ (214,538)</u> | <u>\$ 207,005</u> | <u>\$ -</u> |

Compensated absences typically have been liquidated in the general fund.

NOTE 10 - PENSION PLAN

Florida Retirement System

Plan Description

The Tax Collector contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 - PENSION PLAN - CONTINUED

Florida Retirement System - Continued

Plan Description - Continued

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payrolls for regular employees are 9.66%, special risk employees 22.14%, special risk administrative support 12.13%, elected judges 20.68%, elected county officers 17.53%, senior management service class 13.46% and 11.14% for the Deferred Retirement Option Program (DROP). The Tax Collector's contributions to the plan for the years ended September 30, 2010, 2009, and 2008, were \$324,608, \$307,137, and \$311,797, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Tax Collector contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 - PENSION PLAN - CONTINUED

Health Insurance Subsidy – Continued

Plan Description - Continued

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Rules of the Auditor General of the State of Florida, Chapter 10.550 allows notes to the financial statements of a county agency to supplement rather than duplicate notes included in the government-wide financial statements of the county as a whole. The Tax Collector has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Tax Collector is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

NOTE 12 - RISK MANAGEMENT

The Tax Collector is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

Special risks are covered by commercial insurance policies that are accounted for in the Tax Collector's general fund. The Tax Collector bears no risk of loss under this type of coverage.

The Tax Collector has chosen to participate in a group medical insurance plan along with all other elected officials' offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Tax Collector bears no risk of loss under this type of coverage.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 12 - RISK MANAGEMENT - CONTINUED

The Tax Collector has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Tax Collector a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Tax Collector.

NOTE 13 – SUBSEQUENT EVENT

The Tax Collector expanded existing services for Drivers License (DL) Services within Okaloosa County, Florida, as part of a state-wide initiative by the Florida Department of Motor and Vehicle Safety (DHSMV) to move DL services to Tax Collectors. In September 2010, the DHSMV closed its Fort Walton Beach Office and transitioned operations for such services with the Tax Collector. Additional closures are expected in Crestview in the near future. As part of the transition, the Tax Collector has assumed financial responsibilities with such services, including transition of equipment and personnel.

AGENCY FUNDS

Agency funds are used to account for assets held by the Tax Collector of Okaloosa County as agent for individuals, private organizations, other governments, and/or other funds.

Disbursements Fund

This fund is used to account for the collection of current and delinquent tax assessments; business tax receipts for Okaloosa County, municipalities and other taxing districts; automobile and boat tags, titles and other related fees for the Florida Department of Motor Vehicles; and, to account for the collection of hunting and fishing licenses fees for the Florida Department of Natural Resources.

Tax Collector
Okaloosa County, Florida
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Fiscal Year Ended September 30, 2010

| | Balances September 30, 2009 | Additions | Deletions | Balances September 30, 2010 |
|----------------------------------|-----------------------------------|-----------------------|-----------------------|-----------------------------------|
| DISBURSEMENTS AGENCY FUND | | | | |
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 1,367,526 | \$ 248,176,315 | \$ 248,018,083 | \$ 1,525,758 |
| Accounts Receivable | 13,523 | 11,990 | 13,523 | 11,990 |
| Total Assets | <u>\$ 1,381,049</u> | <u>\$ 248,188,305</u> | <u>\$ 248,031,606</u> | <u>\$ 1,537,748</u> |
| <u>LIABILITIES</u> | | | | |
| Due to Other Funds | \$ 1,038 | \$ 5,780,311 | \$ 5,781,349 | \$ - |
| Due to Other Elected Officials | - | 194,460,125 | 194,460,125 | - |
| Due to Other Governments | 15,024 | 45,084,824 | 45,084,053 | 15,795 |
| Due to Depositors | 93,307 | 198,519 | 93,307 | 198,519 |
| Taxes Collected in Advance | 1,271,680 | 2,664,526 | 2,612,772 | 1,323,434 |
| Total Liabilities | <u>\$ 1,381,049</u> | <u>\$ 248,188,305</u> | <u>\$ 248,031,606</u> | <u>\$ 1,537,748</u> |

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Other Reports

To The Honorable Chris Hughes
Tax Collector
Okaloosa County, Florida

**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***

We have audited the basic financial statements of each major fund and the aggregate remaining fund information of the Tax Collector of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which comprise the Tax Collector of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Tax Collector of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector of Okaloosa County, Florida'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*.

The Honorable Chris Hughes, Tax Collector
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 (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Tax Collector of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

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

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

Okaloosa County, Florida
Tax Collector
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended September 30, 2010

1. **Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)**

Finding 2009-1 – TAX COLLECTOR DEFERRED COMPENSATION

Status: Correction Action Taken



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To the Honorable Chris Hughes
Tax Collector
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Tax Collector of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- 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 report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Tax Collector of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., 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 recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

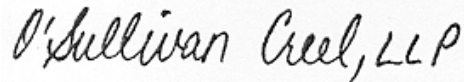
The Honorable Chris Hughes
Tax Collector
Management Letter (Continued)

- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Tax Collector of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e), as part of the primary government of Okaloosa County, Florida. There are no component units related to the Tax Collector of Okaloosa County, Florida.

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

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Tax Collector of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



O'SULLIVAN CREEL, L.L.P.
Certified Public Accountants and Consultants

March 18, 2011

PROPERTY APPRAISER

**OKALOOSA COUNTY, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
 SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
 GENERAL, CHAPTER 10.557**

| | <u>Page</u> | <u>Exhibit</u> |
|--|-------------|----------------|
| PROPERTY APPRAISER | | |
| INTRODUCTORY SECTION | | |
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| Balance Sheet - Governmental Fund | 3 | I |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund | 4 | II |
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Basic Financial Statements



To the Honorable Pete Smith
Property Appraiser
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of the General Fund of the Property Appraiser of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Property Appraiser's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Property Appraiser of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Property Appraiser of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

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 of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Pete Smith, Property Appraiser
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011, on our consideration of the Property Appraiser of Okaloosa County, Florida'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* and should be considered in assessing the results of our audit.

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

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

**Property Appraiser
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2010**

| | <u>General Fund</u> |
|-------------------------------------|---------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 270,568 |
| Total Assets | <u>\$ 270,568</u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Accounts Payable | \$ 2,371 |
| Other Accrued Liabilities | 29,702 |
| Due to Other Elected Officials | 218,697 |
| Due to Other Governments | <u>19,798</u> |
| Total Liabilities | <u>270,568</u> |
| Fund Balance | |
| Unreserved | <u>-</u> |
| Total Fund Balance | <u>-</u> |
| Total Liabilities and Fund Balance | <u>\$ 270,568</u> |

The notes to the financial statements are an integral part of this statement.

**Property Appraiser
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2010**

| | General Fund |
|--|--------------|
| Revenues | |
| Charges for Services | \$ 245,027 |
| Miscellaneous | 3,723 |
| Total Revenues | 248,750 |
| Expenditures | |
| Current | |
| General Government | 2,900,335 |
| Capital Outlay | 55,141 |
| Total Expenditures | 2,955,476 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,706,726) |
| Other Financing Sources (Uses) | |
| Transfers Among Constitutional Officers | 2,706,726 |
| Total Other Financing Sources (Uses) | 2,706,726 |
| Net Change in Fund Balance | - |
| Fund Balance - Beginning | - |
| Fund Balance - Ending | \$ - |

The notes to the financial statements are an integral part of this statement.

**Property Appraiser
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for Services | \$ 245,082 | \$ 245,082 | \$ 245,027 | \$ (55) |
| Miscellaneous | - | - | 3,723 | 3,723 |
| Total Revenues | 245,082 | 245,082 | 248,750 | 3,668 |
| Expenditures | | | | |
| Current | | | | |
| General Government | 3,201,357 | 3,176,217 | 2,900,335 | 275,882 |
| Capital Outlay | 8,895 | 8,895 | 55,141 | (46,246) |
| Total Expenditures | 3,210,252 | 3,185,112 | 2,955,476 | 229,636 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,965,170) | (2,940,030) | (2,706,726) | 233,304 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | 2,965,170 | 2,940,030 | 2,706,726 | (233,304) |
| Total Other Financing Sources (Uses) | 2,965,170 | 2,940,030 | 2,706,726 | (233,304) |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | \$ - | \$ - | \$ - | \$ - |

The notes to the financial statements are an integral part of this statement.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Property Appraiser is an elected official established pursuant to the Constitution of the State of Florida. The Property Appraiser is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Property Appraiser have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Property Appraiser uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The following is a summary of the more significant accounting policies of the Property Appraiser.

A. The Reporting Entity

The Property Appraiser is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Property Appraiser's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Property Appraiser in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Property Appraiser that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

The Property Appraiser segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Property Appraiser is the General Fund.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Property Appraiser considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are interest revenue and charges for service.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is rent, in exchange for a specific service, use of a County building. Non-exchange transactions are those in which the Property Appraiser gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is tax revenue received by the County and appropriated to the Property Appraiser to be used to fund various general governmental services. The revenue from these exchange and non-exchange transactions is recognized in the financial statements of the Property Appraiser using the modified accrual basis of accounting.

3. Financial Statement Presentation

The Property Appraiser reports the following major governmental fund:

General Fund

This is the Property Appraiser’s primary operating fund. It accounts for all financial resources of the general government.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

1. Deposits and Investments - Continued

Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Property Appraiser adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds or elected officials for goods provided or services rendered. These receivables and payables are classified as "due from other funds or elected officials or "due to other funds or elected officials" on the balance sheet. Short-term interfund loans are also classified as "interfund receivables/payables."

3. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant, equipment, and intangible assets purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Property Appraiser's capitalization level is \$1,000 on tangible personal property and \$5,000 on intangible assets. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation and amortization on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

| Assets | Years |
|----------------------------|--------|
| Buildings and improvements | 5 |
| Intangibles | 5 |
| Equipment | 3 - 7 |
| Vehicles | 2 - 15 |

4. Compensated Absences

The liability for compensated absences consisting of unpaid, accumulated paid days off balances is reported on the government-wide statement of net assets of Okaloosa County. The liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds financial statements of the Property Appraiser under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

No later than June 1 of each year, the Property Appraiser submits his budget to the State of Florida Department of Revenue. Tentative approval must be given to the Property Appraiser by July 15. The Department of Revenue issues their approval of the Property Appraiser's final budget and simultaneously notifies the Board of County Commissioners of their approval no later than August 15.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board readopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each elected official is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. Supplemental budgetary appropriations of \$25,140 representing a 0.8% decrease over the original adopted budget were necessary during the fiscal year for the Property Appraiser. All amendments to originally adopted amounts were made in a legally permissible manner.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 3 - DEPOSITS AND INVESTMENTS

The Property Appraiser maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Property Appraiser deposits, including certificates of deposit, are considered fully insured.

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1. The Property Appraiser maintained no investment accounts during the fiscal year ended September 30, 2010.

NOTE 4 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Property Appraiser of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | \$ 31,800 | \$ - | \$ - | \$ 31,800 |
| Intangible | 36,682 | - | - | 36,682 |
| Machinery and equipment | 663,980 | 55,141 | (106,500) | 612,621 |
| Total Capital assets, being depreciated/amortized | <u>732,462</u> | <u>55,141</u> | <u>(106,500)</u> | <u>681,103</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (1,998) | (3,975) | - | (5,973) |
| Intangible | (15,284) | (7,336) | - | (22,620) |
| Machinery and equipment | (557,153) | (54,640) | 106,500 | (505,293) |
| Total accumulated depreciation/amortization | <u>(574,435)</u> | <u>(65,951)</u> | <u>106,500</u> | <u>(533,886)</u> |
| Governmental activities capital assets, net | <u>\$ 158,027</u> | <u>\$ (10,810)</u> | <u>\$ -</u> | <u>\$ 147,217</u> |

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 – CAPITAL ASSETS - CONTINUED

Depreciation/amortization expense was charged to functions/programs as follows:

| | Depreciation | Amortization |
|--------------------------|--------------|--------------|
| Governmental activities: | | |
| General government | \$ 58,615 | \$ 7,336 |

NOTE 5 – COMPENSATED ABSENCES

The Property Appraiser’s policy for compensated absences provides for “paid days off” (a combination of sick and annual leave) which may be used at the employee’s discretion. Paid days off accumulate ratably during each year of employment at the following rates based on years of employment.

| | |
|---------------|--------------------|
| 1 to 5 years | 192 hours per year |
| 5 to 10 years | 216 hours per year |
| Over 10 years | 240 hours per year |

Employees are allowed to accumulate up to 360 hours of paid days off for which they will be paid upon termination of employment. Paid days off accumulated in excess of 360 hours at the end of the calendar year are lost except for employees planning retirement. Employees planning retirement within the following year may increase the accrued paid days off to a maximum of 500 hours. The total amounts of accumulated paid days off for the Property Appraiser as of September 30, 2010 follow:

| | Current Portion | Long-Term Portion | Totals |
|----------------------|--------------------|----------------------|------------|
| Compensated absences | \$ - | \$ 155,475 | \$ 155,475 |

NOTE 6– INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:

Due to/from other elected officials:

| Receivable Fund | Payable Fund | Amount | Purpose |
|-------------------------------|--------------|------------|-----------------------|
| Board of County Commissioners | General | \$ 218,697 | Excess appropriations |

Interfund transfers:

| Transfer In | Transfer Out | Amount | Purpose |
|-------------|-------------------------------|--------------|-----------------------|
| General | Board of County Commissioners | \$ 2,706,726 | Budget appropriations |

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Property Appraiser of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

| | Balance Due October 1, 2009 | | | Balance Due September 30, 2010 | | Due Within One Year |
|-------------------------------|-----------------------------------|------------------|--------------------|--------------------------------------|-------------|------------------------|
| | Increases | Decreases | | | | |
| Governmental Activities: | | | | | | |
| Accrued compensated absences | \$ 164,040 | \$ - | \$ (8,565) | \$ 155,475 | \$ - | |
| Other post employment benefit | 14,253 | 13,985 | (6,474) | 21,764 | - | |
| Total Governmental Activities | <u>\$ 178,293</u> | <u>\$ 13,985</u> | <u>\$ (15,039)</u> | <u>\$ 177,239</u> | <u>\$ -</u> | |

Compensated absences typically have been liquidated in the general fund.

NOTE 8 - PENSION PLAN

Florida Retirement System

Plan Description

The Property Appraiser contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 - PENSION PLAN - CONTINUED

Florida Retirement System – Continued

Funding Policy - Continued

Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payroll are for regular employees 10.77%, special risk employees 23.25%, special risk administrative support 12.13%, elected judges 21.79%, elected county officers 18.64%, senior management service class 14.57%, and 12.25% for the Deferred Retirement Option Program (DROP). The Property Appraiser's contributions to the plan for the years ended September 30, 2010, 2009, and 2008 were \$192,717, \$178,287, and \$177,620, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Property Appraiser contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Plan Description - Continued

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 9 – POST EMPLOYMENT BENEFITS

Rules of the Auditor General of the State of Florida, Chapter 10.550 allows notes to the financial statements of a county agency to supplement rather than duplicate notes included in the government-wide financial statements of the county as a whole. The Property Appraiser has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Property Appraiser is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 - RISK MANAGEMENT

The Property Appraiser is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

Special risks are covered by commercial insurance policies that are accounted for in the Property Appraiser's general fund. The Property Appraiser bears no risk of loss under this type of coverage.

The Property Appraiser has chosen to participate in a group medical insurance plan along with all other elected officials' offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Property Appraiser bears no risk of loss under this type of coverage.

The Property Appraiser has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Property Appraiser a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Property Appraiser.

Other Reports

To The Honorable Pete Smith
Property Appraiser
Okaloosa County, Florida

**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**

We have audited the financial statements of the General Fund of the Property Appraiser of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which comprise the Property Appraiser of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Property Appraiser of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 Property Appraiser of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property Appraiser of Okaloosa County, Florida'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*.

Honorable Pete Smith, Property Appraiser
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 (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Property Appraiser of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

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

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To The Honorable Pete Smith
Property Appraiser
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Property Appraiser of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- 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 report. There were no significant findings and recommendations made in the preceding annual financial audit report for the Property Appraiser of Okaloosa County.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Property Appraiser of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., 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 recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

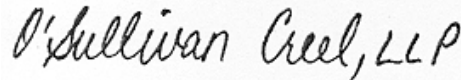
The Honorable Pete Smith
Property Appraiser
Management Letter (Continued)

- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. . In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Property Appraiser of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e) as part of the primary government of Okaloosa County, Florida. There are no component units related to the Property Appraiser of Okaloosa County, Florida.

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

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Property Appraiser of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



O'SULLIVAN CREEL, L.L.P.
Certified Public Accountants and Consultants

March 18, 2011

SUPERVISOR OF ELECTIONS

**OKALOOSA COUNTY, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
 SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
 GENERAL, CHAPTER 10.557**

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Basic Financial Statements



To the Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of the General Fund of the Supervisor of Elections of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Supervisor of Elections of Okaloosa County, Florida's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Supervisor of Elections of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Supervisor of Elections of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

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 Supervisor of Elections of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Paul Lux, Supervisor of Elections
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011, on our consideration of the Supervisor of Elections of Okaloosa County, Florida'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* and should be considered in assessing the results of our audit.

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

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

**Supervisor of Elections
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2010**

| | <u>General Fund</u> |
|--|-----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 26,530 |
| Investments | 792 |
| Accounts Receivable | 2,652 |
| Due from Other Elected Officials | 2,489 |
| Prepays | <u>54,310</u> |
| Total Assets | <u><u>\$ 86,773</u></u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Accounts Payable | \$ 28,785 |
| Contracts Payable | 1,001 |
| Other Accrued Liabilities | 30,991 |
| Due to Other Elected Officials | 11,874 |
| Deferred Revenue | <u>14,122</u> |
| Total Liabilities | <u>86,773</u> |
| Fund Balance | |
| Reserved for | |
| Prepays | 54,310 |
| Unreserved | <u>(54,310)</u> |
| Total Fund Balance | <u>-</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 86,773</u></u> |

The notes to the financial statements are an integral part of this statement.

**Supervisor of Elections
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2010**

| | General Fund |
|--|--------------|
| Revenues | |
| Intergovernmental | \$ 27,168 |
| Charges for Services | 34,249 |
| Miscellaneous | 1,875 |
| Total Revenues | 63,292 |
| Expenditures | |
| Current | |
| General Government | 1,661,311 |
| Capital Outlay | 27,087 |
| Total Expenditures | 1,688,398 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,625,106) |
| Other Financing Sources (Uses) | |
| Transfers Among Constitutional Officers | 1,625,106 |
| Total Other Financing Sources (Uses) | 1,625,106 |
| Net Change in Fund Balance | - |
| Fund Balance - Beginning | - |
| Fund Balance - Ending | \$ - |

The notes to the financial statements are an integral part of this statement.

**Supervisor of Elections
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 42,521 | \$ 27,168 | \$ (15,353) |
| Charges for Services | 14,620 | 14,620 | 34,249 | 19,629 |
| Miscellaneous | - | 635 | 1,875 | 1,240 |
| | <u>14,620</u> | <u>57,776</u> | <u>63,292</u> | <u>5,516</u> |
| Total Revenues | | | | |
| Expenditures | | | | |
| Current | | | | |
| General Government | 1,596,738 | 1,639,894 | 1,661,311 | (21,417) |
| Capital Outlay | 54,862 | 54,862 | 27,087 | 27,775 |
| | <u>1,651,600</u> | <u>1,694,756</u> | <u>1,688,398</u> | <u>6,358</u> |
| Total Expenditures | | | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,636,980)</u> | <u>(1,636,980)</u> | <u>(1,625,106)</u> | <u>11,874</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Among | | | | |
| Constitutional Officers | 1,636,980 | 1,636,980 | 1,625,106 | (11,874) |
| Total Other Financing Sources (Uses) | <u>1,636,980</u> | <u>1,636,980</u> | <u>1,625,106</u> | <u>(11,874)</u> |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The notes to the financial statements are an integral part of this statement.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Supervisor of Elections is an elected official established pursuant to the Constitution of the State of Florida. The Supervisor of Elections is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Supervisor of Elections have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Supervisor of Elections uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The following is a summary of the more significant accounting policies of the Supervisor of Elections.

A. The Reporting Entity

The Supervisor of Elections is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Supervisor of Elections' individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial statements of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Supervisor of Elections in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Supervisor of Elections that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Special Purpose Financial Statements - Continued

The Supervisor of Elections segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Supervisor of Elections is the General Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is rent, in exchange for a specific service, use of a County building. Non-exchange transactions are those in which the Supervisor of Elections gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is grant revenue received from the federal or state government used to fund governmental services for the citizens of Okaloosa County. The revenue from these exchange and non-exchange transactions is recognized in the financial statements of the Supervisor of Elections using the modified accrual basis of accounting.

2. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Supervisor of Elections considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are charges for service and intergovernmental revenue.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Presentation

The Supervisor of Elections reports the following major governmental fund:

General Fund

This is the Supervisor of Elections’ only operating fund. It accounts for all financial resources of the general government.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Supervisor of Elections adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which establishes registration procedures for securities and dealers.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds of the primary government of Okaloosa County for goods provided or services rendered. These receivables and payables are classified as "due from other elected officials" or "due to other elected officials" on the balance sheet of the Supervisor of Elections, if applicable. Short-term interfund loans are also classified as "interfund receivables/payables."

The Supervisor of Elections maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Supervisor of Elections' capitalization level is \$1,000 on tangible personal property. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

| Assets | Years |
|-----------|-------|
| Equipment | 3-7 |
| Vehicles | 2-15 |

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

4. Compensated Absences

The liability for compensated absences consisting of unpaid, accumulated annual and sick leave and compensatory time balances is reported on the government-wide statement of net assets of Okaloosa County. The liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds financial statements of the Supervisor of Elections under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board readopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each elected official is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. No supplemental budgetary appropriations to the original adopted budget were necessary during the fiscal year for the Supervisor of Elections.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS

The Supervisor of Elections maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a “Qualified Public Depository”. All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Supervisor of Elections’ deposits, including certificates of deposit, are considered fully insured.

As of September 30, 2010 the Supervisor of Elections had the following investments:

| | |
|---|----------------------|
| Florida Local Government Investment Trust investment pool | \$ 333 |
| Florida Local Government Investment Trust day to day fund | 23 |
| Florida Local Government Surplus Funds Trust investment pool - Fund A | <u>436</u> |
| Total Investments | <u><u>\$ 792</u></u> |

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1.

The investment policy manual for Okaloosa County details the methods used to manage the risks inherent to the investment process. The authority for investment of County funds rests with the Clerk of the Circuit Court who has delegated management of the investment program to the Finance Director. Investments can only be made by majority vote of the investment committee appointed by the Clerk. Although the policies allow investments in many types of instruments, the investment committee has chosen to limit investment risks by investing mainly in allowed investment pools. The pools manage interest rate risk by limiting the weighted average maturity of their portfolios, manage credit risk by investing in mainly governmental and other highly rated securities, manage concentration of credit risk by limiting investment in any one issuer to less than 5% of the portfolio and manage custodial credit risk by requiring collateral for investments held by counterparties.

Credit risk. As of September 30, 2010, the investments in Florida Local Government Investment Trust investment pool and Florida Local Government Investment Trust day to day fund was rated AA Af and AA Am, respectively, by Standard and Poor’s. Standard and Poor’s rated the STI Classic Institutional Cash Management as AA Am as of September 2010.

Concentration of credit risk. The investment policies of the County diversify the portfolio by limiting the maximum percentage of various types of investments that can be purchased.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 – DEFERRED REVENUE

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental fund were as follows:

| | Unavailable | Unearned |
|---------------|-------------|-----------|
| General Fund | | |
| Grant revenue | \$ - | \$ 14,122 |

NOTE 5 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Supervisor of Elections of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------|------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 1,124,619 | \$ 27,087 | \$ (4,750) | \$ 1,146,956 |
| Less accumulated depreciation | (802,169) | (91,363) | 4,750 | (888,782) |
| Governmental activities capital assets, net | \$ 322,450 | \$ (64,276) | \$ - | \$ 258,174 |

Depreciation expense was charged to functions/programs as follows:

| | |
|--------------------------|-----------|
| Governmental activities: | |
| General government | \$ 91,362 |

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 6 – COMPENSATED ABSENCES

The policy of the Supervisor of Elections for annual and sick leave and compensatory time is as follows. Employees may accrue an unlimited amount of annual and sick leave according to the following schedule.

| | Years of Service | Leave Accrual Per Month |
|---|---------------------|-------------------------------|
| <u>Annual Leave</u> | | |
| Full time employees | 0-5 | 8 hours |
| | 6-10 | 10 hours |
| | 11-15 | 12 hours |
| | 16-20 | 14 hours |
| | 21-25 | 16 hours |
| | 26+ | 18 hours |
| Part time employees | 1 | 4 hours |
| Amount paid upon separation from service | | 240 hours |
| <u>Sick Leave</u> | | |
| Full time employees | | 8 hours |

Unused sick leave will be paid to employees having ten consecutive years of service upon termination or retirement at varying percentages based on the total unused hours: 50% for the first 480 hours; 25% for the second 480 hours and 20% for all hours over 960.

Compensatory Time

Compensatory time is available only to hourly (non-exempt) employees. Employees may accrue up to 240 hours. Unused amounts will be paid upon termination or retirement.

The total amounts of accumulated compensated absences for the Supervisor of Elections as of September 30, 2010 follow:

| | Current Portion | Long-Term Portion | Totals |
|----------------------|--------------------|----------------------|-----------|
| Compensated absences | \$ 35,627 | \$ 15,416 | \$ 51,043 |

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:

Due to/from elected officials:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|-------------------------------|---------------------|-------------------|----------------|
| General Fund | Clerk of Courts | \$ 2,489 | Postage |
| Board of County Commissioners | General Fund | (11,874) | Interfund loan |
| Total | | <u>\$ (9,385)</u> | |

Interfund transfers:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> | <u>Purpose</u> |
|--------------------|-------------------------------|--------------------|-----------------------|
| General Fund | Board of County Commissioners | <u>\$1,625,106</u> | Budget appropriations |

NOTE 8 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Supervisor of Elections of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

| | <u>Balance Due October 1, 2009</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance Due September 30, 2010</u> | <u>Due Within One Year</u> |
|--------------------------------|--|------------------|-------------------|---|--------------------------------|
| Governmental Activities: | | | | | |
| Accrued compensated absences | \$ 32,430 | \$ 18,613 | \$ - | \$ 51,043 | \$ 35,627 |
| Other post employment benefits | 5,685 | 5,738 | (2,656) | 8,767 | - |
| Total Governmental Activities | <u>\$ 38,115</u> | <u>\$ 24,351</u> | <u>\$ (2,656)</u> | <u>\$ 59,810</u> | <u>\$ 35,627</u> |

Compensated absences typically have been liquidated in the general fund.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 9 - PENSION PLAN

Florida Retirement System

Plan Description

The Supervisor of Elections contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payrolls are for regular employees 8.74%, special risk employees 19.81%, special risk administrative support 11.44%, elected judges 18.45%, elected county officers 15.42%, senior management service class 12.01%, and 9.80% for the Deferred Retirement Option Program (DROP). The Supervisor of Elections' contributions to the plan for the years ended September 30, 2010, 2009, and 2008 were \$78,414, \$77,590, and \$76,567, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Supervisor of Elections contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 9 - PENSION PLAN - CONTINUED

Health Insurance Subsidy - Continued

Plan Description - Continued

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 10 - POSTEMPLOYMENT BENEFITS

Rules of the Auditor General of the State of Florida, Chapter 10.550 allows notes to the financial statements of a county agency to supplement rather than duplicate notes included in the government-wide financial statements of the county as a whole. The Supervisor of Elections has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Supervisor of Elections is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

NOTE 11 - RISK MANAGEMENT

The Supervisor of Elections is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Special risks are covered by commercial insurance policies that are accounted for in the Supervisor of Elections' general fund. The Supervisor of Elections bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years. The Supervisor of Elections has chosen to participate in a group medical insurance plan along with all other elected officials' offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Supervisor of Elections bears no risk of loss under this type of coverage.

The Supervisor of Elections has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Supervisor of Elections a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Supervisor of Elections.

Other Reports

To The Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

**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***

We have audited the financial statements of the General Fund of the Supervisor of Elections of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which comprise the Supervisor of Elections of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Supervisor of Elections of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 Supervisor of Elections of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisor of Elections of Okaloosa County, Florida'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*.

Honorable Paul Lux, Supervisor of Elections
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 (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Supervisor of Elections of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

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

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To The Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Supervisor of Elections of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- 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 report. There were no significant findings and recommendations made in the preceding annual financial audit report for the Supervisor of Elections of Okaloosa County.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Supervisor of Elections of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., 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 recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

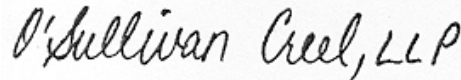
The Honorable Paul Lux
Supervisor of Elections
Management Letter (Continued)

- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. . In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Supervisor of Elections of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e) as part of the primary government of Okaloosa County, Florida. There are no component units related to the Supervisor of Elections of Okaloosa County, Florida.

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

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Supervisor of Elections of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



O'SULLIVAN CREEL, L.L.P.
Certified Public Accountants and Consultants

March 18, 2011