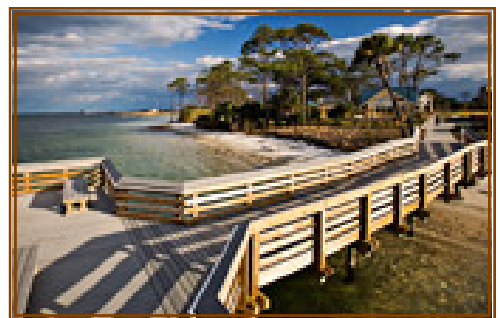
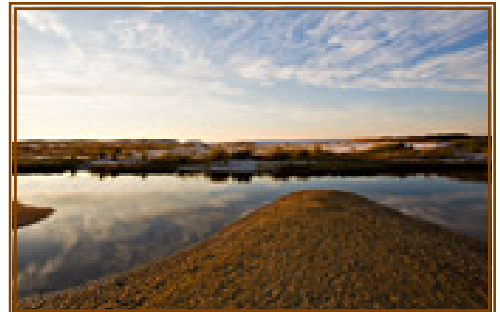
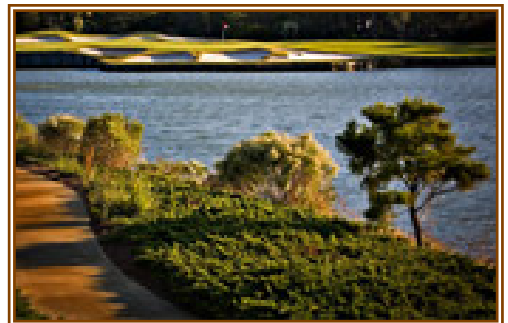
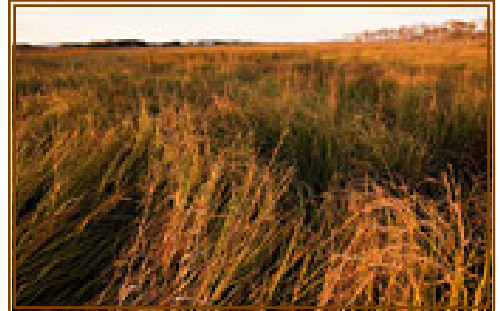


# Okaloosa County, Florida

## Comprehensive Annual Financial Report

### For the Year Ended September 30, 2008



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, 2008

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

## INTRODUCTORY SECTION

**OKALOOSA COUNTY, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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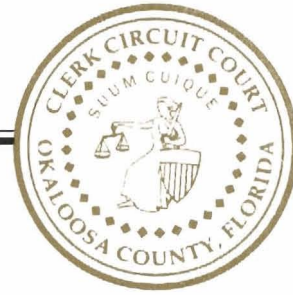
**OKALOOSA COUNTY, FLORIDA  
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# DON W. HOWARD

CLERK OF THE CIRCUIT COURT, OKALOOSA COUNTY, FLORIDA



April 17, 2009

To the Citizens of Okaloosa County:

The Comprehensive Annual Financial Report of Okaloosa County, Florida for the fiscal year ended September 30, 2008, 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 a consortium of independent firms of certified public accountants led by the firm of O'Sullivan Creel, L.L.P.. The consortium includes the firms of: Allen, Yagow and Carr, Nicholson, Reeder and Reynolds, P.A. and Saltmarsh, Cleaveland and Gund, P.A.. 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, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

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101 E. JAMES LEE BLVD. • P.O. DRAWER 1359 • CRESTVIEW, FLORIDA 32536-1359 • (850) 689-5000

REPLY TO:

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statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent 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, 2008, 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 2008 population was 197,597, 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 919<sup>th</sup> 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.

Eglin's wide range of activities assures its continued 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.

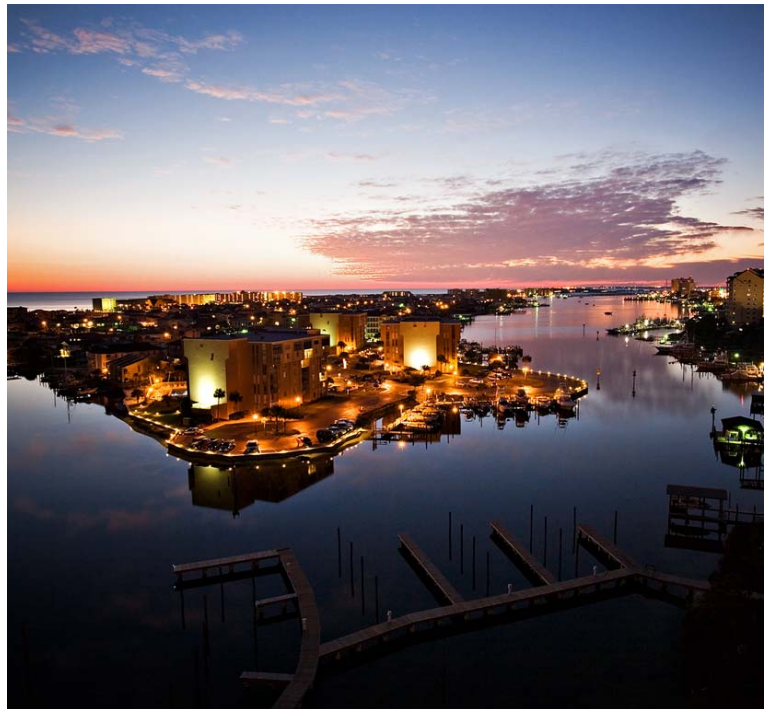




The tourism industry is the second leading income producing source for the County. The effect of the industry on the local economy is more than \$1 billion income produced annually with the employment of 35,000+ in tourism related businesses. The Tourist Development Council/Convention Visitor's Bureau (TDC/CVB) registered hundreds of thousands of inquiries throughout the year. Tourists may visit Okaloosa County's Visitor Welcome

Center, which is located on Okaloosa Island just off State Highway 98, for information on all local activities, area information, sightseeing and all other things to do during their visit. An estimated 4.5 million people visit 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 102,120 in 2008 and the 2008 unemployment rate at 4.4 percent. This compares particularly favorable to the state's annual average rate of 6.0 percent and the national average of 5.8 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.

Industrial development is spread throughout north and south Okaloosa County. 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. Many of the largest defense contractors in the nation have local distributors or representatives in the County.

Relatively strong growth in the County continues to provide the County the opportunity to maintain one of the state's lowest county-wide millage rates while still providing a high level of service to County residents and visitors. Property tax values increased minimally, although others in the State declined, by 5.1 percent. Construction activity in 2008 was strong for the tenth consecutive year amounting to \$807 million. The value of new construction for 2008 was \$807.1 million, which was about a 19 percent increase over the previous year.

### MAJOR FUNCTIONAL INITIATIVES

General Government Initiatives The County is still involved with many ongoing projects related to General Government development. The County, with the assistance and support of the local military presence continues to expand and develop the countywide Fiber Optic project to provide high speed connectivity throughout the county areas served. The fiber optic system expanded during the year and continues to explore more opportunities for expansion to provide networking services. The County also continues the dialogue of constructing a new Judicial Facility Annex for the south end of the County. Over \$64,000,000 was spent on General Government initiatives, or approximately 26% of total expenditures, throughout the year.



Public Safety Initiatives The County always dedicates a great deal of financial and personnel resources for public safety initiatives. The County



was excited to finally break ground on the joint facility at Northwest Florida State College EOC and training facility. The facility will be a state of the art complex for EOC and joint campus use. The County has now had to place on hold the study of the County Jail Facility and the need for expansion in the future, due to lack of funds to support this project at the current time. The County entered into a number of public safety grants. The County public safety enterprise operations of Inspection and Code Enforcement continued to experience a steep slow down in activity as the

number of individual building projects in the County declined. The public safety function of the Emergency Medical activity always stayed busy providing that valuable countywide service. The Sheriff's operations were active and involved in many of these public safety initiatives throughout the year, including new operations begun this year. Many public safety initiatives were enhanced by using confiscated funds to finance these activities throughout the year. Beach Safety continued to be funded and expanded its service activity throughout the County. The County funded approximately \$97,000,000 of Public Safety initiatives, or approximately 40% of total expenditures, in 2008.



#### Physical Environment Initiatives

Physical environment initiatives are concentrated in the areas of water/wastewater improvements, solid waste and stormwater. Water and Sewer activity continued utilizing bond funds and a significant amount of "in-house" forces to support the new Sewer Treatment Plant to replace the existing Garniers Sewer Treatment Plant. The project is anticipated to be worked and completed during the upcoming years. Stormwater projects continued, as funding allowed in 2008. Solid Waste continues to place a high priority on new ideas in the recycling, composting



and hazardous waste collection systems in the County. 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 \$35,000,000 was spent, plus, as always, a great deal of capital outlay, in the area

of Physical Environment initiatives, or approximately 14% of total expenditures, for 2008.

Transportation Initiatives Transportation needs continue to be an area of vital importance to the citizens of the County. New road paving as well as 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 2008. The Local Option Gas Tax and the Constitutional State Shared Gas

Tax were utilized to complete or begin construction on many projects, including, College Road Bypass, Hollywood Boulevard, P.J. Adams Parkway, Liveoak Church Road and Traffic Signal and other maintenance construction, 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. OCT also provides a shuttle service in the south end of the County, partially supported with Tourist Development funds. The Regional, 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. A major project for East side development at Okaloosa Regional began this year with the assistance of bond proceeds. Over \$27,000,000, or approximately 11% of total spent, was spent on transportation expenditures in 2008.



Valorem Tax dollars to enhance economic development in those designated areas. About \$6,000,000 or approximately 3% was spent in the area of economic environment in 2008.

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. The operation and construction activity of the Okaloosa County Health Department is another human service initiative in the County. The County Health Department, although mainly State-supported, derives some of its funding from a

small levy of property tax used primarily for new construction. Over \$4,500,000 or approximately 2% was spent in the area of Human Service activity in 2008.

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 and loan funds were used this year to assist the City of Destin to begin the process of renourishing critically eroded beaches in



the furthest eastern most portion of the County. An additional penny of Tourist Development Tax was imposed this year to renourish all beaches within the Tourist Development boundary area. Although, the beaches have suffered much damage from several storms of the past few years, 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 thrive and provide countywide service during this year, including expanded technological services and educational services for county schools and citizens throughout the County. Over \$9,500,000 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 continues to consider construction of a new Courthouse Annex expansion, the Annex renovation in the south end of the County, along with the renovation of the Courthouse facility in the north end of the County. Those architectural plans have moved forward during the year, however, due to the lack of available funding and the current economic times, further progress on these projects has been suspended and is now being reconsidered and studied further.

The County Water and Sewer System will continue to expand and enhance its services. Ongoing projects include continued discussion of multiple wastewater treatment needs throughout the County. Facilities for the Garniers Service Area in the south end of the County that have been discussed for some time are moving closer to completion. Completion is expected in the spring of 2009. The stormwater master plan study to address the County's critical need will continue to be addressed and will continue to progress 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.



### BUDGET PROCESS

The Constitutional Officers submit, at various times, to the Board and to certain divisions within the Department of Revenue, State of Florida, a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them as set forth in Chapter 129 of the Florida Statutes.

Constitutional Officers, all departments controlled by the Board of County Commissioners, and outside state and local agencies submit their proposed budgets to the County Administrator for assistance, review and compilation. The County Administrator, along with assistance of the Clerk of the Court Finance Office, then reviews all County departments, state agencies and non-profit organizations budgets, and makes his budget recommendation to the Board of County Commissioners on or before July 15 of each year. The tentative budget includes proposed appropriations and the means of financing them.

During September, public hearings are held pursuant to Section 200.065, Florida Statutes, in order for the Board to receive public input on the tentative budget. At the end of the last public hearing, the Board enacts ordinances to legally adopt at the fund level the budgets for all County funds. The budgets legally adopted by the Board set forth the anticipated revenues by source and the appropriations by function. Computerized integrated budget reports are used for management control purposes throughout the year. Management is authorized to transfer budgeted amounts between objects and departments in any fund as long as the total appropriations of a fund are not exceeded. Board approval to amend the budget is required when unanticipated revenues are received that management wishes to have appropriated, thereby increasing the total appropriations of a fund. Board approval is also required when the transfer of budgeted reserves is necessary. The original to final budget comparative financial statements are found as a part of the basic financial statements in the comprehensive annual financial report.

### 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 operates on a fiscal year of October 1 to September 30.

#### Cash Management

In accordance with Section 218.415, Florida Statutes, the County adopted an investment policy which guides the investment of County surplus funds. This policy establishes investment objectives, maturity and liquidity requirements, portfolio composition, risk and diversification requirements, and authorized investments. The objectives of investment activities are to provide safety, maintain sufficient liquidity to meet anticipated cash flow needs and obtain competitive returns on the investment of County surplus funds. Surplus funds were invested in direct U.S. government obligations, U.S. agency obligations, the Classic Institutional Money Market Fund, the Florida Local Government Surplus Funds Investment Pool and the Florida Local Government Investment Trust Fund. During 2008 the County earned about \$3,781,891 in investment earnings.

### OTHER INFORMATION

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, 2007.

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 entire staff of the Finance Department for their invaluable assistance in the preparation of this report. I would also like to thank the members of the County's consortium of independent external auditors, especially the lead firm of 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, 2007

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.



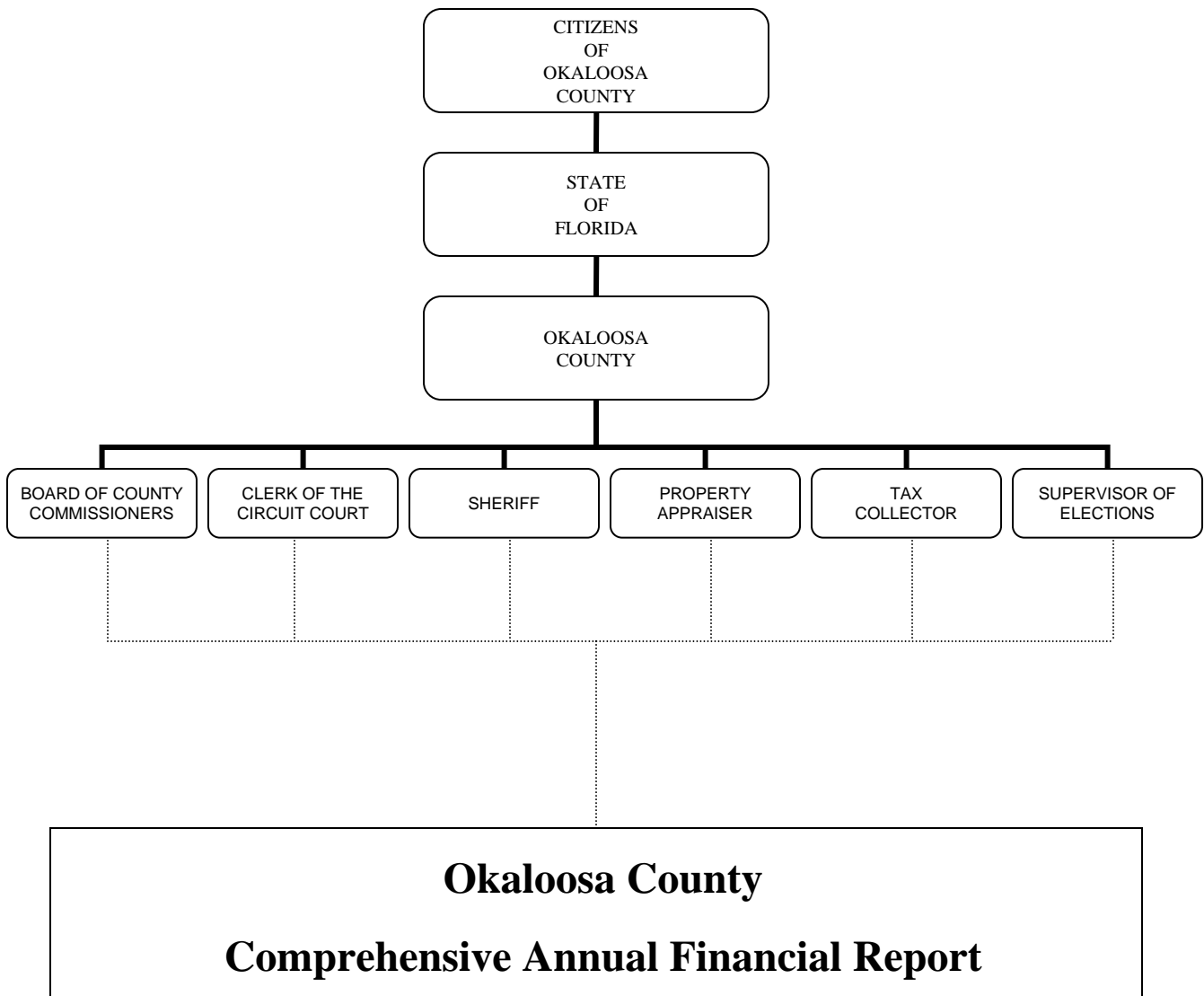
A handwritten signature in black ink, appearing to read "M. L. R. R.", positioned above the title "President".

President

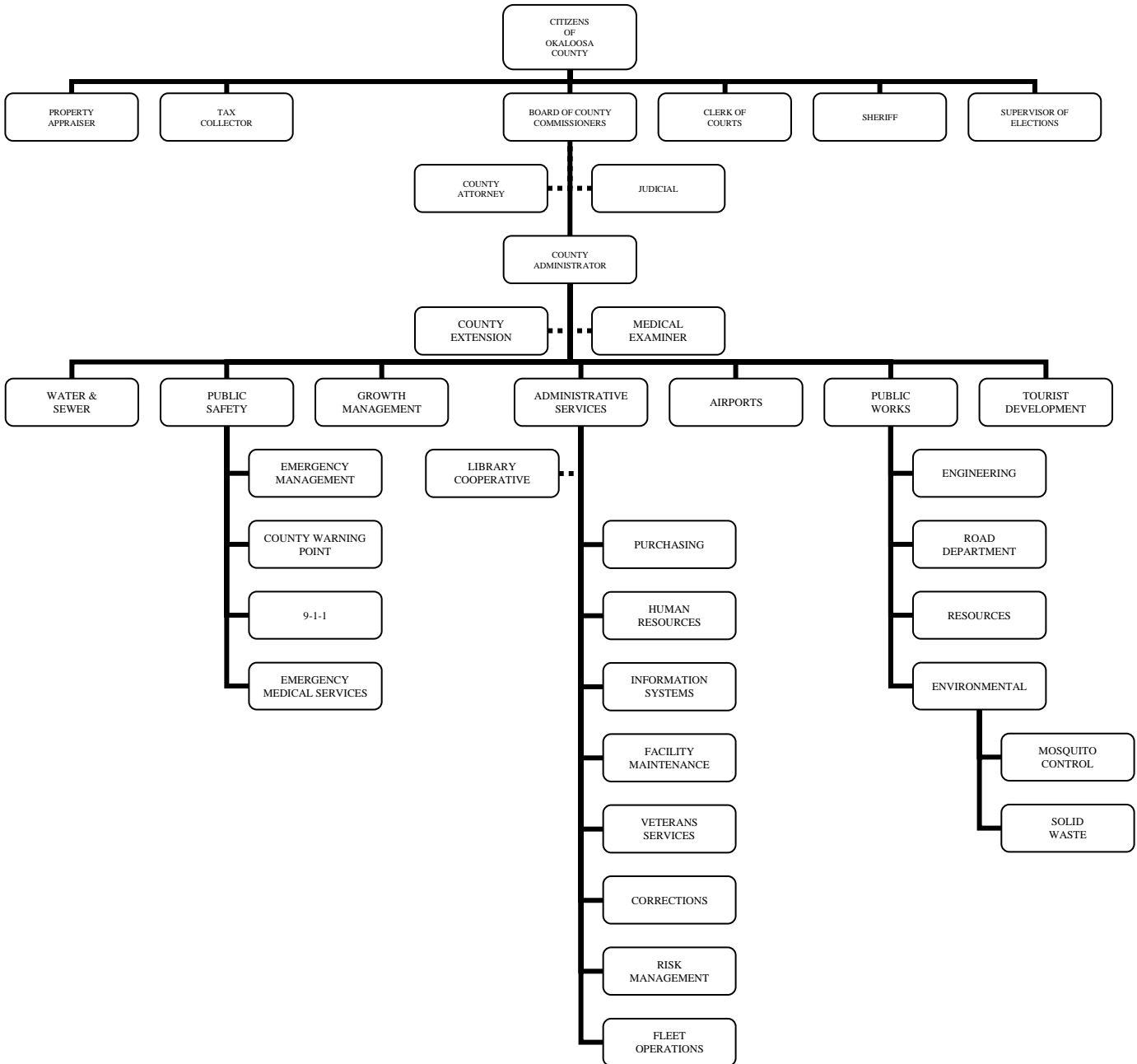
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

# OKALOOSA COUNTY, FLORIDA REPORTING ORGANIZATION



# OKALOOSA COUNTY COMMISSIONERS OKALOOSA COUNTY, FLORIDA ORGANIZATION CHART



# OKALOOSA COUNTY, FLORIDA

## COUNTY OFFICIALS AS OF SEPTEMBER 30, 2008

### COUNTY COMMISSIONERS

Sherry Campbell ..... 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  
Charles W. Morris ..... Sheriff  
Chris Hughes ..... Tax Collector  
Timothy "Pete" Smith ..... Property Appraiser  
Patricia M. Hollarn ..... Supervisor of Elections

### OTHER OFFICIALS

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

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## FINANCIAL SECTION

# THE CONSORTIUM OF Certified Public Accountants

O'Sullivan Creel L.L.P.  
Nicholson, Reeder & Reynolds, P.A.  
Allen, Yagow & Carr  
Saltmarsh, Cleaveland & Gund, P.A.

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45 Beal Parkway N.E.  
Fort Walton Beach,  
Florida 32548  
(850) 244-5121

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

## INDEPENDENT AUDITORS' 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, 2008, 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.

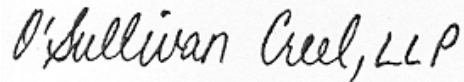
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2008, 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 April 17, 2009, 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.

The management's discussion and analysis on pages 3 through 15 and the Post Employment Benefits Plans Schedule of Funding Progress on page 86 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Okaloosa County, Florida's basic financial statements. 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 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



**O'SULLIVAN CREEL, L.L.P.**  
**Certified Public Accountants and Consultants**  
**For the Consortium**

April 17, 2009



## **Okaloosa County, Florida Management Discussion and Analysis**

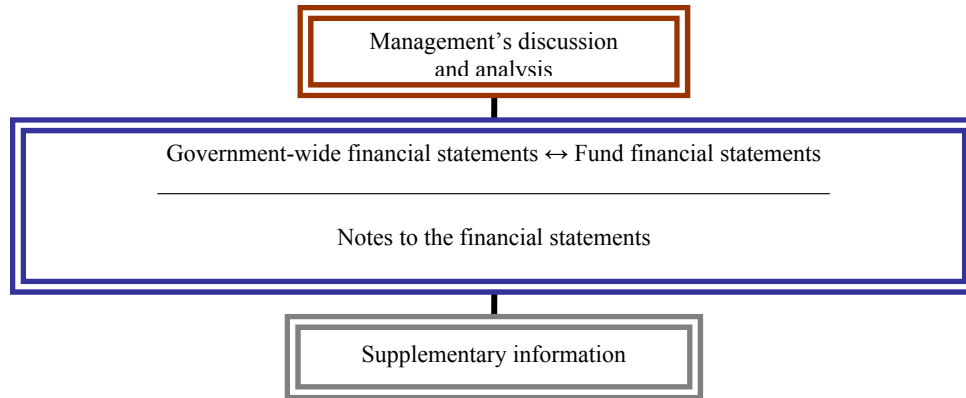
This discussion and analysis of Okaloosa County's (the County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2008. We hope this, in conjunction with additional 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 2008 the County's assets exceeded its liabilities, resulting in net assets of \$378,259. Governmental and business-type assets exceeded its liabilities by \$158,821 and \$219,438, respectively.
- The County's total net assets increased \$20,502, or 5.7 percent, in comparison to the prior year.
- The County had \$46,050 of unrestricted net assets at the close of this year compared to \$52,283 last year that can be used to meet the County's obligations.
- Total revenues increased \$552, or .27 percent, from \$205,471 to \$206,023.
- Total expenses increased \$1,966, or .94 percent, from \$183,555 to \$185,521.
- The County's governmental activities reported total net assets of \$158,821, which is an increase of \$8,384, or 5.6 percent, in comparison to prior year. 15.4 percent of the total is unrestricted.
- The County's business-type activities reported total net assets of \$219,438, which is an increase of \$12,118, or 5.8 percent, in comparison to prior year. Approximately 9.9 percent of the total, or \$21,632, 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, 2008, the County's total net assets or total assets less liabilities, was \$378,259. A significant portion of the County's net assets, 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 \$295,567 increased \$21,329 or 7.8 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 \$36,642 (9.7 percent of total net assets) increased \$5,406, or 17.3 percent, in comparison to prior year.

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 \$46,050 (12.2 percent of total net assets) decreased \$6,233, or -11.9 percent, in comparison to prior year for the second 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, 2008, in all three categories of net assets for governmental activities, 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 2008 and 2007.

Okaloosa County, Florida Summary of Net Assets September 30, 2008 and 2007						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$62,491	\$59,357	\$98,919	\$118,366	\$161,410	\$177,723
Capital Assets	119,256	117,303	273,177	228,748	392,433	346,051
Total Assets	181,747	176,660	372,096	347,114	553,843	523,774
Current and Other Liabilities	12,221	16,240	23,228	17,053	35,449	33,293
Long-term Liabilities	10,705	9,982	129,430	122,741	140,135	132,723
Total Liabilities	22,926	26,222	152,658	139,794	175,584	166,016
Net Assets:						
Invest in Capital Assets, Net of Related Debt	118,399	114,990	177,168	159,248	295,567	274,238
Restricted for						
Debt Service	467	491	10,068	8,388	10,535	8,879
Public Safety	1,482	0			1,482	0
Transportation	448	0			448	0
Econ Environment	5,978	0			5,978	0
Culture Recreation	616	0			616	0
Court-Related	5,013	0			5,013	0
Other Purposes	2,000	11,190	10,570	11,167	12,570	22,357
Unrestricted	24,418	23,766	21,632	28,517	46,050	52,283
Total Net Assets	<u>\$158,821</u>	<u>\$150,437</u>	<u>\$219,438</u>	<u>\$207,320</u>	<u>\$378,259</u>	<u>\$357,757</u>

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 of September 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$29,214	\$26,936	\$50,064	\$46,153	\$79,278	\$73,089
Operating Grants and Contributions	6,167	10,986	771	4,596	6,938	15,582
Capital Grants and Contributions	579	527	9,204	6,412	9,783	6,939
<b>General Revenues:</b>						
Taxes	76,704	73,867	6,869	6,745	83,573	80,612
State Shared Revenue	17,573	19,004	0	0	17,573	19,004
Grant and Contributions not Restricted Specific Programs	2,033	782	96	(300)	2,129	482
Other	3,710	3,722	3,039	6,041	6,749	9,763
<b>Total Revenues</b>	<b>135,980</b>	<b>135,824</b>	<b>70,043</b>	<b>69,647</b>	<b>206,023</b>	<b>205,471</b>
<b>Expenses:</b>						
<b>Program Activities:</b>						
General Government	34,777	31,202	0	0	34,777	31,202
Public Safety	49,963	47,315	0	0	49,963	47,315
Physical Environment	1,138	897	0	0	1,138	897
Transportation	17,229	16,809	0	0	17,229	16,809
Economic Environment	6,471	6,581	0	0	6,471	6,581
Human Services	4,964	4,851	0	0	4,964	4,851
Culture and Recreation	5,069	8,496	0	0	5,069	8,496
Court-Related	9,088	11,661	0	0	9,088	11,661
Interest and Fiscal Charges	181	264	0	0	181	264
<b>Business-type Activities:</b>						
Water and Sewer	0	0	25,057	25,078	25,057	25,078
Airport	0	0	8,363	7,649	8,363	7,649
Solid Waste	0	0	9,757	9,518	9,757	9,518
Inspections	0	0	1,582	2,206	1,582	2,206
Emergency Medical	0	0	7,326	6,770	7,326	6,770
Conference Center	0	0	4,556	4,258	4,556	4,258
<b>Total Expenses</b>	<b>128,880</b>	<b>128,076</b>	<b>56,641</b>	<b>55,479</b>	<b>185,521</b>	<b>183,555</b>
Incr in Net Assets Before Trf Transfers	7,100	7,748	13,402	14,168	20,502	21,916
	1,284	1,003	(1,284)	(1,003)	0	0
<b>Increase in Net Assets</b>	<b>8,384</b>	<b>8,751</b>	<b>12,118</b>	<b>13,165</b>	<b>20,502</b>	<b>21,916</b>
Net Assets October 1, 2007	150,437	146,407	207,320	194,155	357,757	340,562
Prior Period Adjustment	0	(4,721)			0	(4,721)
<b>Net Assets September 30, 2008</b>	<b>\$158,821</b>	<b>\$150,437</b>	<b>\$219,438</b>	<b>\$207,320</b>	<b>\$378,259</b>	<b>\$357,757</b>

Revenues increased slightly by .11 percent in Governmental activities, due to a slight increase in mass transit operating grant revenue increases. Revenues in Business-type activity increased slightly by .57 percent from the prior year, mainly due to an increase in Airport and Water and Sewer charges for service revenue for the year. Expenses increased slightly by .63 percent in Governmental activities, due to slight increases in functional categories of Public Safety for mainly Sheriff activities and decreases in Culture and Recreation related to reduced Park maintenance. Expenses in Business type expenses increased by 2.1 percent due mainly to increases in Airport expenses. Revenues increased slightly by .15 percent and expenses increased slightly by .94 percent, in total, but the revenue totals were greater than expenses which caused the net assets to increase by 5.7 percent, from \$357,757 in 2007 to \$378,259 in 2008.

### **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.

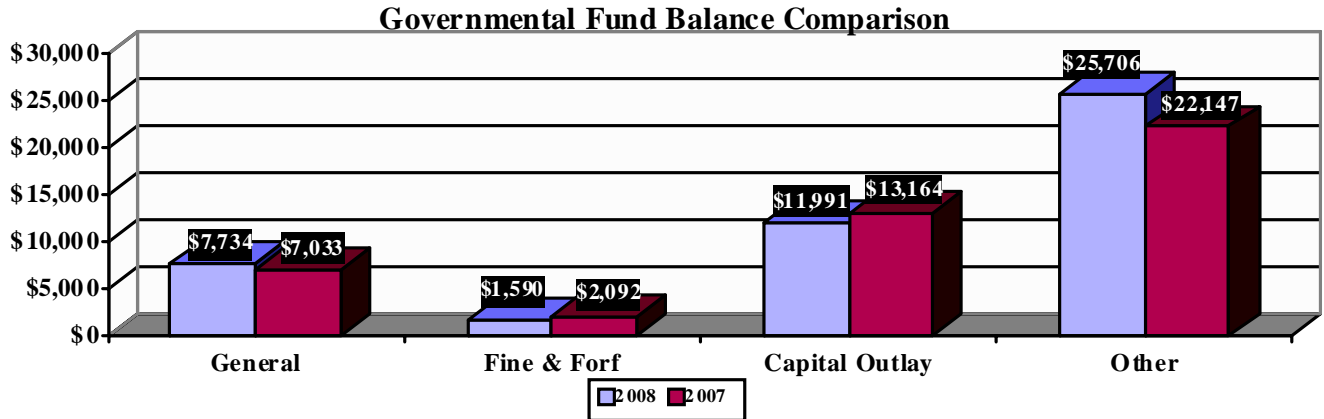
As of September 30, 2008, the County governmental funds reported combined fund balances of \$47,021, an increase of \$2,585 over the prior year balances. Most of the major governmental funds had increases in total assets, although some cash balances declined and some funds had increases in liability balances with the most significant coming from deferral of state shared revenues in fines and forfeiture amounts.

The General Fund is the chief operating fund of the County. At September 30, 2008, total fund balance in the general fund was \$7,734, of which \$4,937 was unreserved, which is a decrease over the prior year. The general fund expenditures for the fiscal year exceeded revenues by \$31,231. The Net change in Fund Balance for the General Fund for fiscal year 2008 amounted to an increase of \$701, while the prior year showed an increase of \$916. The increase in fiscal year 2008 occurred although expenditures increased by 3.7 percent, because revenues, particularly intergovernmental, related to State shared revenue declines and miscellaneous revenue, related to a decline in interest income, increased by 1.5 percent. The most significant increase in functional expenditures was in Public Safety related to emergency management activity, while several functional categories actually declined from the prior year.

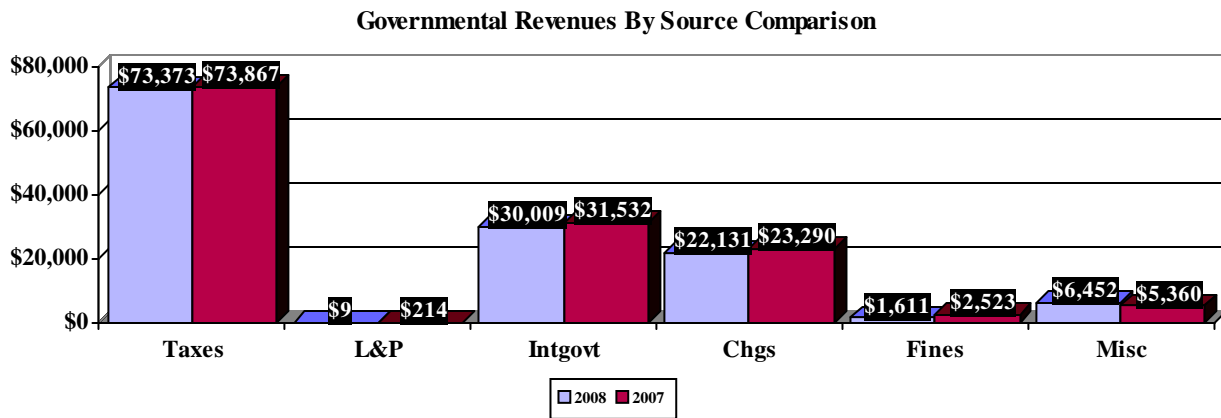
The Fine and Forfeiture Fund is a special revenue fund that is used to account for revenues and expenditures related primarily to public safety and judicial activity in the County. The Fine and Forfeiture Fund balance decreased by \$502 from the prior year. The decrease in fund balance occurred, although the total revenues increased, because of increases in expenditures for Public Safety and transfers among Constitutional Officers, especially Sheriff related expenditures.

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. It had a total fund balance of \$11,991. The fund had significant declines in revenue due to removal of funding from ad valorem taxes, but maintained relatively consistent annual expenditures because of ongoing current capital projects.

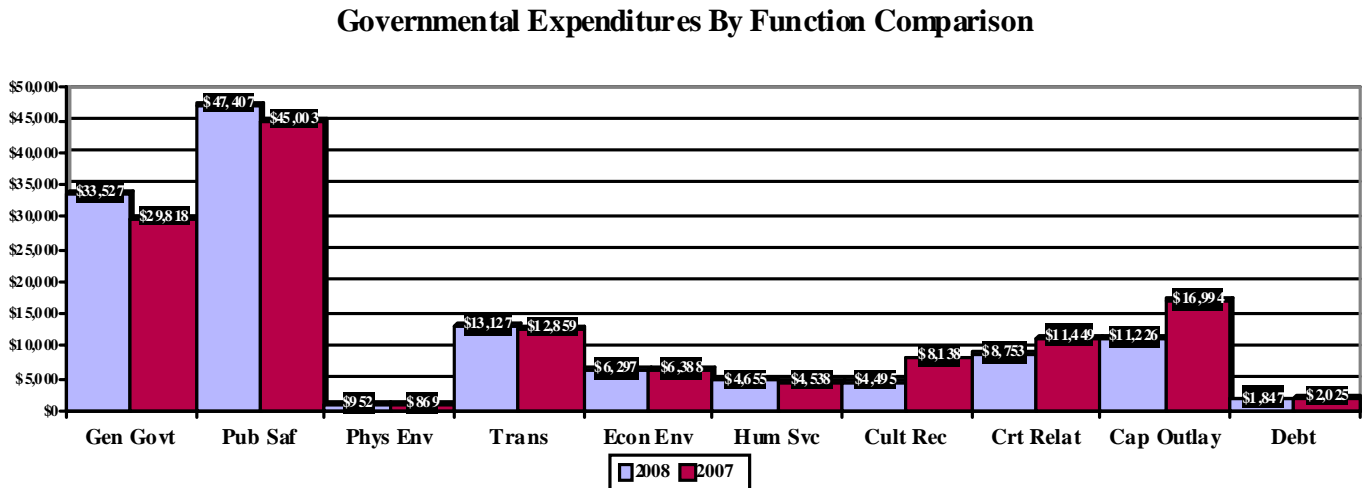
The following is a chart of all Governmental Fund Balances for the last two fiscal years.



The following is a chart of revenues by source for governmental activities for fiscal years 2008 and 2007.



The following is a chart of expenditures by program for governmental activities for fiscal years 2008 and 2007.





**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, 2008, total equity amounted to \$219,438 for enterprise funds as compared to \$207,320 at September 30, 2007. Equity changes are most significantly the result of operations and capital contributions in the Water and Sewer and Airport Enterprise funds, however, most major business-type activity had a positive change in equity over the previous year, although they had overall negative Operating incomes.

Business-type activities increased the County's total equity by \$12,118. Major components of this increase are as follows:

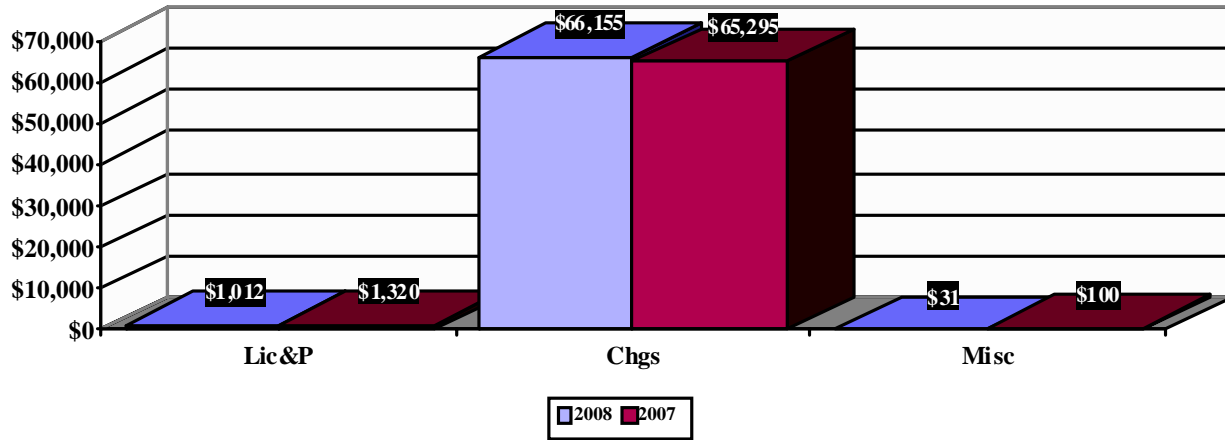
- The Water and Sewer Fund increased its equity by \$2,083. Operating income was \$907 during the year, slightly less than last year. Income before contributions rose, but significantly less than last year due primarily to an increase in operating expenses related to additional system enhancements throughout the year and a decline in investment earnings.
- The Airport Fund increased its equity substantially by \$10,296. Operating income remained about the same as last year, while the major increase area again this year was in capital contributions due to grant related capital projects related to major enhancements to the Regional Airport and Bob Sikes facilities that were added as capital assets to the system.
- Solid Waste Operating fee income decreased and operating expense, mainly contractual services related to closure activity, increased creating operating and nonoperating losses for the year.

The net operating income of the enterprise funds for fiscal years 2008 and 2007, is as follows:

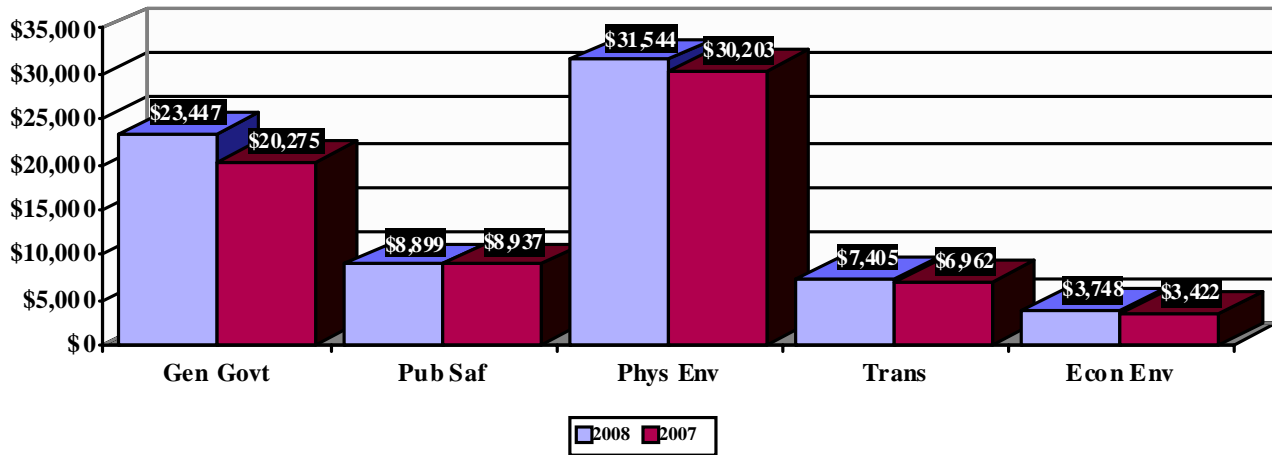
**Enterprise Net Operating Income (Loss)**

	2008	2007
Water & Sewer	\$ 907	\$ 1,732
Airport	201	776
Solid Waste	(687)	72
Inspection	(393)	(683)
Emergency Medical Service	(2,838)	(2,457)
Conference Center	(2,911)	(2,715)
	<u>\$ (5,721)</u>	<u>\$ (3,275)</u>

### 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 2008 as well as the final budget is presented.

A comparison of the General Fund original to the final operating budget shows an increase of \$13,071. The most significant area that increased was a \$10,713 rise in intergovernmental revenue funded primarily from additional state and federal grants, especially related to mass transit activity, and miscellaneous revenue related to interest changes. A significant portion of the increase in grants was not received or expended during the fiscal year. The expenditures incurred during the year were almost all well within budget limitations in all functional categories, except slight overages in Principal and Interest due to underestimated activity budgeted in the original budget. 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 projects, public safety, especially 911 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, 2008 amounts to \$392,433 (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 \$1,953 or 1.7 percent increase, which was mainly due to increase in improvements other than buildings added during the year. The business-type activities capital assets amounted to \$273,177 or an increase of \$44,429 or 19.4 percent, mainly increasing in the areas of construction in progress and infrastructure.

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

Okaloosa County, Florida  
 Capital Assets  
 September 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$9,875	\$9,875	\$10,489	\$10,482	\$20,364	\$20,357
Buildings	41,125	40,453	64,787	64,108	105,912	104,561
Improvements other than buildings	22,061	17,497	287	287	22,348	17,784
Mach/Equipment	45,978	42,755	20,379	18,635	66,357	61,390
Const In Progress	10,071	12,840	59,618	18,370	69,689	31,210
Infrastructure	109,200	105,865	212,423	203,675	321,623	309,540
Art	0	0	69	61	69	61
Total Capital Assets	238,310	229,285	368,052	315,618	606,362	544,903
Accum Deprec	(119,054)	(111,982)	(94,875)	(86,870)	(213,929)	(198,852)
Total	<u>\$119,256</u>	<u>\$117,303</u>	<u>\$273,177</u>	<u>\$228,748</u>	<u>\$392,433</u>	<u>\$346,051</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 \$135,028. Of this amount only, \$858 comprises governmental activities bonds payable and \$3,580 comprises a

governmental bank and individual loan while the remaining \$116,794 in revenue bonds and \$13,796 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, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Governmental Loans	\$3,580	\$4,800	\$0	\$0	\$3,580	\$4,800
Revenue Bonds	858	1,161	116,794	109,990	117,652	111,151
Revolv & Comm Loan	<u>0</u>	<u>0</u>	<u>13,796</u>	<u>12,928</u>	<u>13,796</u>	<u>12,928</u>
<b>Total</b>	<b><u>\$4,438</u></b>	<b><u>\$5,961</u></b>	<b><u>\$130,590</u></b>	<b><u>\$122,918</u></b>	<b><u>\$135,028</u></b>	<b><u>\$128,879</u></b>

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, 2008

Type of Debt Issue:	S & P	Moody's
1991 Capital Improv Bonds	AAA	Aa2
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. 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 94,008 in 2007 to 92,856 in 2008, a decrease of approximately -1.2%. Nationally employment decreased about .47% in 2008. Increasing labor force coupled with slower economic times led to the County's unemployment rate rising to 4.6% in 2008 compared to 3.0% for 2007. The County's unemployment rate still remains extremely favorable compared to the state and national rates of 6.2 percent and 5.8 percent, respectively, for 2008.
- The assessed value of real property located in the County after exemptions grew from \$17.162 billion in 2007 to \$18.049 billion, while the total assessed value of the County increased from \$17.899 billion to \$18.807 billion in 2008. This represented an increase of \$.907 billion or 5.1 percent in real property valuation.
- Okaloosa County has a diversified property tax base. The ten largest property tax payers in the County represent approximately only .37 percent of the total ad valorem property tax levy.
- During 2008, total value of new residential construction in the County was valued at \$646 million and total value of new non-residential construction was valued at \$161 million for a total of \$807 million in new construction. The total construction figure for 2008 represented a \$127.5 million increase from 2007.

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.

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# Basic Financial Statements

**Okaloosa County, Florida**  
**STATEMENT OF NET ASSETS**  
**September 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Emerald Coast Bridge Authority
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 16,560,530	\$ 5,582,564	\$ 22,143,094	\$ -
Investments	34,666,862	35,186,969	69,853,831	-
Receivables, Net of Allowance for Uncollectibles	1,145,652	7,393,896	8,539,548	-
Internal Balances	(270,975)	270,975	-	-
Due from Other Governments	9,276,057	8,045,556	17,321,613	-
Inventories	399,166	2,568,159	2,967,325	-
Prepaid Expenses	712,134	36,767	748,901	-
<b>Restricted Assets</b>				
Cash and Cash Equivalents				
Customer Deposits	-	1,414,078	1,414,078	-
Other Deposits	-	2,239,739	2,239,739	-
Investments	-	35,932,806	35,932,806	-
<b>Total Current Assets</b>	<b>62,489,426</b>	<b>98,671,509</b>	<b>161,160,935</b>	<b>-</b>
<b>Noncurrent Assets</b>				
Deferred Charges	848	-	848	-
Investment in Joint Venture, at Equity	-	247,545	247,545	-
<b>Capital Assets (Net of Accumulated Depreciation)</b>				
Land	9,875,104	10,488,917	20,364,021	-
Buildings	25,280,117	55,245,186	80,525,303	-
Improvements Other Than Buildings	16,653,719	173,045	16,826,764	-
Machinery and Equipment	14,045,355	6,419,651	20,465,006	-
Construction in Progress	10,070,540	59,617,678	69,688,218	-
Infrastructure	43,331,503	141,162,389	184,493,892	-
Works of Art	-	69,865	69,865	-
<b>Total Noncurrent Assets</b>	<b>119,257,186</b>	<b>273,424,276</b>	<b>392,681,462</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 181,746,612</b>	<b>\$ 372,095,785</b>	<b>\$ 553,842,397</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	5,245,392	11,617,686	16,863,078	-
Due to Other Governments	519,388	7,890	527,278	-
Unearned Revenue	330,987	3,231,202	3,562,189	-
Due to Depositors	328,384	-	328,384	-

Continued...



**Okaloosa County, Florida**  
**STATEMENT OF NET ASSETS**  
**September 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Emerald Coast Bridge Authority
Current Liabilities (Continued)				
Liabilities Payable from Restricted Assets				
Customer Deposits	-	1,539,938	1,539,938	-
Interest Payable	-	1,620,161	1,620,161	-
Loans and Revenue Bonds Payable	-	3,649,094	3,649,094	-
Current Portion of Long-term Obligations				
Compensated Absences	3,037,337	893,507	3,930,844	-
Closure Costs Payable	-	229,529	229,529	-
Claims and Judgments	2,172,028	-	2,172,028	-
Notes Payable	220,000	84,629	304,629	-
Leases Payable	-	-	-	-
Revenue Bonds Payable	367,575	354,887	722,462	-
Total Current Liabilities	12,221,091	23,228,523	35,449,614	-
Noncurrent Liabilities				
Noncurrent Portion of Long-term Obligations				
Compensated Absences	3,489,781	631,642	4,121,423	-
Closure Costs Payable	-	4,044,641	4,044,641	-
Claims and Judgments	1,968,775	-	1,968,775	-
Notes Payable	3,360,000	2,255,371	5,615,371	1,777,289
Loans and Bonds Payable, Net of Unamortized Loan costs	490,217	122,437,340	122,927,557	-
Other Post Employment Benefits	1,395,739	60,724	1,456,463	-
Total Noncurrent Liabilities	10,704,512	129,429,718	140,134,230	1,777,289
Total Liabilities	22,925,603	152,658,241	175,583,844	1,777,289

Continued...

**Okaloosa County, Florida**  
**STATEMENT OF NET ASSETS**  
**September 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Emerald Coast Bridge Authority
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	118,398,544	177,168,130	295,566,674	-
Restricted for				
Debt Service	467,015	10,067,750	10,534,765	-
Public Safety	1,481,947	-	1,481,947	-
Transportation	448,361	-	448,361	-
Economic Environment	5,977,827	-	5,977,827	-
Culture and Recreation	616,352	-	616,352	-
Court-Related	5,013,141	-	5,013,141	-
Other Purposes	1,999,917	10,569,321	12,569,238	-
Unrestricted	24,417,905	21,632,343	46,050,248	(1,777,289)
Total Net Assets	158,821,009	219,437,544	378,258,553	(1,777,289)
Total Liabilities and Net Assets	\$ 181,746,612	\$ 372,095,785	\$ 553,842,397	\$ -

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, 2008**

	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	\$ 34,777,263	\$ 11,996,430	\$ 930,314	\$ 68,662	\$ (21,781,857)
Public Safety	49,963,042	3,948,369	1,070,403	93,748	(44,850,522)
Physical Environment	1,138,412	63,534	55,439	-	(1,019,439)
Transportation	17,228,522	4,524,922	3,113,897	339,770	(9,249,933)
Economic Environment	6,470,466	1,247,711	84,266	74,442	(5,064,047)
Human Services	4,964,175	358,988	184,030	-	(4,421,157)
Culture and Recreation	5,069,470	431,287	541,195	2,689	(4,094,299)
Court-Related	9,088,018	6,643,391	187,095	-	(2,257,532)
Interest and Fiscal Charges	180,938	-	-	-	(180,938)
Total Governmental Activities	128,880,306	29,214,632	6,166,639	579,311	(92,919,724)
Business-type Activities					
Water & Sewer	25,057,150	24,206,685	4,494	594,496	(251,475)
Airport	8,363,050	10,347,555	347,780	8,500,606	10,832,891
Solid Waste	9,757,063	9,007,760	207,795	-	(541,508)
Conference Center	4,555,759	837,091	-	-	(3,718,668)
Other Programs	8,907,754	5,664,832	211,020	108,487	(2,923,415)
Total Business- type Activities	56,640,776	50,063,923	771,089	9,203,589	3,397,825
Total Primary Government	\$ 185,521,082	\$ 79,278,555	\$ 6,937,728	\$ 9,782,900	\$ (89,521,899)
Component Unit					
Emerald Coast Bridge Authority	\$ -	\$ -	\$ -	\$ -	\$ -

**Okaloosa County, Florida**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**For the Fiscal Year Ended September 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in Net Assets				
Net (Expenses) Revenue (From Exhibit II-A)	\$ (92,919,724)	\$ 3,397,825	\$ (89,521,899)	\$ -
Unrestricted General Revenues				
Taxes				
Ad Valorem Tax	59,958,051	2,395,445	62,353,496	-
Tourist Development Tax	6,285,864	4,323,218	10,609,082	-
Local Option Fuel Tax	3,337,538	-	3,337,538	-
Communication Services Tax	5,767,152	-	5,767,152	-
Ninth-Cent Voted Fuel Tax	1,003,998	-	1,003,998	-
Local Business Tax	350,931	149,963	500,894	-
State Revenue Sharing				
Miscellaneous Revenue	5,292,486	-	5,292,486	-
Local Government Sales Tax	12,280,854	-	12,280,854	-
Contributions Not Restricted to Specific Programs				
Contributions from				
Other Governments	13,347	-	13,347	-
Other Donations	2,019,245	96,035	2,115,280	-
Investment Earnings	1,214,135	2,545,747	3,759,882	-
Miscellaneous	2,495,637	493,591	2,989,228	-
Transfers - Internal Activities	1,284,100	(1,284,100)	-	-
<b>Total Unrestricted-General Revenues and Transfers</b>	<b>101,303,338</b>	<b>8,719,899</b>	<b>110,023,237</b>	<b>-</b>
Change in Net Assets	8,383,614	12,117,724	20,501,338	-
Net Assets - Beginning	150,437,395	207,319,820	357,757,215	(1,777,289)
Net Assets - Ending	<u>\$ 158,821,009</u>	<u>\$ 219,437,544</u>	<u>\$ 378,258,553</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, 2008**

	<u>General Fund</u>	<u>Fine and Forfeiture Special Revenue Fund</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,748,289	\$ 527,497
Investments	6,515,774	70,899
Receivables	326,725	65,306
Due from Other Funds	17,682	-
Due from Other Elected Officials	2,609,206	778,848
Due from Other Governments	1,573,290	4,873,448
Inventory	97,776	-
Prepays	642,626	7,879
Deposits	848	-
Total Assets	<u>\$ 16,532,216</u>	<u>\$ 6,323,877</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts Payable	\$ 1,118,852	\$ 52,540
Contracts Payable	267,641	144,302
Other Accrued Liabilities	1,293,886	317,169
Due to Other Funds	554,420	-
Due to Other Elected Officials	2,842,341	640,544
Due to Other Governments	255,389	8,443
Due to Depositors	30,266	150,873
Deferred Revenue	2,435,049	3,420,274
Total Liabilities	<u>8,797,844</u>	<u>4,734,145</u>
Fund Balances		
Reserved for		
Encumbrances	699,622	305,442
Inventory	97,776	-
Prepays	642,626	7,879
Debt Service	-	-
Other Restricted Purposes	1,357,000	1,623,679
Unreserved Reported in		
General Fund	4,937,348	-
Special Revenue Funds	-	(347,268)
Capital Project Funds	-	-
Total Fund Balances	<u>7,734,372</u>	<u>1,589,732</u>
Total Liabilities and Fund Balances	<u>\$ 16,532,216</u>	<u>\$ 6,323,877</u>

**Exhibit III-A**

Capital Outlay Constuction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 790,307	\$ 8,691,005	\$ 14,757,098
11,230,993	15,826,822	33,644,488
194	745,305	1,137,530
-	27,310	44,992
114,243	18,327	3,520,624
-	2,673,200	9,119,938
-	-	97,776
-	53,225	703,730
-	-	848
<u>\$ 12,135,737</u>	<u>\$ 28,035,194</u>	<u>\$ 63,027,024</u>
\$ 34,217	\$ 406,270	\$ 1,611,879
110,769	794,346	1,317,058
-	329,621	1,940,676
-	286,384	840,804
-	22,517	3,505,402
50	255,506	519,388
-	147,245	328,384
-	87,129	5,942,452
<u>145,036</u>	<u>2,329,018</u>	<u>16,006,043</u>
54,097	139,249	1,198,410
-	-	97,776
-	53,225	703,730
-	206,189	206,189
2,205,425	8,351,522	13,537,626
-	-	4,937,348
-	6,908,804	6,561,536
9,731,179	10,047,187	19,778,366
<u>11,990,701</u>	<u>25,706,176</u>	<u>47,020,981</u>
<u>\$ 12,135,737</u>	<u>\$ 28,035,194</u>	<u>\$ 63,027,024</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, 2008**

Fund balances - total governmental funds (Exhibit III-A)	\$	47,020,981
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Those assets consist of:

Land	\$	9,558,243	
Construction in progress		10,070,539	
Buildings, net of \$15,309,483 accumulated depreciation		25,016,672	
Improvements other than buildings, net of \$5,182,255 accumulated depreciation		16,621,765	
Machinery and equipment, net of \$29,560,579 accumulated depreciation		13,973,690	
Infrastructure, net of \$65,868,078 accumulated depreciation		43,331,504	
			118,572,413

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		5,624,111
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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:		(2,390,445)
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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, 2008 are:

Accrued interest on bonds			(260,826)
Revenue bonds payable	\$	(857,792)	
Notes payable		(3,580,000)	
Leases payable		-	
Compensated absences		(5,175,070)	
Other Post Employment Benefits		(132,363)	
Total long-term liabilities			(9,745,225)

Net assets of governmental activities (Exhibit I)	\$	158,821,009
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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, 2008**

	<u>General Fund</u>	<u>Fine and Forfeiture Special Revenue Fund</u>
<b>Revenues</b>		
Taxes	\$ 28,928,918	\$ 31,402,367
Licenses and Permits	9,100	-
Intergovernmental	6,371,843	8,663,701
Charges for Services	11,802,505	5,097,634
Fines	-	439,091
Miscellaneous	2,272,504	902,945
Total Revenues	<u>49,384,870</u>	<u>46,505,738</u>
<b>Expenditures</b>		
<b>Current</b>		
General Government	29,880,825	-
Public Safety	33,765,560	13,632,912
Physical Environment	797,789	-
Transportation	1,772,020	-
Economic Environment	3,775,475	-
Human Services	3,826,428	-
Culture and Recreation	589,007	-
Court-Related	1,740,393	1,590,848
Capital Outlay	4,312,012	109,758
<b>Debt Service</b>		
Principal	151,579	-
Interest	4,689	-
Other Debt Service Costs	-	-
Total Expenditures	<u>80,615,777</u>	<u>15,333,518</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(31,230,907)</u>	<u>31,172,220</u>

Exhibit IV-A

Capital Outlay Constuction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,485	\$ 13,036,688	\$ 73,373,458
-	-	9,100
487,413	14,486,520	30,009,477
-	5,231,317	22,131,456
-	1,172,354	1,611,445
1,840,360	1,436,230	6,452,039
<hr/>	<hr/>	<hr/>
2,333,258	35,363,109	133,586,975
<hr/>	<hr/>	<hr/>
3,316,348	330,186	33,527,359
8,141	-	47,406,613
-	154,623	952,412
-	11,355,230	13,127,250
-	2,521,847	6,297,322
-	828,114	4,654,542
148,551	3,756,976	4,494,534
-	5,421,549	8,752,790
1,679,439	5,125,191	11,226,400
1,000,000	585,951	1,737,530
-	80,692	85,381
-	24,187	24,187
<hr/>	<hr/>	<hr/>
6,152,479	30,184,546	132,286,320
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(3,819,221)	5,178,563	1,300,655
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**Okaloosa County, Florida**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	<u>General Fund</u>	<u>Fine and Forfeiture Special Revenue Fund</u>
Other Financing Sources (Uses)		
Transfers In	278,000	2,560,593
Transfers Out	(1,996,227)	(572,506)
Transfers Among Constitutional Officers	33,650,017	(33,662,239)
	<u>31,931,790</u>	<u>(31,674,152)</u>
Net Change in Fund Balances	700,883	(501,932)
Fund Balances - Beginning	7,033,489	2,091,664
	<u>7,734,372</u>	<u>1,589,732</u>
Fund Balances - Ending	<u>\$ 7,734,372</u>	<u>\$ 1,589,732</u>

Capital Outlay Constuction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
2,645,623	3,582,092	9,066,308
-	(5,213,475)	(7,782,208)
-	12,222	-
2,645,623	(1,619,161)	1,284,100
(1,173,598)	3,559,402	2,584,755
13,164,299	22,146,774	44,436,226
\$ 11,990,701	\$ 25,706,176	\$ 47,020,981

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, 2008**

Net change in fund balances - total governmental funds (Exhibit IV-A) \$ 2,584,755

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 (\$11,226,400) exceed depreciation (\$8,947,799) in the current period. (See Note 5.) 2,278,601

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Communication Service Tax	\$	3,330,076	
Grant Revenue		2,287,517	
Tax Redemption Fees		6,518	
Reversal of Prior Year Deferred Revenues		(1,214,889)	
Gain/Loss on Disposal of Capital Assets		(261,989)	
Net adjustment		4,147,233	4,147,233

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	\$	(71,370)	
Compensated absences		(298,580)	
Net adjustment		(369,950)	(369,950)

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	\$	365,952	
Leases		151,578	
Notes		1,220,000	
Net adjustment		1,737,530	1,737,530

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. (1,994,555)

Change in net assets of governmental activities (Exhibit II-B)	\$	8,383,614	
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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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 28,606,268	\$ 28,856,268	\$ 28,928,918	\$ 72,650
Licenses and Permits	250,300	11,300	9,100	(2,200)
Intergovernmental	3,106,128	13,818,894	6,371,843	(7,447,051)
Charges for Services	12,829,453	12,341,960	11,802,505	(539,455)
Miscellaneous	5,745,630	8,580,278	2,272,504	(6,307,774)
Total Revenues	<u>50,537,779</u>	<u>63,608,700</u>	<u>49,384,870</u>	<u>(14,223,830)</u>
Expenditures				
Current				
General Government	35,312,376	38,202,334	29,880,825	8,321,509
Public Safety	30,287,614	34,727,265	33,765,560	961,705
Physical Environment	822,574	826,850	797,789	29,061
Transportation	494,004	4,167,569	1,772,020	2,395,549
Economic Environment	4,603,877	4,880,559	3,775,475	1,105,084
Human Services	3,742,082	4,006,759	3,826,428	180,331
Culture and Recreation	840,382	844,382	589,007	255,375
Court-Related	1,805,088	1,740,393	1,740,393	-
Capital Outlay	1,524,155	7,520,287	4,312,012	3,208,275
Debt Service				
Principal	147,488	164,588	151,579	13,009
Interest	4,090	5,090	4,689	401
Total Expenditures	<u>79,583,730</u>	<u>97,086,076</u>	<u>80,615,777</u>	<u>16,470,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,045,951)</u>	<u>(33,477,376)</u>	<u>(31,230,907)</u>	<u>2,246,469</u>
Other Financing Sources (Uses)				
Transfers In	278,000	278,000	278,000	-
Transfers Out	-	(1,996,227)	(1,996,227)	-
Transfers Among Constitutional Officers	<u>28,767,951</u>	<u>35,195,603</u>	<u>33,650,017</u>	<u>(1,545,586)</u>
Total Other Financing Sources (Uses)	<u>29,045,951</u>	<u>33,477,376</u>	<u>31,931,790</u>	<u>(1,545,586)</u>
Net Change in Fund Balance	-	-	700,883	700,883
Fund Balance - Beginning	-	-	7,033,489	7,033,489
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,734,372</u>	<u>\$ 7,734,372</u>

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

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 30,911,444	\$ 30,911,444	\$ 31,402,367	\$ 490,923
Intergovernmental	8,686,143	11,368,420	8,663,701	(2,704,719)
Charges for Services	2,545,650	5,311,956	5,097,634	(214,322)
Fines	250,000	352,524	439,091	86,567
Miscellaneous	2,185,180	2,681,692	902,945	(1,778,747)
Total Revenues	44,578,417	50,626,036	46,505,738	(4,120,298)
Expenditures				
Current				
Public Safety	13,761,007	14,451,025	13,632,912	818,113
Court-Related	2,424,210	3,287,252	1,590,848	1,696,404
Capital Outlay	276,900	440,673	109,758	330,915
Total Expenditures	16,462,117	18,178,950	15,333,518	2,845,432
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,116,300	32,447,086	31,172,220	(1,274,866)
Other Financing Sources (Uses)				
Transfers In	1,067,100	2,560,593	2,560,593	-
Transfers Out	(480,000)	(480,000)	(572,506)	(92,506)
Transfers Among Constitutional Officers	(28,703,400)	(34,527,679)	(33,662,239)	865,440
Total Other Financing Sources (Uses)	(28,116,300)	(32,447,086)	(31,674,152)	772,934
Net Change in Fund Balance	-	-	(501,932)	(501,932)
Fund Balance - Beginning	-	-	2,091,664	2,091,664
Fund Balance - Ending	\$ -	\$ -	\$ 1,589,732	\$ 1,589,732

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





**Okaloosa County, Florida**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**September 30, 2008**

	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Buisness-type Solid Waste Enterprise Fund
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,853,822	\$ 1,673,571	\$ 205,055
Investments	14,678,983	11,108,683	218,332
Receivables, Net of Allowance for Uncollectibles	2,174,831	1,320,627	809,754
Due from Other Funds	-	-	-
Due from Other Elected Officials	-	-	-
Due from Other Governments	595,415	7,414,914	35,227
Inventory	2,562,382	5,777	-
Prepays	22,720	11,016	169
<b>Restricted Assets</b>			
Cash and Cash Equivalents			
Customer Deposits	1,367,310	23,375	23,393
Other Deposits	2,239,739	-	-
Investments	27,436,301	7,503,630	-
<b>Total Restricted Assets</b>	<b>31,043,350</b>	<b>7,527,005</b>	<b>23,393</b>
<b>Total Current Assets</b>	<b>52,931,503</b>	<b>29,061,593</b>	<b>1,291,930</b>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Land	4,802,034	5,553,582	133,301
Buildings	5,959,862	40,676,366	106,268
Improvements Other Than Buildings	-	-	276,776
Machinery and Equipment	8,994,997	2,263,726	3,306,300
Construction in Progress	41,827,355	17,786,513	-
Infrastructure	168,972,991	43,085,652	-
Works of Art	-	69,865	-
Less Accumulated Depreciation	(71,702,506)	(13,939,383)	(3,025,687)
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>158,854,733</b>	<b>95,496,321</b>	<b>796,958</b>

Exhibit VII

Activities			Governmental
Conference Center	Other	Total	Activities --
Enterprise Fund	Enterprise Funds	Enterprise Funds	Internal
			Service Funds
\$ 1,935,375	\$ (85,259)	\$ 5,582,564	\$ 1,803,432
9,167,240	13,731	35,186,969	1,022,374
-	3,088,684	7,393,896	8,122
286,384	-	286,384	509,429
-	61	61	188
-	-	8,045,556	156,119
-	-	2,568,159	301,390
801	2,061	36,767	8,404
-	-	1,414,078	-
-	-	2,239,739	-
992,875	-	35,932,806	-
992,875	-	39,586,623	-
12,382,675	3,019,278	98,686,979	3,809,458
-	-	10,488,917	316,861
17,895,784	148,857	64,787,137	799,350
9,915	-	286,691	257,345
995,282	4,818,916	20,379,221	2,444,107
3,810	-	59,617,678	-
363,670	-	212,422,313	-
-	-	69,865	-
(3,210,944)	(2,996,571)	(94,875,091)	(3,133,740)
16,057,517	1,971,202	273,176,731	683,923

Continued...

**Okaloosa County, Florida**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**September 30, 2008**

	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Buisness-type Solid Waste Enterprise Fund
Other Assets			
Investment in Joint Venture, at Equity	247,545	-	-
Total Other Assets	247,545	-	-
Total Noncurrent Assets	159,102,278	95,496,321	796,958
Total Assets	\$ 212,033,781	\$ 124,557,914	\$ 2,088,888
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 2,232,329	\$ 66,560	\$ 587,677
Contracts Payable	3,581,993	4,287,660	98,248
<b>Accrued Liabilities</b>			
Compensated Absences	487,771	69,660	63,917
Closure Costs Payable	-	-	229,529
Claims and Judgments	-	-	-
Other Accrued Liabilities	224,530	36,600	47,282
Due to Other Funds	-	-	-
Due to Other Elected Officials	-	450	-
Due to Other Governments	672	2,467	9
Notes Payable	84,629	-	-
Revenue Bonds Payable	37,331	-	317,556
Deferred Revenue	2,904,079	178,517	-
<b>Current Liabilities Payable from Restricted Assets</b>			
Customer Deposits Payable	1,493,170	23,375	23,393
Interest Payable	1,008,557	611,604	-
Loan - State of Florida	969,094	-	-
Revenue Bonds Payable	2,435,000	245,000	-
Total Current Liabilities Payable from Restricted Assets	5,905,821	879,979	23,393
Total Current Liabilities	15,459,155	5,521,893	1,367,611

Exhibit VII

Activities			Governmental Activities -- Internal Service Funds
Conference Center Enterprise Fund	Other Enterprise Funds	Total Enterprise Funds	
-	-	247,545	-
-	-	247,545	-
16,057,517	1,971,202	273,424,276	683,923
\$ 28,440,192	\$ 4,990,480	\$ 372,111,255	\$ 4,493,381
\$ 35,708	\$ 68,255	\$ 2,990,529	\$ 79,110
87,260	39,482	8,094,643	2,132
42,510	229,649	893,507	1,264,821
-	-	229,529	-
-	-	-	2,172,028
27,949	196,153	532,514	33,714
-	-	-	-
14,993	27	15,470	-
1,510	3,232	7,890	-
-	-	84,629	-
-	-	354,887	-
55,788	92,818	3,231,202	12,641
-	-	1,539,938	-
-	-	1,620,161	-
-	-	969,094	-
-	-	2,680,000	-
-	-	6,809,193	-
265,718	629,616	23,243,993	3,564,446

Continued...

**Okaloosa County, Florida**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**September 30, 2008**

	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Buisness-type Solid Waste Enterprise Fund
<b>Noncurrent Liabilities</b>			
Compensated Absences	398,137	48,017	64,517
Closure Costs Payable	-	-	4,044,641
Claims and Judgments	-	-	-
Notes Payable	255,371	2,000,000	-
Loan- State of Florida (Net of Unamortized Discounts)	10,308,074	-	-
Revenue Bonds Payable (Net of Unamortized and Deferred Amount on Refunding)	81,224,950	18,490,156	404,160
Other Post Employment Benefits	24,642	4,224	2,816
<b>Total Noncurrent Liabilities</b>	<b>92,211,174</b>	<b>20,542,397</b>	<b>4,516,134</b>
<b>Total Liabilities</b>	<b>107,670,329</b>	<b>26,064,290</b>	<b>5,883,745</b>
<b>Equity</b>			
Invested in Capital Assets, Net of Related Debt	90,233,866	80,118,588	796,957
Restricted for Debt Service	1,595,884	1,922,089	-
Restricted for Other Purposes	-	5,033,758	-
Unrestricted	12,533,702	11,419,189	(4,591,814)
<b>Total Equity</b>	<b>104,363,452</b>	<b>98,493,624</b>	<b>(3,794,857)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 212,033,781</b>	<b>\$ 124,557,914</b>	<b>\$ 2,088,888</b>

**Exhibit VII**

Activities			Governmental Activities -- Internal Service Funds
Conference Center Enterprise Fund	Other Enterprise Funds	Total Enterprise Funds	
28,097	92,874	631,642	87,229
-	-	4,044,641	-
-	-	-	1,968,775
-	-	2,255,371	-
-	-	10,308,074	-
12,010,000	-	112,129,266	-
3,520	25,522	60,724	1,263,376
12,041,617	118,396	129,429,718	3,319,380
12,307,335	748,012	152,673,711	6,883,826
4,047,517	1,971,202	177,168,130	683,922
6,549,777	-	10,067,750	-
5,535,563	-	10,569,321	-
-	2,271,266	21,632,343	(3,074,367)
16,132,857	4,242,468	219,437,544	(2,390,445)
\$ 28,440,192	\$ 4,990,480	\$ 372,111,255	\$ 4,493,381

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, 2008**

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Solid Waste Enterprise Fund
Operating Revenues			
Licenses and Permits	\$ -	\$ -	\$ -
Charges for Services	22,738,785	7,605,726	9,007,760
Miscellaneous	16,793	860	875
<b>Total Operating Revenues</b>	<b>22,755,578</b>	<b>7,606,586</b>	<b>9,008,635</b>
Operating Expenses			
Personal Services	6,947,847	1,309,867	825,344
Contractual Services	3,670,539	1,376,796	7,740,545
Supplies	971,537	305,203	137,536
Insurance Premiums and Claims	-	-	-
Utilities	1,387,523	729,604	7,055
Other Operating Expenses	3,849,646	1,411,235	812,650
Depreciation	5,021,641	2,272,496	172,463
<b>Total Operating Expenses</b>	<b>21,848,733</b>	<b>7,405,201</b>	<b>9,695,593</b>
<b>Operating Income (Loss)</b>	<b>906,845</b>	<b>201,385</b>	<b>(686,958)</b>
Nonoperating Revenues (Expenses)			
Taxes	-	-	-
Intergovernmental	4,494	347,780	207,795
Investment Income	1,863,201	432,527	19,939
Net Gain/Loss from Joint Venture	75,832	-	-
Other Non-Operating Revenue	362,364	95,785	250
Interest Expenses	(2,888,709)	(826,860)	(53,981)
Other Debt Services Costs	(318,645)	(130,989)	(7,489)
Gain/Loss on Disposal of Capital Assets	32,719	608	-
Passenger and Customer Facility Charges	-	2,741,829	-
Administrative Charges	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(868,744)</b>	<b>2,660,680</b>	<b>166,514</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>38,101</b>	<b>2,862,065</b>	<b>(520,444)</b>



Exhibit VIII

Activities			Governmental
Conference Center	Other	Total	Activities --
Enterprise Fund	Enterprise Funds	Enterprise Funds	Internal
			Service Funds
\$ -	\$ 1,011,679	\$ 1,011,679	\$ -
837,091	4,653,153	44,842,515	21,312,680
310	2,168	21,006	10,276
837,401	5,667,000	45,875,200	21,322,956
922,739	6,718,535	16,724,332	2,873,095
1,262,282	421,285	14,471,447	254,673
108,747	632,755	2,155,778	3,225,015
-	-	-	16,811,860
275,198	27,406	2,426,786	10,029
594,595	575,684	7,243,810	201,903
584,557	522,944	8,574,101	70,477
3,748,118	8,898,609	51,596,254	23,447,052
(2,910,717)	(3,231,609)	(5,721,054)	(2,124,096)
4,323,218	2,545,407	6,868,625	-
-	211,020	771,089	-
198,028	32,052	2,545,747	38,577
-	-	75,832	-
-	-	458,399	-
(685,073)	-	(4,454,623)	-
(975)	-	(458,098)	-
-	(9,145)	24,182	88,327
-	-	2,741,829	-
(121,593)	-	(121,593)	-
3,713,605	2,779,334	8,451,389	126,904
802,888	(452,275)	2,730,335	(1,997,192)

Continued...

**Okaloosa County, Florida**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Solid Waste Enterprise Fund
Capital Contributions	2,062,396	8,500,606	-
Transfers In	-	-	-
Transfers Out	(17,000)	(1,067,100)	-
Change in Equity	2,083,497	10,295,571	(520,444)
Total Equity - Beginning	102,279,955	88,198,053	(3,274,413)
Total Equity - Ending	\$ 104,363,452	\$ 98,493,624	\$ (3,794,857)

**Exhibit VIII**

Activities			Governmental Activities -- Internal Service Funds
Conference Center Enterprise Fund	Other Enterprise Funds	Total Enterprise Funds	
-	108,487	10,671,489	2,637
-	50,000	50,000	-
(250,000)	-	(1,334,100)	-
552,888	(293,788)	12,117,724	(1,994,555)
15,579,969	4,536,256	207,319,820	(395,890)
<u>\$ 16,132,857</u>	<u>\$ 4,242,468</u>	<u>\$ 219,437,544</u>	<u>\$ (2,390,445)</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, 2008**

	Business-type Activities		
	Water and Sewer System	Airport Enterprise	Solid Waste
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 22,603,394	\$ 7,289,961	\$ 9,249,580
Receipts from Interfund Services Provided	434,436	-	34,791
Payments to Suppliers	(7,364,798)	(3,299,670)	(8,095,049)
Payments to Employees	(6,674,068)	(1,277,990)	(749,457)
Payments for Interfund Services Used	(2,880,795)	(947,368)	(778,945)
Net Cash Provided (Used) by Operating Activities	<u>6,118,169</u>	<u>1,764,933</u>	<u>(339,080)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidy - Taxes	-	-	-
Operating Subsidy - Intergovernmental Revenue	4,889	429,247	216,061
Interest Expense	-	-	-
Transfers In	-	-	-
Transfers (Out)	-	(1,067,100)	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>4,889</u>	<u>(637,853)</u>	<u>216,061</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(31,508,025)	(13,335,231)	(23,449)
Passenger Facility Charges	-	1,459,441	-
Customer Facility Charges	-	1,282,388	-
Proceeds from Disposal of Capital Assets	33,782	608	-
Net Borrowing (Repayments)			
Proceeds from Capital Debt	165,618	11,496,760	53,981
Principal Paid on Capital Debt	(3,555,491)	(235,000)	(316,151)
Interest Paid on Capital Debt	(4,021,771)	(768,258)	-
Other Debt Service Costs	(2,546)	(499,576)	(53,981)
Taxes	-	-	-
Tap Fees in Excess of Cost	856,900	-	-
Capital Contributions	610,685	7,793,182	-
Net cash provided (used) by capital and related Financing Activities	<u>(37,420,848)</u>	<u>7,194,314</u>	<u>(339,600)</u>

Exhibit VIIV

- Enterprise Funds			Governmental
Conference	Other		Activities
Center	Enterprise	Total	Internal
	Funds		Service Funds
\$ 827,433	\$ 5,368,596	\$ 45,338,964	\$ 10,228,241
-	-	469,227	10,868,715
(1,847,468)	(1,010,090)	(21,617,075)	(20,790,842)
(890,416)	(6,408,146)	(16,000,077)	(1,342,199)
(347,936)	(857,013)	(5,812,057)	(137,698)
<u>(2,258,387)</u>	<u>(2,906,653)</u>	<u>2,378,982</u>	<u>(1,173,783)</u>
2,179,974	2,545,614	4,725,588	-
-	113,929	764,126	-
-	-	-	(7,479)
-	50,000	50,000	-
(250,000)	-	(1,317,100)	-
<u>1,929,974</u>	<u>2,709,543</u>	<u>4,222,614</u>	<u>(7,479)</u>
(108,848)	(725,398)	(45,700,951)	(5,065)
-	-	1,459,441	-
-	-	1,282,388	-
-	-	34,390	89,085
-	-	11,716,359	-
(270,000)	-	(4,376,642)	-
(685,073)	-	(5,475,102)	-
(130,941)	-	(687,044)	-
2,179,974	-	2,179,974	-
-	-	856,900	-
-	108,487	8,512,354	-
<u>985,112</u>	<u>(616,911)</u>	<u>(30,197,933)</u>	<u>84,020</u>

Continued...

**Okaloosa County, Florida**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Business-type Activities		
	Water and Sewer System	Airport Enterprise	Solid Waste
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale and Maturities of Investments	49,588,235	1,450,000	380,000
Interest Income	2,694,325	717,823	29,823
Purchases of Investments	(20,411,327)	(11,371,648)	(20,447)
Net Cash Provided (Used) by Investing Activities	<u>31,871,233</u>	<u>(9,203,825)</u>	<u>389,376</u>
Net Increase (Decrease) in Cash and Cash Equivalents	573,443	(882,431)	(73,243)
Cash and Cash Equivalents - Beginning of Year	<u>4,887,428</u>	<u>2,579,377</u>	<u>301,691</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,460,871</u>	<u>\$ 1,696,946</u>	<u>\$ 228,448</u>
Cash and Cash Equivalents at End of Year Consist of:			
Current Assets	\$ 1,853,822	\$ 1,673,571	\$ 205,055
Restricted Assets	3,607,049	23,375	23,393
Total	<u>\$ 5,460,871</u>	<u>\$ 1,696,946</u>	<u>\$ 228,448</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 906,845	\$ 201,385	\$ (686,958)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	5,021,641	2,272,496	172,463
Other revenue	362,364	-	250
Decrease (Increase) in Assets			
Accounts Receivable	5,963	(386,619)	274,101
Due from Other Funds	76,825	-	-
Due from Other Governments	-	-	-
Inventories	(31,274)	(2,526)	-
Prepaid Expenses	46,549	(8,709)	(169)

Exhibit VIIV

- Enterprise Funds			Governmental
Conference	Other		Activities
Center	Enterprise	Total	Internal
	Funds		Service Funds
818,706	550,500	52,787,441	702,808
392,290	31,971	3,866,232	73,126
(1,452,683)	(12,864)	(33,268,969)	(89,363)
(241,687)	569,607	23,384,704	686,571
415,012	(244,414)	(211,633)	(410,671)
1,520,363	159,155	9,448,014	2,214,103
<u>\$ 1,935,375</u>	<u>\$ (85,259)</u>	<u>\$ 9,236,381</u>	<u>\$ 1,803,432</u>
\$ 1,935,375	\$ (85,259)	\$ 5,582,564	\$ 1,803,432
-	-	3,653,817	-
<u>\$ 1,935,375</u>	<u>\$ (85,259)</u>	<u>\$ 9,236,381</u>	<u>\$ 1,803,432</u>
\$ (2,910,717)	\$ (3,231,609)	\$ (5,721,054)	\$ (2,124,096)
584,557	522,944	8,574,101	70,477
-	-	362,614	-
7,964	(293,303)	(391,894)	(202,709)
-	-	76,825	(109)
-	-	-	(29,841)
-	-	(33,800)	(44,937)
1,629	79	39,379	3,274

Continued...

**Okaloosa County, Florida**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	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	(122,009)	(133,892)	(2,331)
Service Contracts Payable	(612)	(244,318)	42,947
Due to Other Funds	(2)	323	-
Due to Other Governments	256	(9,533)	(166)
Compensated Absences Payable	(65,474)	(15,605)	(23)
Closure Cost Payable	-	-	(172,200)
Claims and Judgments Payable	-	-	-
Other Accrued Liabilities	55,611	8,180	28,805
Deposits	34,118	-	1,385
Deferred Revenue	(197,274)	79,527	-
Other Post Employment Benefits	24,642	4,224	2,816
Total Adjustments	<u>5,211,324</u>	<u>1,563,548</u>	<u>347,878</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,118,169</u>	<u>\$ 1,764,933</u>	<u>\$ (339,080)</u>
Noncash Investing, Capital, and Financing Activities:			
Improvements Acquired Through Contributions	\$ 611,000	\$ -	\$ -
Amortization of Loan Costs and Refunding Losses	\$ (316,100)	\$ (119,192)	\$ (7,489)
Transfer of Capital Assets From Other Funds	\$ (900)	\$ -	\$ -
Loss on Joint Venture	\$ 75,832	\$ -	\$ -
Loss on Disposal of Capital Assets	\$ (1,063)	\$ (83,812)	\$ -
Service Fees on State Revolving Loan Fund Debt	\$ 13,233	\$ -	\$ -
Unrealized Gain/(Loss) on Investments	\$ (666,663)	\$ (252,744)	\$ (6,789)



**Exhibit VI**

<u>- Enterprise Funds</u>			Governmental
Conference	Other		Activities
Center	Enterprise	Total	Internal
	Funds		Service Funds
(22,470)	20,173	(260,529)	(96,630)
83,176	10,803	(108,004)	392
-	(49)	272	-
1,131	(445)	(8,757)	-
3,198	7,798	(70,106)	9,404
-	-	(172,200)	-
-	-	-	(32,146)
8,683	35,613	136,892	3,103
-	-	35,503	-
(19,058)	(4,179)	(140,984)	6,659
3,520	25,522	60,724	1,263,376
<u>652,330</u>	<u>324,956</u>	<u>8,100,036</u>	<u>950,313</u>
<u>\$ (2,258,387)</u>	<u>\$ (2,906,653)</u>	<u>\$ 2,378,982</u>	<u>\$ (1,173,783)</u>

\$ -	\$ -	\$ 611,000	\$ -
\$ -	\$ -	\$ (442,781)	\$ -
\$ -	\$ -	\$ (900)	\$ 2,637
\$ -	\$ -	\$ 75,832	\$ -
\$ -	\$ (9,145)	\$ (94,020)	\$ (758)
\$ -	\$ -	\$ 13,233	\$ -
\$ (162,069)	\$ 2,419	\$ (1,085,846)	\$ (21,794)

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, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,919,952
Account Receivables	20,107
Due from Other Governments	1
Total Assets	3,940,060
<b>LIABILITIES</b>	
Due to Other Governments	\$ 764,239
Due to Depositors	2,253,509
Taxes Collected in Advance for Other Governments	922,312
Total Liabilities	3,940,060
<b>NET ASSETS</b>	<b>\$ -</b>

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, 2008**

**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 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, 2008, 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 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 fund statements as of September 30, 2008.

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**A. The Reporting Entity – Continued**

Emerald Coast Bridge Authority  
Balance Sheet  
September 30, 2008

<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u><u>          -</u></u>
 <b>LIABILITIES</b>	
Notes Payable - Long-term	\$       1,777,289
 <b>FUND BALANCE</b>	
Unrestricted	<u>          (1,777,289)</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 \$ <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, 2008

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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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.

**Conference Center Fund**

This fund is used to account for the general operation of the Conference 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 Conference 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, 2008**

**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.

**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 Fund and the Water and Sewer Enterprise Fund 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, 2008**

**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 2008 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, 2008
Levy Date	November 1, 2008
Due Date	November 1, 2008
Delinquent Date	April 1, 2009

Discounts of 1% for each month taxes are paid prior to March 2009 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 Conference 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.

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

**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 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
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, 2008**

**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. These unamortized losses on revenue bonds as of September 30, 2008 are \$165,060 (Series 2004) and \$183,664 (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 before July 15. The Board of County

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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 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 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 Manager 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 \$97,055,489 representing a 26.47 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 Fine and Forfeiture Fund reported a negative unreserved portion of total fund balance of \$347,268 for the year ended September 30, 2008. The deficit is caused as a result of mandatory expenditures to cover inmate health care and other inmate costs.

The Solid Waste Enterprise Fund reported deficit fund equity of \$3,794,857 for the year ended September 30, 2008. 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 Self Insurance Internal Service Fund reported deficit fund equity of \$2,623,991. 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, 2008**

**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 \$650,297. 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, 2008. Prior to the OPEB adjustment, the Fund equity was a surplus of \$609,031.

**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, 2008 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	\$ 27,009,851	\$ 27,009,852	On Demand
Florida Local Government Surplus			
Funds Trust investment pool - Fund B	2,247,521	2,247,522	As Available*
Florida Local Government Investment			
Trust investment pool	37,702,645	37,702,645	On Demand
STI Classic Institutional Cash Management	10,983,341	10,983,341	On Demand
U.S. Treasury bill (1)	898,000	892,894	3/26/2009
Repurchase Agreement (1)	800,825	800,825	10/1/2013
Federal Home Loan Mortgage Corp (4)	1,581,252	1,603,563	1/1/2010
	2,362,581	2,397,759	2/1/2011
	3,460,417	3,406,469	12/1/2014
	2,377,529	2,419,516	10/1/2010
Federal National Mortgage Assoc. (5)	3,756,526	3,849,050	1/1/2012
	3,181,011	3,171,118	4/1/2010
	3,011,081	3,185,061	6/1/2012
	2,227,182	2,227,449	7/1/2017
	3,840,909	3,889,573	3/1/2018
Total investments	<u>\$ 105,440,671</u>	<u>\$ 105,786,637</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.

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED**

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, 2008, the investment in Florida Local Government Investment Trust investment pool was rated AAAS-1 by Standard and Poor's. The U.S. government instrumentalities held at September 30 were all AAA rated by Standard and Poor's and other rating agencies. The investment in Florida Local Government Surplus Fund Trust Fund A investment pool was rated AAAM as of September 2008. The Florida Local Government Surplus Fund Trust Fund B investment pool was not rated by any nationally recognized statistical rating agency as of September 2008. Standard and Poor's rated the STI Classic Institutional Cash Management as AAA as of September 2008. The U.S. Treasury bill was rated by Moody's Investment Corporation as AAA as of September 2008. As of September 30, 2008 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 9.3% and 15.4% respectively, of the County's total investments.



**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED**

*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.

**NOTE 4 – RECEIVABLES / DEFERRED REVENUE**

Receivables as of year-end 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, 2008
General	\$ 326,725	\$ 1,573,290	\$ 1,900,015	\$ -	\$ 1,900,015
Fine and Forfeiture	65,306	4,873,448	4,938,754	-	4,938,754
Capital Outlay	194	-	194	-	194
Water and Sewer	2,364,831	595,415	2,960,246	(190,000)	2,770,246
Airport	1,320,627	7,414,914	8,735,541	-	8,735,541
Solid Waste	809,754	35,227	844,981	-	844,981
Conference Center	-	-	-	-	-
Nonmajor and Other Funds	6,475,463	2,829,320	9,304,783	(2,613,245)	6,691,538
<b>Total</b>	<b>\$ 11,362,900</b>	<b>\$ 17,321,614</b>	<b>\$ 28,684,514</b>	<b>\$ (2,803,245)</b>	<b>\$ 25,881,269</b>

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>
General Fund		
Grant Revenue	\$ 3,567	\$ 2,106,618
Tax Redemption Fees	-	6,518
Tax Revenue Received in Advance	-	318,346
Special Revenue Funds		
Fine and Forfeiture		
Communication Service Tax Revenue	3,330,076	-
Grant Revenue	-	90,198
Nonmajor Funds		
Grant Revenue	-	87,129
<b>Total deferred/unearned revenue for governmental funds</b>	<b>\$ 3,333,643</b>	<b>\$ 2,608,809</b>

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,875,104	\$ -	\$ -	\$ 9,875,104
Construction in progress	12,840,334	4,471,933	(7,241,727)	10,070,540
Total capital assets, not being depreciated	<u>22,715,438</u>	<u>4,471,933</u>	<u>(7,241,727)</u>	<u>19,945,644</u>
Capital assets, being depreciated:				
Buildings	40,452,793	672,714	-	41,125,507
Improvements other than buildings	17,496,823	4,564,532	-	22,061,355
Machinery and equipment	42,076,239	6,108,828	(2,206,680)	45,978,387
Machinery and equipment under capital lease	679,093	-	(679,093)	-
Infrastructure	<u>105,865,231</u>	<u>3,334,351</u>	<u>-</u>	<u>109,199,582</u>
Total capital assets being depreciated	<u>206,570,178</u>	<u>14,680,425</u>	<u>(2,885,773)</u>	<u>218,364,831</u>
Less accumulated depreciation for:				
Buildings	(14,781,278)	(1,064,112)	-	(15,845,390)
Improvements other than buildings	(4,912,888)	(494,748)	-	(5,407,636)
Machinery and equipment	(28,542,121)	(4,794,138)	1,403,227	(31,933,032)
Machinery and equipment under capital lease	(543,275)	-	543,275	-
Infrastructure	<u>(63,202,801)</u>	<u>(2,665,278)</u>	<u>-</u>	<u>(65,868,079)</u>
Total accumulated depreciation	<u>(111,982,362)</u>	<u>(9,018,276)</u>	<u>1,946,502</u>	<u>(119,054,137)</u>
Total capital assets, being depreciated, net	<u>94,587,816</u>	<u>5,662,149</u>	<u>(939,271)</u>	<u>99,310,694</u>
Governmental activities capital assets, net	<u>\$ 117,303,254</u>	<u>\$ 10,134,082</u>	<u>\$ (8,180,998)</u>	<u>\$ 119,256,338</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, 2008**

**NOTE 5 – CAPITAL ASSETS - CONTINUED**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 10,481,717	\$ 7,200	\$ -	\$ 10,488,917
Construction in progress	18,370,056	48,078,189	(6,830,567)	59,617,678
Works of art	61,198	8,667	-	69,865
Total capital assets, not being depreciated	<u>28,912,971</u>	<u>48,094,056</u>	<u>(6,830,567)</u>	<u>70,176,460</u>
Capital assets, being depreciated:				
Buildings	64,108,206	678,931	-	64,787,137
Improvements other than buildings	286,691	-	-	286,691
Machinery and equipment	18,634,573	2,436,851	(692,203)	20,379,221
Infrastructure	<u>203,675,425</u>	<u>8,746,888</u>	<u>-</u>	<u>212,422,313</u>
Total capital assets being depreciated	<u>286,704,895</u>	<u>11,862,670</u>	<u>(692,203)</u>	<u>297,875,362</u>
Less accumulated depreciation for:				
Buildings	(7,921,457)	(1,620,494)	-	(9,541,951)
Improvements other than buildings	(103,429)	(10,217)	-	(113,646)
Machinery and equipment	(12,846,745)	(1,794,821)	681,996	(13,959,570)
Infrastructure	<u>(65,998,109)</u>	<u>(5,261,815)</u>	<u>-</u>	<u>(71,259,924)</u>
Total accumulated depreciation	<u>(86,869,740)</u>	<u>(8,687,347)</u>	<u>681,996</u>	<u>(94,875,091)</u>
Total capital assets, being depreciated, net	<u>199,835,154</u>	<u>3,175,323</u>	<u>(10,207)</u>	<u>203,000,270</u>
Business-type activities capital assets, net	<u>\$ 228,748,126</u>	<u>\$ 51,269,379</u>	<u>\$ (6,840,774)</u>	<u>\$ 273,176,731</u>

Depreciation expense was charged to functions/programs as follows.

Governmental activities:	
General government	\$ 1,171,621
Public safety	2,442,429
Physical environment	31,382
Transportation, including depreciation of general infrastructure assets	4,087,674
Economic environment	41,420
Human services	270,580
Culture and recreation	550,707
Court related	351,986
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>70,477</u>
Total depreciation expense - governmental activities	<u>\$ 9,018,276</u>

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 5 – CAPITAL ASSETS - CONTINUED**

Business-type activities:	
Water and sewer	\$ 5,021,641
Airport	2,272,496
Solid waste	172,463
Conference center	584,557
Other enterprise funds	522,944
Total depreciation expense - business-type activities	\$ <u>8,574,101</u>

**Construction Commitments**

**Judicial/Governmental Center**

The Board has entered into a contract for the design of a new judicial/governmental center. The total contract amount is \$3,543,430. Expenditures to date total \$1,094,655, and the remaining balance is \$2,448,775.

**Fiber Optic Network**

The Board is continuing development of a fiber optic network to facilitate communications and networking. Total expenditures on the project to date are \$4,454,691.

**In-House Improvements**

The Board has begun in-house renovations of various county facilities. Cumulative expenditures total \$210,519 to date.

**Jail Expansion**

The Board has entered into a contract for the expansion of its jail facilities. The total contract amount for the project is \$12,000,000. \$70,675 has been expended to date, leaving a commitment of \$11,929,325.

**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 \$1,897,206. Cumulative expenditures total \$1,649,185, with a \$248,021 commitment remaining at September 30, 2008.

**Park Improvements**

The Board has continued a construction project to make significant improvements to Marler Park. The contract amount is \$3,737,740, with expenditure through September 30, 2008 of \$3,512,352. The remaining commitment under this contract is \$225,388.

**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 2009 capital budget, total expenditures will approximate \$5,000,000 on contracted projects already under construction at September 30, 2008, plus an additional \$1,000,000 for in-house construction. New construction contracts for 2008 are estimated at \$5,000,000.

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 5 – CAPITAL ASSETS – CONTINUED**

**Construction Commitments –Continued**

**Water and Sewer Expansion and Renovation - Continued**

Construction of a new wastewater treatment plant to service the Garnier's area of south Okaloosa County began in Fiscal Year 2007. The total project is expected to cost \$60 to \$65 million to complete and is being funded by the proceeds of the 2006 bond issue. Expenditures on the project to date total approximately \$38,000,000.

**Construction at Okaloosa Regional Airport**

The Airport began construction of a consolidated rental car service area along with a new fuel farm on a 22.6 acre parcel which is being leased from Eglin Air Force Base on the east side of the original 108 acre leasehold in fiscal year 2008. A separate commercial access road will provide additional security for deliveries to the terminal. In addition, a new cargo/maintenance facility is planned to replace the building razed during the recent terminal construction project completed in FY 2005. The estimated cost of the rental car facility and fuel farm is about \$16 million to be funded in part by Federal Aviation Administration and Florida Department of Transportation grants as well as a bond issue to be repaid by the collection of Customer Facility Charges. Approximately \$10,000,000 has been spent on the project to date. Construction is estimated to be complete in April 2009.

**Construction at Bob Sikes Airport**

The rehabilitation of the main runway 17/35 began in 2008 with an estimated completion date of March 2009. The design, construction and construction management is anticipated to cost \$10 million. The Federal Aviation Administration will fund 77.2% based on its determination that 81.3% of the runway is eligible for 95% federal funding. The balance will be undertaken by the Florida Department of Transportation and the County. Expenditures to date total approximately \$5,000,000.

**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.

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 6 – COMPENSATED ABSENCES - CONTINUED**

Board of County Commissioners and Supervisor of Elections - Continued

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

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 6 – COMPENSATED ABSENCES - CONTINUED**

Clerk of the Circuit Court- Continued

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

Sick leave is accrued by all personnel at 8 hours per month. This accrued time is carried over from year to year. Employees terminating after ten years of service will be 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, 2008**

**NOTE 6 – COMPENSATED ABSENCES - CONTINUED**

The total amounts of accumulated annual leave and other compensated absences for all elected officials as of September 30, 2008 follow:

Elected Official	Current Portion	Long-Term Portion	Totals
Board of County Commissioners	\$ 2,641,402	1,906,859	\$ 4,548,261
Clerk of the Circuit Court	254,339	466,330	720,669
Sheriff	910,594	1,560,525	2,471,119
Tax Collector	-	132,226	132,226
Property Appraiser	-	147,304	147,304
Supervisor of Elections	24,621	8,067	32,688
Totals	<u>\$ 3,830,956</u>	<u>\$ 4,221,311</u>	<u>\$ 8,052,267</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 \$172,200. The estimated liability for landfill closure and post closure care costs has a balance of \$4,274,170 as of September 30, 2008.

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, 2008**

**NOTE 8 – INTERFUND BALANCES AND ACTIVITY**

The composition of interfund balances as of September 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Fine and Forfeiture	407,613	Grant revenue
General	Fine and Forfeiture	232,341	Appropriations
General	Fine and Forfeiture	590	Local Ordinance Fees
General	Nonmajor Governmental	22,517	Fees
General	Airport	450	Recording Fees
General	Conference Center	14,993	Administrative fee
General	Nonmajor Enterprise	27	Recording Fees
Fine and Forfeiture	General	582,191	Refund of excess fees
Fine and Forfeiture	General	120,283	Interest & fees
Fine and Forfeiture	General	11,465	Refund of excess app.
Fine and Forfeiture	General	43,487	Interest, restitution &
Capital Projects Fund	General	4	Interest
Capital Projects Fund	General	114,239	Vessel commissions
Nonmajor Governmental	General	27,310	Restricted fees
Nonmajor Governmental	General	70	Interest
Nonmajor Governmental	General	12,221	Refund of excess fees
Nonmajor Governmental	Fine and Forfeiture	5,445	Grant refund
Conference Center	Nonmajor Governmental	286,384	Allocation of taxes
Nonmajor Enterprise	General	61	Interest
Internal Service	General	509,617	Internal services
Total		<u>2,391,308</u>	

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
General	Fine and Forfeiture	\$ 33,511,363	Appropriations
General	Fine and Forfeiture	733,067	Appropriations-grants
General	Nonmajor Governmental	28,000	Allocation of tax revenues
General	Conference Center	250,000	Allocation of tax revenues
Fine and Forfeiture	General	1,393,493	Allocation of additional revenues
Fine and Forfeiture	General	582,191	Excess fees
Fine and Forfeiture	Nonmajor Governmental	100,000	Inmate Health Services
Fine and Forfeiture	Airport	1,067,100	Sheriff appropriation
Capital Outlay	Fine and Forfeiture	572,506	Transferring judicial center funding
Capital Outlay	Nonmajor Governmental	2,073,117	Allocation state revenue sharing funds
Nonmajor Governmental	General	602,734	Allocation of tax revenues
Nonmajor Governmental	General	12,222	Excess fees
Nonmajor Enterprise	Nonmajor Governmental	33,000	Allocation of tax revenues
Nonmajor Enterprise	Water and Sewer	17,000	Sale of equipment
Total		<u>\$ 40,975,793</u>	

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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 \$1,328,672 has been recorded as of September 30, 2008. 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 lease range from 4 to 21 years.

Okaloosa County leases land and a building to a convenience store company. Capitalized investment in the building is \$132,488. Accumulated depreciation of \$31,466 has been recorded as of September 30, 2008. The lease has been 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 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 \$3,822 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 2028. Capitalized investment in assets associated with these leases is \$27,253,165. Accumulated depreciation of \$2,682,784 has been recorded as of September 30, 2008.

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>	
2009	\$ 3,283,132
2010	3,357,448
2011	744,294
2012	740,128
2013	542,627
Thereafter	<u>7,373,935</u>
	<u>\$ 16,041,564</u>

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 9 – LEASES - CONTINUED**

**Operating Leases – Lessee**

1. 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 \$11,276,049 over the life time of the lease. Lease expense for fiscal year 2008 was \$318,000.
2. Okaloosa County has an air space joint use agreement with the Department of the Air Force for an annual fee based on the estimated number of landings per year. Expiration of the current lease is September 30, 2008. This lease and the yearly payment amount are renegotiated every five years. The lease rates are currently being renegotiated. Lease expense for fiscal year 2008 was \$131,170.
3. 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 \$13,448,318 over the life time of the lease. Lease expense for fiscal year 2008 was \$325,000.
4. Okaloosa County leases office space used by the Tax Collector and the Property Appraiser through December 31, 2008. The rent is based on \$10,058 per month plus a proportionate amount of any annual Consumer Price Index increase from the previous year. The lease has been renegotiated to a five year lease with three one year renewals beginning in 2009. The rent will increase to \$33,145 per month for the first two years and beginning the third year rent shall be adjusted annually by the Consumer Price Index. Based on assumed increases of 3%, future minimum lease payments total \$3,653,448. Lease expenditure for fiscal year 2008 was \$138,732.
5. Okaloosa County leases office space used by public safety and veterans' affairs departments of the Board through March 2009. Monthly payments under the lease are \$4,495 with total minimum lease payments of \$26,970 for the remaining term of the lease. Lease expenditure for fiscal year 2008 was \$53,940.
6. 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. Monthly payments under the lease are \$20,625 with the total minimum lease payments for the years 2008 through 2010 of \$288,750. Lease expenditure for fiscal year 2008 was \$247,500.
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 \$61,796 through February 2010. Lease expenditure for the fiscal year ended September 30, 2008 was \$52,968.
8. 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 2009 through 2013 of \$535,500. Total lease expenditure for fiscal year ended September 30, 2008 was \$117,200.

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 9 – LEASES - CONTINUED**

**Operating Leases – Lessee - Continued**

9. 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, 2008, the yearly rental is \$169,078 with minimum lease payments for years 2009 through 2025 of \$2,874,326. Total lease expenditure for fiscal year ended September 30, 2008 was \$147,000.

Total lease expenditure/expense for material operating leases in which the County is the lessee for fiscal year ended September 30, 2008 amounted to \$1,351,510. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended September 30</u>	
2009	\$ 1,500,656
2010	1,418,398
2011	1,388,186
2012	1,415,483
2013	1,351,077
2014-2018	6,568,156
2019-2023	5,285,335
2024-2028	5,369,201
2029-2033	5,038,391
2034-2038	2,830,274
	<u>\$ 32,165,158</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, 2008.

	<u>Note Payable</u>
Long-term debt payable October 1, 2007	\$ 1,777,289
Increase/Decrease in long-term debt	<u>-</u>
Long-term debt payable September 30, 2008	<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, 2008**

**NOTE 10 – LONG-TERM DEBT - CONTINUED**

**Primary Government**

The following debt issues are outstanding for September 30, 2008:

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.

\$ 857,792

Total Governmental Activities Revenue Bonds

\$ 857,792

**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. 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.

\$ 3,580,000

Total Governmental Activities Loans and Notes

\$ 3,580,000

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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. \$ 741,063

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 Okaloosa 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. 10,170,000

\$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. 9,980,000

Conference 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 Conference Center. This issue is subject to federal arbitrage regulations. 12,010,000

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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. 322,559

\$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 18,420,000

\$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. 65,150,000

Total Business-type Revenue Bonds \$ 116,793,622

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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.	\$ 1,187,884
\$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.	514,902
\$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.	282,965
\$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.	818,771
\$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.	848,120
\$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.	204,210
\$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>7,599,351</u>
Total Loans – State of Florida	11,456,203

**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.	340,000
\$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>13,796,203</u>



**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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, 2008.

	Balance Due October 1, 2007	Increases	Decreases	Balance Due September 30, 2008	Due Within One Year
Governmental Activities:					
Revenue Bonds					
Capital Improvement Revenue Bonds, Series 1991	\$ 1,161,258	\$ 62,485 *	\$ (365,951)	\$ 857,792	\$ 367,575
Loans and Notes					
Personal loan	1,000,000	-	(1,000,000)	-	-
Commercial Paper loan	3,800,000	-	(220,000)	3,580,000	220,000
Total Loans and Notes	4,800,000	-	(1,220,000)	3,580,000	220,000
Capital leases	151,578	-	(151,578)	-	-
Accrued compensated absences	6,351,496	558,131	(382,509)	6,527,118	3,037,337
Estimated claims payable	4,172,949	94,095	(126,241)	4,140,803	2,172,028
Other post employment benefits	-	1,395,739	-	1,395,739	-
Total Governmental Activities	\$ 16,637,281	\$ 2,110,450	\$ (2,246,279)	\$ 16,501,452	\$ 5,796,940
Business-type Activities:					
Revenue Bonds					
Capital Improvement Revenue Bonds, Series 1991	\$ 1,003,232	\$ 53,981 *	\$ (316,150)	\$ 741,063	\$ 317,556
Airport Revenue Bonds, Series 2003	10,405,000	-	(235,000)	10,170,000	245,000
Airport Taxable Revenue Bonds, Series 2007	-	9,980,000	-	9,980,000	-
Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000	12,280,000	-	(270,000)	12,010,000	-
Subordination Revenue Series 1985	356,420	-	(33,861)	322,559	37,331
Refunding Revenue Series 2004	20,795,000	-	(2,375,000)	18,420,000	2,435,000
Refunding Revenue Series 2006	65,150,000	-	-	65,150,000	-
Less deferred amounts					
For issuance discounts	(452,835)	(1,097,670)	269,760	(1,280,745)	-
On refunding	(635,590)	-	286,866	(348,724)	-
Total Revenue Bonds	108,901,227	8,936,311	(2,673,385)	115,164,153	3,034,887

\*Accretion

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 10 – LONG-TERM DEBT - CONTINUED**

**Primary Government - Continued**

	Balance Due September 30, 2007	Increases	Decreases	Balance Due September 30, 2008	Due Within One Year
Business-type Activities - Continued					
Loans and Notes					
State of Florida Revolving Loan Fund, April 11, 1992 through April 1, 2011	1,552,152	-	(364,268)	1,187,884	379,676
State of Florida Revolving Loan Fund, December 30, 1994 through June 30, 2014	592,930	-	(78,028)	514,902	80,153
State of Florida Revolving Loan Fund, October 10, 1995 through April 10, 2015	319,386	-	(36,421)	282,965	37,371
State of Florida Revolving Loan Fund, April 1, 2001 through October 1, 2016	907,968	-	(89,197)	818,771	45,612
State of Florida Revolving Loan Fund, September 15, 1999 through March 15, 2017	935,689	-	(87,569)	848,120	89,967
State of Florida Revolving Loan Fund, February 15, 2001 through August 15, 2019	219,497	-	(15,287)	204,210	15,777
State of Florida Revolving Loan Fund, beginning June 15, 2007 through December 15, 2023	7,960,180	15,033	(375,862)	7,599,351	320,538
Personal Loan	440,000	-	(100,000)	340,000	84,629
Commercial Paper Loan	-	2,000,000	-	2,000,000	-
Less deferred amounts					
For issuance discounts	(205,072)	-	26,037	(179,035)	-
<b>Total Loans and Notes</b>	<b>12,722,730</b>	<b>2,015,033</b>	<b>(1,120,595)</b>	<b>13,617,168</b>	<b>1,053,723</b>
Accrued compensated absences	1,595,255	36,722	(106,828)	1,525,149	893,507
Estimated closure costs payable	4,446,370	-	(172,200)	4,274,170	229,529
Other post employment benefits	-	60,724	-	60,724	-
<b>Total Business-type Activities</b>	<b>\$ 127,665,582</b>	<b>\$ 11,048,790</b>	<b>\$ (4,073,008)</b>	<b>\$ 134,641,364</b>	<b>\$ 5,211,646</b>

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 \$1,352,050 of internal service funds compensated absences, \$4,140,803 of claims liabilities, and \$1,263,376 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, 2008**

**NOTE 10 – LONG-TERM DEBT - CONTINUED**

**Primary Government – Continued**

Debt service requirements to maturity on long-term debt at September 30, 2008 are as follows:

<u>Year Ending September 30,</u>	Governmental Activities			
	Revenue Bonds		Loans and Notes	
	Principal	Interest	Principal	Interest
2009	106,749	260,826	220,000	61,010
2010	99,487	268,018	220,000	57,202
2011	651,556	136,814	3,140,000	13,700
	\$ 857,792	\$ 665,658	\$ 3,580,000	\$ 131,912

<u>Year Ending September 30,</u>	Business-type Activities					
	Revenue Bonds		Loans and Notes		Landfill Closure Costs	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	3,034,887	5,704,994	1,053,723	373,146	229,529	-
2010	3,603,653	5,618,313	1,135,493	349,383	229,527	-
2011	3,531,388	5,365,781	1,174,978	309,897	229,527	-
2012	4,155,027	5,103,140	761,233	269,062	229,527	-
2013	4,335,155	4,953,074	2,707,380	218,392	229,527	-
2014-2018	18,248,512	22,321,616	2,969,127	763,056	1,147,635	-
2019-2023	18,320,000	18,170,872	2,245,128	416,398	1,147,635	-
2024-2028	23,695,000	12,678,750	1,749,141	98,425	710,915	-
2029-2033	25,005,000	6,212,613	-	-	120,348	-
2034-2036	12,865,000	1,307,500	-	-	-	-
	\$ 116,793,622	\$ 87,436,653	\$ 13,796,203	\$ 2,797,759	\$ 4,274,170	\$ -

In prior years, the County has defeased various bond issues. Of those defeased issues, the following amounts are outstanding at September 30, 2008.

Business-type activities:

Water and Sewer System Enterprise Fund	\$ 1,500,000
Refunding Revenue Bonds, Series 1986	4,545,000
Revenue Bonds, Series 1992	\$ 6,045,000
Total	\$ 6,045,000

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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, 2008, \$36,284,025 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, 2008.

Fund	Amount	Purpose
General	\$ 944,345	911 Emergency System
General	412,655	County Revolving Loan Fund Program
Special Revenue Funds		
Fine and Forfeiture	74,256	Police Academy
Fine and Forfeiture	55,355	Law Enforcement Trust Fund
Fine and Forfeiture	51,530	Family Mediation Services
Fine and Forfeiture	12,384	Law Library
Fine and Forfeiture	98,991	Prisoner Benefit Trust
Fine and Forfeiture	85,980	Teen Court
Fine and Forfeiture	120,704	Alcohol and Other Drug Abuse Trust Fund
Fine and Forfeiture	201,342	Domestic Violence Trust Fund
Fine and Forfeiture	308,999	Radio Communications Program
Fine and Forfeiture	614,138	Public Records Innovation
Tourist Development	5,565,171	Tourist Development Tax
Municipal Services		
Benefit Units	448,361	Assessments Reserve
Public Records Modernization		
Trust	1,333,217	Public Records Technology
Public Records Courts	1,004,773	Judicial Information Technology
Capital Projects Fund		
Capital Outlay Construction	587,335	Florida Boating Improvement Trust
Capital Outlay Construction	1,589,073	Court Facility Improvement Trust
Capital Outlay Construction	29,017	Parks Development Trust
Total Reserved for Other		
Restricted Purposes	\$ <u>13,537,626</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, 2008.

Fund	Amount	Purpose
Airport Enterprise Fund	\$ 5,033,758	Passenger Facility Charges Program
Conference Center Enterprise Fund	5,535,563	Tourist Development Tax
Total Equity Restricted for		
Other Purposes	\$ <u>10,569,321</u>	

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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](http://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, 2008, 2007, and 2006, listed below were equal to the required contributions for the year.

<u>Elected Officials</u>	Years Ended September 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Board of County Commissioners	\$ 4,423,713	\$ 4,045,033	\$ 3,138,209
Clerk of the Circuit Court	456,576	426,836	312,404
Sheriff	3,225,225	3,104,535	2,625,915
Tax Collector	311,797	290,342	214,936
Property Appraiser	177,620	172,358	143,120
Supervisor of Elections	76,567	68,831	59,063
Total Contributions	<u>\$ 8,671,498</u>	<u>\$ 8,107,935</u>	<u>\$ 6,493,647</u>

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 13 - PENSION PLAN - CONTINUED**

**Health Insurance Subsidy**

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](http://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, 2006, the unfunded actuarial liability of the HIS program was \$4.5 billion. The annual required contribution (ARC) calculated in July, 2006, for the fiscal year ending June 30, 2008 is 1.36% of active payroll. For fiscal year ended September 30, 2008, 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, 2008**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED**

**Board of County Commissioners - Continued**

Membership

At September 30, 2008, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	43
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	-
Active Employees	917
Total	960
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 2008 was \$281,851. 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	\$ 290,143
Interest on Prior Year Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Costs	290,143
Estimated Employer Contributions made	93,008
Increase (Decrease) in Net OPEB Obligation	197,135
Net OPEB Obligation , Beginning of Year	-
Estimated Net OPEB Obligation, End of Year	\$ 197,135

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 2008 and the prior two (2) years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2006	N/A	N/A	N/A
9/30/2007	N/A	N/A	N/A
9/30/2008	\$ 290,143	32.06%	\$ 197,135

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 14 – POST EMPLOYMENT BENEFITS – CONTINUED**

**Board of County Commissioners - Continued**

Funded Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$2,666,350 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, 2008, actuarial valuation, the 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 6.7% initially, reduced by decrements to an ultimate rate of 4.2% in 2085. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2008, was 29 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 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, 2008**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED**

**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 benefit 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, 2008, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	12
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	-
Active Employees	309
Total	321
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. 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 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 Sheriff’s net OPEB obligation:

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED**

**Sheriff - Continued**

Annual OPEB Costs and Net OPEB Obligation - Continued

Annual Required Contribution	\$ 1,476,435
Interest on Prior Year Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Costs	1,476,435
Estimated Employer Contributions made	217,107
Increase (Decrease) in Net OPEB Obligation	1,259,328
Net OPEB Obligation , Beginning of Year	-
Estimated Net OPEB Obligation, End of Year	\$ 1,259,328

The Sheriff's annual OPEB cost (expense) of \$1,476,435 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 31, 2007. The OCSO has chosen to apply GASB No. 45 prospectively in this transition year. The Sheriff's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008 and the prior two (2) years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2006	N/A	N/A	N/A
9/30/2007	N/A	N/A	N/A
9/30/2008	\$1,476,435	14.70%	\$1,259,328

Funded Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$14,238,273 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, 2008**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED**

**Sheriff - Continued**

Actuarial methods and Assumptions - Continued

In the September 30, 2008, 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, 2008, was 29 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.

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, 2008.

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 15 - RISK MANAGEMENT – CONTINUED**

A. Method of Risk Management – Continued

*Workers' Compensation*

The County contracts with a service company to have its workers' compensation claims processed. The County retains risk for all claims up to \$400,000 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 \$65,000. 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 \$4,112,983 for the fiscal year ended September 30, 2008.

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, 2008, the amount of these liabilities was \$353,125. 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, 2008. 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, 2008**

**NOTE 15 - RISK MANAGEMENT – CONTINUED**

A. Method of Risk Management - Continued

Reconciliation of Claims Liabilities for Medical Benefits Okaloosa County Sheriff	As of <u>September 30, 2008</u>	As of <u>September 30, 2007</u>
Unpaid claims and adjustment expenses at beginning of year	\$ 259,030	\$ 377,577
Incurred claims and claim adjustment expenses		
A) Provision for insured events of current fiscal year	3,722,114	2,869,996
B) Increases (decreases) in provision for insured events of prior fiscal years	<u>-</u>	<u>-</u>
Total incurred claims and claim adjustment expenses	<u>3,722,114</u>	<u>2,869,996</u>
Payments		
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	3,628,019	2,988,543
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>-</u>	<u>-</u>
Total payments	<u>3,628,019</u>	<u>2,988,543</u>
Unpaid claims and claim adjustment at end of year	\$ <u>353,125</u>	\$ <u>259,030</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, 2008**

**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, 2007. 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, 2008 were as follows:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Workers' compensation	\$ 1,512,325	\$ 1,154,952	\$ 2,667,277
General liability	248,664	779,753	1,028,417
Auto liability	<u>57,914</u>	<u>34,070</u>	<u>91,984</u>
Total claims liability recognized	<u>\$ 1,818,903</u>	<u>\$ 1,968,775</u>	<u>\$ 3,787,678</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, 2008**

**NOTE 15 - RISK MANAGEMENT - CONTINUED**

D. Reconciliation of Claims Liabilities

	As of September 30, 2008				As of September 30, 2007			
	Workers' Compensation	Liability	Property	Total	Workers' Compensation	Liability	Property	Total
Unpaid claims and adjustment expenses at beginning of year	\$ 3,182,480	\$ 666,439	\$ 65,000	\$ 3,913,919	\$ 2,731,204	\$ 679,023	\$ 28,531	\$ 3,438,758
Incurred claims and claim adjustment expenses								
A) Provision for insured events of current fiscal year	592,637	276,740	-	869,377	1,118,912	250,501	65,000	1,434,413
B) Increases (decreases) in provision for insured events of prior fiscal years	<u>(380,010)</u>	<u>894,481</u>	<u>232,718</u>	<u>747,189</u>	<u>(298,351)</u>	<u>(105,041)</u>	<u>(67,075)</u>	<u>(470,467)</u>
Total incurred claims and claim adjustment expenses	<u>212,627</u>	<u>1,171,221</u>	<u>232,718</u>	<u>1,616,566</u>	<u>820,561</u>	<u>145,460</u>	<u>(2,075)</u>	<u>963,946</u>
Payments								
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	124,345	38,643	-	162,988	210,719	31,149	-	241,868
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>603,485</u>	<u>678,616</u>	<u>297,718</u>	<u>1,579,819</u>	<u>158,566</u>	<u>126,895</u>	<u>(38,544)</u>	<u>246,917</u>
Total payments	<u>727,830</u>	<u>717,259</u>	<u>297,718</u>	<u>1,742,807</u>	<u>369,285</u>	<u>158,044</u>	<u>(38,544)</u>	<u>488,785</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 2,667,277</u>	<u>\$ 1,120,401</u>	<u>\$ -</u>	<u>\$ 3,787,678</u>	<u>\$ 3,182,480</u>	<u>\$ 666,439</u>	<u>\$ 65,000</u>	<u>\$ 3,913,919</u>

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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 \$1,036,989 through September 30, 2008. After the system becomes operational, 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. The system is expected to be fully operational in fiscal year 2009. Rate studies being conducted to determine charges, and charges will be assessed to residents once completed. The County's investment in this joint agreement will be carried in the Water and Sewer Enterprise Fund.

**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. 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 Okaloosa Regional Airport. Construction on the facilities began in fiscal year 2008 and is expected to be completed by April 2009. CFC collections for the year ended September 30, 2008 were \$ 1,282,388 and will be used for debt service on the Series 2007 taxable airport revenue bonds.

**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 counsel that resolution of most of these matters will not have a material adverse effect on the financial condition of Okaloosa County, Florida.



**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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 years thereafter, computations must be made annually to show financial position at fiscal year end. Okaloosa County has three bond issues falling within the purview of the above directives - \$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 County has no rebate liability with respect to the bonds at September 30, 2008. 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.

**Hurricane Activity**

In September 2004, Okaloosa County, along with most of Northwest Florida, sustained damage due to Hurricane Ivan. Recovery activities due to this event are expected to continue for several years. The County records hurricane activities in the Natural Disasters Special Revenue Fund. No storm related expenses were recognized during fiscal year 2008. As of September 30, 2008, the County has recorded receivables from the United States Department of Homeland Security, Federal Emergency Management Agency (FEMA) and the Florida Department of Community Affairs, Emergency Management Agency (DCA) of \$767,080 and \$200,073, respectively. For Hurricane Ivan, it is expected that FEMA will reimburse 90% of the eligible cost plus a percentage of administrative fees calculated using a sliding scale with certain costs occurring within the first 72 hours of the event reimbursed at 100%. DCA will reimburse eligible costs up to 5%. The remainder of the expenses including those considered not eligible for reimbursement, such as debris removal from private property, will be covered by insurance or funded by the County.

**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, 2003 and ended on September 30, 2008 but the agreement was continued for one (1) year and is subject to renewal or revision September 30, 2009. The Okaloosa County Board of County Commissioners' contribution to the library cooperative for the year ended September 30, 2008 was \$1,304,000. The future commitment to the library cooperative in 2009 is \$1,004,000.

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**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
Improvements other than buildings		
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><u>5,365,239</u></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 \$247,545 as of September 30, 2008. 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.

**Okaloosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2008**

**NOTE 19 -SUBSEQUENT EVENTS**

**Communications Services Tax**

The Florida Department of Revenue (Department) audited some communications service providers (providers) for compliance with the requirements of Chapter 202, Florida Statutes. Based on the audit and non-audit adjustments, the Department determined that the providers misallocated tax between jurisdictions. According to Section 202.18(3)(c)3, Florida Statutes, if an adjustment exceeds 90% of the county's average monthly distribution, the adjustment will be prorated over a time period that equals the time period over which the misallocation occurred if no written agreement was provided to the Department. The County did not provide a written agreement, and the county's local communications services tax distribution will be adjusted by a total of \$6,349,859 over time. The County received \$3,330,076 of the adjustment in December 2008.

**Garnier's Treatment Plant**

In 2006, the County borrowed approximately \$60,000,000 to construct a new wastewater treatment facility to replace the existing Garner's treatment plant. The new plant is scheduled to go online in September, 2009. The old Garnier's plant will then be removed from service. The net book value the Garnier's plant is estimated at approximately \$4,545,000 as of September, 2009; in addition, demolition costs are estimated at \$1,000,000. The removal of the old plant 's net book value plus demolition costs will be recorded as an expense in the Water and Sewer record in the 2009 fiscal year, assuming the new plant is in operation as of September 30, 2009.

**Impact of Economic Crisis**

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, pension investments held in the Florida Retirement System discussed in Note 13, as well as County's investments discussed in Note 3, have likely incurred a significant decline in fair value since September 30, 2008.

**Sheriff**

The Sheriff of Okaloosa County, Florida and the Department's Director of Administration were arrested by the Federal Bureau of Investigations (FBI) on February 27, 2009 for allegations involving a kickback scheme facilitated through payment of bonuses. The Governor of Florida appointed Edward Spooner as acting Sheriff of Okaloosa County.

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## **Required Supplementary Information**

**Okaloosa County, Florida**  
**Post Employment Benefits Plans Schedule of Funding Progress**  
**September 30, 2008**

**Board of County Commissioners**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Liabilities (AAL)<sup>(1)</sup></b>	<b>Unfunded Actuarial Liabilities (UAAL)<sup>(2)</sup></b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
October 1, 2005	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2006	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2007	-	\$ 2,666,350	\$ 2,666,350	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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liabilities (b)</b>	<b>Unfunded Actuarial Liabilities (UAAL)<sup>(3)</sup> (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b-a]/c)</b>
October 1, 2005	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2006	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2007	-	\$ 14,238,273	\$ 14,238,273	0.0%	\$ 14,250,824	99.91%

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

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# **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.

## **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, 2008**

	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
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,421,231	\$ 129,318	\$ 1,530,251	\$ 104,671	\$ 3,834	\$ 283,664
Investments	146,764	56,326	3,983,963	172,717	11,938	187,961
Accounts Receivable	26,229	35	717,536	-	310	-
Due from Other Funds	-	-	-	-	-	-
Due from Other Elected Officials	-	-	-	5,445	23	2,075
Due from Other Governments	804,847	-	50,699	967,154	-	1,079
Prepays	29,414	5,289	8,374	-	-	2,479
Total Assets	<u>\$ 2,428,485</u>	<u>\$ 190,968</u>	<u>\$ 6,290,823</u>	<u>\$ 1,249,987</u>	<u>\$ 16,105</u>	<u>\$ 477,258</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts Payable	\$ 36,020	\$ 3,366	\$ 6,394	\$ -	\$ -	\$ 8,037
Contracts Payable	32,688	288	369,321	12,430	4,264	18,381
Other Accrued Liabilities	273,776	5,697	16,017	-	-	-
Due to Other Funds	-	-	286,384	-	-	-
Due to Other Elected Officials	27	-	22,490	-	-	-
Due to Other Governments	1,298	-	46	5,445	-	-
Due to Depositors	74,595	-	25,000	-	-	-
Deferred Revenue	-	87,129	-	-	-	-
Total Liabilities	<u>418,404</u>	<u>96,480</u>	<u>725,652</u>	<u>17,875</u>	<u>4,264</u>	<u>26,418</u>

Continued...

**Okaloosa County, Florida**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2008**

	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
Fund Balances						
Reserved for						
Encumbrances	94,425	-	-	-	-	-
Prepays	29,414	5,289	8,374	-	-	2,479
Debt Service	-	-	-	-	-	-
Other Restricted Purposes	-	-	5,565,171	-	-	448,361
Unreserved Reported in						
Special Revenue Funds	1,886,242	89,199	(8,374)	1,232,112	11,841	-
Capital Project Funds	-	-	-	-	-	-
Total Fund Balances	<u>2,010,081</u>	<u>94,488</u>	<u>5,565,171</u>	<u>1,232,112</u>	<u>11,841</u>	<u>450,840</u>
Total Liabilities and Fund Balances	<u>\$ 2,428,485</u>	<u>\$ 190,968</u>	<u>\$ 6,290,823</u>	<u>\$ 1,249,987</u>	<u>\$ 16,105</u>	<u>\$ 477,258</u>

Continued...

**Okaloosa County, Florida**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2008**

	Unincorporated County Parks Special Revenue Fund	Courts Special Revenue Fund	Public Records Modernization Trust Special Revenue Fund	Public Records Court Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit III-A)
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 987,940	\$ 319,197	\$ 1,326,258	\$ 1,306,121	\$ 130,686	\$ 1,147,834	\$ 8,691,005
Investments	2,752,452	-	-	-	92,749	8,421,952	15,826,822
Accounts Receivable	670	525	-	-	-	-	745,305
Due from Other Funds	-	-	6,959	20,351	-	-	27,310
Due from Other Elected Officials	10,194	590	-	-	-	-	18,327
Due from Other Governments	9,949	-	-	-	-	839,472	2,673,200
Prepays	7,669	-	-	-	-	-	53,225
<b>Total Assets</b>	<b>\$ 3,768,874</b>	<b>\$ 320,312</b>	<b>\$ 1,333,217</b>	<b>\$ 1,326,472</b>	<b>\$ 223,435</b>	<b>\$ 10,409,258</b>	<b>\$ 28,035,194</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 8,805	\$ 21,949	\$ -	\$ 321,699	\$ -	\$ -	\$ 406,270
Contracts Payable	7,963	-	-	-	-	349,011	794,346
Accrued Liabilities	12,377	21,754	-	-	-	-	329,621
Due to Other Funds	-	-	-	-	-	-	286,384
Due to Other Elected Officials	-	-	-	-	-	-	22,517
Due to Other Governments	12	246,612	-	-	2,093	-	255,506
Due to Depositors	-	29,997	-	-	15,153	2,500	147,245
Deferred Revenue	-	-	-	-	-	-	87,129
<b>Total Liabilities</b>	<b>29,157</b>	<b>320,312</b>	<b>-</b>	<b>321,699</b>	<b>17,246</b>	<b>351,511</b>	<b>2,329,018</b>

Continued...

**Okaloosa County, Florida**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2008**

	Unincorporated County Parks Special Revenue Fund	Courts Special Revenue Fund	Public Records Modernization Trust Special Revenue Fund	Public Records Court 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	34,264	-	-	-	-	10,560	139,249
Prepays	7,669	-	-	-	-	-	53,225
Debt Service	-	-	-	-	206,189	-	206,189
Other Restricted Purposes	-	-	1,333,217	1,004,773	-	-	8,351,522
Unreserved Reported in							
Special Revenue Funds	3,697,784	-	-	-	-	-	6,908,804
Capital Project Funds	-	-	-	-	-	10,047,187	10,047,187
Total Fund Balances	<u>3,739,717</u>	<u>-</u>	<u>1,333,217</u>	<u>1,004,773</u>	<u>206,189</u>	<u>10,057,747</u>	<u>25,706,176</u>
Total Liabilities and Fund Balances	<u>\$ 3,768,874</u>	<u>\$ 320,312</u>	<u>\$ 1,333,217</u>	<u>\$ 1,326,472</u>	<u>\$ 223,435</u>	<u>\$ 10,409,258</u>	<u>\$ 28,035,194</u>

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	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
Revenues						
Taxes	\$ 2,672,911	\$ -	\$ 6,285,864	\$ -	\$ 880,313	\$ -
Intergovernmental	6,685,578	90,005	240,399	370,959	-	-
Charges for Services	267,631	-	-	-	-	-
Fines	585	-	-	-	-	-
Miscellaneous	38,643	400,688	63,238	7,749	33,091	477,071
	<u>9,665,348</u>	<u>490,693</u>	<u>6,589,501</u>	<u>378,708</u>	<u>913,404</u>	<u>477,071</u>
Total Revenues						
Expenditures						
Current						
General Government	-	-	-	-	-	-
Physical Environment	154,623	-	-	-	-	-
Transportation	10,107,736	-	522,399	-	-	366,027
Economic Environment	-	-	2,521,847	-	-	-
Human Services	-	-	-	-	828,114	-
Culture and Recreation	-	1,790,105	802,808	442,609	-	-
Court-Related	-	-	-	-	-	-
Capital Outlay	1,267,048	-	13,408	-	19,240	-
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other Debt Service Costs	-	-	-	-	-	-
	<u>11,529,407</u>	<u>1,790,105</u>	<u>3,860,462</u>	<u>442,609</u>	<u>847,354</u>	<u>366,027</u>
Total Expenditures						

Continued...

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	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
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,864,059)	(1,299,412)	2,729,039	(63,901)	66,050	111,044
Other Financing Sources (Uses)						
Transfers In	1,538,733	1,304,000	-	299,972	4,000	-
Transfers Out	-	-	(623,475)	(375,000)	(100,000)	-
Transfers Among Constitutional Officers	-	-	-	-	-	2,072
Total Other Financing Sources (Uses)	1,538,733	1,304,000	(623,475)	(75,028)	(96,000)	2,072
Net Change in Fund Balances	(325,326)	4,588	2,105,564	(138,929)	(29,950)	113,116
Fund Balances - Beginning	2,335,407	89,900	3,459,607	1,371,041	41,791	337,724
Fund Balances - Ending	\$ 2,010,081	\$ 94,488	\$ 5,565,171	\$ 1,232,112	\$ 11,841	\$ 450,840

Continued...

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Unincorporated County Parks Special Revenue Fund	Courts Special Revenue Fund	Public Records Modernization Trust Special Revenue Fund	Public Records Court Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit IV-A)
<b>Revenues</b>							
Taxes	\$ 1,528,975	\$ -	\$ -	\$ -	\$ -	\$ 1,668,625	\$ 13,036,688
Intergovernmental	13,830	-	-	-	4,541,219	2,544,530	14,486,520
Charges for Services	1,391	4,155,000	108,460	329,635	-	369,200	5,231,317
Fines	-	1,171,769	-	-	-	-	1,172,354
Miscellaneous	59,854	9,991	50,505	41,749	(13,152)	266,803	1,436,230
<b>Total Revenues</b>	<b>1,604,050</b>	<b>5,336,760</b>	<b>158,965</b>	<b>371,384</b>	<b>4,528,067</b>	<b>4,849,158</b>	<b>35,363,109</b>
<b>Expenditures</b>							
<b>Current</b>							
General Government	-	-	139,436	-	190,750	-	330,186
Physical Environment	-	-	-	-	-	-	154,623
Transportation	-	-	-	-	-	359,068	11,355,230
Economic Environment	-	-	-	-	-	-	2,521,847
Human Services	-	-	-	-	-	-	828,114
Culture and Recreation	721,454	-	-	-	-	-	3,756,976
Court-Related	-	5,335,889	-	85,660	-	-	5,421,549
Capital Outlay	141,315	871	145,686	91,584	-	3,446,039	5,125,191
<b>Debt Service</b>							
Principal	-	-	-	-	585,951	-	585,951
Interest	-	-	-	-	80,692	-	80,692
Other Debt Service Costs	-	-	-	-	24,187	-	24,187
<b>Total Expenditures</b>	<b>862,769</b>	<b>5,336,760</b>	<b>285,122</b>	<b>177,244</b>	<b>881,580</b>	<b>3,805,107</b>	<b>30,184,546</b>

Continued...



**Okaloosa County, Florida**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Unincorporated County Parks Special Revenue Fund	Courts Special Revenue Fund	Public Records Modernization Trust Special Revenue Fund	Public Records Court 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	741,281	-	(126,157)	194,140	3,646,487	1,044,051	5,178,563
Other Financing Sources (Uses)							
Transfers In	-	-	-	-	435,387	-	3,582,092
Transfers Out	-	-	-	-	(4,115,000)	-	(5,213,475)
Transfers Among Constitutional Officers	10,150	-	-	-	-	-	12,222
Total Other Financing Sources (Uses)	10,150	-	-	-	(3,679,613)	-	(1,619,161)
Net Change in Fund Balances	751,431	-	(126,157)	194,140	(33,126)	1,044,051	3,559,402
Fund Balances - Beginning	2,988,286	-	1,459,374	810,633	239,315	9,013,696	22,146,774
Fund Balances - Ending	<u>\$ 3,739,717</u>	<u>\$ -</u>	<u>\$ 1,333,217</u>	<u>\$ 1,004,773</u>	<u>\$ 206,189</u>	<u>\$ 10,057,747</u>	<u>\$ 25,706,176</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,000	\$ 5,000	\$ 5,485	\$ 485
Intergovernmental	120,000	2,231,359	487,413	(1,743,946)
Miscellaneous	12,681,017	15,009,299	1,840,360	(13,168,939)
	12,806,017	17,245,658	2,333,258	(14,912,400)
Total Revenues				
Expenditures				
Current				
General Government	9,457,114	10,299,532	3,316,348	6,983,184
Public Safety	-	-	8,141	(8,141)
Culture and Recreation	258,017	372,762	148,551	224,211
Capital Outlay	5,104,003	8,126,481	1,679,439	6,447,042
Debt Service				
Principal	1,000,000	1,000,000	1,000,000	-
	15,819,134	19,798,775	6,152,479	13,646,296
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,013,117)	(2,553,117)	(3,819,221)	(1,266,104)
Other Financing Sources (Uses)				
Transfers In	3,013,117	2,553,117	2,645,623	92,506
	3,013,117	2,553,117	2,645,623	92,506
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	-	-	(1,173,598)	(1,173,598)
Fund Balance - Beginning	-	-	13,164,299	13,164,299
Fund Balance - Ending	\$ -	\$ -	\$ 11,990,701	\$ 11,990,701

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,975,000	\$ 2,975,000	\$ 2,672,911	\$ (302,089)
Intergovernmental	6,955,953	8,109,548	6,685,578	(1,423,970)
Charges for Services	305,400	299,300	267,631	(31,669)
Fines	-	600	585	(15)
Miscellaneous	1,894,986	2,388,142	38,643	(2,349,499)
<b>Total Revenues</b>	<b>12,131,339</b>	<b>13,772,590</b>	<b>9,665,348</b>	<b>(4,107,242)</b>
Expenditures				
Public Safety	-	520,074	-	520,074
Physical Environment	30,000	158,400	154,623	3,777
Transportation	10,737,322	10,783,009	10,107,736	675,273
Capital Outlay	2,411,900	3,849,840	1,267,048	2,582,792
<b>Total Expenditures</b>	<b>13,179,222</b>	<b>15,311,323</b>	<b>11,529,407</b>	<b>3,781,916</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,047,883)	(1,538,733)	(1,864,059)	(325,326)
Other Financing Sources (Uses)				
Transfers In	1,047,883	1,538,733	1,538,733	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,047,883</b>	<b>1,538,733</b>	<b>1,538,733</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>(325,326)</b>	<b>(325,326)</b>
Fund Balance - Beginning	-	-	2,335,407	2,335,407
Fund Balance - Ending	\$ -	\$ -	\$ 2,010,081	\$ 2,010,081

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 213,576	\$ 177,134	\$ 90,005	\$ (87,129)
Miscellaneous	90,000	490,094	400,688	(89,406)
Total Revenues	<u>303,576</u>	<u>667,228</u>	<u>490,693</u>	<u>(176,535)</u>
Expenditures				
Current				
Culture and Recreation	1,574,576	1,946,228	1,790,105	156,123
Capital Outlay	33,000	25,000	-	25,000
Total Expenditures	<u>1,607,576</u>	<u>1,971,228</u>	<u>1,790,105</u>	<u>181,123</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,304,000)</u>	<u>(1,304,000)</u>	<u>(1,299,412)</u>	<u>4,588</u>
Other Financing Sources (Uses)				
Transfers In	1,304,000	1,304,000	1,304,000	-
Total Other Financing Sources (Uses)	<u>1,304,000</u>	<u>1,304,000</u>	<u>1,304,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	4,588	4,588
Fund Balance - Beginning	-	-	89,900	89,900
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,488</u>	<u>\$ 94,488</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 3,800,000	\$ 5,225,000	\$ 6,285,864	\$ 1,060,864
Intergovernmental	-	315,000	240,399	(74,601)
Miscellaneous	3,125,000	3,584,606	63,238	(3,521,368)
Total Revenues	<u>6,925,000</u>	<u>9,124,606</u>	<u>6,589,501</u>	<u>(2,535,105)</u>
Expenditures				
Current				
Transportation	282,000	597,000	522,399	74,601
Economic Environment	5,016,435	5,459,543	2,521,847	2,937,696
Culture and Recreation	1,562,240	2,293,268	802,808	1,490,460
Capital Outlay	64,325	80,823	13,408	67,415
Total Expenditures	<u>6,925,000</u>	<u>8,430,634</u>	<u>3,860,462</u>	<u>4,570,172</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>693,972</u>	<u>2,729,039</u>	<u>2,035,067</u>
Other Financing Sources (Uses)				
Transfers Out	-	(693,972)	(623,475)	70,497
Total Other Financing Sources (Uses)	<u>-</u>	<u>(693,972)</u>	<u>(623,475)</u>	<u>70,497</u>
Net Change in Fund Balance	-	-	2,105,564	2,105,564
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>3,459,607</u>	<u>3,459,607</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,565,171</u>	<u>\$ 5,565,171</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 4,480,312	\$ 370,959	\$ (4,109,353)
Miscellaneous	-	562,967	7,749	(555,218)
Total Revenues	-	5,043,279	378,708	(4,664,571)
Expenditures				
Current				
Economic Environment	-	40,000	-	40,000
Culture and Recreation	-	4,928,251	442,609	4,485,642
Total Expenditures	-	4,968,251	442,609	4,525,642
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	75,028	(63,901)	(138,929)
Other Financing Sources (Uses)				
Transfers In	-	299,972	299,972	-
Transfers Out	-	(375,000)	(375,000)	-
Total Other Financing Sources (Uses)	-	(75,028)	(75,028)	-
Net Change in Fund Balance	-	-	(138,929)	(138,929)
Fund Balance - Beginning	-	-	1,371,041	1,371,041
Fund Balance - Ending	\$ -	\$ -	\$ 1,232,112	\$ 1,232,112

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 871,696	\$ 881,096	\$ 880,313	\$ (783)
Miscellaneous	9,500	75,130	33,091	(42,039)
Total Revenues	<u>881,196</u>	<u>956,226</u>	<u>913,404</u>	<u>(42,822)</u>
Expenditures				
Current				
Human Services	885,196	840,986	828,114	12,872
Capital Outlay	-	19,240	19,240	-
Total Expenditures	<u>885,196</u>	<u>860,226</u>	<u>847,354</u>	<u>12,872</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,000)</u>	<u>96,000</u>	<u>66,050</u>	<u>(29,950)</u>
Other Financing Sources (Uses)				
Transfers In	4,000	4,000	4,000	-
Transfers Out	-	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	<u>4,000</u>	<u>(96,000)</u>	<u>(96,000)</u>	<u>-</u>
Net Change in Fund Balance	-	-	(29,950)	(29,950)
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>41,791</u>	<u>41,791</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,841</u>	<u>\$ 11,841</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 776,255	\$ 837,079	\$ 477,071	\$ (360,008)
Total Revenues	776,255	837,079	477,071	(360,008)
Expenditures				
Current				
Transportation	729,605	787,580	366,027	421,553
Capital Outlay	41,595	49,499	-	49,499
Total Expenditures	771,200	837,079	366,027	471,052
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,055	-	111,044	111,044
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(5,055)	-	2,072	2,072
Total Other Financing Sources (Uses)	(5,055)	-	2,072	2,072
Net Change in Fund Balance	-	-	113,116	113,116
Fund Balance - Beginning	-	-	337,724	337,724
Fund Balance - Ending	\$ -	\$ -	\$ 450,840	\$ 450,840



**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 1,512,266	\$ 1,512,266	\$ 1,528,975	\$ 16,709
Intergovernmental	-	144,310	13,830	(130,480)
Charges for Services	-	-	1,391	1,391
Miscellaneous	2,375,000	3,063,285	59,854	(3,003,431)
Total Revenues	<u>3,887,266</u>	<u>4,719,861</u>	<u>1,604,050</u>	<u>(3,115,811)</u>
Expenditures				
Current				
Culture and Recreation	2,325,665	2,904,186	721,454	2,182,732
Capital Outlay	1,542,167	1,815,675	141,315	1,674,360
Total Expenditures	<u>3,867,832</u>	<u>4,719,861</u>	<u>862,769</u>	<u>3,857,092</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>19,434</u>	<u>-</u>	<u>741,281</u>	<u>741,281</u>
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(19,434)	-	10,150	10,150
Total Other Financing Sources (Uses)	<u>(19,434)</u>	<u>-</u>	<u>10,150</u>	<u>10,150</u>
Net Change in Fund Balance	-	-	751,431	751,431
Fund Balance - Beginning	-	-	2,988,286	2,988,286
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,739,717</u>	<u>\$ 3,739,717</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 4,438,060	\$ 4,438,060	\$ 4,155,000	\$ (283,060)
Fines	1,530,157	1,530,157	1,171,769	(358,388)
Miscellaneous	20,786	20,786	9,991	(10,795)
Total Revenues	5,989,003	5,989,003	5,336,760	(652,243)
Expenditures				
Current				
Court-Related	5,960,633	5,985,106	5,335,889	649,217
Capital Outlay	28,370	3,897	871	3,026
Total Expenditures	5,989,003	5,989,003	5,336,760	652,243
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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 180,000	\$ 180,000	\$ 108,460	\$ (71,540)
Miscellaneous	1,523,000	1,523,000	50,505	(1,472,495)
<b>Total Revenues</b>	<b>1,703,000</b>	<b>1,703,000</b>	<b>158,965</b>	<b>(1,544,035)</b>
Expenditures				
Current				
General Government	-	139,465	139,436	29
Capital Outlay	1,703,000	1,563,535	145,686	1,417,849
<b>Total Expenditures</b>	<b>1,703,000</b>	<b>1,703,000</b>	<b>285,122</b>	<b>1,417,878</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(126,157)	(126,157)
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>(126,157)</b>	<b>(126,157)</b>
Fund Balance - Beginning	-	-	1,459,374	1,459,374
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,333,217</b>	<b>\$ 1,333,217</b>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 500,000	\$ 500,000	\$ 329,635	\$ (170,365)
Miscellaneous	875,500	875,500	41,749	(833,751)
<b>Total Revenues</b>	<b>1,375,500</b>	<b>1,375,500</b>	<b>371,384</b>	<b>(1,004,116)</b>
Expenditures				
Current				
Court-Related	-	235,700	85,660	150,040
Capital Outlay	1,375,500	1,139,800	91,584	1,048,216
<b>Total Expenditures</b>	<b>1,375,500</b>	<b>1,375,500</b>	<b>177,244</b>	<b>1,198,256</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	194,140	194,140
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>194,140</b>	<b>194,140</b>
Fund Balance - Beginning	-	-	810,633	810,633
Fund Balance - Ending	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,004,773</b>	<b>\$ 1,004,773</b>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$ 5,396,500	\$ 4,561,500	\$ 4,541,219	\$ (20,281)
Miscellaneous	361,199	249,315	(13,152)	(262,467)
Total Revenues	<u>5,757,699</u>	<u>4,810,815</u>	<u>4,528,067</u>	<u>(282,748)</u>
Expenditures				
Current				
General Government	440,750	440,750	190,750	250,000
Principal	682,100	902,100	585,951	316,149
Interest	-	150,000	80,692	69,308
Other Debt Service Costs	1,000	25,000	24,187	813
Total Expenditures	<u>1,123,850</u>	<u>1,517,850</u>	<u>881,580</u>	<u>636,270</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,633,849</u>	<u>3,292,965</u>	<u>3,646,487</u>	<u>353,522</u>
Other Financing Sources (Uses)				
Transfers In	316,151	822,035	435,387	(386,648)
Transfers Out	(4,950,000)	(4,115,000)	(4,115,000)	-
Total Other Financing Sources (Uses)	<u>(4,633,849)</u>	<u>(3,292,965)</u>	<u>(3,679,613)</u>	<u>(386,648)</u>
Net Change in Fund Balance	-	-	(33,126)	(33,126)
Fund Balance - Beginning	-	-	239,315	239,315
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,189</u>	<u>\$ 206,189</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,875,000	\$ 1,875,000	\$ 1,668,625	\$ (206,375)
Intergovernmental	2,150,000	5,050,686	2,544,530	(2,506,156)
Charges for Services	-	369,198	369,200	2
Miscellaneous	5,960,000	9,363,695	266,803	(9,096,892)
<b>Total Revenues</b>	<b>9,985,000</b>	<b>16,658,579</b>	<b>4,849,158</b>	<b>(11,809,421)</b>
Expenditures				
Current				
Transportation	1,875,000	3,438,900	359,068	3,079,832
Capital Outlay	8,110,000	13,219,679	3,446,039	9,773,640
<b>Total Expenditures</b>	<b>9,985,000</b>	<b>16,658,579</b>	<b>3,805,107</b>	<b>12,853,472</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	1,044,051	1,044,051
Net Change in Fund Balance	-	-	1,044,051	1,044,051
Fund Balance - Beginning	-	-	9,013,696	9,013,696
Fund Balance - Ending	\$ -	\$ -	\$ 10,057,747	\$ 10,057,747

# **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, 2008**

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit VII)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 119,504	\$ (204,763)	\$ (85,259)
Investments	9,642	4,089	13,731
Receivables, Net of Allowance for Uncollectibles	16,997	3,071,687	3,088,684
Due from Other Elected Officials	-	61	61
Prepays	-	2,061	2,061
<b>Total Current Assets</b>	<b>146,143</b>	<b>2,873,135</b>	<b>3,019,278</b>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Buildings	49,432	99,425	148,857
Machinery and Equipment	382,381	4,436,535	4,818,916
Less Accumulated Depreciation	(375,424)	(2,621,147)	(2,996,571)
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>56,389</b>	<b>1,914,813</b>	<b>1,971,202</b>
<b>Total Noncurrent Assets</b>	<b>56,389</b>	<b>1,914,813</b>	<b>1,971,202</b>
<b>Total Assets</b>	<b>\$ 202,532</b>	<b>\$ 4,787,948</b>	<b>\$ 4,990,480</b>

Continued...



**Okaloosa County, Florida**  
**COMBINING BALANCE SHEET**  
**NONMAJOR ENTERPRISE FUNDS**  
**September 30, 2008**

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit VII)
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 6,822	\$ 61,433	\$ 68,255
Contracts Payable	2,033	37,449	39,482
<b>Accrued Liabilities</b>			
Compensated Absences	64,709	164,940	229,649
Other Accrued Liabilities	30,138	166,015	196,153
Due to Other Elected Officials	27	-	27
Due to Other Governments	2,173	1,059	3,232
Deferred Revenue	34,536	58,282	92,818
<b>Total Current Liabilities</b>	<b>140,438</b>	<b>489,178</b>	<b>629,616</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences	26,499	66,375	92,874
Post Employment Benefits	3,872	21,650	25,522
<b>Total Noncurrent Liabilities</b>	<b>30,371</b>	<b>88,025</b>	<b>118,396</b>
<b>Total Liabilities</b>	<b>170,809</b>	<b>577,203</b>	<b>748,012</b>
<b>Equity</b>			
Invested in Capital Assets, Net of Related Debt	56,389	1,914,813	1,971,202
Unrestricted	(24,666)	2,295,932	2,271,266
<b>Total Equity</b>	<b>31,723</b>	<b>4,210,745</b>	<b>4,242,468</b>
<b>Total Liabilities and Equity</b>	<b>\$ 202,532</b>	<b>\$ 4,787,948</b>	<b>\$ 4,990,480</b>

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGE IN EQUITY**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit VIII)
Operating Revenues			
Licenses and Permits	\$ 1,011,679	\$ -	\$ 1,011,679
Charges for Services	168,755	4,484,398	4,653,153
Miscellaneous	1,910	258	2,168
<b>Total Operating Revenues</b>	<b>1,182,344</b>	<b>4,484,656</b>	<b>5,667,000</b>
Operating Expenses			
Personal Services	1,361,941	5,356,594	6,718,535
Contractual Services	16,806	404,479	421,285
Supplies	31,733	601,022	632,755
Utilities	-	27,406	27,406
Other Operating Expenses	123,718	451,966	575,684
Depreciation	41,402	481,542	522,944
<b>Total Operating Expenses</b>	<b>1,575,600</b>	<b>7,323,009</b>	<b>8,898,609</b>
<b>Operating Income (Loss)</b>	<b>(393,256)</b>	<b>(2,838,353)</b>	<b>(3,231,609)</b>
Nonoperating Revenues (Expenses)			
Taxes	149,963	2,395,444	2,545,407
Intergovernmental	-	211,020	211,020
Investment Income	(561)	32,613	32,052
Gain/Loss on Disposal of Capital Assets	(6,279)	(2,866)	(9,145)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>143,123</b>	<b>2,636,211</b>	<b>2,779,334</b>
Income (Loss) Before			
Contributions and Transfers	(250,133)	(202,142)	(452,275)
Capital Contributions	-	108,487	108,487
Transfers In	17,000	33,000	50,000
<b>Change in Equity</b>	<b>(233,133)</b>	<b>(60,655)</b>	<b>(293,788)</b>
<b>Total Equity - Beginning</b>	<b>264,856</b>	<b>4,271,400</b>	<b>4,536,256</b>
<b>Total Equity - Ending</b>	<b>\$ 31,723</b>	<b>\$ 4,210,745</b>	<b>\$ 4,242,468</b>

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit VIV)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 1,181,474	\$ 4,187,122	\$ 5,368,596
Payments to Suppliers	(52,145)	(957,945)	(1,010,090)
Payments to Employees	(1,320,422)	(5,087,724)	(6,408,146)
Payments for Interfund Services Used	(169,188)	(687,825)	(857,013)
Net Cash Provided (Used) by Operating Activities	<u>(360,281)</u>	<u>(2,546,372)</u>	<u>(2,906,653)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidy - Taxes	149,963	2,395,651	2,545,614
Operating Subsidy - Intergovernmental Revenue	-	113,929	113,929
Transfers In	17,000	33,000	50,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>166,963</u>	<u>2,542,580</u>	<u>2,709,543</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	-	(725,398)	(725,398)
Capital Contributions	-	108,487	108,487
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(616,911)</u>	<u>(616,911)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale and Maturities of Investments	270,500	280,000	550,500
Interest Income	932	31,039	31,971
Purchases of Investments	(1,543)	(11,321)	(12,864)
Net Cash Provided (Used) by Investing Activities	<u>269,889</u>	<u>299,718</u>	<u>569,607</u>
Net Increase (Decrease) in Cash and Cash Equivalents	76,571	(320,985)	(244,414)
Cash and Cash Equivalents - Beginning of Year	<u>42,933</u>	<u>116,222</u>	<u>159,155</u>
Cash and Cash Equivalents - End of Year	<u>\$ 119,504</u>	<u>\$ (204,763)</u>	<u>\$ (85,259)</u>

Continued...

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit VIV)
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 119,504	\$ (204,763)	\$ (85,259)
Total	\$ 119,504	\$ (204,763)	\$ (85,259)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (393,256)	\$ (2,838,353)	\$ (3,231,609)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	41,402	481,542	522,944
Decrease (Increase) in Assets			
Accounts Receivable	4,231	(297,534)	(293,303)
Prepaid Expenses	120	(41)	79
Increase (Decrease) in Liabilities			
Accounts Payable	(6,982)	27,155	20,173
Service Contracts Payable	1,711	9,092	10,803
Due to Other Funds	(47)	(2)	(49)
Due to Other Governments	(848)	403	(445)
Compensated Absences Payable	(5,712)	13,510	7,798
Other Accrued Liabilities	(593)	36,206	35,613
Deposits	-	-	-
Deferred Revenue	(4,179)	-	(4,179)
Other Post Employment Benefits	3,872	21,650	25,522
Total Adjustments	32,975	291,981	324,956
Net Cash Provided (Used) by Operating Activities	\$ (360,281)	\$ (2,546,372)	\$ (2,906,653)
Noncash Investing, Capital, and Financing Activities:			
Loss on Disposal of Assets	\$ (6,279)	\$ (2,866)	\$ (9,145)
Unrealized Gain/(Loss) on Investments	\$ (854)	\$ 3,273	\$ 2,419

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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 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, 2008**

	Self Insurance	Garage Services	Governmental Clerk of Court Compensated Absences
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 173,764	\$ 12,008	\$ 254,339
Investments	1,021,468	906	-
Receivables, Net of Allowance for Uncollectibles	6,915	1,207	-
Due from Other Funds	-	-	-
Due from Other Elected Officials	-	188	-
Due from Other Governments	-	156,119	-
Inventory	-	301,390	-
Prepays	8,404	-	-
<b>Total Current Assets</b>	<b>1,210,551</b>	<b>471,818</b>	<b>254,339</b>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Land	-	316,861	-
Buildings	-	799,350	-
Improvements Other Than Buildings	-	257,345	-
Machinery and Equipment	59,700	2,384,407	-
Less Accumulated Depreciation	(39,240)	(3,094,500)	-
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>20,460</b>	<b>663,463</b>	<b>-</b>
<b>Total Noncurrent Assets</b>	<b>20,460</b>	<b>663,463</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 1,231,011</b>	<b>\$ 1,135,281</b>	<b>\$ 254,339</b>



Statement C-1

Activities		
Sheriff Compensated Absences	Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VII)
\$ 900,238	\$ 463,083	\$ 1,803,432
-	-	1,022,374
-	-	8,122
10,356	499,073	509,429
-	-	188
-	-	156,119
-	-	301,390
-	-	8,404
<u>910,594</u>	<u>962,156</u>	<u>3,809,458</u>
-	-	316,861
-	-	799,350
-	-	257,345
-	-	2,444,107
-	-	(3,133,740)
<u>-</u>	<u>-</u>	<u>683,923</u>
<u>-</u>	<u>-</u>	<u>683,923</u>
<u>\$ 910,594</u>	<u>\$ 962,156</u>	<u>\$ 4,493,381</u>

Continued...

**Okaloosa County, Florida**  
**COMBINING BALANCE SHEET**  
**INTERNAL SERVICE FUNDS**  
**September 30, 2008**

	Self Insurance	Garage Services	Governmental Clerk of Court Compensated Absences
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 15,088	\$ 64,022	\$ -
Contracts Payable	113	2,019	-
<b>Accrued Liabilities</b>			
Compensated Absences	17,470	82,418	254,339
Claims and Judgments	1,818,903	-	-
Other Accrued Liabilities	5,578	28,136	-
Deferred Revenue	12,641	-	-
<b>Total Current Liabilities</b>	<b>1,869,793</b>	<b>176,595</b>	<b>254,339</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences	15,906	71,323	-
Claims and Judgments	1,968,775	-	-
Other Post Employment Benefits	528	3,520	-
<b>Total Noncurrent Liabilities</b>	<b>1,985,209</b>	<b>74,843</b>	<b>-</b>
<b>Total Liabilities</b>	<b>3,855,002</b>	<b>251,438</b>	<b>254,339</b>
<b>Equity</b>			
Invested in Capital Assets, Net of Related Debt	20,460	663,462	-
Unrestricted	(2,644,451)	220,381	-
<b>Total Equity</b>	<b>(2,623,991)</b>	<b>883,843</b>	<b>-</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,231,011</b>	<b>\$ 1,135,281</b>	<b>\$ 254,339</b>

Statement C-1

Activities		
Sheriff Compensated Absences	Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VII)
\$ -	\$ -	\$ 79,110
-	-	2,132
910,594	-	1,264,821
-	353,125	2,172,028
-	-	33,714
-	-	12,641
<u>910,594</u>	<u>353,125</u>	<u>3,564,446</u>
-	-	87,229
-	-	1,968,775
-	1,259,328	1,263,376
<u>-</u>	<u>1,259,328</u>	<u>3,319,380</u>
<u>910,594</u>	<u>1,612,453</u>	<u>6,883,826</u>
-	-	683,922
-	(650,297)	(3,074,367)
<u>-</u>	<u>(650,297)</u>	<u>(2,390,445)</u>
<u>\$ 910,594</u>	<u>\$ 962,156</u>	<u>\$ 4,493,381</u>

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Self Insurance	Garage Services	Governmental Clerk of Court Compensated Absences
Operating Revenues			
Charges for Services	\$ 12,904,740	\$ 4,620,388	\$ 3,085
Miscellaneous	10,276	-	-
Total Operating Revenues	12,915,016	4,620,388	3,085
Operating Expenses			
Personal Services	204,609	1,178,610	3,085
Contractual Services	115,840	12,952	-
Supplies	4,404	3,220,611	-
Insurance Premiums and Claims	13,163,769	-	-
Utilities	-	10,029	-
Other Operating Expenses	6,086	194,448	-
Depreciation	7,832	62,645	-
Total Operating Expenses	13,502,540	4,679,295	3,085
Operating Income (Loss)	(587,524)	(58,907)	-
Nonoperating Revenues (Expenses)			
Investment Income	29,064	(7,055)	-
Gain/Loss on Disposal of Capital Assets	-	88,327	-
Total Nonoperating Revenues (Expenses)	29,064	81,272	-
Income (Loss) Before Contributions and Transfers	(558,460)	22,365	-
Capital Contributions	-	2,637	-
Change in Equity	(558,460)	25,002	-
Total Equity - Beginning	(2,065,531)	858,841	-
Total Equity - Ending	\$ (2,623,991)	\$ 883,843	\$ -

Activities		
Sheriff Compensated Absences	Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VIII)
\$ 10,356	\$ 3,774,111	\$ 21,312,680
-	-	10,276
10,356	3,774,111	21,322,956
10,356	1,476,435	2,873,095
-	125,881	254,673
-	-	3,225,015
-	3,648,091	16,811,860
-	-	10,029
-	1,369	201,903
-	-	70,477
10,356	5,251,776	23,447,052
-	(1,477,665)	(2,124,096)
-	16,568	38,577
-	-	88,327
-	16,568	126,904
-	(1,461,097)	(1,997,192)
-	-	2,637
-	(1,461,097)	(1,994,555)
-	810,800	(395,890)
\$ -	\$ (650,297)	\$ (2,390,445)

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Governmental		
	Self Insurance	Garage Services	Clerk of Court Compensated Absences
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 9,495,158	\$ 733,083	\$ -
Receipts from Interfund Services Provided	3,448,753	3,855,447	3,085
Payments to Suppliers	(13,453,530)	(3,438,959)	-
Payments to Employees	(198,894)	(1,143,305)	-
Payments for Interfund Services Used	(46,513)	(91,185)	-
Net Cash Provided (Used) by Operating Activities	<u>(755,026)</u>	<u>(84,919)</u>	<u>3,085</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Interest Expense	-	(7,479)	-
Transfers (Out)	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>-</u>	<u>(7,479)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(1,524)	(3,541)	-
Proceeds from Disposal of Capital Assets	-	89,085	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,524)</u>	<u>85,544</u>	<u>-</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Maturities of Investments	702,500	308	-
Interest Income	56,558	-	-
Purchases of Investments	(89,363)	-	-
Net Cash Provided (Used) by Investing Activities	<u>669,695</u>	<u>308</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(86,855)	(6,546)	3,085
Cash and Cash Equivalents - Beginning of Year	<u>260,619</u>	<u>18,554</u>	<u>251,254</u>
Cash and Cash Equivalents - End of Year	<u>\$ 173,764</u>	<u>\$ 12,008</u>	<u>\$ 254,339</u>
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 173,764	\$ 12,008	\$ 254,339
Total	<u>\$ 173,764</u>	<u>\$ 12,008</u>	<u>\$ 254,339</u>

Statement C-3

Activities		
Sheriff Compensated Absences	Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VIV)
\$ -	\$ -	\$ 10,228,241
-	3,561,430	10,868,715
-	(3,898,353)	(20,790,842)
-	-	(1,342,199)
-	-	(137,698)
-	(336,923)	(1,173,783)
-	-	(7,479)
-	-	-
-	-	(7,479)
-	-	(5,065)
-	-	89,085
-	-	84,020
-	-	702,808
-	16,568	73,126
-	-	(89,363)
-	16,568	686,571
-	(320,355)	(410,671)
900,238	783,438	2,214,103
<u>\$ 900,238</u>	<u>\$ 463,083</u>	<u>\$ 1,803,432</u>
<u>\$ 900,238</u>	<u>\$ 463,083</u>	<u>\$ 1,803,432</u>
<u>\$ 900,238</u>	<u>\$ 463,083</u>	<u>\$ 1,803,432</u>

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Governmental		
	Self Insurance	Garage Services	Clerk of Court Compensated Absences
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (587,524)	\$ (58,907)	\$ -
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	7,832	62,645	-
Decrease (Increase) in Assets			
Accounts Receivable	21,490	(1,162)	-
Due from Other Funds	-	(109)	-
Due from Other Governments	746	(30,587)	-
Inventories	-	(44,937)	-
Prepaid Expenses	3,274	-	-
Increase (Decrease) in Liabilities			
Accounts Payable	(85,973)	(10,657)	-
Service Contracts Payable	(291)	683	-
Compensated Absences Payable	3,267	(7,304)	3,085
Claims and Judgments Payable	(126,241)	-	-
Other Accrued Liabilities	1,207	1,896	-
Deferred Revenue	6,659	-	-
Other Post Employment Benefits	528	3,520	-
Total Adjustments	(167,502)	(26,012)	3,085
Net Cash Provided (Used) by Operating Activities	\$ (755,026)	\$ (84,919)	\$ 3,085
Noncash Investing, Capital, and Financing Activities:			
Transfer of Capital Assets From Other Funds	\$ -	\$ 2,637	\$ -
Loss on Disposal of Capital Assets	\$ -	\$ (758)	\$ -
Unrealized Gain/(Loss) on Investments	\$ (21,696)	\$ (98)	\$ -



Statement C-3

Activities		
Sheriff Compensated Absences	Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VIV)
\$ -	\$ (1,477,665)	\$ (2,124,096)
-	-	70,477
(10,356)	(212,681)	(202,709)
-	-	(109)
-	-	(29,841)
-	-	(44,937)
-	-	3,274
-	-	(96,630)
-	-	392
10,356	-	9,404
-	94,095	(32,146)
-	-	3,103
-	-	6,659
-	1,259,328	1,263,376
-	1,140,742	950,313
<u>\$ -</u>	<u>\$ (336,923)</u>	<u>\$ (1,173,783)</u>
\$ -	\$ -	\$ 2,637
\$ -	\$ -	\$ (758)
\$ -	\$ -	\$ (21,794)

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# 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.

### **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, 2008**

	Fine and Forfeiture	Jury and Witness	Support	Registry of Court	State Trust	Bridgeway Center Inc. Trust
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 242,309	\$ 6,647	\$ 65,970	\$ 1,275,877	\$ 505,639	\$ 335
Accounts Receivable	5,994	-	4,829	-	-	-
Due from Other Governments	-	-	-	-	1	-
<b>Total Assets</b>	<b>\$ 248,303</b>	<b>\$ 6,647</b>	<b>\$ 70,799</b>	<b>\$ 1,275,877</b>	<b>\$ 505,640</b>	<b>\$ 335</b>
<b>LIABILITIES</b>						
<b>Liabilities</b>						
Due to Other Governments	\$ 248,303	\$ -	\$ -	\$ -	\$ 505,640	\$ -
Due to Depositors	-	6,647	70,799	1,275,877	-	335
Taxes Collected in Advance	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>248,303</b>	<b>6,647</b>	<b>70,799</b>	<b>1,275,877</b>	<b>505,640</b>	<b>335</b>
<b>NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Continued...

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**September 30, 2008**

	Escrow Trust	Juvenile Trust	Cash Bond Trust	Suspense (Levies)	Disbursements	Total Agency Funds (Exhibit X)
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 222,047	\$ 1,002	\$ 532,435	\$ 6,490	\$ 1,061,201	\$ 3,919,952
Accounts Receivable	-	-	-	-	9,284	20,107
Due from Other Governments	-	-	-	-	-	1
<b>Total Assets</b>	<b>\$ 222,047</b>	<b>\$ 1,002</b>	<b>\$ 532,435</b>	<b>\$ 6,490</b>	<b>\$ 1,070,485</b>	<b>\$ 3,940,060</b>
<b>LIABILITIES</b>						
<b>Liabilities</b>						
Due to Other Governments	\$ -	\$ -	\$ -	\$ -	\$ 10,296	\$ 764,239
Due to Depositors	222,047	1,002	532,435	6,490	137,877	2,253,509
Deferred Revenue	-	-	-	-	922,312	922,312
<b>Total Liabilities</b>	<b>222,047</b>	<b>1,002</b>	<b>532,435</b>	<b>6,490</b>	<b>1,070,485</b>	<b>3,940,060</b>
<b>NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Balances September 30, 2007	Additions	Deletions	Balances September 30, 2008
<b>FINE AND FORFEITURE AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 232,262	\$ 4,227,153	\$ 4,217,106	\$ 242,309
Accounts Receivable	6,311	46,389	46,706	5,994
Total Assets	<u>\$ 238,573</u>	<u>\$ 4,273,542</u>	<u>\$ 4,263,812</u>	<u>\$ 248,303</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 238,573</u>	<u>\$ 3,161,358</u>	<u>\$ 3,151,628</u>	<u>\$ 248,303</u>
<b>JURY AND WITNESS AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 12,470</u>	<u>\$ 61,979</u>	<u>\$ 67,802</u>	<u>\$ 6,647</u>
<b>LIABILITIES</b>				
Due to Depositors	<u>\$ 12,470</u>	<u>\$ 74,191</u>	<u>\$ 80,014</u>	<u>\$ 6,647</u>
<b>TAX DEED AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 40</u>	<u>\$ 27,902</u>	<u>\$ 27,942</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to Depositors	<u>\$ 40</u>	<u>\$ 8,789</u>	<u>\$ 8,829</u>	<u>\$ -</u>
<b>SUPPORT AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 90,959	\$ 5,101,278	\$ 5,126,267	\$ 65,970
Accounts Receivable	2,793	13,951	11,915	4,829
Total Assets	<u>\$ 93,752</u>	<u>\$ 5,115,229</u>	<u>\$ 5,138,182</u>	<u>\$ 70,799</u>
<b>LIABILITIES</b>				
Due to Depositors	<u>\$ 93,752</u>	<u>\$ 5,111,035</u>	<u>\$ 5,133,988</u>	<u>\$ 70,799</u>
<b>REGISTRY OF COURT AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 1,041,110</u>	<u>\$ 6,097,605</u>	<u>\$ 5,862,838</u>	<u>\$ 1,275,877</u>
<b>LIABILITIES</b>				
Due to Depositors	<u>\$ 1,041,110</u>	<u>\$ 5,888,151</u>	<u>\$ 5,653,384</u>	<u>\$ 1,275,877</u>

Continued...

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Balances September 30, 2007	Additions	Deletions	Balances September 30, 2008
<b>STATE TRUST AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 448,090	\$ 20,690,034	\$ 20,632,485	\$ 505,639
Due from Other Governments	3	1	3	1
Total Assets	<u>\$ 448,093</u>	<u>\$ 20,690,035</u>	<u>\$ 20,632,488</u>	<u>\$ 505,640</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 448,093</u>	<u>\$ 20,660,349</u>	<u>\$ 20,602,802</u>	<u>\$ 505,640</u>
<b>BRIDGEWAY CENTER, INC. TRUST AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 1,159	\$ 824	\$ 335
<b>LIABILITIES</b>				
Due to Depositors	<u>\$ -</u>	<u>\$ 1,159</u>	<u>\$ 824</u>	<u>\$ 335</u>
<b>ESCROW AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 261,024	\$ 347,070	\$ 386,047	\$ 222,047
<b>LIABILITIES</b>				
Due to Depositors	<u>\$ 261,024</u>	<u>\$ 347,077</u>	<u>\$ 386,054</u>	<u>\$ 222,047</u>
<b>JUVENILE TRUST AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 674	\$ 39,193	\$ 38,865	\$ 1,002
<b>LIABILITIES</b>				
Due to Depositors	<u>\$ 674</u>	<u>\$ 39,193</u>	<u>\$ 38,865</u>	<u>\$ 1,002</u>
<b>CASH BOND TRUST AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 736,526	\$ 1,567,933	\$ 1,772,024	\$ 532,435
<b>LIABILITIES</b>				
Due to Depositors	<u>\$ 736,526</u>	<u>\$ 1,567,933</u>	<u>\$ 1,772,024</u>	<u>\$ 532,435</u>

Continued...

**Okaloosa County, Florida**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

	Balances September 30, 2007	Additions	Deletions	Balances September 30, 2008
<b>SUSPENSE (LEVIES) AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 22,833	\$ 57,461	\$ 73,804	\$ 6,490
<b>LIABILITIES</b>				
Due to Depositors	\$ 22,833	\$ 56,851	\$ 73,194	\$ 6,490
<b>DISBURSEMENTS AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,017,329	\$ 266,496,749	\$ 266,452,877	\$ 1,061,201
Accounts Receivable	10,594	9,284	10,594	9,284
Total Assets	<u>\$ 1,027,923</u>	<u>\$ 266,506,033</u>	<u>\$ 266,463,471</u>	<u>\$ 1,070,485</u>
<b>LIABILITIES</b>				
Due to Other Governments	10,366	43,953,327	43,953,397	10,296
Due to Depositors	158,029	137,877	158,029	137,877
Taxes Collected in Advance	859,528	2,709,484	2,646,700	922,312
Total Liabilities	<u>\$ 1,027,923</u>	<u>\$ 46,800,688</u>	<u>\$ 46,758,126</u>	<u>\$ 1,070,485</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,863,317	\$ 305,215,143	\$ 305,158,508	\$ 3,919,952
Accounts Receivable	19,698	69,624	69,215	20,107
Due from Other Governments	3	2,243	2,245	1
Total Assets	<u>\$ 3,883,018</u>	<u>\$ 305,287,010</u>	<u>\$ 305,229,968</u>	<u>\$ 3,940,060</u>
<b>LIABILITIES</b>				
Due to Other Governments	697,032	67,775,034	67,707,827	764,239
Due to Depositors	2,326,458	13,232,256	13,305,205	2,253,509
Taxes Collected in Advance	859,528	2,709,484	2,646,700	922,312
Total Liabilities	<u>\$ 3,883,018</u>	<u>\$ 83,716,774</u>	<u>\$ 83,659,732</u>	<u>\$ 3,940,060</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.*

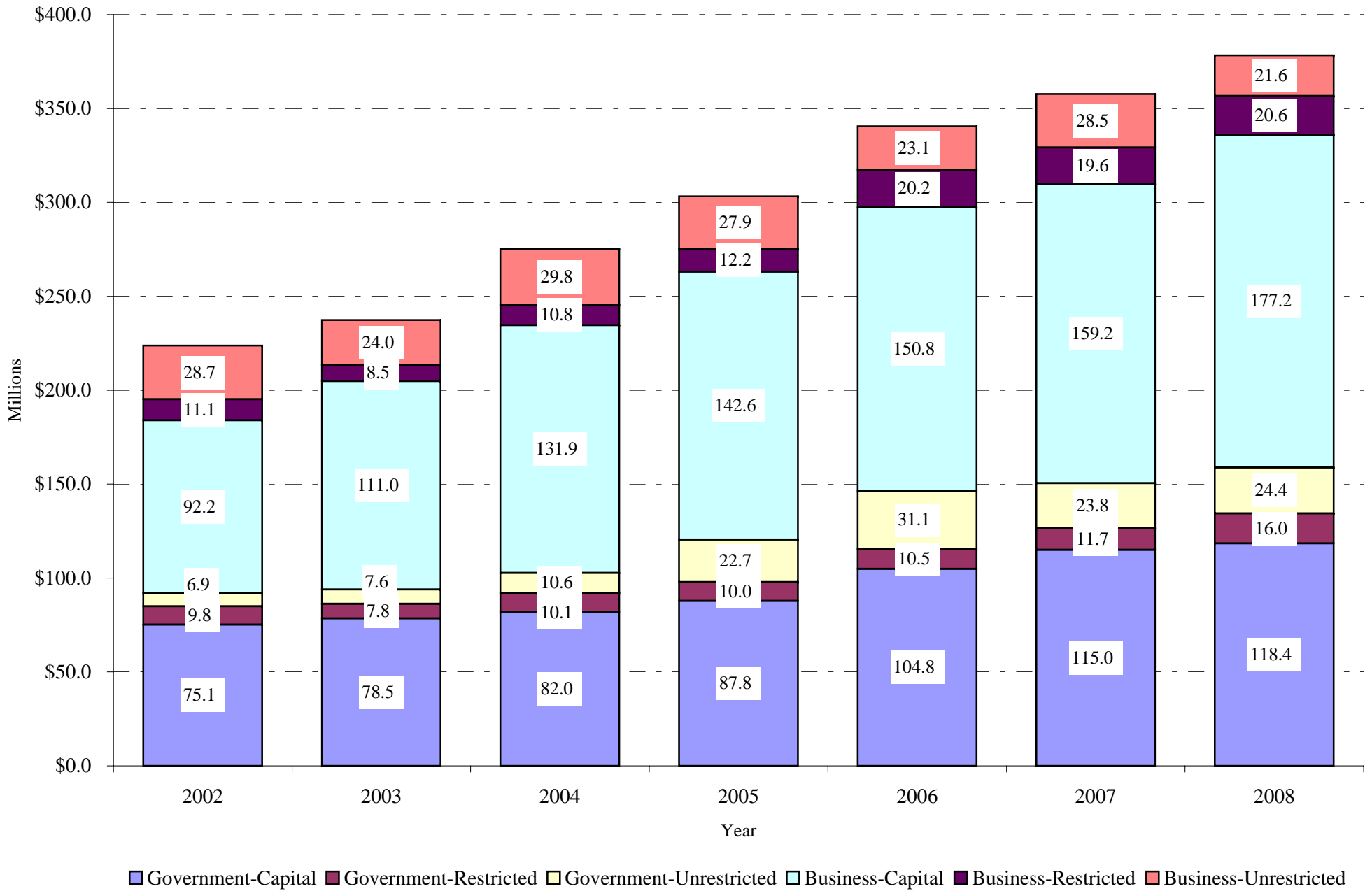


## NET ASSETS BY CATEGORY - LAST SEVEN FISCAL YEARS \* - (ACCRUAL BASIS OF ACCOUNTING)

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

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

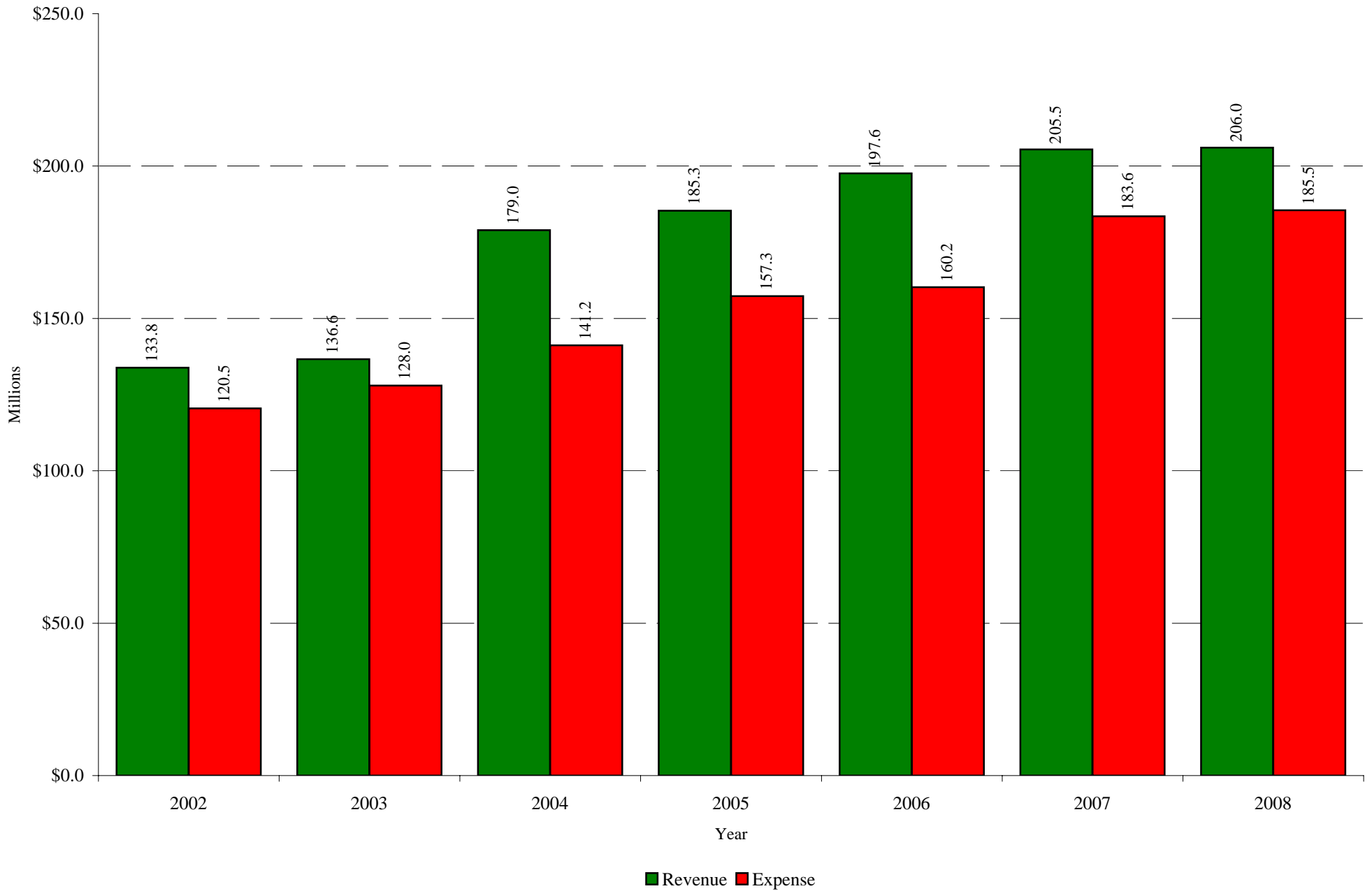
Net Assets by Category  
Last Seven Fiscal Years



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

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

Changes in Net Assets - Primary Government  
Last Seven Fiscal Years

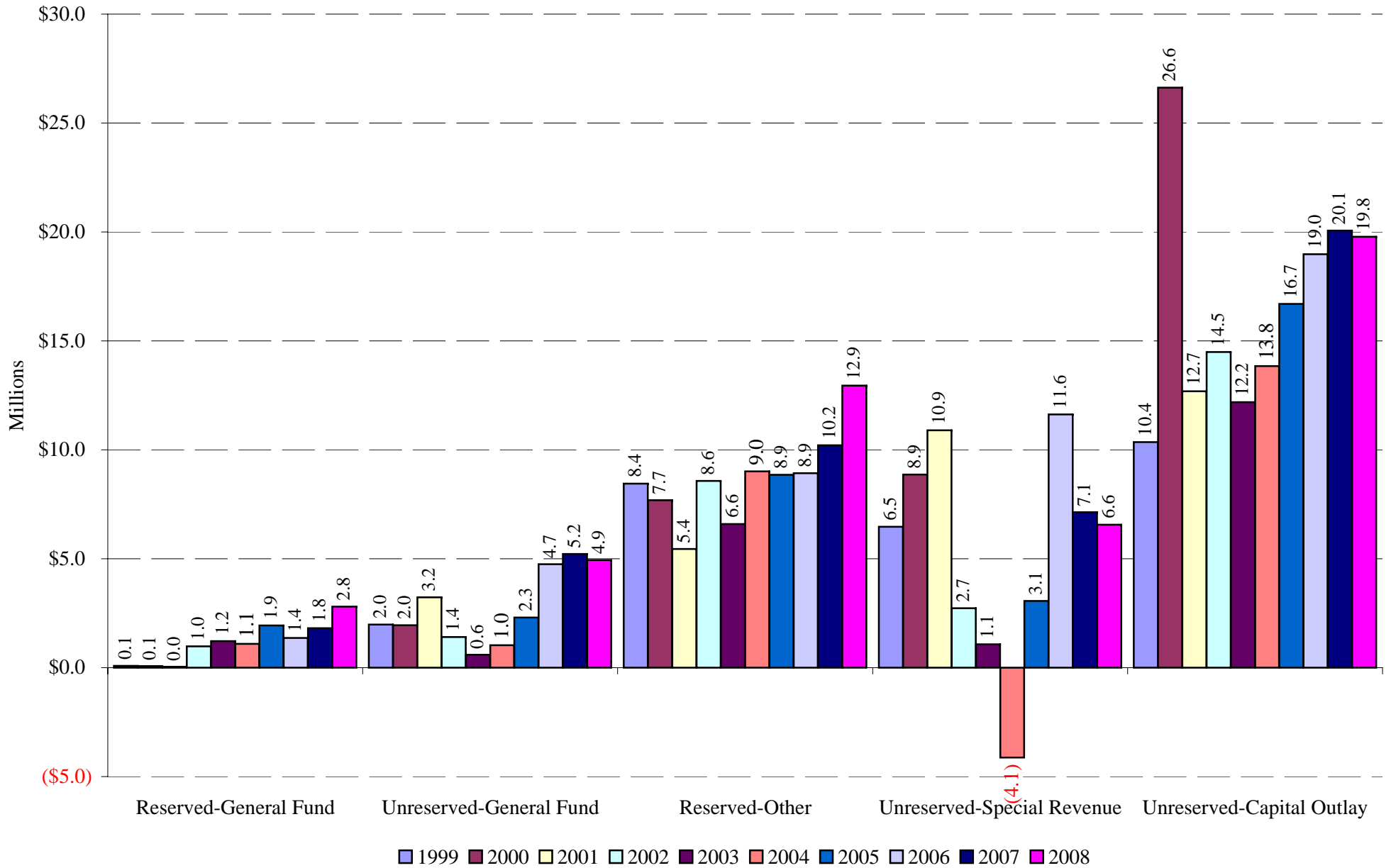


## FUND BALANCES -GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS

(modified accrual basis of accounting)	FISCAL YEAR									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>GENERAL FUND</b>										
RESERVED	\$78,469	\$71,446	\$44,264	\$979,234	\$1,223,759	\$1,097,214	\$1,938,678	\$1,369,275	\$1,812,954	\$2,797,024
UNRESERVED	\$1,978,606	\$1,952,241	\$3,232,617	\$1,401,793	\$589,918	\$1,029,675	\$2,298,682	\$4,748,244	\$5,220,535	\$4,937,348
<b>TOTAL GENERAL FUND</b>	<b>\$2,057,075</b>	<b>\$2,023,687</b>	<b>\$3,276,881</b>	<b>\$2,381,027</b>	<b>\$1,813,677</b>	<b>\$2,126,889</b>	<b>\$4,237,360</b>	<b>\$6,117,519</b>	<b>\$7,033,489</b>	<b>\$7,734,372</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
RESERVED	\$8,449,249	\$7,685,548	\$5,449,831	\$8,570,380	\$6,598,434	\$9,008,718	\$8,853,686	\$8,926,974	\$10,205,357	\$12,946,707
UNRESERVED, REPORTED IN:										
SPECIAL REVENUE FUNDS	\$6,463,889	\$8,861,268	\$10,897,386	\$2,728,442	\$1,073,163	(\$4,122,276)	\$3,062,924	\$11,623,002	\$7,136,986	\$6,561,536
CAPITAL OUTLAY FUNDS	\$10,356,281	\$26,623,297	\$12,690,223	\$14,488,019	\$12,191,043	\$13,841,110	\$16,694,319	\$18,982,709	\$20,060,394	\$19,778,366
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$25,269,419</b>	<b>\$43,170,113</b>	<b>\$29,037,440</b>	<b>\$25,786,841</b>	<b>\$19,862,640</b>	<b>\$18,727,552</b>	<b>\$28,610,929</b>	<b>\$39,532,685</b>	<b>\$37,402,737</b>	<b>\$39,286,609</b>
<b>TOTAL FUND BALANCES</b>	<b>\$27,326,494</b>	<b>\$45,193,800</b>	<b>\$32,314,321</b>	<b>\$28,167,868</b>	<b>\$21,676,317</b>	<b>\$20,854,441</b>	<b>\$32,848,289</b>	<b>\$45,650,204</b>	<b>\$44,436,226</b>	<b>\$47,020,981</b>



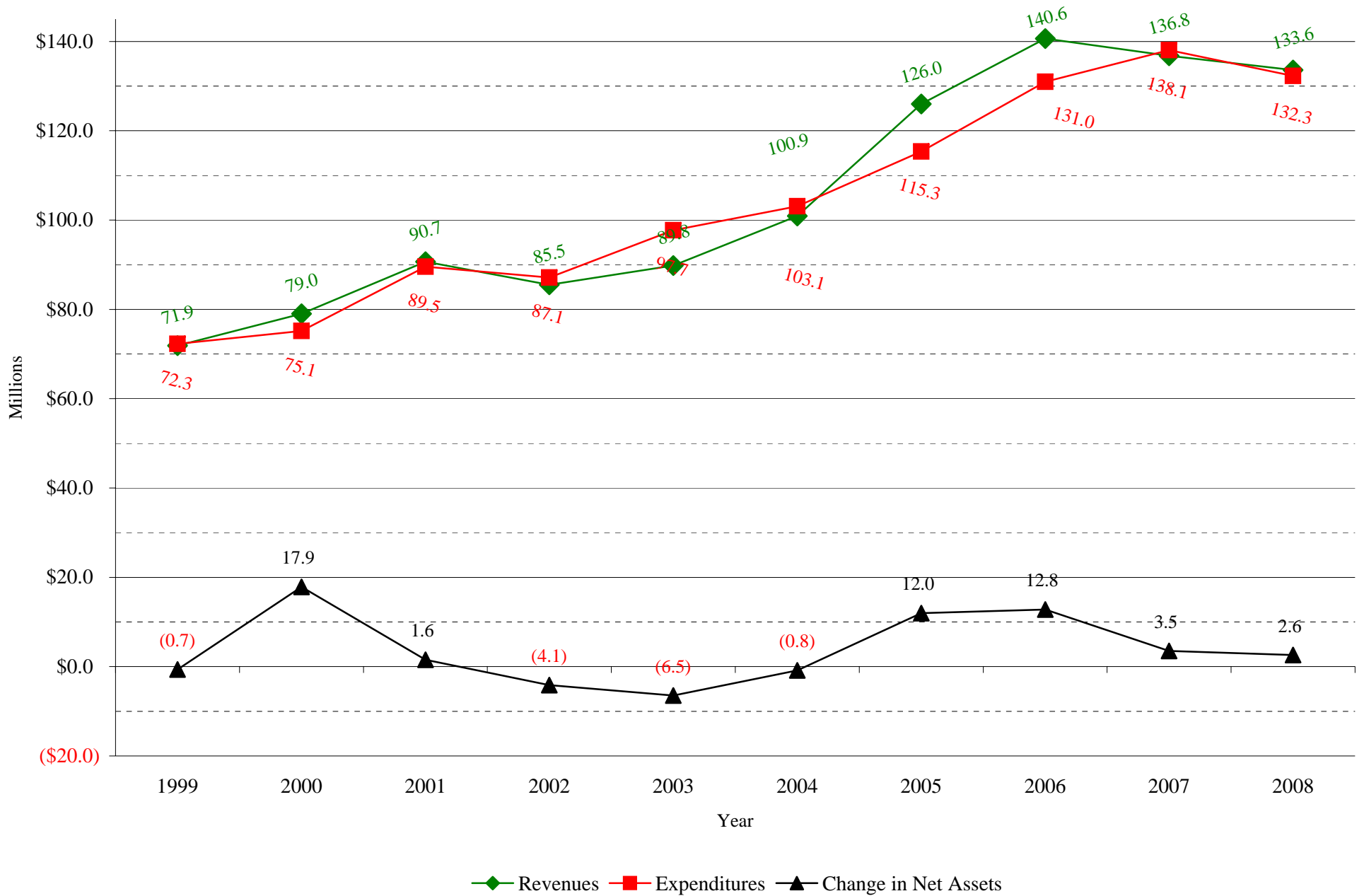
Fund Balances - Governmental Funds  
Last Ten Fiscal Years



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

	FISCAL YEAR									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>REVENUES</b>										
TAXES	\$34,342,067	\$38,591,194	\$39,888,339	\$40,520,854	\$44,079,158	\$48,610,746	\$54,145,087	\$66,042,747	\$73,867,055	\$73,373,458
LICENSES & PERMITS	\$150,633	\$299,429	\$327,776	\$277,960	\$211,365	\$307,090	\$313,921	\$284,662	\$214,234	\$9,100
INTERGOVERNMENTAL	\$23,822,864	\$23,235,307	\$31,507,232	\$25,550,457	\$25,736,508	\$29,948,522	\$44,050,979	\$42,539,492	\$31,531,631	\$30,009,477
CHARGES FOR SERVICES	\$9,188,706	\$10,104,608	\$14,300,586	\$15,404,032	\$16,763,572	\$19,859,820	\$23,363,924	\$24,735,690	\$23,289,780	\$22,131,456
FINES & FORFEITURES	\$641,119	\$453,814	\$381,709	\$243,741	\$340,185	\$253,841	\$493,912	\$719,436	\$2,522,536	\$1,611,445
MISCELLANEOUS	\$3,712,447	\$6,348,036	\$4,268,485	\$3,492,621	\$2,698,607	\$1,908,070	\$3,603,462	\$6,305,145	\$5,359,597	\$6,452,039
<b>TOTAL REVENUES</b>	<b>\$71,857,836</b>	<b>\$79,032,388</b>	<b>\$90,674,127</b>	<b>\$85,489,665</b>	<b>\$89,829,395</b>	<b>\$100,888,089</b>	<b>\$125,971,285</b>	<b>\$140,627,172</b>	<b>\$136,784,833</b>	<b>\$133,586,975</b>
<b>EXPENDITURES</b>										
GENERAL GOVERNMENT SERVICES	\$16,507,427	\$17,485,826	\$18,717,186	\$19,260,964	\$21,570,112	\$22,138,458	\$24,124,802	\$26,533,691	\$29,818,265	\$33,527,359
PUBLIC SAFETY	\$21,061,171	\$22,873,016	\$26,235,367	\$27,551,754	\$30,967,864	\$33,702,978	\$36,640,308	\$39,715,240	\$45,003,091	\$47,406,613
PHYSICAL ENVIRONMENT	\$500,719	\$408,175	\$470,648	\$784,080	\$984,816	\$539,630	\$582,092	\$769,308	\$869,499	\$952,412
TRANSPORTATION	\$9,335,338	\$9,161,186	\$10,032,015	\$11,215,465	\$10,585,261	\$10,757,562	\$11,595,450	\$13,126,158	\$12,859,021	\$13,124,250
ECONOMIC ENVIRONMENT	\$5,927,428	\$4,619,959	\$4,983,462	\$5,690,974	\$5,465,572	\$12,205,205	\$14,145,616	\$7,793,104	\$6,387,789	\$6,297,322
HUMAN SERVICES	\$2,982,697	\$3,093,515	\$2,828,631	\$3,618,738	\$3,385,124	\$3,736,433	\$3,806,130	\$4,372,186	\$4,538,445	\$4,654,542
CULTURE AND RECREATION	\$1,505,521	\$1,881,018	\$1,952,606	\$2,071,854	\$2,116,443	\$2,464,105	\$3,003,389	\$3,355,917	\$8,137,562	\$4,494,534
COURT RELATED	\$4,708,915	\$5,023,674	\$5,762,977	\$6,260,577	\$6,633,646	\$6,733,490	\$7,489,743	\$7,947,657	\$11,448,620	\$8,752,790
CAPITAL OUTLAY	\$8,510,325	\$9,343,581	\$18,021,322	\$10,010,816	\$14,274,768	\$9,943,885	\$13,283,171	\$26,494,998	\$16,993,757	\$11,226,400
PRINCIPAL RETIREMENT	\$1,031,314	\$292,319	\$423,242	\$560,971	\$1,683,484	\$809,166	\$629,345	\$818,774	\$1,934,681	\$1,737,530
INTEREST	\$231,286	\$837,090	\$108,445	\$82,547	\$29,792	\$46,392	\$36,382	\$48,794	\$66,319	\$85,381
OTHER CHARGES	\$0	\$126,532	\$1,358	\$1,015	\$1,587	\$1,500	\$1,000	\$2,000	\$23,699	\$24,187
<b>TOTAL EXPENDITURES</b>	<b>\$72,302,141</b>	<b>\$75,145,891</b>	<b>\$89,537,259</b>	<b>\$87,109,755</b>	<b>\$97,698,469</b>	<b>\$103,078,804</b>	<b>\$115,337,428</b>	<b>\$130,977,827</b>	<b>\$138,080,748</b>	<b>\$132,283,320</b>
<b>EXCESS OF REVENUES</b>										
OVER(UNDER) EXPENDITURES	(\$444,305)	\$3,886,497	\$1,136,868	(\$1,620,090)	(\$7,869,074)	(\$2,190,715)	\$10,633,857	\$9,649,345	(\$1,295,915)	\$1,303,655
<b>OTHER FINANCING SOURCES (USES)</b>										
OPERATING TRANSFERS IN	\$9,604,354	\$11,750,020	\$6,476,841	\$8,430,164	\$5,021,377	\$6,648,881	\$7,706,649	\$7,908,387	\$9,898,053	\$9,066,308
OPERATING TRANSFERS OUT	(\$9,928,933)	(\$10,986,025)	(\$6,061,437)	(\$11,422,313)	(\$4,478,111)	(\$6,223,181)	(\$6,796,666)	(\$7,305,817)	(\$8,895,030)	(\$7,782,208)
BUDGET TRANSFERS AMOUNT										
CONSTITUTIONAL OFFICERS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROCEEDS FROM CAPITAL LEASES	\$104,000	\$0	\$0	\$0	\$0	\$0	\$450,009	\$0	\$0	\$0
EXCESS FEES DUE TO OTHER GOVERNMENTS	\$0	\$0	\$0	(\$34,214)	\$0	\$0	\$0	\$0	\$0	\$0
PROCEED FROM LONG-TERM-TERM DEBT	\$0	\$13,216,815	\$0	\$500,000	\$834,257	\$943,138	\$0	\$2,550,000	\$3,800,000	\$0
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>(\$220,579)</b>	<b>\$13,980,810</b>	<b>\$415,404</b>	<b>(\$2,526,363)</b>	<b>\$1,377,523</b>	<b>\$1,368,838</b>	<b>\$1,359,992</b>	<b>\$3,152,570</b>	<b>\$4,803,023</b>	<b>\$1,284,100</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(\$664,884)</b>	<b>\$17,867,307</b>	<b>\$1,552,272</b>	<b>(\$4,146,453)</b>	<b>(\$6,491,551)</b>	<b>(\$821,877)</b>	<b>\$11,993,849</b>	<b>\$12,801,915</b>	<b>\$3,507,108</b>	<b>\$2,587,755</b>
<b>DEBT SERVICE AS A PERCENTAGE OF</b>										
NONCAPITAL EXPENDITURES	1.98%	1.91%	0.75%	0.84%	2.06%	0.92%	0.65%	0.83%	1.67%	1.53%

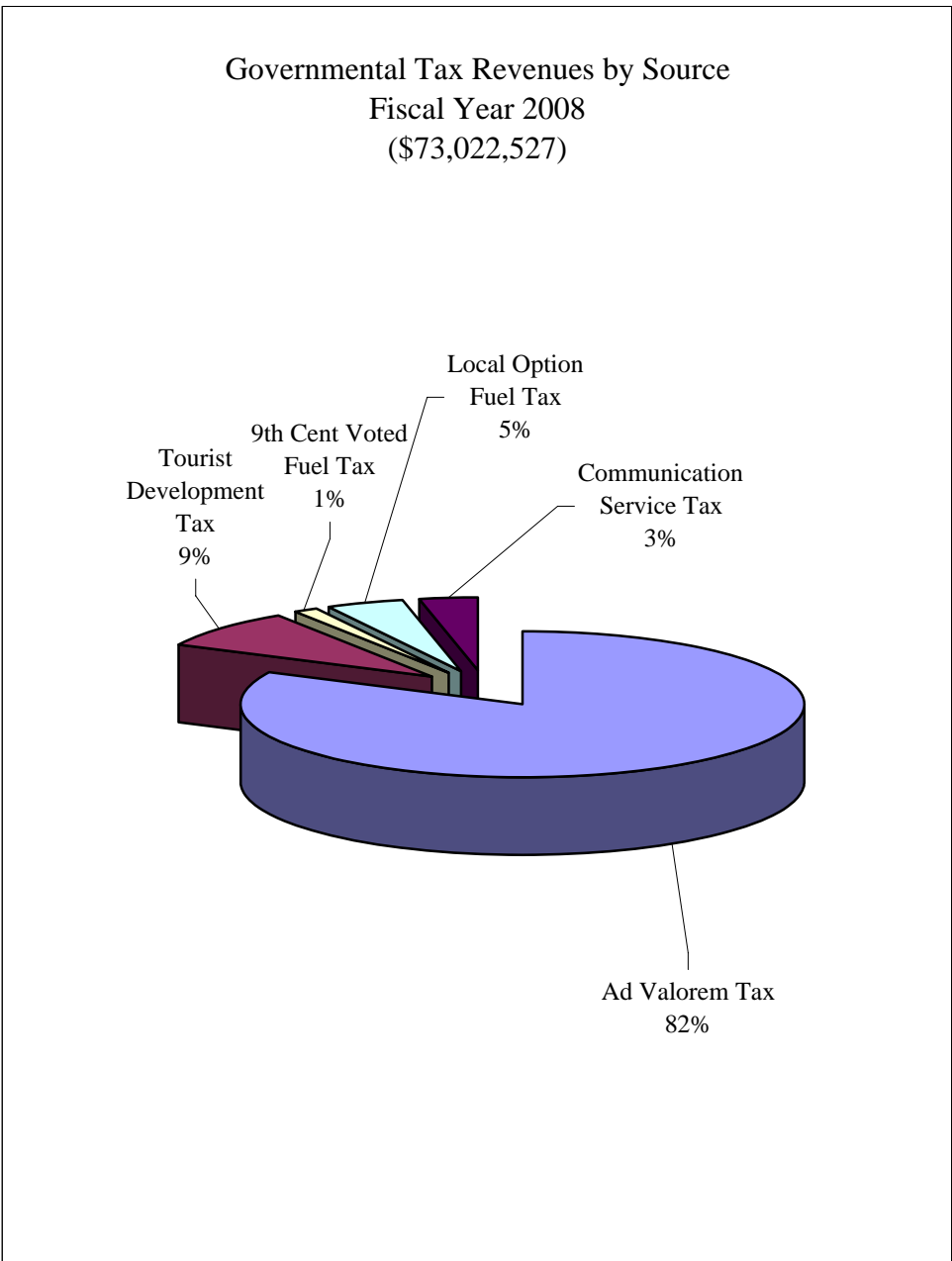
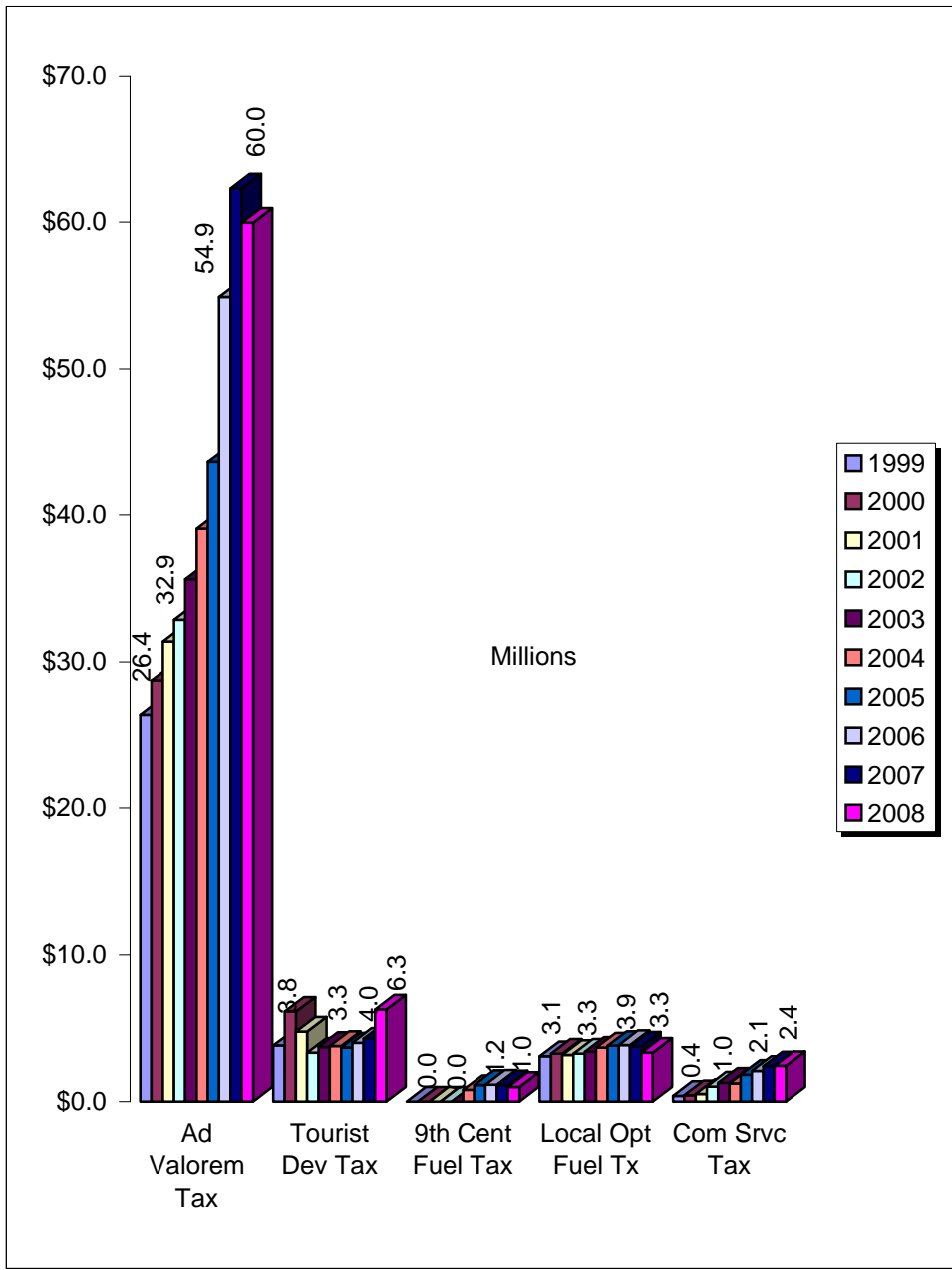
### Changes in Fund Balances - Governmental Funds Last Ten Fiscal Years



## GOVERNMENTAL TAX REVENUES BY SOURCE - LAST TEN FISCAL YEARS

FISCAL YEAR	AD VALOREM TAX	TOURIST DEVELOPMENT TAX	9TH CENT VOTED FUEL TAX	LOCAL OPTION FUEL TAX	LOCAL OPTION FUEL TAX	COMMUNICATION SERVICE TAX	TOTAL TAXES
1999 (1)	\$26,400,373	\$3,832,374		\$0	\$3,097,977	\$395,039	\$33,725,763
2000	\$28,735,596	\$6,135,649		\$0	\$3,275,669	\$444,280	\$38,591,194
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

(1) TAX REVENUE DETAIL EXCLUDES 9-1-1 FEE, SUBSEQUENTLY RECLASSIFIED FROM A TAX SOURCE TO A FEE SOURCE.



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


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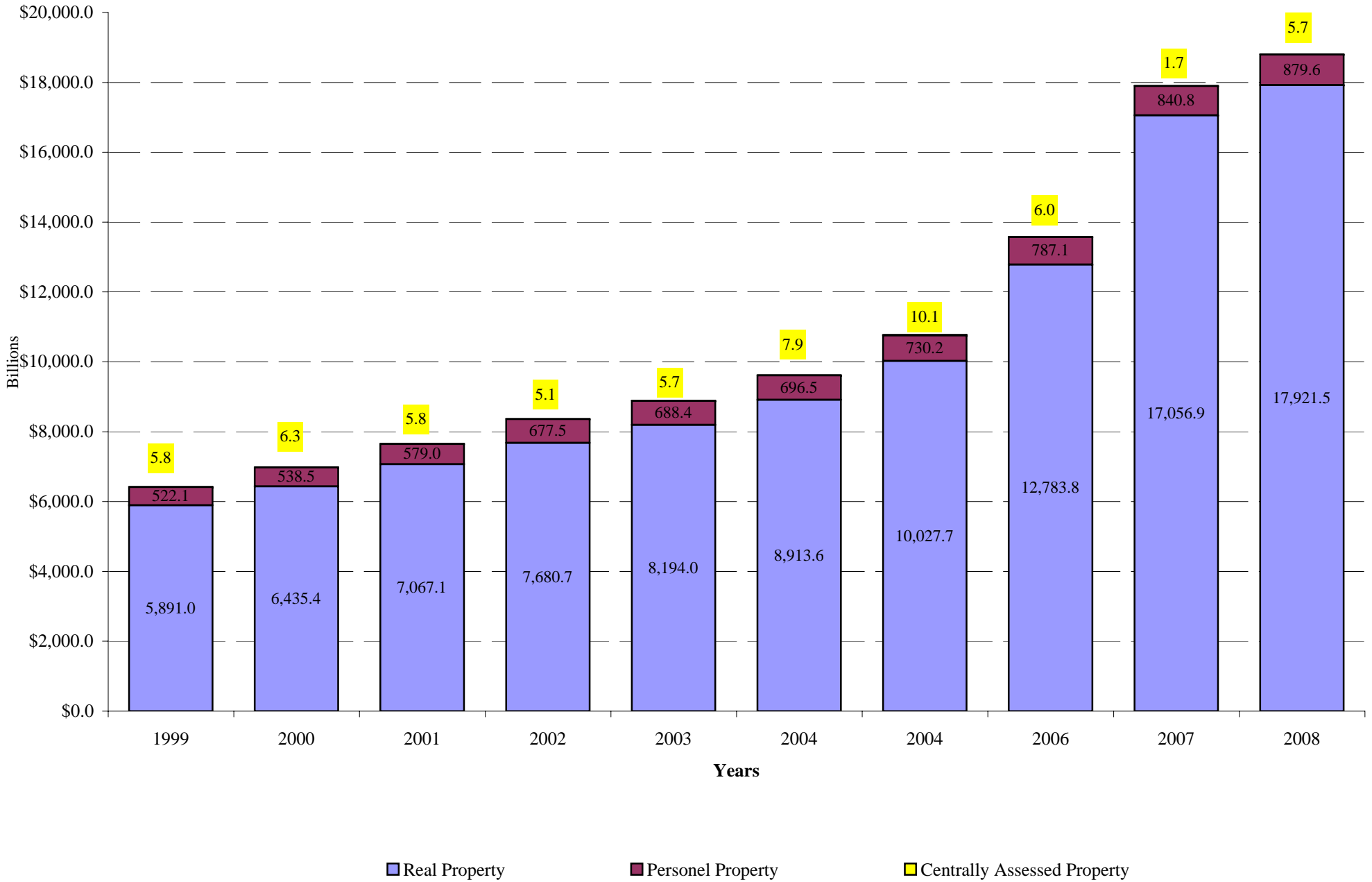
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FISCAL YEAR	ASSESSED VALUE			TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL VALUE (1)	ASSESSED TO ESTIMATED ACTUAL
	REAL PROPERTY	PERSONAL PROPERTY	CENTRALLY ASSESSED PROPERTY				
1999	5,891,037,323	522,100,290	5,801,731	6,418,939,344	13.2296	7,551,693,346	85.00%
2000	6,435,422,487	538,514,086	6,275,364	6,980,211,937	12.5651	8,212,014,044	85.00%
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	12.6284	15,972,827,836	85.00%
2007	17,056,877,307	840,818,749	1,672,030	17,899,368,086	11.6945	21,058,080,101	85.00%
2008	17,921,513,970	879,629,168	5,697,214	18,806,840,352	11.1485	15,985,814,299	85.00%

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

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

## Taxable Assessed Value Last Ten Fiscal Years



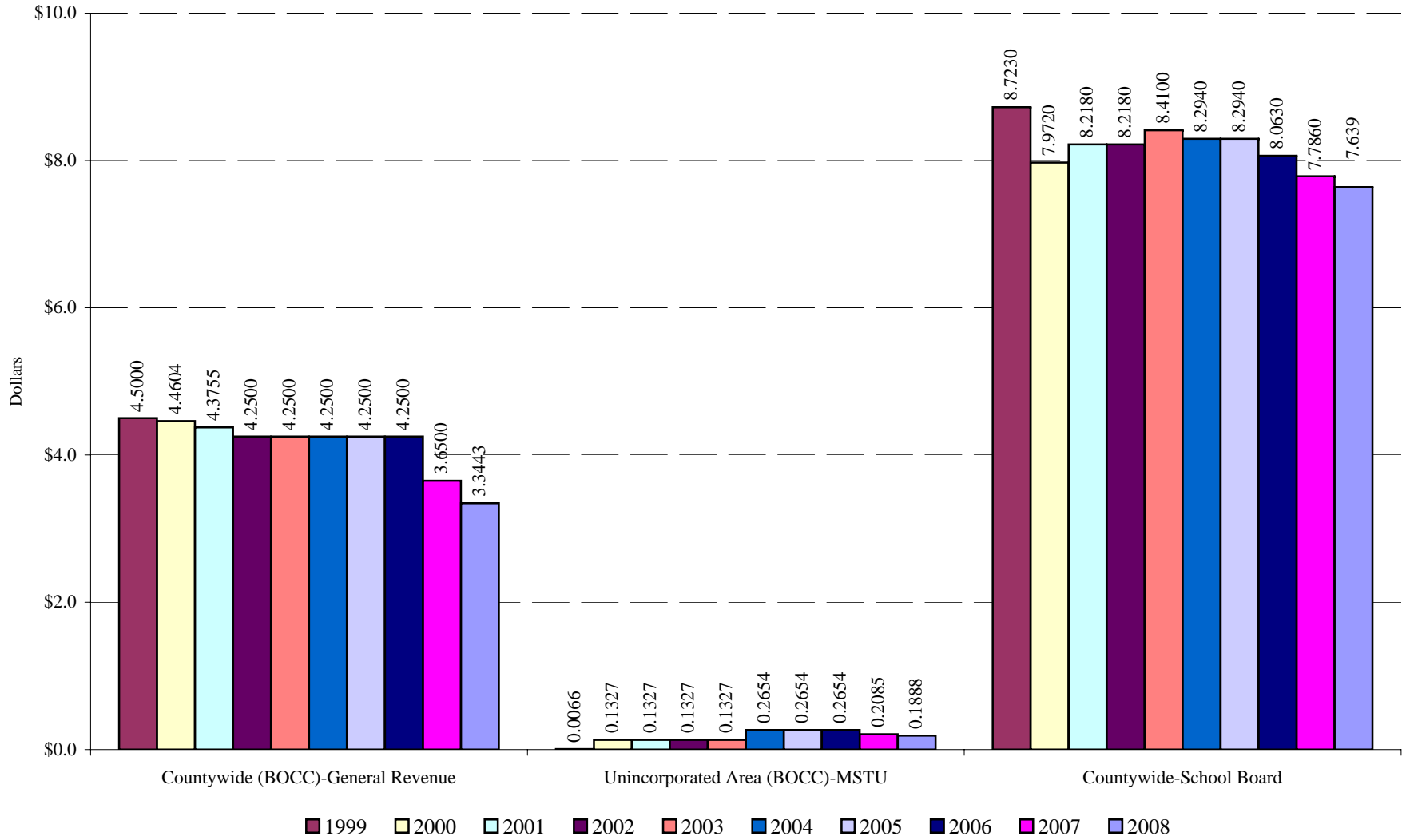
## PROPERTY TAX MILLAGE RATES FOR DIRECT AND OVERLAPPING GOVERNMENTS - LAST TEN FISCAL YEARS

	FISCAL YEAR									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>COUNTYWIDE (BOCC)</b>										
GENERAL REVENUE	4.5000	4.4604	4.3755	4.2500	4.2500	4.2500	4.2500	4.2500	3.6500	3.3443
<b>UNINCORPORATED AREA (BOCC)</b>										
MUNICIPAL SERVICE TAXING UNIT (MSTU)	0.0066	0.1327	0.1327	0.1327	0.1327	0.2654	0.2654	0.2654	0.2085	0.1888
<b>COUNTYWIDE (OTHER)</b>										
SCHOOL BOARD	8.7230	7.9720	8.2180	8.2180	8.4100	8.2940	8.2940	8.0630	7.7860	7.6390
<b>TOTAL MILLAGES</b>	<b>13.2296</b>	<b>12.5651</b>	<b>12.7262</b>	<b>12.6007</b>	<b>12.7927</b>	<b>12.8094</b>	<b>12.8094</b>	<b>12.5784</b>	<b>11.6445</b>	<b>11.1721</b>
<b>MUNICIPALITIES</b>										
CINCO BAYOU	2.3000	2.3000	2.3000	2.3000	2.3000	2.3000	2.3000	2.3000	2.3000	2.0639
CRESTVIEW	5.8610	5.8610	6.9990	6.9990	6.9990	6.9000	6.9000	6.9990	6.4989	5.8466
DESTIN	1.6000	1.7500	1.7500	1.8000	1.8000	1.8000	1.8000	1.8000	1.5000	1.4550
FORT WALTON BEACH	4.9700	4.9700	4.9700	4.9700	4.9700	4.9700	4.9700	4.9700	4.6400	4.1986
LAUREL HILL	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	5.0000
MARY ESTHER	2.7760	2.8370	2.8370	3.5000	3.5000	3.5000	3.5000	3.5000	3.4000	3.0125
NICEVILLE	2.7300	3.0000	3.0000	3.0000	3.3000	3.3000	3.5000	3.5000	3.5000	3.2669
SHALIMAR	3.2000	3.0000	3.0000	2.8000	2.8000	2.8000	2.7000	2.4000	2.2000	2.0000
VALPARAISO	3.1000	3.3000	3.5000	3.9900	3.9900	3.9900	3.9900	3.9900	3.1200	2.8754
<b>SPECIAL DISTRICTS</b>										
NW FLORIDA WATER MANAGEMENT	1.0000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0450
LAKE PIPPIN MSBU	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT
DESTIN FIRE	0.8100	0.7777	0.7386	0.7386	0.8600	0.8600	0.8600	0.8300	0.7700	0.8004
EAST NICEVILLE FIRE	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	2.0000	2.0000	1.9200
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	1.5320	1.5320	1.6500	1.7500	1.8500	1.8500	1.8750	2.0700	1.8000	1.6819
OCEAN CITY-WRIGHT FIRE	1.5660	1.6900	1.6900	1.6900	1.8000	1.8000	1.8000	1.8300	1.7800	1.6460
OKALOOSA ISLAND FIRE	3.4500	3.4500	3.3745	3.3042	2.9500	2.9950	2.6461	2.4305	1.9855	2.0250
SYLVANIA HEIGHTS	3.9500	3.9500	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

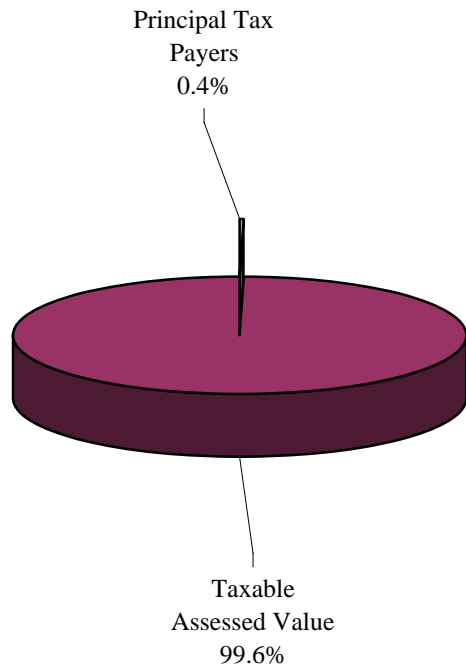


**PRINCIPAL PROPERTY TAX PAYERS - LAST FISCAL YEAR COMPARED TO THE FISCAL YEAR NINE YEARS EARLIER**

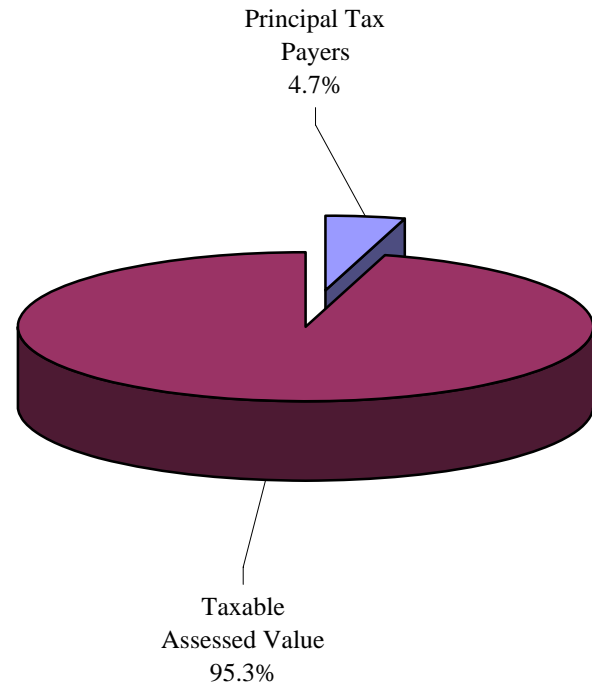
<b>TAXPAYER</b>	<b>2008</b>		<b>1999</b>	
	<b>TAXABLE ASSESSED VALUE</b>	<b>PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE</b>	<b>TAXABLE ASSESSED VALUE</b>	<b>PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE</b>
FORT WALTON DEFENSE HOUSING LTD	\$18,668,560	0.08%		
SOUTHEASTERN CONSULTING & DEV	\$18,097,998	0.08%		
L-3 COMMUNICATIONS - CRESTVIEW	\$11,157,313	0.05%		
COLONIAL BANK N.A.	\$7,876,000	0.04%		
NORTH FLORIDA HOLDINGS LLC	\$7,566,860	0.03%		
BANKTRUST	\$5,224,206	0.02%		
HOMWOOD PROPERTIES LLC	\$4,062,470	0.02%		
JRW INVESTMENTS LLC	\$3,725,983	0.02%		
MAJESTIC OAKS VINEYARD LLC	\$3,507,766	0.02%		
ADAMS HOMES OF NWF INC	\$3,386,257	0.02%		
GULF POWER COMPANY			\$87,179,635	1.24%
SPRINT FLORIDA INC			\$73,467,097	1.05%
WAL-MART			\$35,459,827	0.50%
SANTA ROSA MALL			\$30,255,260	0.43%
FORT WALTON BEACH MEDICAL CNTR			\$22,001,953	0.31%
VALPARAISO REALTY			\$17,706,006	0.25%
EMERALD COAST CABLE			\$16,212,976	0.23%
KELLY PLANTATION PTR			\$15,651,684	0.22%
TOLBERT ENTERPRISES			\$15,623,636	0.22%
FRENCH QUARTER II			\$14,100,000	0.20%
<b>TOTAL PRINCIPAL TAXPAYER VALUE</b>	<b>\$83,273,413</b>	<b>0.37%</b>	<b>\$327,658,074</b>	<b>4.66%</b>
<b>TOTAL TAXABLE ASSESSED VALUE</b>	<b>\$18,806,840,352</b>	<b>100.0%</b>	<b>\$7,027,211,937</b>	<b>100.0%</b>

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Principal Property Tax Payers  
Current Year 2008



Principal Property Tax Payers  
Year 1999



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**PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS**


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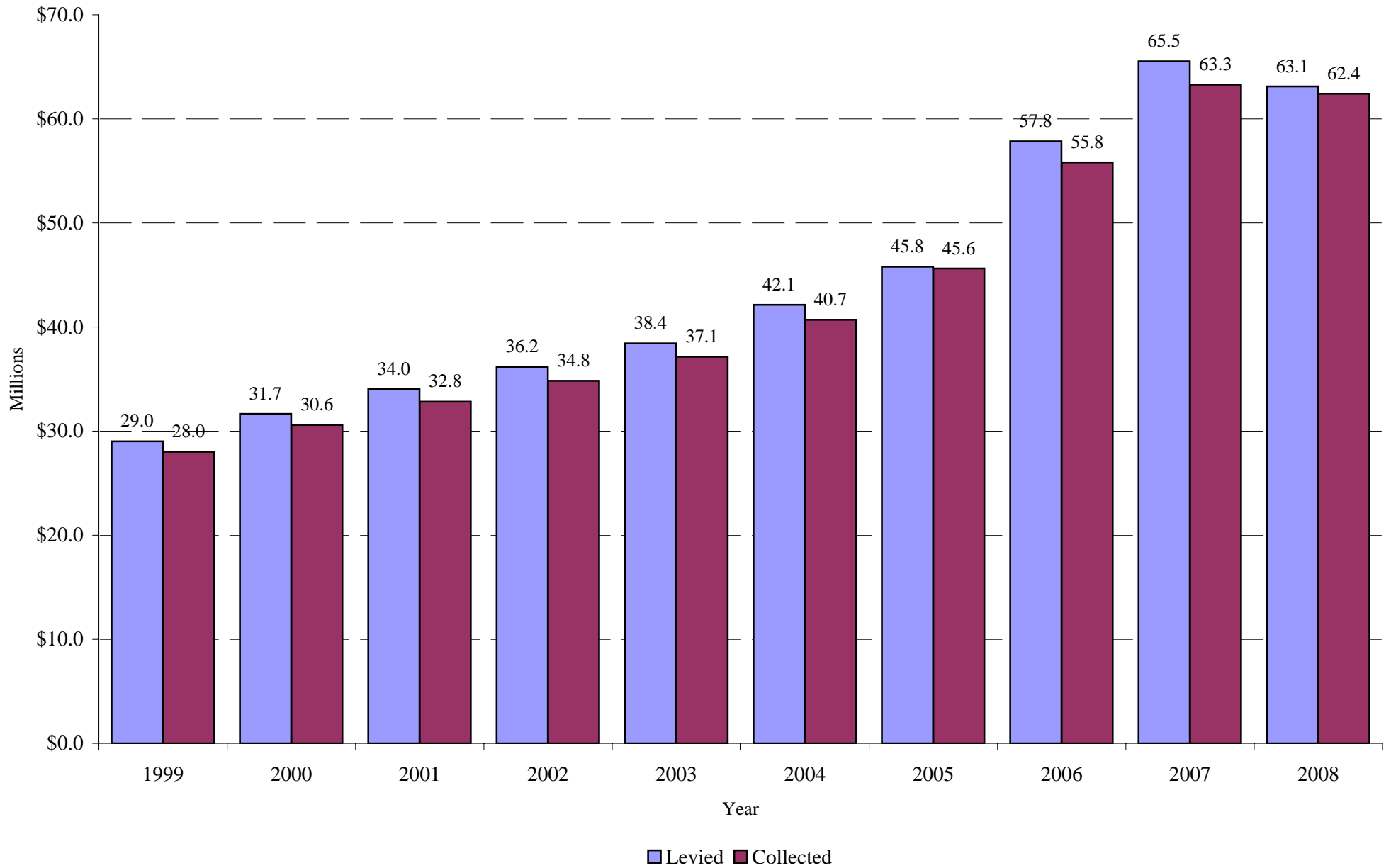


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FISCAL YEAR	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
1999	\$29,013,596	\$27,920,789	96.2%	\$98,449	\$28,019,238	96.6%
2000	\$31,666,615	\$30,485,905	96.3%	\$101,076	\$30,586,981	96.6%
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%

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
	GENERAL OBLIGATION BONDS	SPECIAL OBLIGATION BONDS(1)	CAPITAL LEASES(2)	COMMERCIAL PAPER LOAN (3)	WATER BONDS(4)	AIRPORT BONDS(5)	SOLID WASTE BONDS(6)	CONFERENCE CENTER BONDS(7)	CAPITAL LEASES			
1999	\$0	\$2,703,166	\$1,318,611	\$0	\$34,501,733	\$0	\$1,665,777	\$0	\$479,702	\$40,668,989	0.93%	\$232
2000	\$0	\$2,634,281	\$670,525	\$0	\$32,308,389	\$4,500,000	\$1,606,267	\$13,450,000	\$311,158	\$55,480,620	1.20%	\$309
2001	\$0	\$2,745,421	\$292,820	\$0	\$30,036,883	\$4,500,000	\$1,702,283	\$13,450,000	\$139,172	\$52,866,579	1.11%	\$283
2002	\$0	\$2,629,483	\$491,543	\$0	\$27,671,420	\$4,300,000	\$1,602,123	\$13,450,000	\$47,878	\$50,192,447	0.97%	\$289
2003	\$0	\$1,731,175	\$599,787	\$0	\$25,169,712	\$10,860,000	\$1,495,595	\$13,450,000	\$24,679	\$53,330,948	0.97%	\$301
2004	\$0	\$1,599,772	\$566,446	\$0	\$39,098,543	\$10,860,000	\$1,382,074	\$13,235,000	\$0	\$66,741,835	1.12%	\$369
2005	\$0	\$1,462,338	\$430,218	\$0	\$36,832,336	\$10,635,000	\$1,263,342	\$12,780,000	\$0	\$63,403,234	0.99%	\$341
2006	\$0	\$1,321,071	\$294,832	\$0	\$40,196,034	\$10,635,000	\$1,141,298	\$12,235,000	\$0	\$65,823,235	0.97%	\$348
2007	\$0	\$1,161,258	\$151,578	\$0	\$98,789,222	\$10,405,000	\$1,003,232	\$12,280,000	\$0	\$123,790,290	1.73%	\$642
2008	\$0	\$857,792	\$0	\$3,580,000	\$95,688,762	\$22,150,000	\$741,063	\$12,010,000	\$0	\$135,027,617	1.81%	\$687

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

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

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

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

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

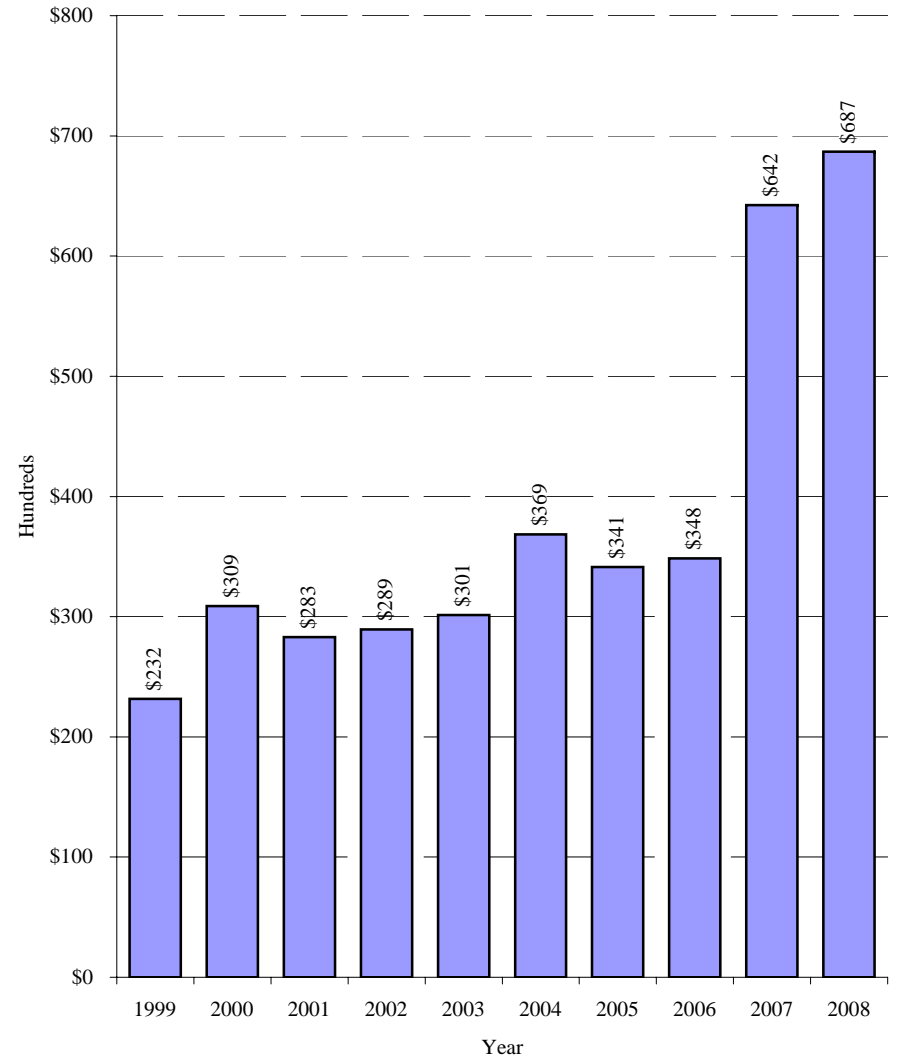
(6) Includes Capital Improvement Bonds, 1991

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

Debt by Type  
Last Ten Fiscal Years



Per Capita Debt  
Last Ten Fiscal Years



## PLEDGED-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			
1999	\$16,905,987	\$9,864,461	\$7,041,526	\$330,885	\$68,325	\$332,529	\$2,007,187	\$464,183	\$0	\$0	\$3,203,109	2.20	
2000	\$18,779,447	\$10,081,487	\$8,697,960	\$0	\$68,289	\$335,670	\$2,007,895	\$824,658	\$0	\$0	\$3,236,512	2.69	
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	



**PLEDGED-REVENUE BOND COVERAGE**

FISCAL YEAR	Gross Operating Revenue	Direct Operat Expense	Net Revenue Avail -Debt Serv	AIRPORT REVENUE BONDS (PRINCIPAL + INTEREST)			COVERAGE
				2003	2008	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

**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

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	\$91,285,000	100%	\$91,285,000

(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

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**DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN YEARS**


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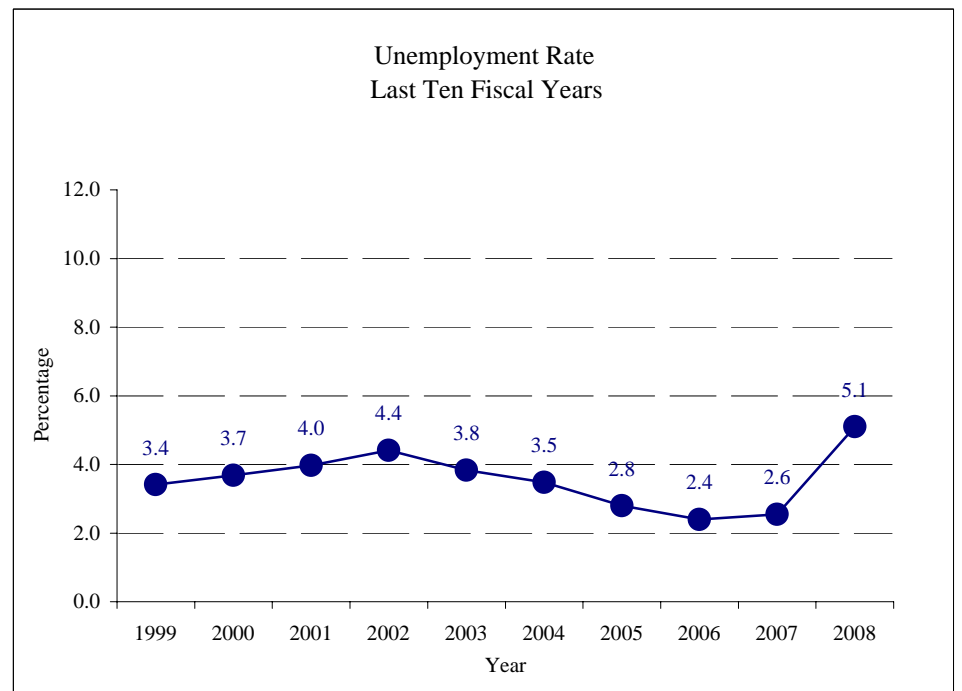
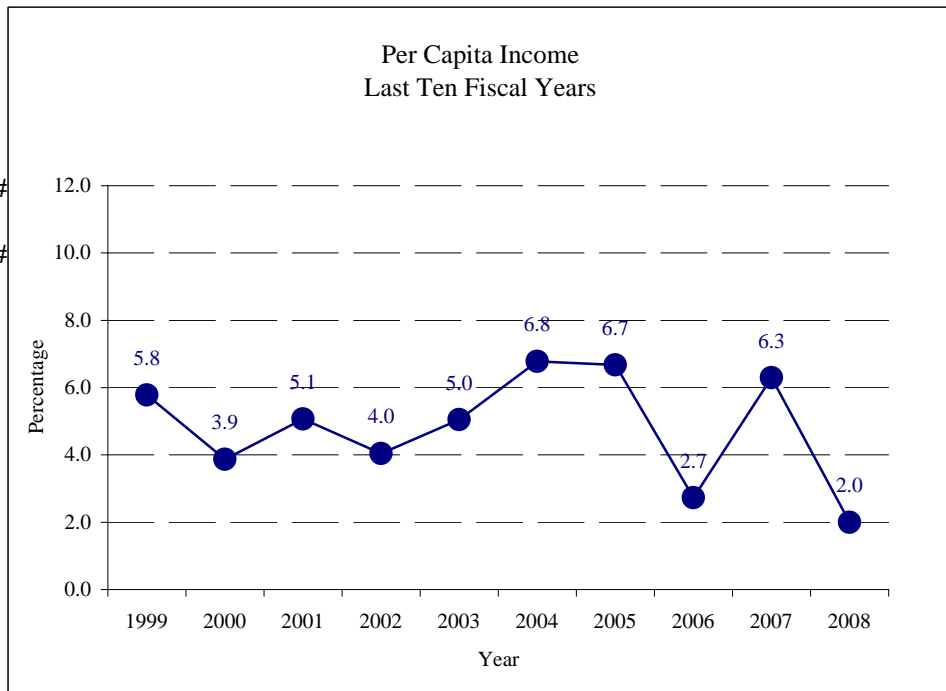
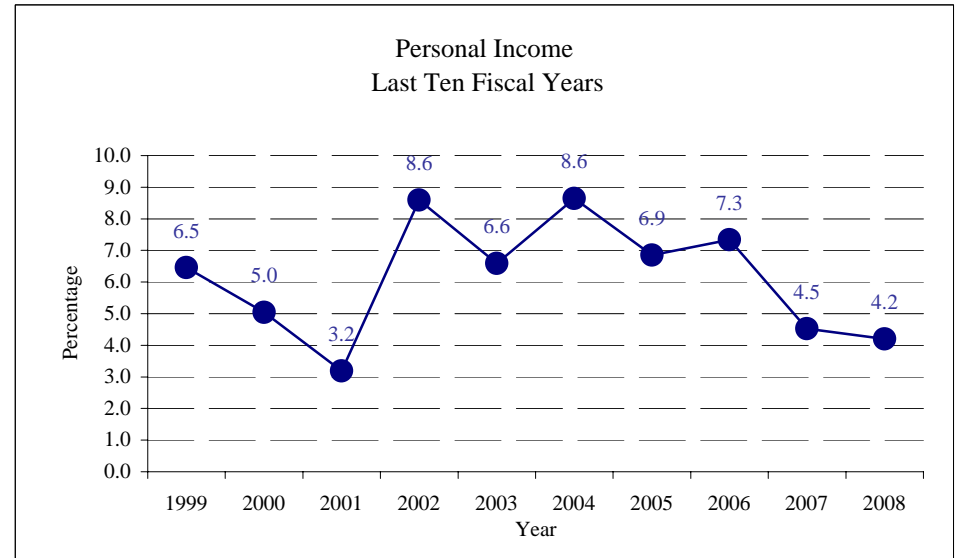
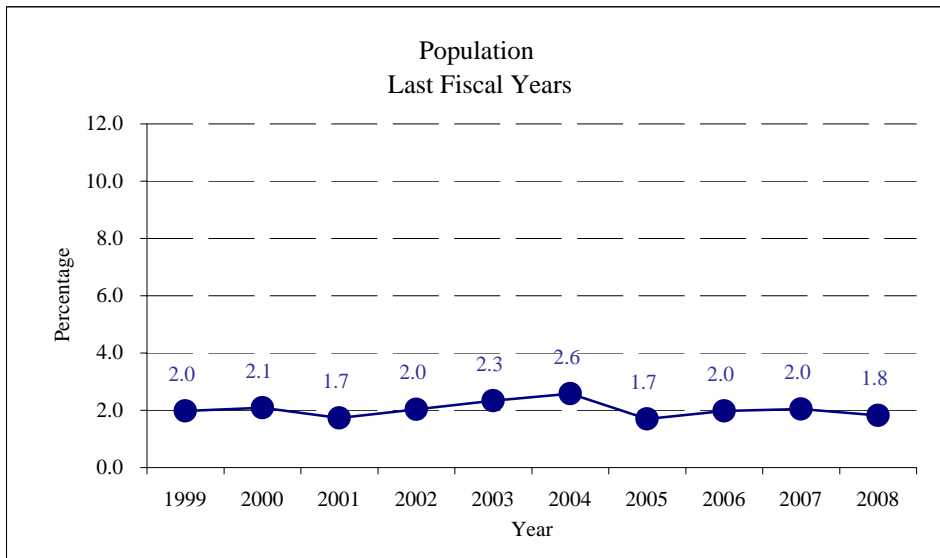


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<b>YEAR</b>	<b>POPULATION</b>	<b>PERCENT +/-</b>	<b>PERSONAL INCOME IN THOUSANDS</b>	<b>PERCENT +/-</b>	<b>PER CAPITA PERSONAL INCOME</b>	<b>PERCENT +/-</b>	<b>UNEMPLOYMENT RATE</b>
1999	167,000	2.0%	\$4,389,141	6.5%	\$25,963	5.8%	3.42%
2000	170,498	2.1%	\$4,610,536	5.0%	\$26,969	3.9%	3.68%
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%	\$7,172,458 (1)	4.5%	\$38,520 (1)	2.7%	2.55%
2008	197,597	1.8%	\$7,473,701 (1)	4.2%	\$39,290 (1)	2.0%	5.10%

**SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE**

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



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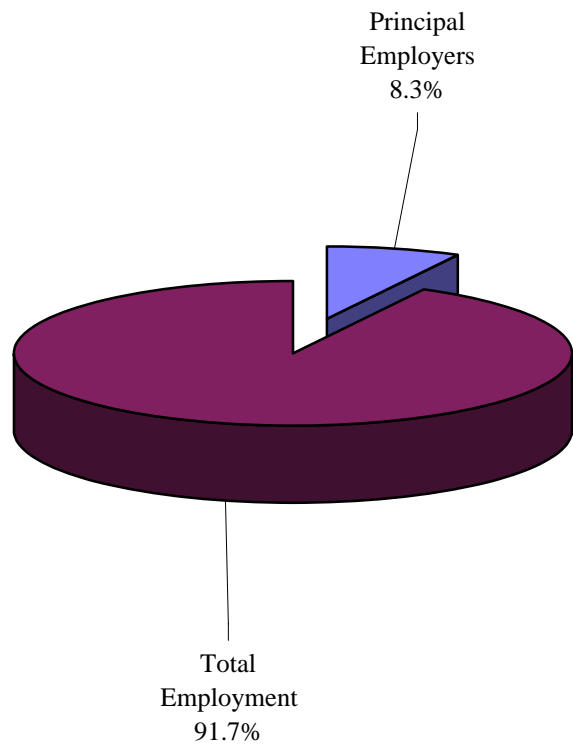
**PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO**


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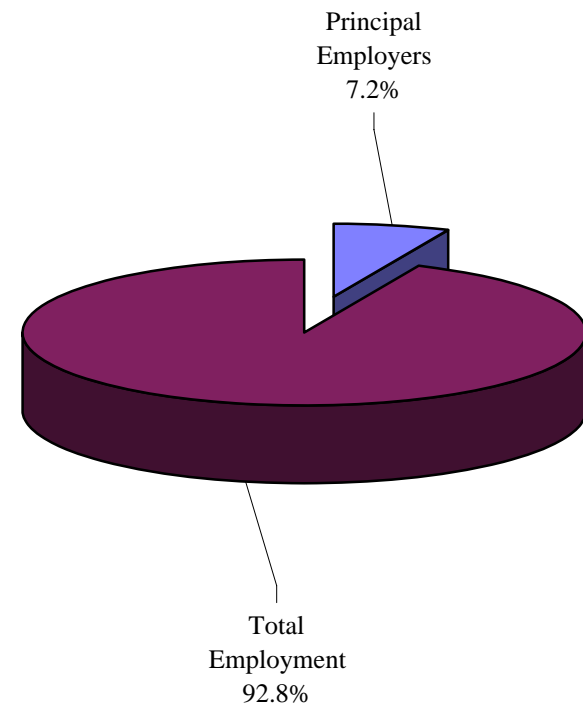
<b>EMPLOYER</b>	<b>2008</b>		<b>1999</b>	
	<b>EMPLOYEES</b>	<b>PERCENTAGE OF TOTAL EMPLOYMENT</b>	<b>EMPLOYEES</b>	<b>PERCENTAGE OF TOTAL EMPLOYMENT</b>
TYBRIN CORPORATION	1,390	1.41%	450	0.55%
RESORT QUEST	1,000	1.01%		
FT WALTON BEACH MEDICAL CENTER	912	0.92%	750	0.92%
L-3/CRESTVIEW AEROSPACE CORP	898	0.91%		
DRS TRAINING & CONTROL SYSTEMS	811	0.82%		
INDYNE, INC	800	0.81%		
SVERDRUP TECHNOLOGY	650	0.66%	425	0.52%
NORTH OKALOOSA MEDICAL CENTER	650	0.66%	410	0.50%
OKALOOSA-WALTON COLLEGE	600	0.61%		
LEGENDARY, INC	500	0.51%		
BAE SYSTEMS			1,250	1.54%
ABBOT RESORTS/RESORT QUEST			800	0.98%
METRIC SYSTEMS CORPORATION			600	0.74%
TWIN CITIES HOSPITAL			420	0.52%
RAMADA BEACH RESORT			400	0.49%
WHITE-WILSON MEDICAL CENTER			370	0.45%
<b>TOTAL</b>	<b>8,211</b>	<b>8.31%</b>	<b>5,875</b>	<b>7.22%</b>
<b>TOTAL COUNTY EMPLOYMENT</b>	<b>98,757</b>		<b>81,373</b>	

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

Principal Employers  
Current Year 2008



Principal Employers  
Nine Years Ago 1999



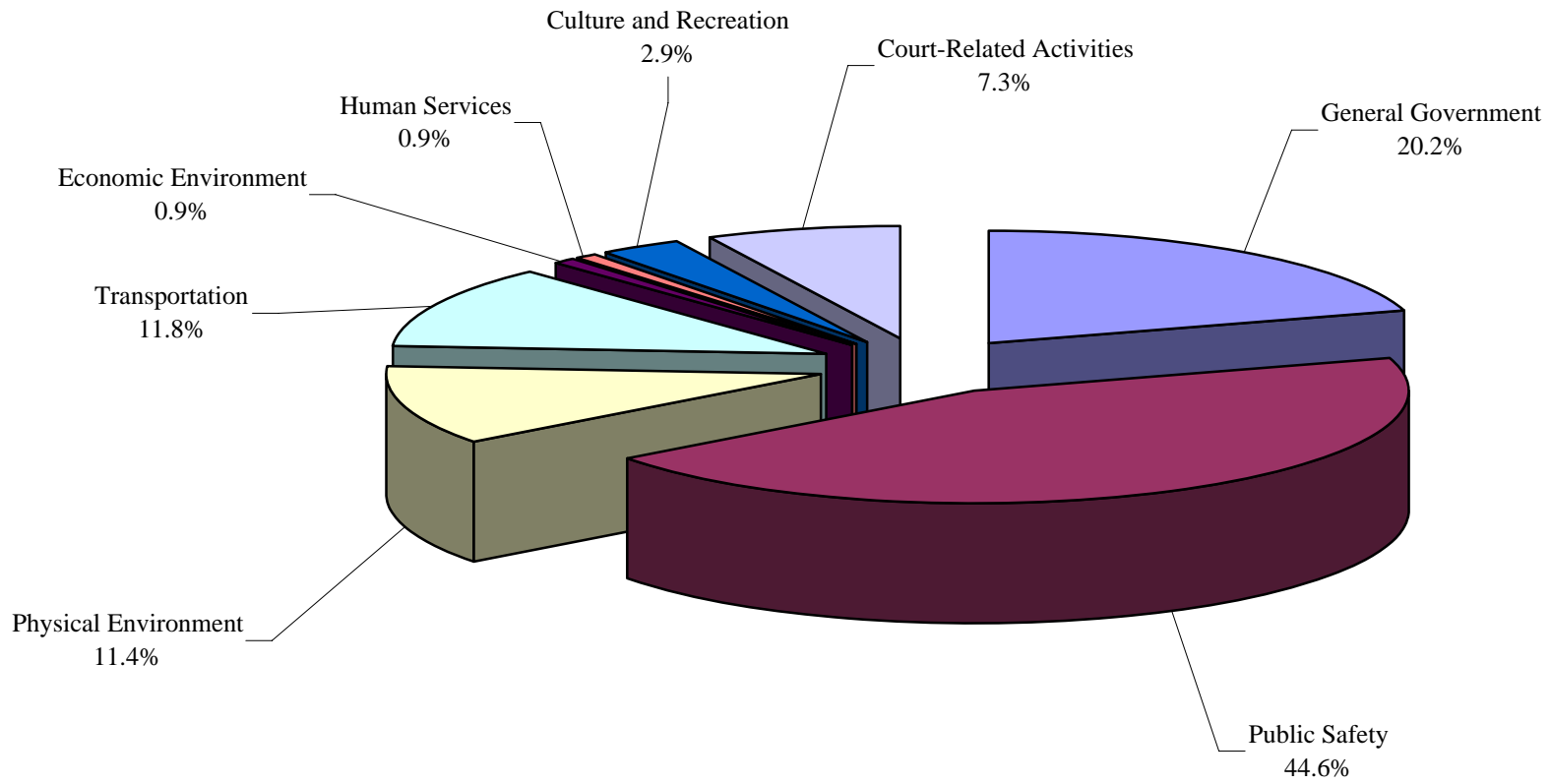
**FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION - LAST TEN YEARS**

FUNCTION	FULL-TIME EQUIVALENT EMPLOYEES AS OF OCTOBER 1									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GENERAL GOVERNMENT	276	276	279	276	279	280	285	249	305	299
PUBLIC SAFETY	497	497	507	506	520	534	543	625	609	661
PHYSICAL ENVIRONMENT	150	152	152	158	160	161	163	161	169	169
TRANSPORTATION	159	159	159	161	161	163	172	177	158	175
ECONOMIC ENVIRONMENT	16	14	14	12	12	13	13	16	13	14
HUMAN SERVICES	11	11	11	8	9	9	9	13	11	13
CULTURE AND RECREATION	7	10	11	14	30	31	35	38	41	43
COURT-RELATED ACTIVITIES	70	73	73	92	94	92	87	128	102	109
<b>TOTAL</b>	<b>1,186</b>	<b>1,192</b>	<b>1,206</b>	<b>1,227</b>	<b>1,265</b>	<b>1,283</b>	<b>1,307</b>	<b>1,407</b>	<b>1,408</b>	<b>1,483</b>

SOURCE: BUDGET OFFICE



FTE by Function  
Fiscal Year 2008



## OPERATING INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>TRANSIT</b>										
TOTAL ROUTE MILES	----	----	57	102	114	129	129	182	163	163
PASSENGERS	----	----	27,664	64,870	96,795	92,181	71,193	138,491	169,389	211,330
<b>LIBRARY</b>										
CIRCULATION	205,203	338,311	364,922	447,552	508,292	519,496	542,039	572,074	608,803	679,720
REGISTERED BORROWERS	33,293	57,330	66,471	81,061	80,311	78,646	88,793	98,100	100,335	92,629
<b>PUBLIC WORKS</b>										
ASPHALT OVERLAY (SQUARE YARDS)	552,985	517,477	271,353	306,482	204,342	143,386	82,564	48,700	71,832	126,312
BRIDGES REPAIRED/REPLACED	19	55	31	10	6	11	27	11	14	6
<b>WATER</b>										
NEW CONNECTIONS	980	870	808	665	568	575	554	594	404	128
WATER MAINS REPAIRS	229	355	1,170	1,152	1,743	1,943	2,419	990	1,344	425
ANNUAL WATER UNITS BILLED	395,086	389,835	393,816	402,198	405,109	426,503	428,058	428,601	429,081	430,692
<b>SEWER</b>										
ANNUAL SEWER UNITS BILLED	368,268	363,817	456,454	375,462	483,058	393,856	400,975	403,138	403,631	406,807
<b>AIRPORTS</b>										
ENPLANEMENTS	350,182	403,099	410,447	329,481	355,367	388,958	407,052	365,045	396,045	400,105
DEPLANEMENTS	348,250	398,308	409,508	323,290	347,520	382,688	401,747	366,111	393,800	400,866
<b>GROWTH MANAGEMENT</b>										
DEVELOPMENT PERMITS ISSUED	1,943	2,317	2,175	2,289	2,365	2,446	2,524	2,031	1,536	975
HOME OCCUPATIONS	387	453	480	527	608	671	795	635	547	405
<b>REFUSE COLLECTION</b>										
TRANSFER STATION TONNAGE	129,991	118,369	108,421	135,991	126,228	128,953	144,253	148,694	173,655	168,224
RECYCLING TONNAGE	3,710	4,273	4,735	6,623	5,647	5,512	5,422	5,889	4,823	4,181
<b>PUBLIC SAFETY</b>										
EMERGENCY CALLS (EMS)	17,221	16,147	14,345	14,775	15,834	21,256	27,507	34,908	35,184	41,446
SYSTEM CALLS (9-1-1)	67,031	69,454	87,918	57,714	64,870	90,854	97,576	110,851	106,684	100,547

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

## CAPITAL INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

<b>FUNCTION/PROGRAM</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>PARKS AND RECREATION</b>										
COUNTY PARKS	17	17	17	17	17	17	17	16	17	18
UNINCORPORATED PARKS	33	33	33	33	33	34	35	34	34	32
<b>TRANSIT</b>										
BUSES/PASSENGER VAN	0	0	4	12	14	15	15	17	17	17
<b>LIBRARY</b>										
COLLECTION	83,392	200,292	213,841	240,931	255,619	249,753	267,011	272,936	286,500	295,721
<b>PUBLIC WORKS</b>										
PAVED ROADS MAINTAINED (MILES)	565	565	565	568	568	568	568	640	621	652
DIRT ROADS MAINTAINED (MILES)	293	293	293	291	290	291	291	238	264	280
TRAFFIC SIGNALS	6	6	6	6	7	7	7	7	8	9
<b>WATER</b>										
WATER MAINS (MILES)	396	397	399	406	412	415	437	445	447	448
FIRE HYDRANTS	1,399	1,473	1,550	1,632	1,718	1,808	1,903	2,004	2,109	2,220
MAXIMUM DAILY CAPACITY (THOUSANDS OF GALLONS)	19,700	19,700	18,330	18,330	18,330	18,330	18,730	18,300	18,300	17,300
<b>SEWER</b>										
SANITARY SEWERS (MILES)	393	393	393	395	396	396	396	398	398	399
MAXIMUM DAILY TREATMENT CAPACITY (THOUSANDS OF GALLONS)	9,006	9,006	9,006	9,006	9,006	9,006	9,006	9,006	9,006	9,006

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

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# SINGLE AUDIT SECTION

**Okaloosa County, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2008**

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA Number	Contract or Grant Number	Total Expenditures	
			Expenditures	Disbursements to Subrecipients
<b><u>U.S. Department of Agriculture</u></b>				
<b>Indirect Programs</b>				
Passed through <u>Agency for</u>				
<u>Workforce Innovation</u>				
State Administrative Matching				
Grants for Food Stamp Program - Workfare	10.561	M8002	900	70,085
Passed through <u>Florida Department of</u>				
<u>Education</u>				
School Breakfast Program	10.553	01-303	14,473	-
National School Lunch Program	10.555	01-303	14,473	-
Passed through <u>Florida Department of</u>				
<u>Financial Services</u>				
Schools and Roads - Grants to States	10.665	N/A	11,803	-
Passed through <u>Natural Resources</u>				
<u>Conservation Services</u>				
Emergency Watershed Projects	N/A	69-4209-5-1755	1,290	-
Emergency Watershed Projects	N/A	69-4209-8-1685	8,483	-
<b>Total U.S. Department of Agriculture</b>			51,422	70,085
<b><u>U. S. Department of Defense</u></b>				
<b>Direct Program</b>				
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	RA0692-06-01	50,466	-
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	RA0692-08-02	115,477	-
Community Economic Adjustment Planning Assistance for Joint Land Use Studies	12.610	EN06107-06-01-08-01	167,570	-
<b>Total U. S. Department of Defense</b>			333,513	-
<b><u>U.S. Department of the Interior</u></b>				
<b>Direct Program</b>				
Payments in Lieu of Taxes	15.226	N/A	5,478	-
<b>Indirect Program</b>				
Passed through <u>Florida Department</u>				
<u>of Environmental Protection</u>				
Outdoor Recreation Acquisition, Development and Planning	15.916	LW503,#12-00503	13,830	-
<b>Total U.S. Department of the Interior</b>			19,308	-

Continued...

**Okaloosa County, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2008**

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA Number	Contract or Grant Number	Total Expenditures	
			Expenditures	Disbursements to Subrecipients
<b><u>U.S. Department of Justice</u></b>				
<b>Direct Programs</b>				
Supervised Visitation, Save Havens for Children	16.527	2006-CW-AX-0006	-	159,107
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1140	38,474	-
<b>Indirect Programs</b>				
Passed through <u>Florida Department of</u> <u>Law Enforcement</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-JAGC-OKAL-4-Q9-139	-	7,825
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-JAGC-OKAL-3-Q9-099	35,448	-
Passed through <u>Florida Department of</u> <u>Children and Families</u>				
Violence Against Women Formula Grants	16.588	LN021	65,269	-
Violence Against Women Formula Grants	16.588	LN821	20,175	-
<b>Total U.S. Department of Justice</b>			159,366	166,932
<b><u>U.S. Department of Transportation</u></b>				
<b>Direct Programs</b>				
<u>Federal Aviation Administration</u>				
Airport Improvement Program	20.106	312-0014-018-2006	5,149	-
Airport Improvement Program	20.106	312-0014-019-2007	2,434,845	-
Airport Improvement Program	20.106	312-0081-020-2007	2,680,637	-
Airport Improvement Program	20.106	312-0081-019-2007	31,359	-
Airport Improvement Program	20.106	312-0020-014-2007	55,030	-
Airport Improvement Program	20.106	312-0014-020-2007	24,244	-
Airport Improvement Program	20.106	312-0081-018-2007	853,631	-
Airport Improvement Program	20.106	312-0020-015-2008	37,414	-
Airport Improvement Program	20.106	Not Available	6,591	-
Airport Improvement Program	20.106	312-0014-021-2008	1,079,169	-
Airport Improvement Program	20.106	312-0081-021-2008	143,749	-
<u>Federal Transit Administration</u>				
Federal Transit Formula Grants	20.507	FL-90-X128-00	1,233	-
Federal Transit Formula Grants	20.507	FL 90-X463-00	16,956	-
Federal Transit Formula Grants	20.507	FL 90-X496-00	126,068	-
Federal Transit Formula Grants	20.507	FL 90-X537-00	400	-
Federal Transit Formula Grants	20.507	FL 90-X582-00	324,067	251,995
Federal Transit Formula Grants	20.507	FL 90-X583-00	691,741	-

Continued...

**Okaloosa County, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2008**

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA Number	Contract or Grant Number	Total Expenditures Expenditures	Disbursements to Subrecipients
<b><u>U.S. Department of Transportation -Cont'd</u></b>				
<b>Indirect Programs</b>				
Passed through <u>Florida Department of Transportation</u>				
Highway Planning and Construction	20.205	ANZ38,409797-1-88-01	201,967	-
Highway Planning and Construction	20.205	ANZ26,422937-1-58-01	244,688	-
Formula Grants for Other than				
Urbanized Areas	20.509	AOI-19,421365184	2,130	125,329
State and Community Highway Safety	20.600	AP337,CP-08-04-09	10,418	-
<b>Total U.S. Department of Transportation</b>			8,971,486	377,324
<b><u>Office of Water, Environmental Protection Agency</u></b>				
<b>Indirect Programs</b>				
Passed through <u>Florida Department of Environmental Protection Agency</u>				
Capitalization Grants for				
Clean Water State Revolving Funds	66.458	WW64434S, CSI20001-050	28,204	-
<b><u>Election Assistance Commission</u></b>				
<b>Indirect Programs</b>				
Passed through <u>Florida Department of State</u>				
Help America Vote Act Requirement Payments	90.401	N/A	15,233	-
Help America Vote Act Requirement Payments	90.401	N/A	25,416	-
Help America Vote Act Requirement Payments	90.401	N/A	68,662	-
Help America Vote Act Requirement Payments	90.401	N/A	24,045	-
<b>Total Election Assistance Commission</b>			133,356	-
<b><u>U.S. Department of Health and Human Services</u></b>				
<b>Indirect Programs</b>				
Passed through <u>Florida Department of Revenue</u>				
Child Support Enforcement	93.563	CO546,MA9592	9,728	-
Child Support Enforcement	93.563	CSP46	3,108	-
Child Support Enforcement	93.563	CC346	312,276	-
Child Support Enforcement	93.563	CD346	37,465	-
Child Support Enforcement	93.563	N/A	5,522	-
Passed through the <u>Florida Department of State</u>				
Voting Access for Individuals with Disabilities				
-Grants for States	93.617	N/A	1,900	-
<b>Total U.S. Department of Health and Human Services</b>			369,999	-

Continued...



**Okaloosa County, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2008**

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA Number	Contract or Grant Number	Total Expenditures	
			Expenditures	Disbursements to Subrecipients
<b><u>U.S. Department of Homeland Security</u></b>				
<b>Direct Programs</b>				
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR287	183,697	-
<b>Indirect Programs</b>				
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	74,442	-
Disaster Grants-Public Assistance-Ivan	97.036	05-PA-G-01-56-02-513	(427,821)	-
Disaster Grants-Public Assistance-Dennis	97.036	06-PA-'@G-01-56-01-507	81,463	-
Hazard Mitigation Grant	97.039	07-EC-33-01-56-01-493	-	58,418
Emergency Management Performance Grants	97.042	08-BG-24-01-56-01-258	36,645	-
Homeland Security Grant Program	97.067	06-DS-3W-13-00-21-397	25,142	-
Homeland Security Grant Program	97.067	08-CC-64-01-56-01-087	3,999	-
Homeland Security Grant Program	97.067	08-CI-64-01-56-01-068	3,592	-
Homeland Security Grant Program	97.067	08-DS-60-01-56-23-170	9,139	-
Passed through <u>Florida Department of Law Enforcement</u>				
Homeland Security Grant Program	97.067	2007-LETP-OKAL-1-Q4-009	114,160	-
Homeland Security Grant Program	97.067	2007-LETP-OKAL-3-Q4-011	100,000	-
Homeland Security Grant Program	97.067	2007-LETP-OKAL-4-Q4-041	59,155	-
Homeland Security Grant Program	97.067	2008-LETP-OKAL-1-Q4-062	204,894	-
Homeland Security Grant Program	97.067	2008-LETP-OKAL-2-S3-013	40,361	-
<b>Total U.S. Department of Homeland Security</b>			508,868	58,418
<b>TOTAL FEDERAL AWARDS</b>			10,575,522	672,759
<b>STATE FINANCIAL ASSISTANCE</b>				
<b><u>Executive Office of the Governor</u></b>				
<b>Direct Programs</b>				
Economic Development Transportation Fund	31.002	OT05-083, 04-0546A	11,129	-
<b>Indirect Programs</b>				
Passed through <u>Enterprise Florida, Inc.</u>				
Military Base Protection	31.044	DIG 07-09	-	121,000
Military Base Protection	31.044	DRG 06-07 B	6,344	-
Military Base Protection	31.044	DIG 08-04	-	54,500
<b>Total Executive Office of the Governor</b>			17,473	175,500

Continued...

**Okaloosa County, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2008**

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA Number	Contract or Grant Number	Total Expenditures Expenditures	Disbursements to Subrecipients
<b><u>Florida Department of Environmental Protection</u></b>				
<b>Direct Programs</b>				
Cooperative Collection Center Grant - Washington	37.007	SO342	20,414	-
Cooperative Collection Center Grant - Walton	37.007	SO343	27,087	-
Cooperative Collection Center Grant - Liberty	37.007	SO344	18,561	-
Cooperative Collection Center Grant - Jackson	37.007	SO345	26,967	-
Cooperative Collection Center Grant - Santa Rosa	37.007	SO346	31,208	-
Cooperative Collection Center Grant - Holmes	37.007	SO347	6,617	-
Cooperative Collection Center Grant - Gulf	37.007	SO348	14,069	-
Cooperative Collection Center Grant -Gadsden	37.007	SO349	4,610	-
Cooperative Collection Center Grant - Franklin	37.007	SO350	7,516	-
Cooperative Collection Center Grant - Calhoun	37.007	SO351	15,520	-
Cooperative Collection Center Grant - Liberty	37.007	SO395	1,357	-
Cooperative Collection Center Grant - Jackson	37.007	SO401	957	-
Cooperative Collection Center Grant -Walton	37.007	S0392	1,441	-
Cooperative Collection Center Grant -Washington	37.007	SO391	3,853	-
Cooperative Collection Center Grant - Franklin	37.007	SO396	13,291	-
Cooperative Collection Center Grant - Gadsden	37.007	SO397	13,508	-
Cooperative Collection Center Grant - Gulf	37.007	SO399	821	-
Cooperative Collection Center Grant	37.007	SO360	35,000	-
Florida Recreation Development Assistance	37.017	F6151	1,701	-
2004 Hurricane Recovery Plan Grant Program	37.065	H50K1	402,376	-
<b>Indirect Programs</b>				
Passed through <u>Northwest Florida Water Management District</u>				
Program Statewide Surface Water Restoration and Wastewater Projects	37.039	07-078	55,439	-
Water Protection and Sustainability Program	37.066	07-008	80,000	-
<b>Total Florida Department of Environmental Protection</b>			782,313	-
<b><u>Northwest Florida Water Management District</u></b>				
Extension of the Okaloosa County East Co. Water System to Serve Seminole	N/A	07-070	514,496	-
<b><u>Florida Department of Agriculture and Consumer Services</u></b>				
Mosquito Control	42.003	011698	4,572	-
Mosquito Control	42.003	013059	37,488	-
<b>Total Florida Department of Agriculture and Consumer Services</b>			42,060	-

Continued...

**Okaloosa County, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2008**

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA Number	Contract or Grant Number	Total Expenditures	
			Expenditures	Disbursements to Subrecipients
<b><u>Florida Department of State and Secretary of State</u></b>				
State Aid to Libraries	45.030	07-ST-48	63,670	-
State Aid to Libraries	45.030	08-ST-48	26,335	-
<b>Total Florida Department of State and Secretary of State</b>			90,005	-
<b><u>Florida Department of Community Affairs</u></b>				
Emergency Management Programs	52.008	08-BG-24-01-56-01-258	102,959	-
State, Local and Private Projects	52.009	08-CG-33-01-56-01-008	93,512	-
Local Emergency Management and Mitigation Initiatives	52.010	07-CP-5M-01-56-01-196	-	97,636
Local Emergency Management and Mitigation Initiatives	52.010	07-EC-33-01-56-01-493	-	179,431
Growth Management Projects	52.023	08-CP-04-01-56-01-052	11,615	-
Growth Management Implementation	52.033	06-DR-73-01-56-01-123	-	9,724
<b>Total Florida Department of Community Affairs</b>			208,086	286,791
<b><u>Florida Housing Finance Agency</u></b>				
State Housing Initiatives Partnership (SHIP)	52.901	2007/2010	-	1,256,736
<b><u>Florida Department of Transportation</u></b>				
Commission for the Transportation of Disadvantaged Trip and Equipment Grant	55.001	AOT85, 22711418401	-	269,976
Commission for the Transportation of Disadvantaged Trip and Equipment Grant	55.001	AP684,22711418401	-	88,347
Aviation Development Grant	55.004	ANS90,41605419401	3,192	-
Aviation Development Grant	55.004	AL495,41314019401	277,682	-
Aviation Development Grant	55.004	AM881,41367719401	236,096	-
Aviation Development Grant	55.004	ANI57,40747119401	101,158	-
Aviation Development Grant	55.004	AO569,41409219401	400,000	-
Aviation Development Grant	55.004	AOK17,41818139401	69,431	-
Commuter Assistance/Rideshare Grant	55.007	AN 518, 40952218401	7,910	-
Public Transit Block Grant Program	55.010	AOL06,41409818401	28,335	362,658
Public Transit Service Development Program	55.012	AOL29,42172718401	-	38,510
Public Transit Service Development Program	55.012	AO767,41965518401	-	120,000
Transit Corridor Program	55.013	AOJ56,42027518401	2,039	238,361
Transportation Regional Incentive Program	55.026	AOM93, & AOS16	329,597	-
<b>Total Florida Department of Transportation</b>			1,455,440	1,117,852

Continued...

**Okaloosa County, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2008**

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA Number	Contract or Grant Number	Total Expenditures	
			Expenditures	Disbursements to Subrecipients
<b><u>Florida Department of Children and Families</u></b>				
Baker Act	60.006	AH387	87,129	-
Substance Abuse Treatment and Aftercare Service for Adults	60.033	AH387	36,594	-
Adult Community Mental Health - Community Support Services	60.053	AH387	50,535	-
<b>Total Florida Department of Children and Families</b>			<b>174,258</b>	<b>-</b>
<b><u>Florida Department of Health</u></b>				
Emergency Medical Services Matching Award	64.003	M7006	110,615	-
Emergency Medical Services Matching Award	64.003	M8008	19,725	-
Emergency Medical Services Matching Award	64.003	M8009	133,438	-
County Grant Awards	64.005	C7046	57,858	-
<b>Total Florida Department of Health</b>			<b>321,636</b>	<b>-</b>
<b><u>Florida Department of Law Enforcement</u></b>				
Drug Control/Money Laundering Investigations Matching	71.005	Drug Net Case #06-1256	10,432	-
<b><u>Florida Department of Management Services</u></b>				
Wireless 911 Emergency Telephone System	72.001	S-08-04-17	236	-
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<b>3,616,435</b>	<b>2,836,879</b>
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<b>14,191,957</b>	<b>3,509,638</b>

**Okaloosa County, Florida**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**Fiscal Year Ended September 30, 2008**

**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.

**Okaloosa County, Florida**  
**Airport Enterprise Fund**  
**SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES**  
**For the Fiscal Year Ended September 30, 2008**

Grantor/Program: Passenger Facility Charges

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

Latest ROD 07-03-C-00-VPS

Amended Amount of Approval	Cumulative Earned Amount at September 30, 2007	Current Year Earned Amount	Cumulative Earned Amount at September 30, 2008	Current Year Expenditures	<u>Unliquidated Passenger Facility Charges</u>	
					at September 30, 2007	at September 30, 2008
\$ 39,922,121	\$ 9,594,601	\$ 1,603,907	\$ 11,198,508	\$ 1,522,296	\$ 5,152,353	\$ 5,233,964

# THE CONSORTIUM OF Certified Public Accountants

O'Sullivan Creel, L.L.P.  
Nicholson, Reeder & Reynolds, P.A.  
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Board of County Commissioners  
Okaloosa County  
Okaloosa County Courthouse  
Crestview, Florida 32536

## **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***

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, 2008, which collectively comprise Okaloosa County, Florida's basic financial statements and have issued our report thereon dated April 17, 2009. 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 through 2008-4 to be significant deficiencies in internal control over financial reporting.

Board of County Commissioners  
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* (Continued)

**Internal Control Over Financial Reporting-Continued**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

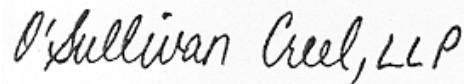
**Compliance and Other Matters**

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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*. These items of noncompliance are described as items 2008-1, 2008-2, 2008-4, 2008-5 and 2008-6 in the accompanying schedule of findings and questioned costs.

The Sheriff of Okaloosa County and Tax Collector 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 Sheriff and Tax Collector's 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 April 17, 2009.

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.



**O'SULLIVAN CREEL, L.L.P.**  
**Certified Public Accountants and Consultants**  
**For the Consortium**

April 17, 2009



# THE CONSORTIUM OF Certified Public Accountants

O'Sullivan Creel, L.L.P.  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO 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 AND INTERNAL CONTROL OVER COMPLIANCE**

## Compliance

We have audited the compliance of Okaloosa County, Florida 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 applicable to each of its major federal programs, state projects and passenger facility charge program for the year ended September 30, 2008. 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 are applicable to each of its major federal programs, state projects and passenger facility charge program for the fiscal year ended September 30, 2008.

Board of County Commissioners  
Independent Auditors' Report on Compliance with Requirements Applicable to 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 and on Internal Control over Compliance - (Continued)

**Compliance-Continued**

On February 27, 2009, the Okaloosa County Sheriff and Director of Administration were arrested as presented in findings 2008-4 and 2008-6 in the accompanying Schedule of Findings and Questioned Costs. Criminal charges are presented as violations of Title 18, United States Code, as a result of the Sheriff's Office receiving federal grant funds as an organization of local government of Okaloosa County. We are not aware of any federal grant noncompliance related to findings 2008-4 and 2008-6. However, based on the charges, the outcome of the matter is uncertain at this time.

**Internal Control Over Compliance**

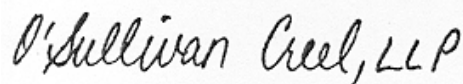
The management of Okaloosa County, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs, state projects and the passenger facility charge program. In planning and 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, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program, state project or the passenger facility charge program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program, state project or the passenger facility charge program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program, state project or the passenger facility charge program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood 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 by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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, L.L.P.**  
**Certified Public Accountants and Consultants**  
**For the Consortium**

April 17, 2009

**Okaloosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

**1. Summary of Auditors' 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 weaknesses?   X   Yes \_\_\_\_\_ No
- Non-compliance material to financial statements noted?   X   Yes \_\_\_\_\_ 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 weaknesses? \_\_\_\_\_ 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 Defense**

	CFDA #	Expenditures
Joint Land Use Studies	12.610	\$ 167,570

**U.S. Department of Transportation**

	CFDA #	Expenditures
Airport Improvement Program	20.106	\$ 7,351,818
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	1,412,460

**U.S. Department of Homeland Security**

	CFDA #	Expenditures
Law Enforcement Officer Reimbursement Agreement Program	97.090	\$ 183,697

**Okaloosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

**1. Summary of Auditors' Results – Continued**

Identification of major state projects:

**Department of Community Affairs**

	<u>CFSA#</u>	<u>Expenditures</u>
Local Emergency Management and Mitigation Initiatives	52.010	\$ 277,067
State Housing Initiatives Partnership (SHIP)	52.901	1,256,736

**Florida Department of Transportation**

	<u>CFSA#</u>	<u>Expenditures</u>
Aviation Development Grants	55.004	\$ 1,087,559
Transit Corridor Program	55.013	240,400
Transportation Regional Incentive Program	55.026	329,597

**Florida Department of Health**

	<u>CFSA#</u>	<u>Expenditures</u>
Emergency Medical Services Matching Awards	64.003	\$ 263,778

- The threshold for distinguishing Type A and B programs was \$352,740 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 2008-1 – BUDGETARY COMPLIANCE-TAX COLLECTOR**

**Criteria** - Chapter 195.087, Florida Statutes provides for the submission of a budget for the operation of the tax collector's office to the Department of Revenue (DOR). This document is due on forms approved by the DOR on or before August 1 of each year. Instructions for the completion of Schedule IA, Detail of Personal Services, state that special compensation should be included under "Special Pay" and never in the salary base. This includes compensation for unused leave, payment for known retirements, any annual one time lump sum payment policy adopted by the county (governing body), and certification designation compensation for regular employees.

**Condition** - The Okaloosa County Tax Collector's budget for the fiscal year 2007/2008, while approved by DOR was not prepared in accordance with the instructions provided in the *Tax Collector's Instruction Workbook* with regards to budgeting for and reporting the payment of extra compensation.

**Cause** - The Okaloosa County Tax Collector's budget for the fiscal year 2007/2008 reflected \$58,000 of certification designation compensation in "special pay" line item. Extra compensation of \$173,000 in the form of annual bonuses was paid using the difference between the funded budgeted salary positions and the actual amounts paid for all positions. These payments were not budgeted as a separate line item on the budget under "special pay."

**Okaloosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

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

**Finding 2008-1 – BUDGETARY COMPLIANCE-TAX COLLECTOR-CONTINUED**

**Effect** - This practice appears to circumvent the intent of the Department of Revenue and Section 195.087, Florida Statutes, by paying extra compensation from the salary base.

**Recommendations** - We recommend that all extra compensation be budgeted for and reported under “special pay”, during the initial budget process. During all financial reporting and budgeting processes, we recommend that actual expenditures paid be reported by object code as outlined by the DOR.

**Views of the Responsible Officials and Planned Corrective Actions** – If resolution concerning extra compensation pay is achieved, management will then budget for and report this under “special pay,” during the initial budget process. Management did not previously budget for extra compensation pay because the policy, in accordance with Florida Statute 215.425, stipulated the payment of extra compensation based upon the availability of funds. It was not, nor has it ever been, management’s intent to circumvent DOR budgetary recommendations.

**Finding 2008-2 - TRAVEL EXPENSES/REIMBURSEMENTS-TAX COLLECTOR**

**Criteria** - The Okaloosa County Tax Collector’s policy addressing the reimbursement and documentation of travel expenditures appears to be in compliance with Section 112.061,(14) Florida Statutes. The Tax Collector’s policy, OCTC Regulation #156, outlines the requirements for travel expense substantiation, including vouchers to be completed, documentation to be attached and authorizing signatures required for approval and payment of travel costs.

**Condition** - Audit procedures found that documentation related to travel expenditures does not consistently meet the criteria established in the Tax Collector’s policy and Florida law.

**Cause** - The travel documentation approval process within the Tax Collector’s office has not enforced the criteria established in the travel policy document.

**Effect** - Although the Okaloosa County Tax Collector’s office has adopted a travel documentation policy, deviation from policy has resulted in some travel expenditures that are not appropriately documented.

- Uniform travel authorization and voucher forms are not used consistently by all travelers. Voucher forms are not being completed by travelers when direct payment is made with an OCTC credit card. Voucher forms are only used when an employee is requesting reimbursement for out-of-pocket travel expenses or per diem.
- Some voucher forms did not contain all required information. Of the items selected for audit testing, three vouchers submitted for subsistence reimbursement did not include the travelers’ times of departure and return making the calculation of per diem on post audit impossible.
- Documentation to support expenditures using the OCTC credit cards was insufficient in many instances to provide information necessary to justify the public nature of the expenditure. For example restaurant charge slips consisting of the customer copy of the charge slip did not include the detail of the purchases. Without the detail bill it is not possible on post audit to determine if the charge was appropriate.

**Okaloosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

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

**Finding 2008-2 - TRAVEL EXPENSES/REIMBURSEMENTS-TAX COLLECTOR-CONTINUED**

**Effect -Continued**

- The Tax Collector does not consistently submit supporting documentation to substantiate travel charges to his OCTC credit card.

**Recommendations** - Travel Authorization and voucher forms are necessary, to support all items where funds were spent or reimbursement is requested. These forms should include the purpose of the travel, period of the travel and a statement of benefits accruing to the county by virtue of the travel. A copy of the program or agenda of the convention or conference, itemizing registration fees and meals or lodging included in the registration fee should be attached to, and filed for post audit. The statutes require that the voucher include an affirmation, to be signed by the traveler, indicating the truth and correctness of the claim in every material matter, that the travel expenses were actually incurred by the traveler as necessary in the performance of official duties, that per diem claimed has been appropriately reduced for any meals or lodging included in the convention or conference registration fees, (or any direct payments made using the office credit card or direct billings).

We recommend that such a form be used for all travel and filed with supporting documentation for post audit. This is not limited to the traveler's out of pocket expenses or per diem claimed, as payments made on credit cards must also be substantiated.

We recommend that the use of OCTC credit cards or direct payments to vendors be limited to emergency use only when the routine reimbursement of expenses to the traveler is impractical or there is justification for the use of direct billing. In those cases when an office credit card is used the travel voucher of the person using the card should include supporting documentation to include the detail billing from the vendor showing what was purchased. Information should also be included as to who was served and the purpose of the meeting.

Credit card statements alone are not sufficient documentation to comply with Section 112.061, Florida Statutes. In addition, the Tax Collector is not exempt from submitting the required voucher forms and documentation. We recommend that the Tax Collector's established policy and the applicable provisions of Florida Statutes relating to travel expense reimbursements be followed for all travel related costs.

**Views of the Responsible Officials and Planned Corrective Actions** – Management agrees with the recommendation that the Tax Collector's established policy and the applicable provisions of Florida Statutes relating to travel expense reimbursements be followed for all travel related costs. Management is currently updating the expense voucher form and the Finance Department will ensure all expense voucher forms are properly completed and the proper documentation is attached before payment is made, if payment is necessary, in accordance with recommendations made by the auditor. Management will limit the use of office credit cards and ensure proper documentation and receipts are attached to all expense voucher forms.

**Okaloosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

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

**Finding 2008-3 – SEGREGATION OF DUTIES OVER PAYROLL CYCLE-SHERIFF**

**Criteria** - In a properly structured control environment personnel file maintenance, with respect to the addition and deletion of employees to the master file should be maintained independently of the payroll function. The payroll accounting function should be independent of the general ledger function. Payroll registers should be reviewed and approved before disbursements are made. Payroll bank account reconciliation should be performed by a designated employee who is not involved in processing of payroll, cannot sign checks and does not handle the check distributions.

**Condition** - The Okaloosa County Sheriff's Office (OCSO) current internal control over payroll processing did not allow for adequate segregation of duties during the year ended September 30, 2008. Three individuals, the Director of Administration, Finance Manager and Payroll clerk all had access to the payroll master file, payroll processing, payroll distribution and general ledger functions.

**Cause** - The OCSO limited staffing structure does not allow proper segregation of duties. Payroll master file rights with respect to the addition and deletion of employees have been incorrectly assigned to the payroll/accounting department rather than to Human Resources.

**Effect** - Due to the lack of segregation of key duties this group of employees is in a position to both perpetrate and to conceal errors in the normal course of their duties.

**Recommendations -**

- Addition and deletion of employees to the master file should be limited to human resources
- The payroll clerk should not have access to the general ledger function or payroll distribution function. Any payroll rate changes to the master file should be initiated in human resources, approved by senior management, and updated by the payroll clerk based on a signed and approved personnel action form (PAF).
- The OCSO due to limited staffing must have a back up employees to perform payroll processing and disbursement which is currently the Finance Director and Director of Administration. As a mitigating control, the Sheriff or an upper level management employee outside of the accounting function should review payroll on a surprise basis. This review should include which employees are listed on payroll, amounts at which they are paid, reasonableness of withholdings, and the assurance that all payroll taxes are being paid.
- The Director of Administration should review and approve all biweekly payroll processing, quarterly and annual payroll reporting and reconciliation of the payroll account. Evidence of this review should be documented. In rare instances that the Director of Administration would need to process or disburse payroll, the reviews should be performed by the Sheriff or an upper level management employee outside the accounting function.

**Views of the Responsible Officials and Planned Corrective Actions** – Management agrees with the finding and plans to implement the recommendations during the 2008-2009 fiscal year.

**Okaloosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

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

**Finding 2008-4 – PERFORMANCE PAY-SHERIFF**

**Criteria** - A performance pay or bonus plan should only be provided for under a written plan or policy. Bonus payments should be budgeted and segregated in a separate general ledger account code to achieve monitoring and transparency. Any bonus plan should be in accordance with Chapter 215.425 Florida Statutes. The Okaloosa County Board of County Commissioners believes bonus pay could only be made pursuant to an ordinance duly adopted by Okaloosa County.

**Condition** - The OCSO awarded bonuses during the year ended September 30, 2008 in the amount of \$504,162. The bonuses were not pursuant to a written OCSO plan or an Okaloosa County ordinance. The bonuses were not budgeted or segregated in the OCSO general ledger.

**Cause** - The Okaloosa County Sheriff and Director of Administration were arrested on February 27, 2009 for allegations involving a kickback scheme facilitated by the payment of bonuses. A forensic investigation performed by O'Sullivan Creel, LLP indicates a minimum of \$30,000 of bonus payments were returned to the Sheriff or Director of Administration during the year ended September 30, 2008. It is likely the bonus program was not formalized or based on specific criteria to give the Sheriff sole authority over bonus disbursements amounts and recipients. The OCSO system of internal control was compromised by top management which allowed excessive bonuses to individuals with financial oversight which ultimately resulted in alleged criminal activity.

**Effect** - All bonuses awarded may be in violation of Florida Statute 215.425. \$246,417 or 49% of bonuses awarded were to seven individuals which appear to be abuse of public funds as proposed expenditures of the OCSO are to be both reasonable and necessary for the proper and efficient operation of the office. Collectively OCSO top management has circumvented controls and there is evidence of both abuse and misuse of public funds.

**Recommendations -**

- We recommend the OCSO and BOCC work collectively to determine whether the OCSO has the legal authority to have a bonus plan independent of a BOCC ordinance under Florida Statute 215.425.
- Any bonus plan should be in writing and with criteria to ensure bonuses are reasonable and for meritorious service. Bonus payments should be supported by personnel action form (PAF), supporting documentation of the achievement of the criteria and filed appropriately in the employee's personnel file.
- Bonus awards should be separately budgeted and recorded in a specific general ledger account code to accomplish both monitoring and transparency objectives.

**Views of the Responsible Officials and Planned Corrective Actions** – Management agrees that certain bonuses awarded during the year ended September 30, 2008 were excessive, not reasonable or necessary, and were at the sole discretion of the Sheriff. Performance pay has been discontinued by the acting Sheriff of Okaloosa County. The following actions are planned.



**Okaloosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

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

**Finding 2008-4 – PERFORMANCE PAY-SHERIFF-CONTINUED**

**Views of the Responsible Officials and Planned Corrective Actions –Continued**

- OCSO management and their legal counsel, who is a qualified attorney with experience in labor and governmental law in Florida, believe the Sheriff has the right to provide a bonus or performance pay plan to OCSO employees in accordance with Florida Statute 215.425 independent of an Okaloosa County ordinance.
- OCSO will work with the BOCC to collectively determine allowability of a performance pay plan under 215.425 prior to re-establishment of performance pay.
- Management agrees that any future performance pay plan would be written and be made part of OSCO policies. Such amounts would be separately budgeted and recorded in the general ledger to accomplish transparency and monitoring objectives.

**Finding 2008-5 – EXTRA COMPENSATION-TAX COLLECTOR**

**Criteria** - The Okaloosa County Tax Collector has a policy providing for the payment of extra compensation (bonuses) to his employees. The Tax Collector's policy, OCTC Regulation # 161, outlines the criteria used to award these payments including exemplary project completion, outstanding performance, emergency relief, new hire incentive, severance pay, **OR** based upon the availability of funds. The Okaloosa Board of County Commissioners believes this type of pay could only be made pursuant to an ordinance duly adopted by Okaloosa County.

**Condition** - There are differences of opinion between the Tax Collector, his attorney, the Florida Department of Revenue and Okaloosa County BOCC and their attorney as to the policy's compliance with federal and Florida law, specifically compliance with Florida Statute 215.425.

**Cause** - The Okaloosa County Tax Collector has paid extra compensation under the policy with the understanding it complied with applicable laws and regulations. The propriety of this policy and the related payments has since been called into question.

**Effect** - Although the Tax Collector has obtained a letter from a qualified attorney with experience in labor and governmental law in Florida that states his "actions are in compliance with both federal and Florida law," the discrepancy of opinions causes question as to the legality of the extra compensation totaling \$173,000 which was awarded to 25 employees of his office under this policy during the fiscal year ended September 30, 2008.

We interviewed employees of the Tax Collector's Office who had received bonus payments and some who did not. None of the employees we interviewed when asked specifically suggested any coercion, intimidation or expectation either verbally or indirectly to make campaign contributions, kickback payments to the Tax Collector or contributions to his ministry.

**Okaloosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

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

**Finding 2008-5 – EXTRA COMPENSATION-TAX COLLECTOR-CONTINUED**

**Recommendations** - Recognizing the differences of opinion between the Tax Collector, the Florida Department of Revenue and Okaloosa County we recommend that the practice of awarding extra compensation to employees be discontinued until resolution of these matters can be achieved.

**Views of the Responsible Officials and Planned Corrective Actions** – Management agrees with the recommendation that awarding extra compensation pay be discontinued until a resolution can be achieved. Management had publicly stated, prior to the auditors’ comments, that the policy of paying employees extra compensation, not tied to Department of Revenue Certifications, would be discontinued at this time. Management read several favorable AGO Opinions and complied, in its belief with Florida Statute 215.425. As the Florida Attorney General states, “*Opinions of the Attorney General, however, are not law. They are advisory only and are not binding in a court of law. Attorney General Opinions are not a substitute for the advice and counsel of the attorneys who represent governmental agencies and officials on a day to day basis*”. Therefore, management was diligent in hiring qualified, legal counsel and in researching Federal and Florida laws, Statutes, and Attorney General’s Opinions concerning the payment of bonuses to its employees and remains firm that it has complied with Federal and Florida laws and regulations in implementing a salary program which eliminated the need to hire additional personnel. Every dollar spent in extra compensation saved the tax payers of Okaloosa County approximately thirty cents in additional personnel costs. Although the BOCC believes this type of pay could only be made pursuant to an ordinance duly adopted by Okaloosa County, management disagrees because the OCTC, as a separate and sovereign governing entity under the Constitution of the State of Florida, has its own employee contract and policy manual pursuant to Florida Statute 215.425.

**Finding 2008-6 – ALLEGED FRAUD-SHERIFF**

**Criteria** - Florida Statute 112.313(6) states no public officer shall corruptly use or attempt to use his official position or any property or resource which may be in his trust, or perform his official duties, to secure a special privilege, benefit, or exemption for himself or others.

**Condition** - According to a forensic investigation performed by O’Sullivan Creel, LLP the OCSO awarded bonuses of \$504,162 during the year ended September 30, 2008. Of this amount at least \$30,000 was returned to the Sheriff or the Director of Administration per verbal representations of OCSO employees.

**Cause** - The Okaloosa County Sheriff and Director of Administration were arrested on February 27, 2009 for allegations involving a kickback scheme facilitated by the payment of bonuses. The OCSO system of internal control was compromised by top management which allowed excessive bonuses to individuals with financial oversight which ultimately resulted in alleged criminal activity.

**Effect** - The OCSO Sheriff appears to have misused his public position to affect personal gain.

**Recommendations** - Internal controls cannot prevent abusive conduct of management or employees; however the following fraud deterrence programs should be considered county-wide.

**Okaloosa County, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

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

**Finding 2008-6 – ALLEGED FRAUD-SHERIFF-CONTINUED**

**Recommendations – Continued**

- The Okaloosa County Board of County Commissioners and Constitutional Officers should consider a county wide whistle blower policy that would prohibit retaliation against employees who provide evidence of violation of law or fraud. In addition an employee hotline that allows all employees of the BOCC and Constitution Officers to confidentially and anonymously submits concerns regarding questionable management, accounting or auditing matters.
  
- The Okaloosa County Clerk has a formal internal audit function whose activities are limited to the Clerk's operations and financial operations of the BOCC. We recommend that the BOCC and the Clerk work with all Constitution Officers to develop a county-wide internal audit function.

**Views of the Responsible Officials and Planned Corrective Actions** – Management is in agreement with the recommendations and will work with the BOCC and other constitutional officers to implement county-wide fraud deterrence programs.

**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.

On February 27, 2009, the Okaloosa County Sheriff and Director of Administration were arrested as presented in findings 2008-4 and 2008-6 in the accompanying Schedule of Findings and Questioned Costs. Criminal charges are presented as violations of Title 18, United States Code, as a result of the Sheriff's Office receiving federal grant funds as an organization of local government of Okaloosa County. We are not aware of any federal grant noncompliance related to findings 2008-4 and 2008-6. However, based on the charges, the outcome of the matter is uncertain at this time.

**4. Summary Schedule of Prior Audit Findings**

**PRIOR YEAR AUDIT FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**Audit Finding Reference** - Finding 2007-1, Prior Period Adjustment

**Status of Prior Finding** - Planned corrective action completed this fiscal year

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.

# THE CONSORTIUM OF Certified Public Accountants

O'Sullivan Creel, L.L.P.  
Nicholson, Reeder & Reynolds, P.A.  
Allen, Yagow & Carr  
Saltmarsh, Cleaveland & Gund, P.A.

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45 Beal Parkway N.E.  
Fort Walton Beach,  
Florida 32548  
(850) 244-5121

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, 2008 and have issued our report thereon dated April 17, 2009.

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 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*, Independent Auditors' 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 April 17, 2009, 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, our recommendations are included under the heading **Current Year Recommendations**.

- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit five findings items 2008-1, 2008-2, 2008-4, 2008-5, and 2008-6 are disclosed in the Schedule of Findings and Questioned Costs.
- 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 are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and, (c) inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings other than those reported under Section 10.544(1)(i)4.

**BOARD OF COUNTY COMMISSIONERS, CLERK OF THE CIRCUIT COURT,  
SHERIFF, TAX COLLECTOR, PROPERTY APPRAISER AND SUPERVISOR OF ELECTIONS**

**CURRENT YEAR RECOMMENDATION**

**1. WHISTLEBLOWER POLICY**

***Observation***

The Sheriff of Okaloosa County, Florida and the Department's Director of Administration were arrested by the Federal Bureau of Investigations (FBI) on February 27, 2009 for allegations involving a kickback scheme facilitated through payment of bonuses. According to the forensic investigation performed by O'Sullivan Creel, LLP, the OCSO awarded bonuses of \$504,162 during the year ended September 30, 2008. Of this amount, at least \$30,000 was returned to the Sheriff or Director of Administration per verbal representations of OCSO employees. Interviewees expressed concern about the lack of a reporting mechanism outside the cabin of OCSO command.

***Recommendation***

The Okaloosa County Board of Commissioners (BOCC) and all Constitutional Officers of Okaloosa County should consider a county-wide whistle blower policy that would prohibit retaliation against employees who provide evidence of violations of law or fraud. In addition, an employee hotline should be considered that allows all employees of Okaloosa County to confidentially and anonymously submit concerns regarding questionable management or accounting matters.

***Management's Response and Corrective Action Plan***

The Clerk of Circuit Court will work with the Board of County Commissioners and other Constitutional Officers to make a recommendation that includes response protocol, estimated cost and other legal and administrative facets of implementing the whistle blower policy and employee hotline.

**BOARD OF COUNTY COMMISSIONERS, CLERK OF THE CIRCUIT COURT,  
SHERIFF, TAX COLLECTOR, PROPERTY APPRAISER AND SUPERVISOR OF ELECTIONS**

**CURRENT YEAR RECOMMENDATION  
(CONTINUED)**

**2. INTERNAL AUDIT**

***Observation***

Currently the Okaloosa County Clerk of the Circuit Court has a formal internal audit function in which activities are limited to the Clerk's operations and financial operations of the BOCC. The other elected officials of Okaloosa County do not have a formal internal audit function.

***Recommendation***

As part of the Okaloosa County fraud risk management program we recommend the Okaloosa County Clerk of the Circuit Court work with the BOCC and with all Constitutional Officers to develop a county-wide internal audit program.

***Management's Response and Corrective Action Plan***

The Clerk of the Circuit Court will work with the Board of County Commissioners and other Constitutional Officers to make a recommendation that includes formation of a separate audit committee, as the BOCC currently serves in that capacity, estimated cost, and other legal and administrative facets of implementation of such a program.

**BOARD OF COUNTY COMMISSIONERS**

**PRIOR YEAR RECOMMENDATION**

**1. WATER AND SEWER INVENTORY CONTROLS**

***Observation***

Significant problems were again encountered with the inventory reconciliation procedures. Many hours were spent by both County and external audit personnel attempting to isolate the problem. Though the system failure was ultimately resolved, interim testing and reconciliation procedures would have detected the processing errors.

***Recommendation***

Management should immediately install procedures to test and monitor the perpetual inventory system. All planning should be coordinated with Jodi Gates of the Finance Department, the County internal and external auditors. We suggest the following steps be taken:

- A perpetual inventory printout of inventory quantities be prepared as of an interim date (April 30). It is imperative the report segregate or identify stock numbers belonging to the maintenance yard inventory, the RIBS inventory, and any grant-related inventories.
- Physical counting procedures should be performed for all stock number items.

**BOARD OF COUNTY COMMISSIONERS**

**PRIOR YEAR RECOMMENDATION  
(CONTINUED)**

**1. WATER AND SEWER INVENTORY CONTROLS-CONTINUED**

***Recommendation-Continued***

- After completion of counting and recording procedures, an inventory variance report should be created. (This report quantifies differences in perpetual and physical counts by number of units and dollar value.)
- All major variances should be explained (over \$5,000) in writing. Recounts or other procedures as necessary should be employed to reconcile these differences.
- Results of these procedures should be reported in writing to the Water and Sewer Director, the Director of Finance, the County internal auditor and the external auditor.

***Management's Response and Corrective Action Plan***

Management agrees that these procedures are essential to assure internal controls over inventory purchases are operating properly. Plans will begin immediately to perform the suggested counting and reconciliation procedures.

**CLERK OF THE CIRCUIT COURT**

No management comments necessary.

**SHERIFF**

**CURRENT YEAR RECOMMENDATIONS**

**1. STATE SEIZED FUNDS - DEPOSIT VERIFICATION PROCEDURES**

***Observation***

OCSO procedure requires verification of state seized monies for deposit is made by both the Evidence Clerk and the Finance Clerk after the funds are logged into evidence. A receipt is issued acknowledging receipt and verification of such deposit. Current procedures require only the Finance Clerk sign the receipt issued although both the Finance Clerk and Evidence Clerk are involved in the process.

***Recommendation***

We recommend that two signatures be retained on any receipt provided to Finance; the person delivering the deposit and the person receipting the deposit. Dual signature over the receipt and deposit process provides enhanced accountability and internal control.

***Management Response***

Management agrees with the recommendation. Management hired a Director of Administration effective April 2009. Management plans to have the new Director of Administration review all financial policies. Recommendations will be implemented based on this letter and that review.

**SHERIFF**

**CURRENT YEAR RECOMMENDATIONS  
(CONTINUED)**

**2. DRAW REQUEST FROM BOCC FOR STATE SEIZED REIMBURSEMENTS**

***Observation***

Quarterly, the OCSO Finance Department submits a written request to the Board of County Commissioners (BOCC) for reimbursement of expenditures of state seized monies. The request is written and approved by OCSO Management but does not contain source documents to support the request. The Florida Contraband Forfeiture Act (FCFA) requires that a semi-annual report be submitted to the County Commission and Department of Law Enforcement by April 10<sup>th</sup> and October 10<sup>th</sup> each year with supporting detail

***Recommendation***

We recommend all disbursement detail be submitted along with the written draw request to the BOCC. Such procedures increase transparency between the OCSO and the County Commission, in addition to demonstrate compliance with the semi-annual reporting requirements of the Florida Contraband Forfeiture Act (FCFA).

***Management Response***

Management agrees with the recommendation. Management hired a Director of Administration effective April 2009. Management plans to have the new Director of Administration review all financial policies. Recommendations will be implemented based on this letter and that review.

**3. AUDIT OF CONFIDENTIAL FUNDS**

***Observation***

The Investigative Services Division has multiple controls over receipting, use and reporting of confidential funds. Procedures require that two individuals be present at the exchange of cash, and that signatures of both individuals be retained. In addition, the Department Supervisor monitors each investigator's cash bank, in addition to the central bank in order to account for all funds flowing through the Division.

These procedures are in agreement with OCSO Policy (18.07) with one exception. OCSO Policy 18.07, Confidential Funds, Section 6 states that annually, an audit of confidential funds will be conducted by a person(s), outside of the Investigative Services Division, assigned by the Director of Finance/Administrative Services and approved by the Sheriff. Although the policy exists, Finance and management was unaware of the requirement.

***Recommendation***

We recommend Finance conduct an audit of the confidential funds in accordance with OSCO Policy 18.07. We also recommend the audit be conducted by an individual who does not have access to deposit of such funds or general ledger maintenance to ensure proper segregation of duties.

***Management Response***

Management agrees with the recommendation. Management has hired a Director of Administration effective late April 2009. Management plans to have the new Director of Administration review all financial policies. Recommendations will be implemented based on this letter and that review.



**SHERIFF**

**CURRENT YEAR RECOMMENDATIONS  
(CONTINUED)**

**4. OFF-DUTY PAY**

***Observation***

Various methods are used at the OCSO for billing and tracking of off-duty deputy pay. When a deputy works off-duty in the capacity of law enforcement for an outside entity, the OCSO requires reimbursement of \$2.50 for each hour worked from the deputy. The \$2.50 is to reimburse to the OCSO for costs of fuel, wear and tear on OCSO vehicles, insurance, etc and is captured in the accounting system as a reduction of fuel expense. Certain vendors pay the OCSO directly for use of off duty deputies, and others pay the deputy and have the deputy pay the OCSO. The OCSO Dispatch Department tracks all off-duty service as called in by the deputies. The Finance department utilizes a report pulled from the Dispatch department to monitor and account for such activity, but cannot fully rely on the data as errors can occur if a deputy forgets to call in or to check out.

***Recommendation***

To stream-line and facilitate tracking of off-duty pay, we recommend management consider executing written contracts with all vendors who wish to have deputy service, and that the contract stipulate vendors provide payment directly to the OCSO. The OCSO could then receipt off-duty pay, and distribute the deputy's check. The responsibility for reporting to the OCSO would rest with the vendor, and control over the off-duty process would be enhanced.

***Management Response***

Management agrees the current off-duty pay system is difficult to manage and monitor. Preliminary analysis indicates to best accomplish the recommendations both software and a position is needed. OCSO will work with the BOCC during the 2009-2010 budget process to determine the best course of action based on funding availability.

**5. REPORTING TO THE CLERK OF THE CIRCUIT COURT**

***Observation***

The Clerk of the Circuit Court has requested the OCSO report annually their financial information to the Clerk Finance Department in accordance with Florida Statute 218.35(3) and 218.36(1). The OCSO has not reported their financial information to the Clerk or the external auditors in a timely manner during the year ended September 30, 2008 resulting in delays in yearend close out and in preparation of the Comprehensive Annual Financial Report (CAFR).

***Recommendation***

We recommend the OCSO evaluate current Finance Department responsibilities and ensure compliance with the financial reporting deadlines under Florida Statute.

***Management's Response and Corrective Action Plan***

Management agrees with the recommendation. The Director of Administration will work with Clerk personnel to ensure financial information is submitted timely or reasonable requests for extension are made if necessary.

**SHERIFF**

**CURRENT YEAR RECOMMENDATIONS  
(CONTINUED)**

**6. ANNUAL LEAVE FOR EXEMPT EMPLOYEES**

***Observation***

The OCSO does not currently accrue or track annual leave for exempt employees; this appears to be a conflict to their internal policy 36.01. Instances of reinstating leave balances upon an employee returning to the OCSO, or other employment related circumstances, also appear to be in conflict to the internal policy 36.01.

***Recommendation***

The OCSO should evaluate and compare the current annual leave parameters for its exempt employees to its written policy. We recommend a written specified policy for annual leave for exempt employees and tracking and approval of leave earned and used by all employees of the OCSO. The OCSO should review its policies for leave adjustments and if there are exceptions for employees returning to the agency, those exceptions should be documented in the policy.

***Management's Response and Corrective Action Plan***

Management agrees with the recommendation. Management plans to have the new Director of Administration review all financial policies. Recommendations will be implemented based on this letter and that review.

**7. PURCHASING PROCEDURES**

***Observation***

The OCSO purchasing agent does not retain written evidence of bid and quote procedures as established in the OCSO purchasing policy.

***Recommendation***

Documentation of bid and quote procedures as required under the purchasing policy should be approved and retained by the purchasing agent prior to purchase.

***Management's Response and Corrective Action Plan***

Management agrees with the recommendation. Management plans to have the new Director of Administration review all financial policies. Recommendations will be implemented based on this letter and that review.

**8. GRANT REPORTING**

***Observation***

Several Federal grant reports were not filed within the applicable deadline. In one instance evidence of compliance with a grant requirement was not immediately found in the grant file although the support was ultimately located.

***Recommendation***

Required grant reporting should be monitored to ensure compliance with applicable deadlines. Grant files should contain all supporting documentation to prevent loss of information and to facilitate monitoring of grant compliance.

**SHERIFF**

**CURRENT YEAR RECOMMENDATIONS  
(CONTINUED)**

**8. GRANT REPORTING-CONTINUED**

***Management's Response and Corrective Action Plan***

Management agrees with the recommendation. Management plans to have the Grants Director to be responsible for all grant reporting deadlines in the future.

**9. SUPPORTING DOCUMENTATION FOR CREDIT CARD EXPENDITURES**

***Observation***

In a few instances OCSO credit card payments were not supported by a receipt but only by the statement. In addition there appears to be an excessive number of cards in use by OCSO which can make monitoring use of such cards time consuming.

***Recommendation***

All support for credit card charges should be retained and provided to Finance prior to payment of the monthly bill. Credit cards in use should be evaluated and there should be a limited number of personnel who has the authority to use such cards.

***Management's Response and Corrective Action Plan***

Management agrees that all support for credit card purchases should be contained in the voucher package. In addition several credit cards have been discontinued by the acting Sheriff. Management plans to have the new Director of Administration review all financial policies. Recommendations will be implemented based on this letter and that review.

**TAX COLLECTOR**

No management comments necessary.

**PROPERTY APPRAISER**

No management comments necessary.

**SUPERVISOR OF ELECTIONS**

No management comments necessary.

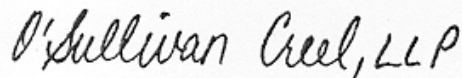
Board of County Commissioners  
Okaloosa County, Florida  
Management Letter (Continued)

- 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, 2008, 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, 2008, 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, 2008. 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.



O'SULLIVAN CREEL, L.L.P.  
Certified Public Accountants and Consultants  
For the Consortium

April 17, 2009

FINANCIAL STATEMENTS  
AND  
AUDIT REPORTS

PRESENTED TO DEMONSTRATE COMPLIANCE  
WITH FLORIDA STATUTES SECTION 218.39(8)  
AND  
RULES OF THE AUDITOR GENERAL,  
CHAPTER 10.557