



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

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

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

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

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

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

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

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

Significant Audit Findings (Continued)

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

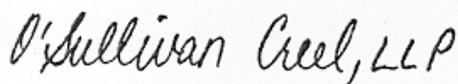
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Information in Documents Containing Audited Financial Statements

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

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

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

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

March 31, 2011

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



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



Comprehensive
Annual
Financial
Report

Okaloosa County, Florida

For the year ended
September 30, 2010

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

INTRODUCTORY SECTION

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

TABLE OF CONTENTS

	Page	Exhibit/ Statement/ Schedule
INTRODUCTORY SECTION		
Table of Contents	i	
Letter of Transmittal	xi	
GFOA Certificate of Achievement	xxi	
Organization Charts	xxii	
County Officials	xxiv	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Management's Discussion and Analysis	3	
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	16	I
Statement of Activities	19	II-A & B
Fund Financial Statements		
Balance Sheet - Governmental Funds	21	III-A
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	22	III-B
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23	IV-A
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25	IV-B
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual		
General Fund	26	V
Fine and Forfeiture Special Revenue Fund	27	VI
Balance Sheet - Proprietary Funds	28	VII
Statement of Revenues, Expenses, and Changes in Equity - Proprietary Funds	31	VIII
Statement of Cash Flows - Proprietary Funds	33	IX
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	36	X
Notes to Financial Statements	37	

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

TABLE OF CONTENTS

	Page	Exhibit/ Statement/ Schedule
Required Supplementary Information:		
Schedule of Funding Progress - Post Employment Benefits Plan	88	
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	89	A-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Funds	93	A-2
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Capital Outlay Construction Trust Capital Projects Fund	97	A-3
County Transportation Trust Special Revenue Fund	98	A-4
Library Cooperative Special Revenue Fund	99	A-5
Tourist Development Special Revenue Fund	100	A-6
Natural Disaster Special Revenue Fund	101	A-7
County Public Health Special Revenue Fund	102	A-8
Municipal Services Benefit Units Special Revenue Funds	103	A-9
Unincorporated County Parks Special Revenue Fund	104	A-10
Courts Special Revenue Fund	105	A-11
Public Records Modernization Trust Special Revenue Fund	106	A-12
Public Records Courts Special Revenue Fund	107	A-13
Public Records 10% Fine Special Revenue Fund	108	A-14
Okaloosa Debt Service Fund	109	A-15
Road and Bridge Construction Capital Projects Fund	110	A-16
Combining Balance Sheet - Nonmajor Enterprise Funds	111	B-1
Combining Statement of Revenues, Expenses, and Changes in Equity - Nonmajor Enterprise Funds	113	B-2
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	114	B-3
Combining Balance Sheet - Internal Service Funds	116	C-1
Combining Statement of Revenues, Expenses, and Changes in Equity - Internal Service Funds	118	C-2
Combining Statement of Cash Flows - Internal Service Funds	119	C-3
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	121	D-1
Combining Statement of Changes in Assets and Liabilities - Agency Funds	123	D-2

STATISTICAL SECTION (UNAUDITED)

Net Assets by Category - Last Nine Fiscal Years	126	1
Changes in Net Assets - Last Nine Fiscal Years	128	2
Fund Balances - Governmental Funds - Last Ten Fiscal Years	130	3
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years	132	4
Governmental Tax Revenues by Source - Last Ten Fiscal Years	134	5

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

TABLE OF CONTENTS

STATISTICAL SECTION (UNAUDITED)	<u>Page</u>	<u>Exhibit/ Statement/ Schedule</u>
Taxable Assessed Value and Estimated Actual Value of Property - Last Ten Years	136	6
Property Tax Millage Rates for Direct and Overlapping Governments - Last Ten Years	138	7
Principal Property Tax Payers - Last Fiscal Year Compared to the Fiscal Year Nine Years Earlier	140	8
Property Tax Levies and Collections - Last Ten Fiscal Years	142	9
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	144	10
Pledged Revenue Bond Coverage	146	11
Computation of Direct and Underlying Debt	148	12
Demographic and Economic Statistics - Last Ten Years	149	13
Principal Employers - Current Year and Nine Years Ago	151	14
Full-time Equivalent Government Employees by Function - Last Ten Years	153	15
Operating Indicators by Function/Program - Last Ten Fiscal Years	155	16
Capital Indicators by Function/Program - Last Ten Fiscal Years	156	17
 SINGLE AUDIT SECTION		
Schedule of Expenditures of Federal Awards and State Financial Assistance	157	
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	164	
Schedule of Expenditures of Passenger Facility Charges	165	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	166	
Independent Auditor's 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	168	
Schedule of Finding and Questioned Costs	170	
Management Letter	174	

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

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit/ Statement/ Schedule</u>
BOARD OF COUNTY COMMISSIONERS		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual		
General Fund	6	III
Fine and Forfeiture Special Revenue Fund	7	IV
Balance Sheet - Proprietary Funds	8	V
Statement of Revenues, Expenses, and Changes in Equity - Proprietary Funds	11	VI
Statement of Cash Flows - Proprietary Funds	13	VII
Notes to Financial Statements	16	
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	64	A-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	68	A-2

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

TABLE OF CONTENTS

BOARD OF COUNTY COMMISSIONERS - Continued

Combining and Individual Fund Statements and Schedules:	Page	Exhibit/ Statement/ Schedule
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Capital Outlay Construction Trust Capital Projects Fund	72	A-3
County Transportation Trust Special Revenue Fund	73	A-4
Library Cooperative Special Revenue Fund	74	A-5
Tourist Development Special Revenue Fund	75	A-6
Natural Disaster Special Revenue Fund	76	A-7
County Public Health Special Revenue Fund	77	A-8
Municipal Services Benefit Unit Special Revenue Funds	78	A-9
Unincorporated County Parks Special Revenue Fund	79	A-10
Okaloosa Debt Service Fund	80	A-11
Road and Bridge Construction Capital Projects Fund	81	A-12
Combining Balance Sheet - Nonmajor Enterprise Funds	82	B-1
Combining Statement of Revenues, Expenses, and Changes in Equity - Nonmajor Enterprise Funds	84	B-2
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	85	B-3
Combining Balance Sheet - Internal Service Funds	87	C-1
Combining Statement of Revenues, Expenses, and Changes in Equity - Internal Service Funds	89	C-2
Combining Statement of Cash Flows - Internal Service Funds	90	C-3

OTHER REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>	92
Schedule of Findings and Responses	94
Management Letter	95

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

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit/ Statement</u>
CLERK OF THE CIRCUIT COURT		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual		
General Fund	5	III
Courts Special Revenue Fund	6	IV
Public Records Modernization Trust Special Revenue Fund	7	V
Public Records Courts Special Revenue Fund	8	VI
Public Records 10% Fine Special Revenue Fund	9	VII
Balance Sheet - Proprietary Fund	10	VIII
Statement of Revenues, Expenses, and Changes in Equity - Proprietary Fund	11	IX
Statement of Cash Flows - Proprietary Fund	12	X
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	13	XI
Notes to Financial Statements	14	
Combining and Individual Fund Statements and Schedules:		
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	27	A-1
Combining Statement of Changes in Assets and Liabilities - Agency Funds	29	A-2
OTHER REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33	
Management Letter	35	

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

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit/ Statement</u>
SHERIFF		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Fund	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	III
Balance Sheet - Proprietary Funds	6	IV
Statement of Revenues, Expenses, an Changes in Equity - Proprietary Funds	7	V
Statement of Cash Flows - Proprietary Funds	8	VI
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	9	VII
Notes to Financial Statements	10	
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Internal Service Funds	24	A-1
Combining Statement of Revenues, Expenses, and Changes in Equity - Internal Service Funds	25	A-2
Combining Statement of Cash Flows - Internal Service Funds	26	A-3
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	27	B-1
Combining Statement of Changes in Assets and Liabilities - Agency Funds	28	B-2
OTHER REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29	
Schedule of Finding and Responses	31	
Management Letter	32	

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

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
 SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
 GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit/ Statement</u>
TAX COLLECTOR		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Fund	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	III
Statement of Fiduciary Assets and Liabilities - Fiduciary Fund	6	IV
Notes to Financial Statements	7	
Individual Fund Statements and Schedules		
Statement of Changes in Assets and Liabilities - Agency Fund	18	A-1
OTHER REPORTS		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19	
Schedule of Finding and Responses	21	
Management Letter	22	

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

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
 SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
 GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit</u>
PROPERTY APPRAISER		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Fund	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	III
Notes to Financial Statements	6	
OTHER REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15	
Management Letter	17	

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

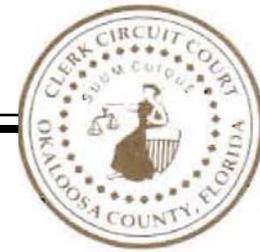
TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
 SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
 GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit</u>
SUPERVISOR OF ELECTIONS		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Fund	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	III
Notes to Financial Statements	6	
OTHER REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16	
Management Letter	18	

DON W. HOWARD

CLERK OF THE CIRCUIT COURT, OKALOOSA COUNTY, FLORIDA



March 18, 2011

To the Citizens of Okaloosa County:

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

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

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

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

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

REPLY TO: □ SHALIMAR ANNEX • 1250 N EGLIN PARKWAY, SUITE B-110 • SHALIMAR, FL 32579 • (850) 651-7200

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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



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

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

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

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

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



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



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

The state Division of Economic Development placed the total labor force in Okaloosa County at 117,173 in 2010 and the 2010 unemployment rate at 8.2 percent. This compares favorably to the state's annual average rate of 11.9 percent and the national average of 9.6 percent. Okaloosa County's cost of living is consistently below the national average and the county has, along with its sister counties in Florida, no state income tax.

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

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

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

MAJOR FUNCTIONAL INITIATIVES

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



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

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

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



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

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



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

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

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

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

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



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

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

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

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



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

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



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

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

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

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

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

FINANCIAL INFORMATION

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

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

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

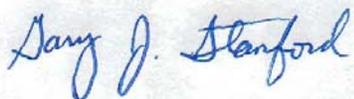
AWARDS AND ACKNOWLEDGEMENTS

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

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

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

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



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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Okaloosa County
Florida

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

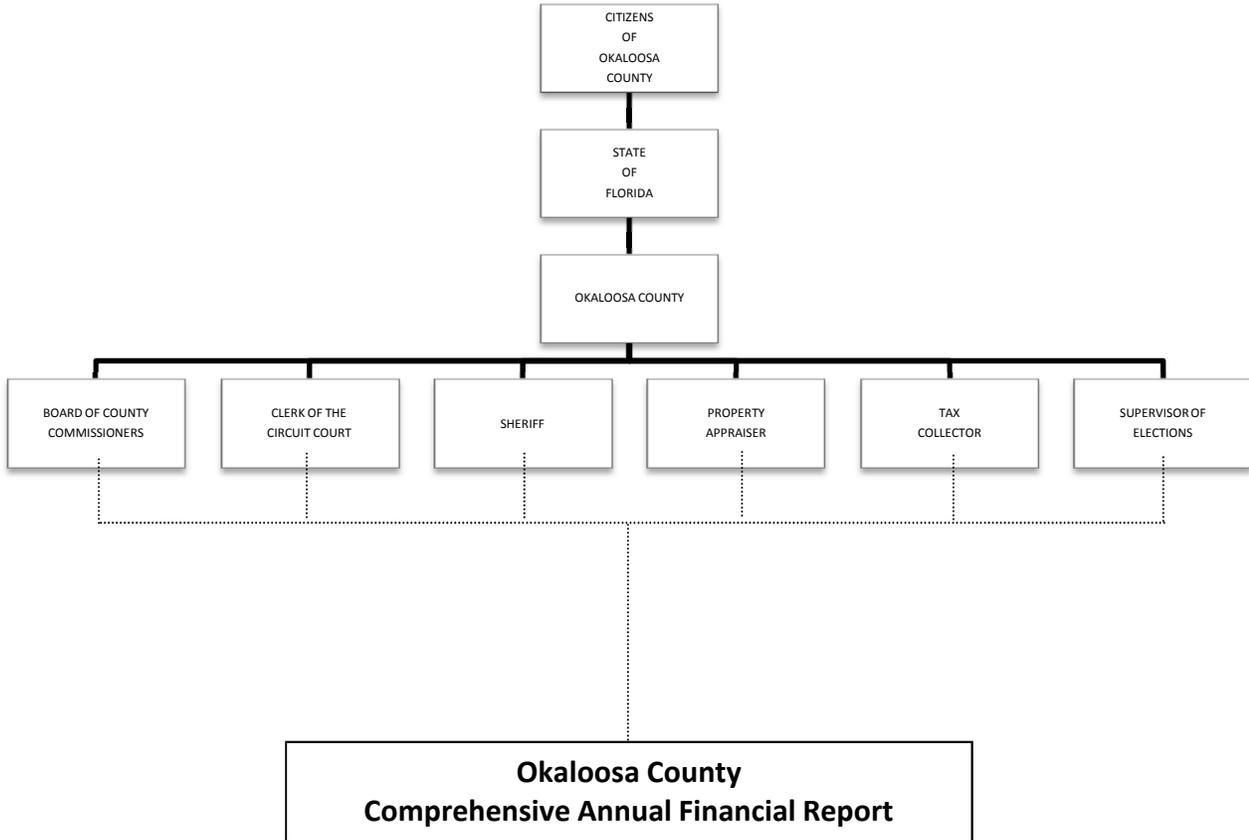
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



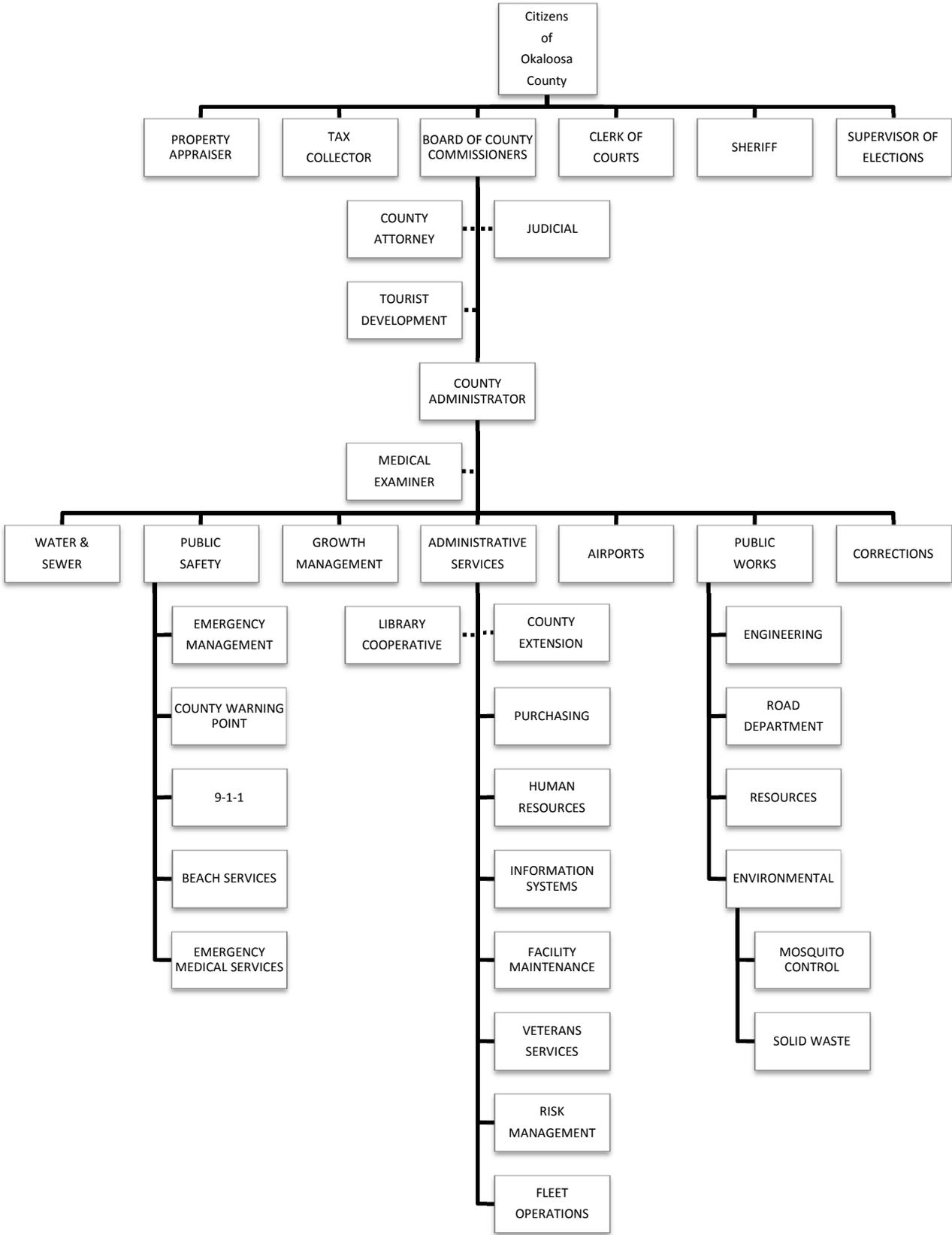
President

Executive Director

OKALOOSA CONUTY, FLORIDA
REPORTING ORGANIZATION



OKALOOSA CONUTY COMMISSIONERS
OKALOOSA COUNTY, FLORIDA
ORGANIZATION CHART



OKALOOSA COUNTY, FLORIDA

COUNTY OFFICIALS AS OF SEPTEMBER 30, 2010

COUNTY COMMISSIONERS

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

OTHER ELECTED OFFICIALS

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

OTHER OFFICIALS

John Dowd	County Attorney
James D. Curry	County Administrator

FINANCIAL SECTION



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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, on our consideration of Okaloosa County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the Post Employment Benefits Plans Schedule of Funding Progress on page 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Okaloosa County, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General, *Local Governmental Entity Audits*, and is also not a required part of the basic financial statements of Okaloosa County, Florida. The accompanying schedule of passenger facility charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements of Okaloosa County, Florida. The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of federal awards and state financial assistance and the schedule of expenditures of passenger facility charges were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



March 18, 2011

Okaloosa County, Florida

Management Discussion and Analysis

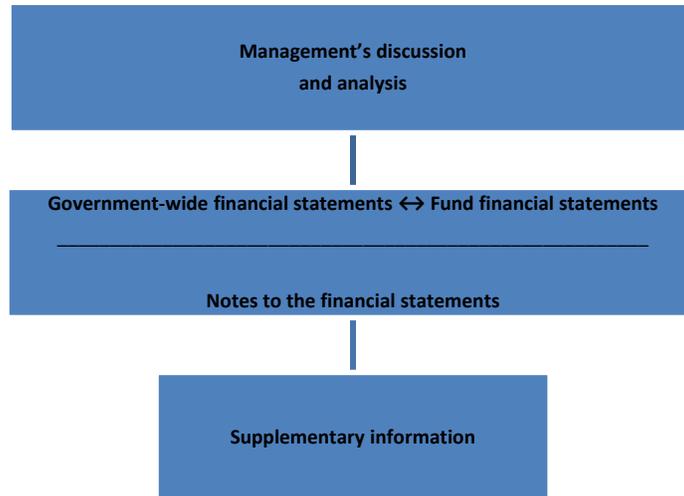
This discussion and analysis of Okaloosa County's (the County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2010. We hope this, in conjunction with additional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

Financial Highlights

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

Overview of the Financial Statements

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



Government-wide financial statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

Governmental Fund Financial Statements

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

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

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

Proprietary Fund Financial Statements

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

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

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

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

Fiduciary Fund Financial Statement

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

Notes to the financial statements

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

Other information

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

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

Government-wide Financial Analysis

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

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

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

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

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

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

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

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

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

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

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

Governmental activities

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

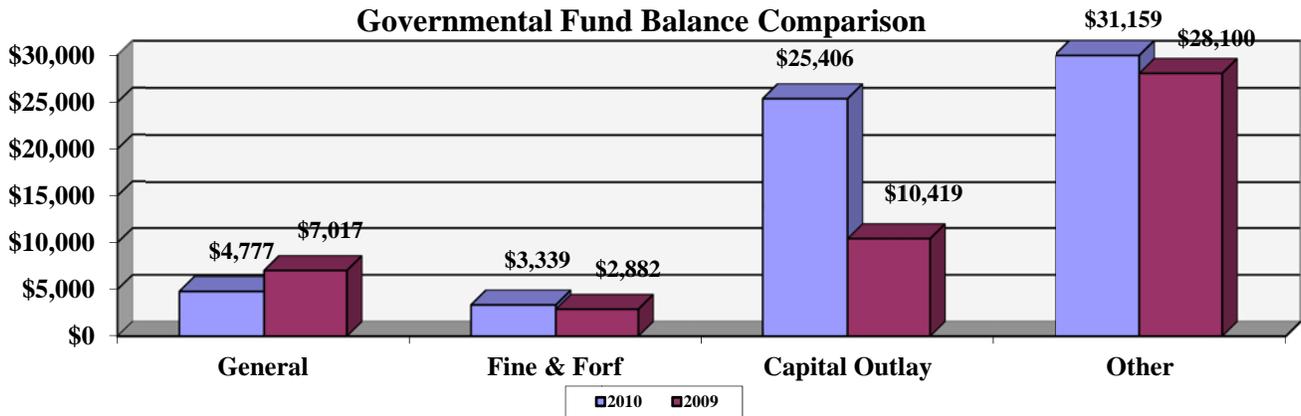
As of September 30, 2010, the County governmental funds reported combined fund balances of \$64,681, an increase of \$16,263 over the prior year balances, due mainly to bond proceeds received for the Courthouse Annex Extension project. The major governmental funds were both decreasing and increasing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

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

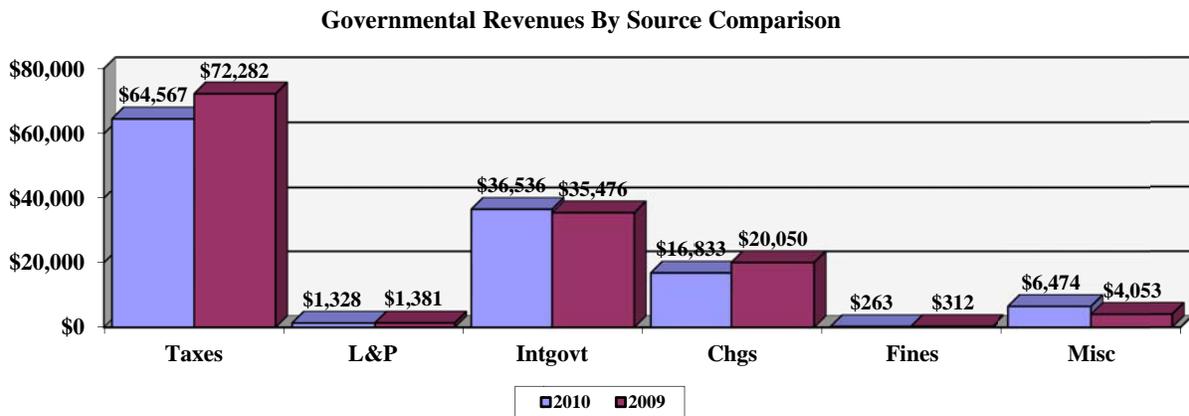
The Fine and Forfeiture Fund is a special revenue fund that is used to account for revenues and expenditures related primarily to public safety and judicial activity in the County. The Fine and Forfeiture Fund balance increased by \$457 from the prior year. The increase in fund balance occurred primarily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

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

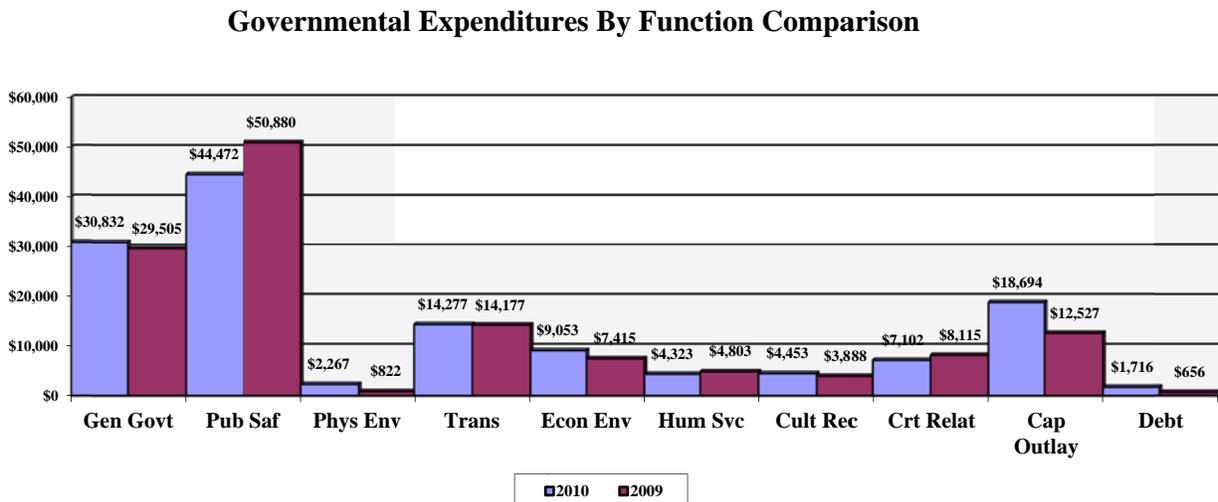
The following is a chart of all Governmental Fund Balances for the fiscal years 2009 and 2010.



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



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



Proprietary Activities

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

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

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

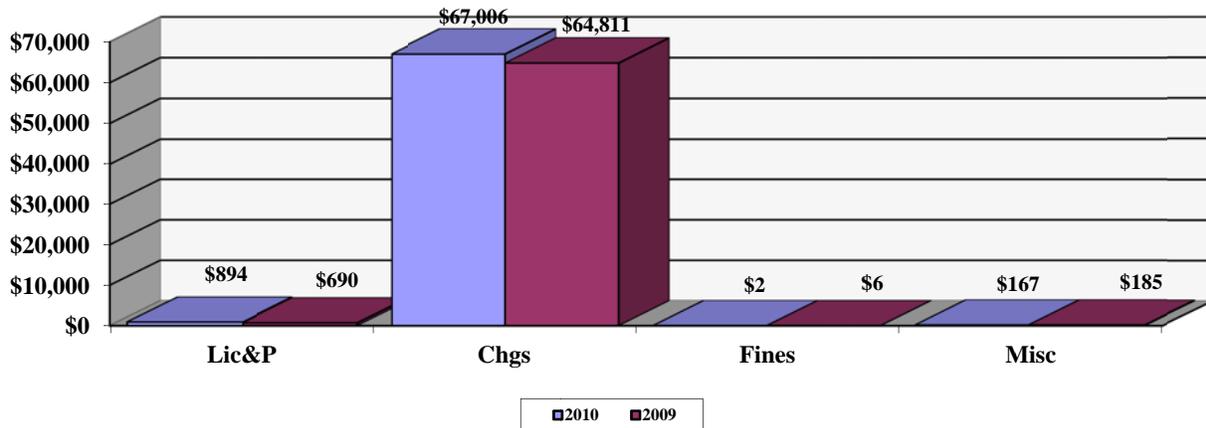
- The Water and Sewer Fund increased its equity by \$4,265. Operating income was \$2,214 during the year which was significantly greater than last year. Operating Revenues increased somewhat while Operating Expenses declined. Income before contributions decreased, however, due primarily to a significant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

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

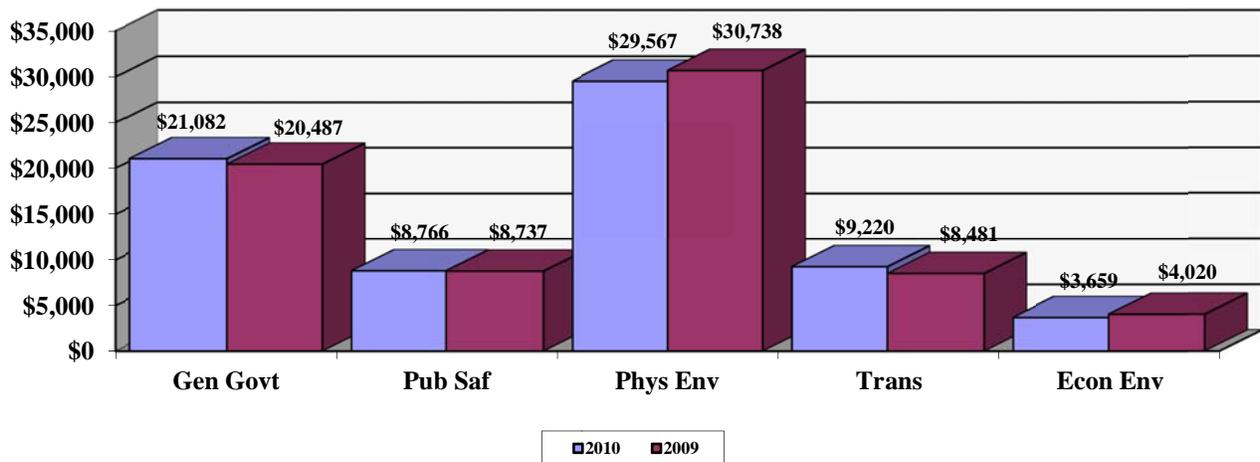
Enterprise Net Operating Income (Loss)

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

Proprietary Fund Operating Revenue by Source Comparison



Proprietary Fund Operating Expense by Program Comparison



Budgetary Highlights

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

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

Capital Asset and Debt Administration

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic Factors

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

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

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

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

Request for information

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

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

Basic Financial Statements

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

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

Continued...

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

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

Continued...

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

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

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

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

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

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

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

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

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

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

Exhibit III-A

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

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

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

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

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



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

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

Exhibit IV-A

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

Continued...

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

Exhibit VII

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

Continued...

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

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

Exhibit VII

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

Continued...

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

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

Exhibit VII

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

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

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

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

Exhibit VIII

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

Continued...

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

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

Exhibit VIII

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

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

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

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

Exhibit IX

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

Continued...

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

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

Exhibit IX

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

Continued...

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

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

Exhibit IX

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. The Reporting Entity

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

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

Emerald Coast Bridge Authority

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. The Reporting Entity – Continued

Emerald Coast Bridge Authority
Balance Sheet
September 30, 2010

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

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

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

B. Government-Wide and Fund Financial Statements

1. Government-Wide Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements - Continued

1. Government-Wide Statements - Continued

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

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

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

2. Fund Financial Statements

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

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

1. Exchange and Non-exchange Transactions

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

2. Government-Wide and Fiduciary Fund Financial Statements

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

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

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

3. Governmental Fund Financial Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

3. Governmental Fund Financial Statements - Continued

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

4. Proprietary Fund Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

5. Other Financial Statement Presentation Information

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

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

The County reports the following major governmental funds:

General Fund

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

Fine and Forfeiture Fund

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

Capital Outlay Construction Trust Fund

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

The County reports the following major enterprise funds:

Water and Sewer Fund

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

5. Other Financial Statement Presentation Information – Continued

Airport Enterprise Fund

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

Solid Waste Fund

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

Convention Center Fund

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

The County reports the following fund types:

Internal Service Funds

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

Agency Funds

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

1. Deposits and Investments - Continued

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

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

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

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

2. Receivables and Payables

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

2. Receivables and Payables - Continued

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

The following is the current property tax calendar.

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

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

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

5. Capital Assets - Continued

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

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

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

6. Compensated Absences

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

7. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

8. Bond Premiums, Discounts and Issuance Costs

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

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

9. Fund Equity

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

10. Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

A. BUDGETARY INFORMATION - CONTINUED

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

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

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

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

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

B. DEFICIT FUND EQUITY

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

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

B. DEFICIT FUND EQUITY - CONTINUED

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED

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

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

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

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

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

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

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

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

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

NOTE 4 – RECEIVABLES / DEFERRED REVENUE

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

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

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

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

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

NOTE 5 – CAPITAL ASSETS

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

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

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

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

NOTE 5 – CAPITAL ASSETS - CONTINUED

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

Depreciation expense was charged to functions/programs as follows.

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

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

NOTE 5 – CAPITAL ASSETS - CONTINUED

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

Construction Commitments

Judicial/Governmental Center

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

Fiber Optic Network

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

In-House Improvements

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

Road and Other Infrastructure Improvements

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

Water and Sewer Expansion and Renovation

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

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

Construction at Northwest Florida Regional Airport

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

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

NOTE 6 – COMPENSATED ABSENCES

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

Board of County Commissioners and Supervisor of Elections

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

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

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

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

Compensatory Time

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

Clerk of the Circuit Court

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

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

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

NOTE 6 – COMPENSATED ABSENCES - CONTINUED

Clerk of the Circuit Court - Continued

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

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

Sheriff

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

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

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

Tax Collector

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

Property Appraiser

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

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

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

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

NOTE 6 – COMPENSATED ABSENCES - CONTINUED

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

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

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

NOTE 7 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

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

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

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

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

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

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

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

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

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

NOTE 8 – INTERFUND BALANCES AND ACTIVITY - CONTINUED

Interfund transfers:

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

NOTE 9 - LEASES

Operating Leases – Lessor

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

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

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

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

NOTE 9 – LEASES - CONTINUED

Operating Leases – Lessor - Continued

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

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

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

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

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

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

Operating Leases – Lessee

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

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

NOTE 9 – LEASES – CONTINUED

Operating Leases – Lessee - Continued

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

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

NOTE 9 – LEASES – CONTINUED

Operating Leases – Lessee - Continued

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

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

NOTE 10 – LONG-TERM DEBT

Component Unit

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

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

NOTES PAYABLE

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

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

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government

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

Governmental Activities:

REVENUE BONDS

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

\$ 182,412

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

26,615,000

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

LOANS AND NOTES

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

\$ 3,140,000

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

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

NOTE 10 – LONG-TERM DEBT – CONTINUED

Business-type Activities:

REVENUE BONDS

Solid Waste

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

Airport

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

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

Convention Center

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

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

NOTE 10 – LONG-TERM DEBT - CONTINUED

Business-type Activities – Continued:

Revenue Bonds – Continued:

Water and Sewer

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

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

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

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

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

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

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government - Continued

Business-type Activities – Continued:

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

LOANS – STATE OF FLORIDA

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

OTHER LOANS

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

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

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government - Continued

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

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

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

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government - Continued

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

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

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

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

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government – Continued

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

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

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

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

Business-type activities:

Water and Sewer System Enterprise Fund
Revenue Bonds, Series 1992

\$ 2,225,000

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

NOTE 11 - CONDUIT DEBT

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

NOTE 12 - RESERVED FUND BALANCES

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

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

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

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

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

NOTE 13 - PENSION PLAN

Florida Retirement System

Plan Description

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

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

Funding Policy

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

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

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

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

NOTE 13 - PENSION PLAN - CONTINUED

Florida Retirement System – Continued

Plan Description

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

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

Funding Policy

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

NOTE 14 - POSTEMPLOYMENT BENEFITS

Board of County Commissioners

Plan Description

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

Benefits Provided

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

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED

Board of County Commissioners - Continued

Membership

At September 30, 2010, membership consisted of:

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

Funding Policy

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

Annual OPEB Costs and Net OPEB Obligation

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

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

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

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED

Board of County Commissioners – Continued

Funded Status and Funding Progress

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

Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Sheriff

Background

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

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

NOTE 14 – POST EMPLOYMENT BENEFITS – CONTINUED

Sheriff - Continued

Plan Description

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

Benefits Provided

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

Membership

At September 30, 2010, membership consisted of:

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

Funding Policy

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

Annual OPEB Costs and Net OPEB Obligation

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED

Sheriff - Continued

Annual OPEB Costs and Net OPEB Obligation - Continued

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

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

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

Funded Status and Funding Progress

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

Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - CONTINUED

Sheriff - Continued

Actuarial methods and Assumptions - Continued

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

NOTE 15 - RISK MANAGEMENT

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

A. Method of Risk Management

Public Liability

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

Public Liability - Continued

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

Property Insurance

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

All Lines Aggregate Policy

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

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

NOTE 15 - RISK MANAGEMENT - CONTINUED

A. Method of Risk Management - Continued

Workers' Compensation

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

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

Employee Medical Benefits

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

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

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

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

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

NOTE 15 - RISK MANAGEMENT – CONTINUED

A. Method of Risk Management – Continued

Employee Medical Benefits – Continued

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

Special Risk Policies

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

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

NOTE 15 - RISK MANAGEMENT – CONTINUED

B. Claim Liabilities for Retained Risk

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

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

C. Funding of Claims Liabilities

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

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

NOTE 15 - RISK MANAGEMENT - CONTINUED

C. Reconciliation of Claims Liabilities

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

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

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Reclaimed Water System

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

Wastewater Service Interlocal Agreement with Fort Walton Beach

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

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

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

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

NOTE 16 – COMMITMENTS AND CONTINGENCIES – CONTINUED

7th Special Forces Group Complex

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

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

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

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

*partial credit for \$351,790 rent due

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

Customer Facility Charge Agreement

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

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

NOTE 16 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Emergency Operations Center

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

Deepwater Horizon Oil Spill

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

Grants

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

Lawsuits

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

Arbitrage Rebate

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

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

NOTE 16 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Arbitrage Rebate - Continued

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

NOTE 17 – RELATED ORGANIZATION

Library Cooperative

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

NOTE 18 - JOINT VENTURE

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

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

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

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

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

NOTE 18 - JOINT VENTURE – CONTINUED

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

NOTE 19 – GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

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

NOTE 20 -SUBSEQUENT EVENTS

Special Mandatory Redemption

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

Florida Department of Juvenile Justice Reconciliation

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

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

NOTE 20 -SUBSEQUENT EVENTS - CONTINUED

Florida Association of Counties (FAC) Commercial Paper Loan

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

British Petroleum (BP) Claim Settlements

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

Tax Collector Expanded Services

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

Required Supplementary Information

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

Board of County Commissioners

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

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

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

Sheriff

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

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

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

Board of County Commissioners

County Transportation Trust Fund

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

Library Cooperative Fund

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

Tourist Development Fund

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

Natural Disaster Fund

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

County Public Health Fund

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

Municipal Services Benefit Units Fund

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

Unincorporated County Parks Fund

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

Clerk of the Circuit Court

Courts Special Revenue Fund

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

Nonmajor Governmental Funds (Continued)

SPECIAL REVENUE FUNDS (Continued)

Clerk of the Circuit Court (Continued)

Public Records Modernization Trust Fund

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

Public Records Courts Special Revenue Fund

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

Public Records 10% Fine Special Revenue Fund

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

DEBT SERVICE FUND

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

Board of County Commissioners

Okaloosa Debt Service Fund

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

CAPITAL PROJECTS FUNDS

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

Board of County Commissioners

Road and Bridge Construction Fund

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

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

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

Continued...

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

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

Continued...

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

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

Continued...

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

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

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

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

Continued...

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

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

Continued...

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

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

Continued...

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR ENTERPRISE FUNDS

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

Board of County Commissioners

Inspection and Code Enforcement Fund

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

Emergency Medical Services Fund

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

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

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

Continued...

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

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

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

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

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

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

Continued...

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

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

INTERNAL SERVICE FUNDS

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

Board of County Commissioners

Self Insurance

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

Garage Service Fund

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

Clerk of the Circuit Court

Compensated Absences Fund

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

Sheriff

Compensated Absences Fund

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

Health Benefits Self Insurance Fund

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



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

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

Statement C-1

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

Continued...

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

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

Statement C-1

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

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

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

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

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

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

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

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

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

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

Statement C-3

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

Agency Funds

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

Clerk of Circuit Court

Fine and Forfeiture Fund

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

Jury and Witness Fund

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

Tax Deed Fund

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

Support Fund

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

Registry of Court Fund

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

Board of County Commissioners Trust Fund

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

State Trust Fund

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

Bridgeway Center Incorporated Trust Fund

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

Escrow Trust Fund

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

Juvenile Trust Fund

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

Foreclosure Escrow Trust Fund

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

Cash Bond Trust Fund

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

Sheriff

Suspense (Levies) Fund

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

Tax Collector

Disbursements Fund

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

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

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

Continued...

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

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

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

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

Continued...

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

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

Continued...

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

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

STATISTICAL SECTION

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

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

Demographic and Economic Information

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

Operating Information

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

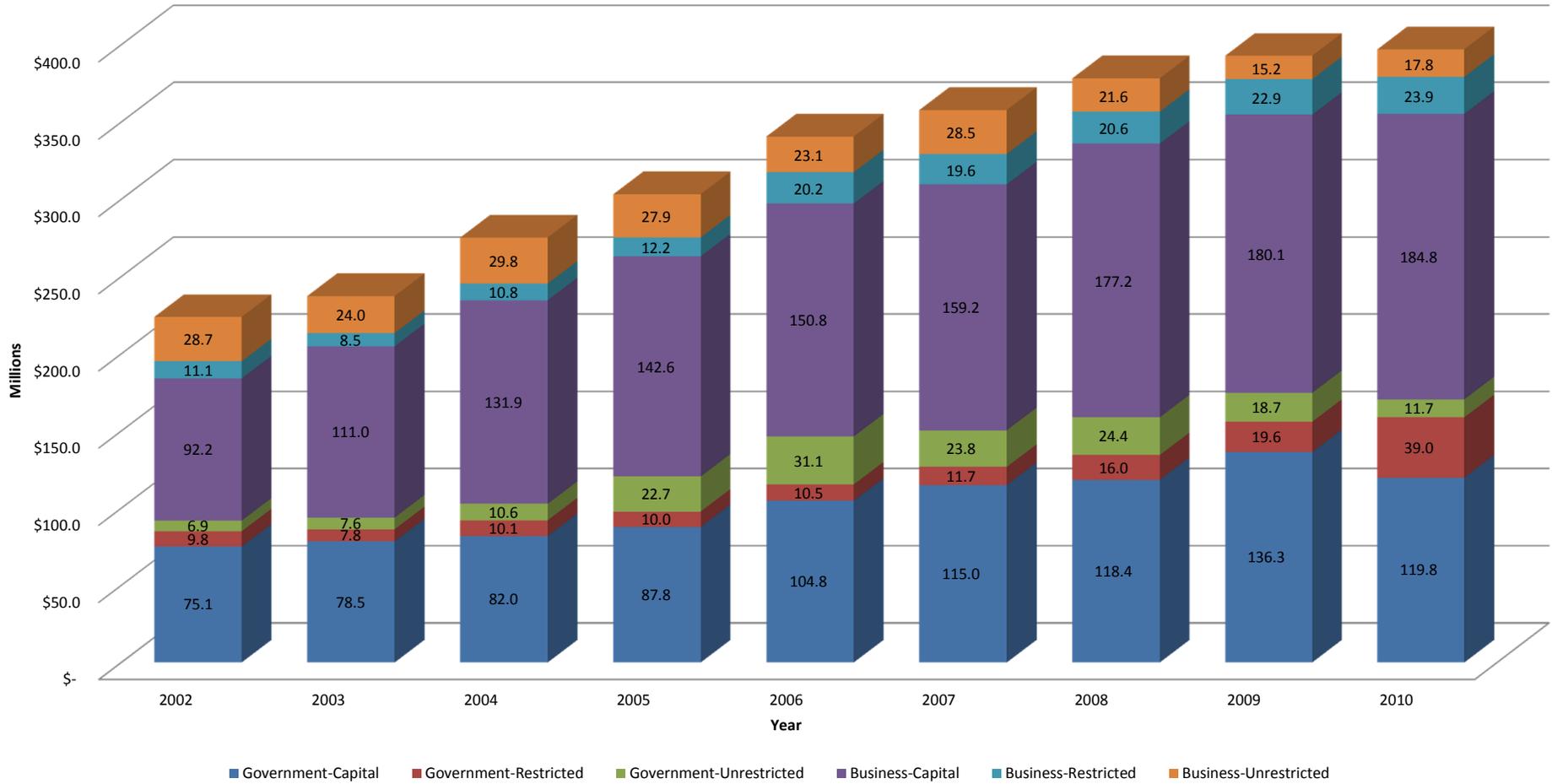
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

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

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

Net Assets by Category Last Nine Fiscal Years

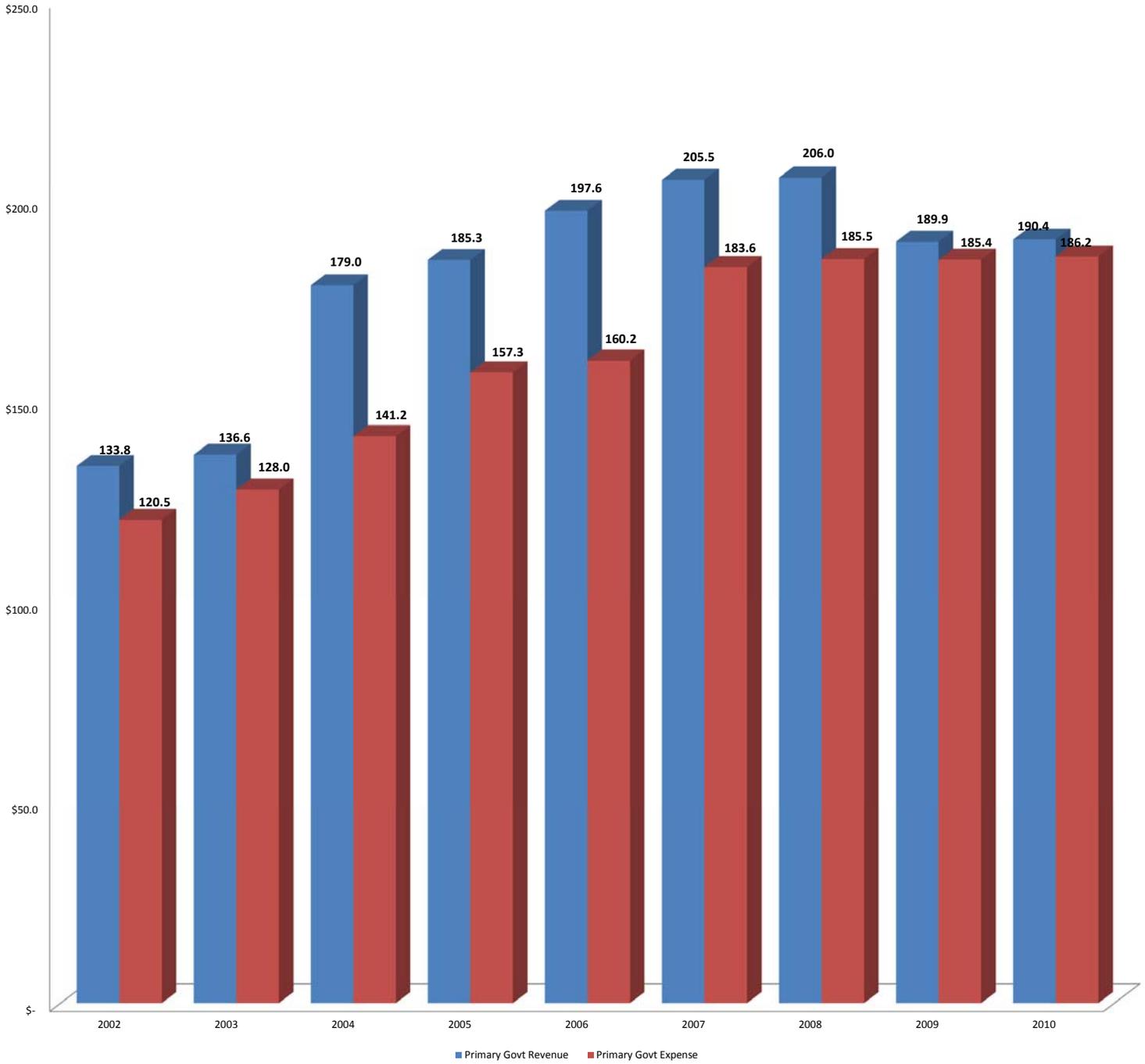


CHANGES IN NET ASSETS - LAST NINE FISCAL YEARS * - (ACCRUAL BASIS OF ACCOUNTING)

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

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

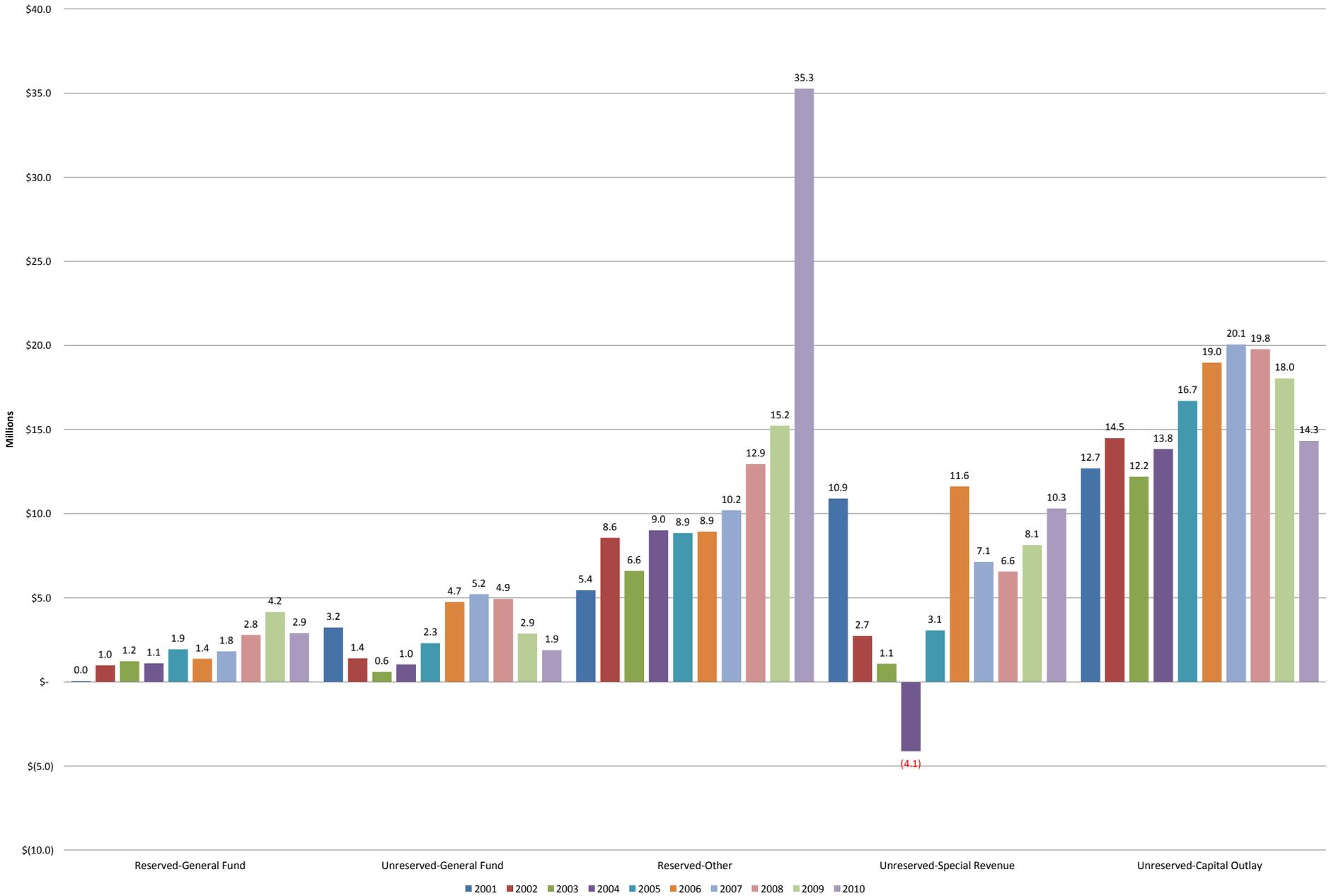
Changes in Net Assets - Primary Government Last Nine Fiscal Years



FUND BALANCES - GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS

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

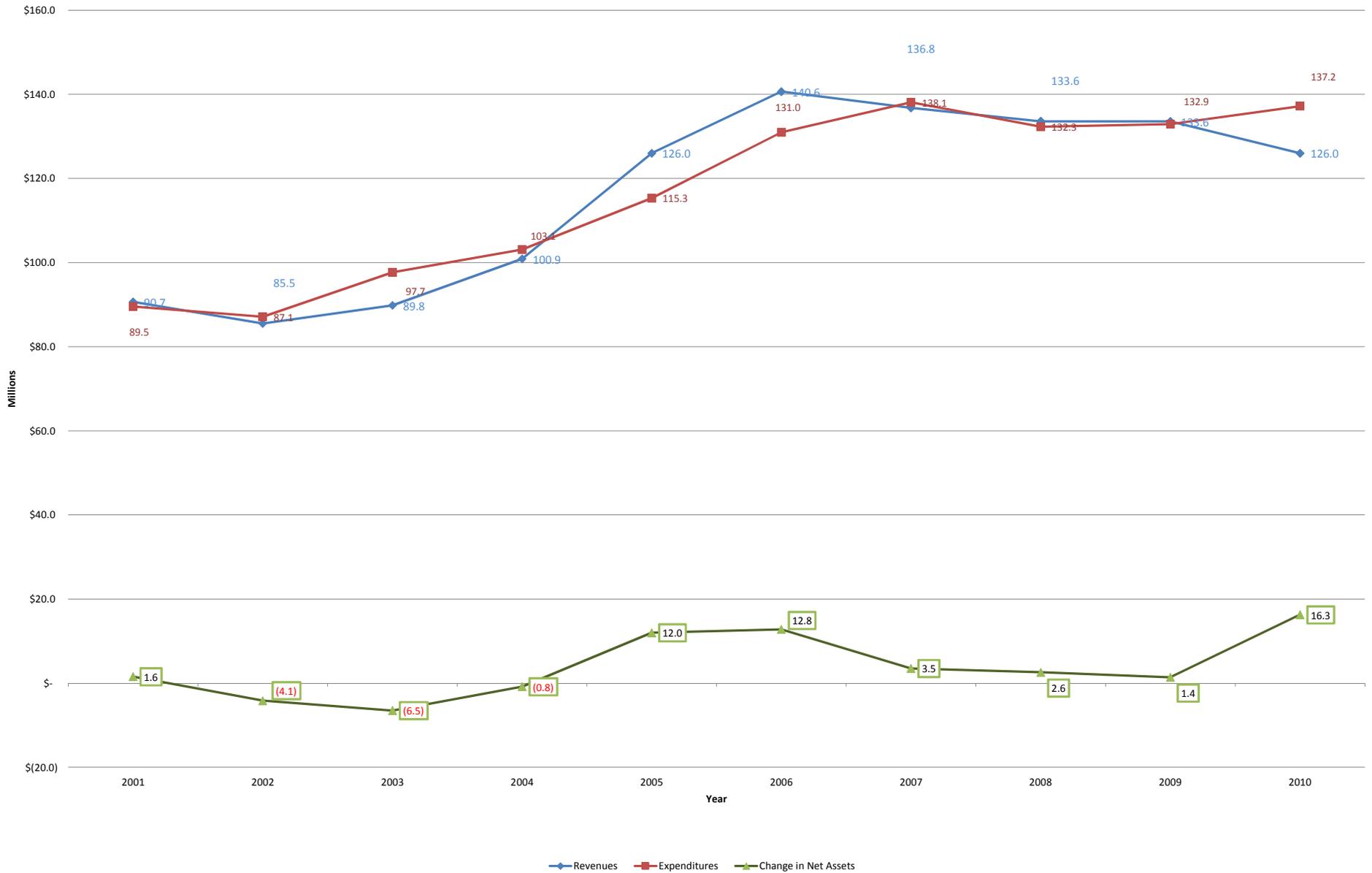
Fund Balances - Governmental Funds Last Ten Fiscal Years



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

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

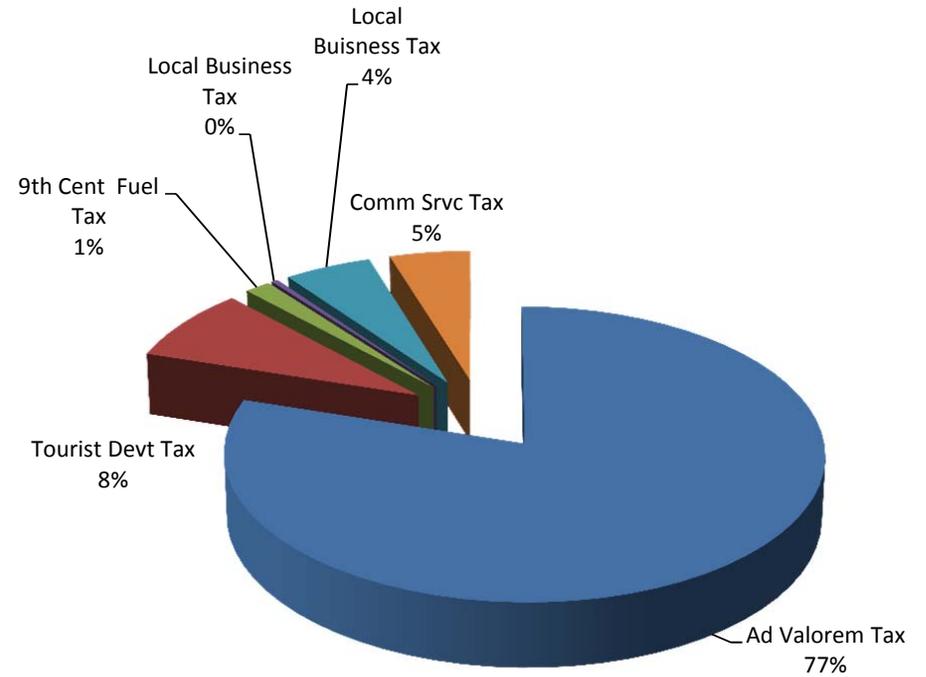
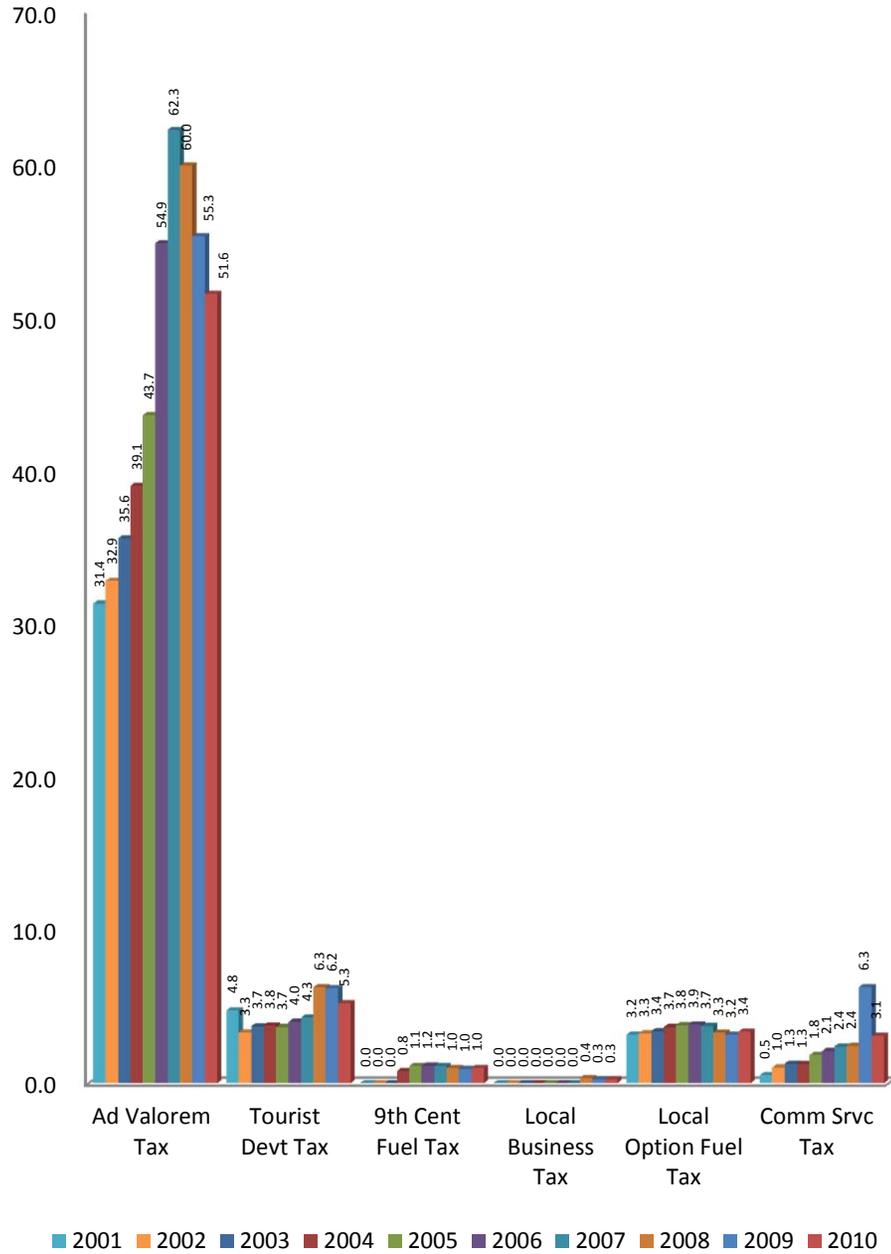
Changes in Fund Balances - Governmental Funds Last Ten Fiscal Years



GOVERNMENTAL TAX REVENUES BY SOURCE - LAST TEN FISCAL YEARS

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

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



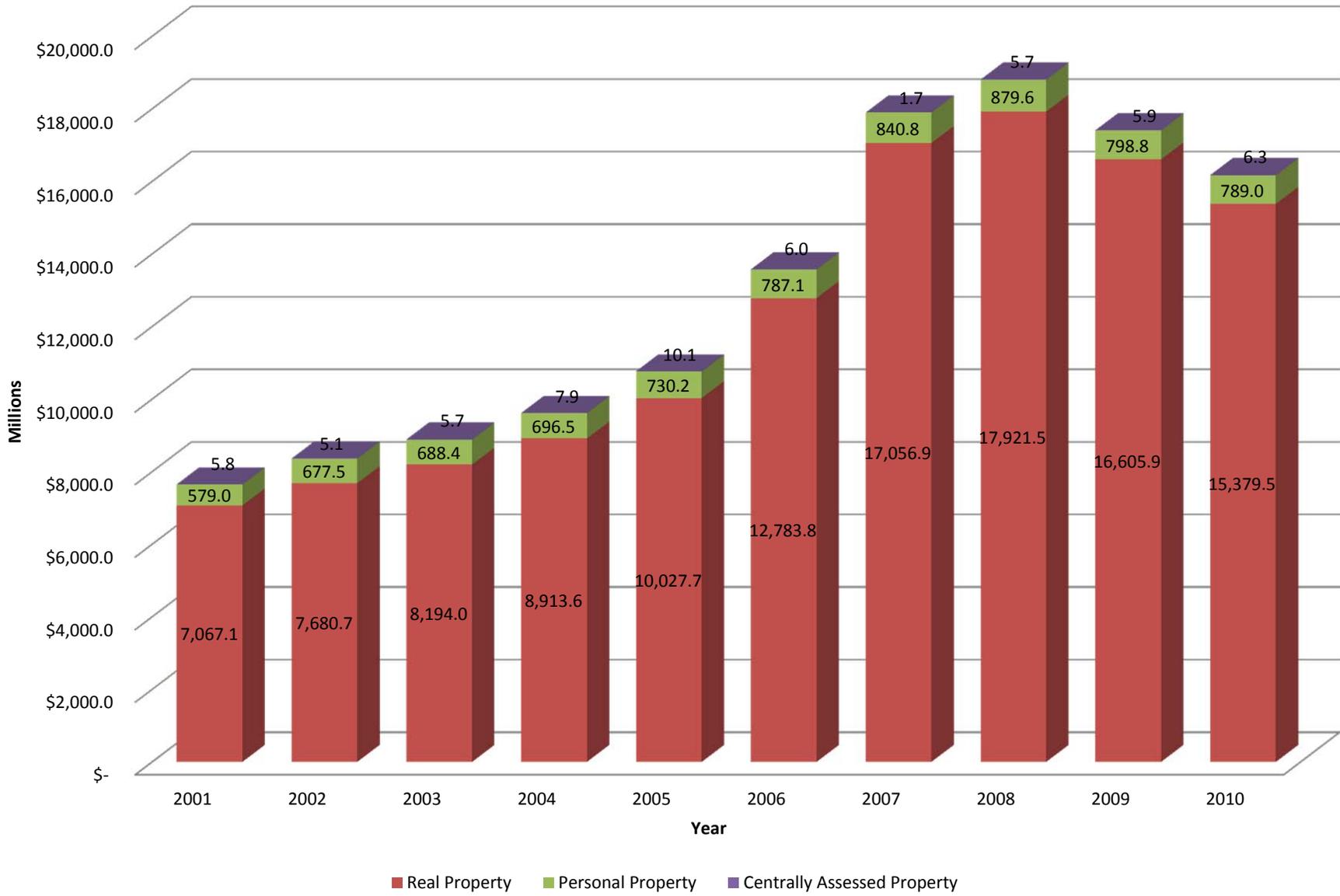
TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY - LAST TEN FISCAL YEARS

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

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

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Taxable Assesed Value Last Ten Fiscal Years

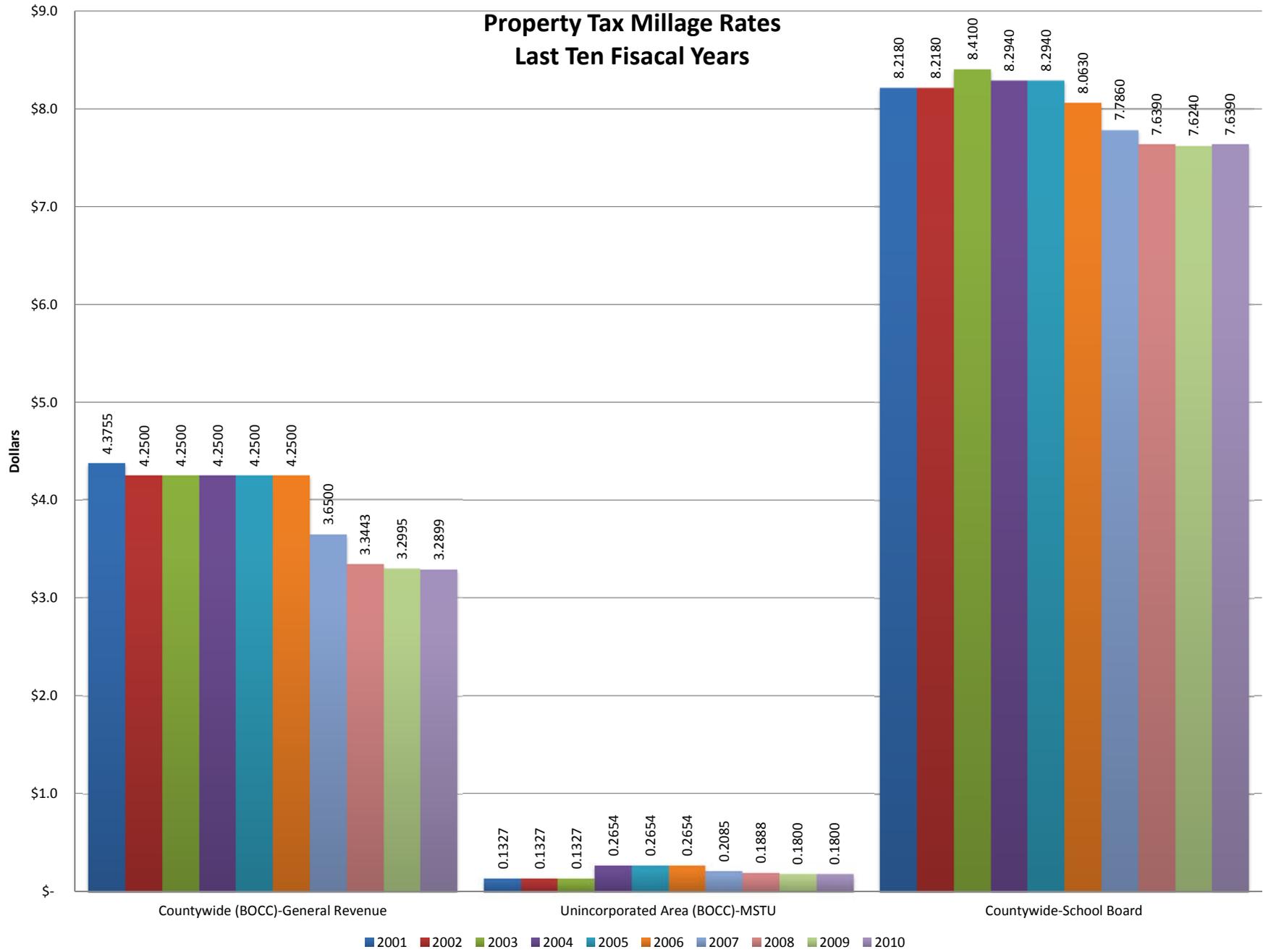


PROPERTY TAX MILLAGE RATES FOR DIRECT AND OVERLAPPING GOVERNMENTS - LAST TEN FISCAL YEARS

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

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Property Tax Millage Rates Last Ten Fiscal Years

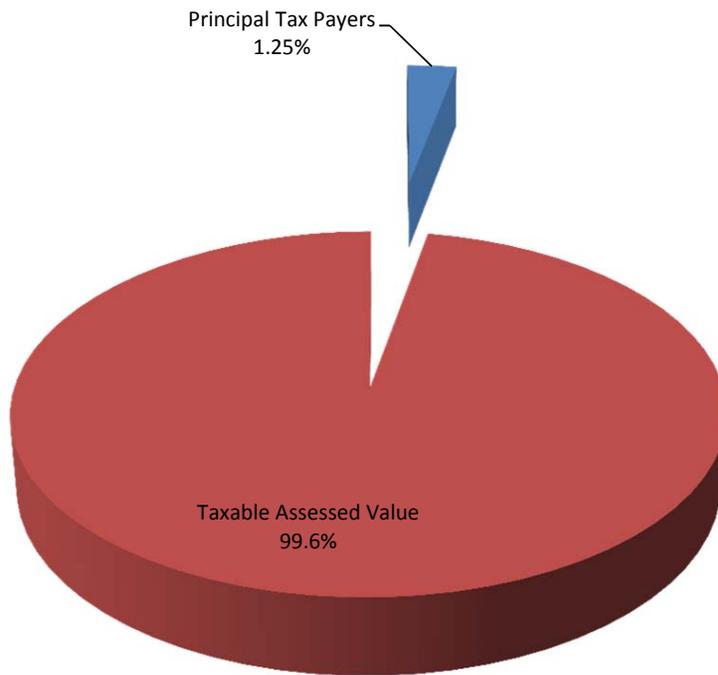


PRINCIPAL PROPERTY TAX PAYERS - LAST FISCAL YEAR COMPARED TO THE FISCAL YEAR NINE YEARS EARLIER

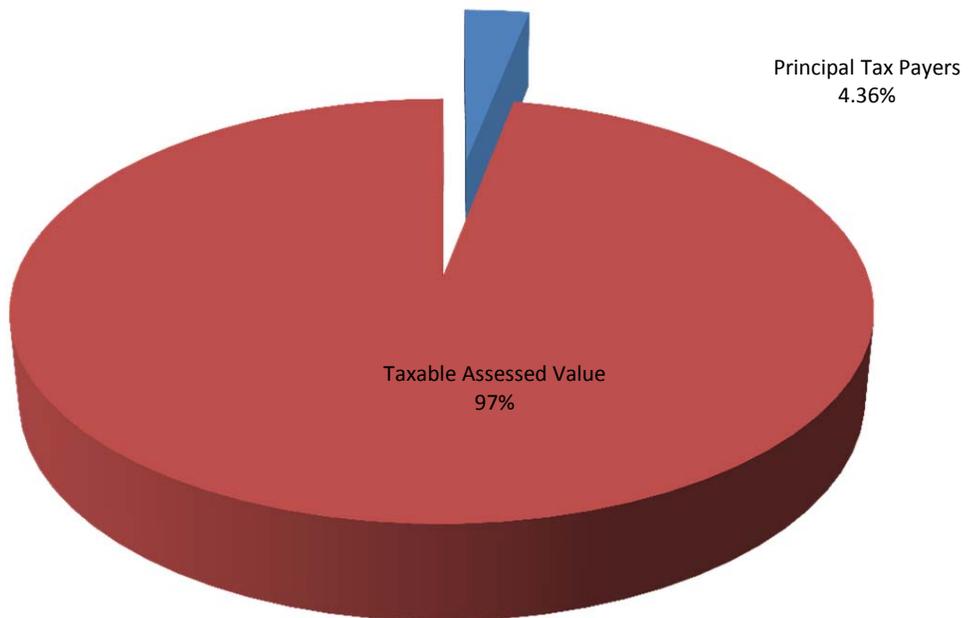
TAXPAYER	2010		2001	
	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
GULF POWER COMPANY	\$130,283,893	0.81%	\$80,553,920	1.05%
EMBARQ CORP	\$65,340,361	0.40%		
EMERALD GRANDE INC	\$64,649,530	0.40%		
DESTIN COMMONS LTD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

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Principal Property Tax Payers Current Year 2010



Principal Property Tax Payers Year 2001

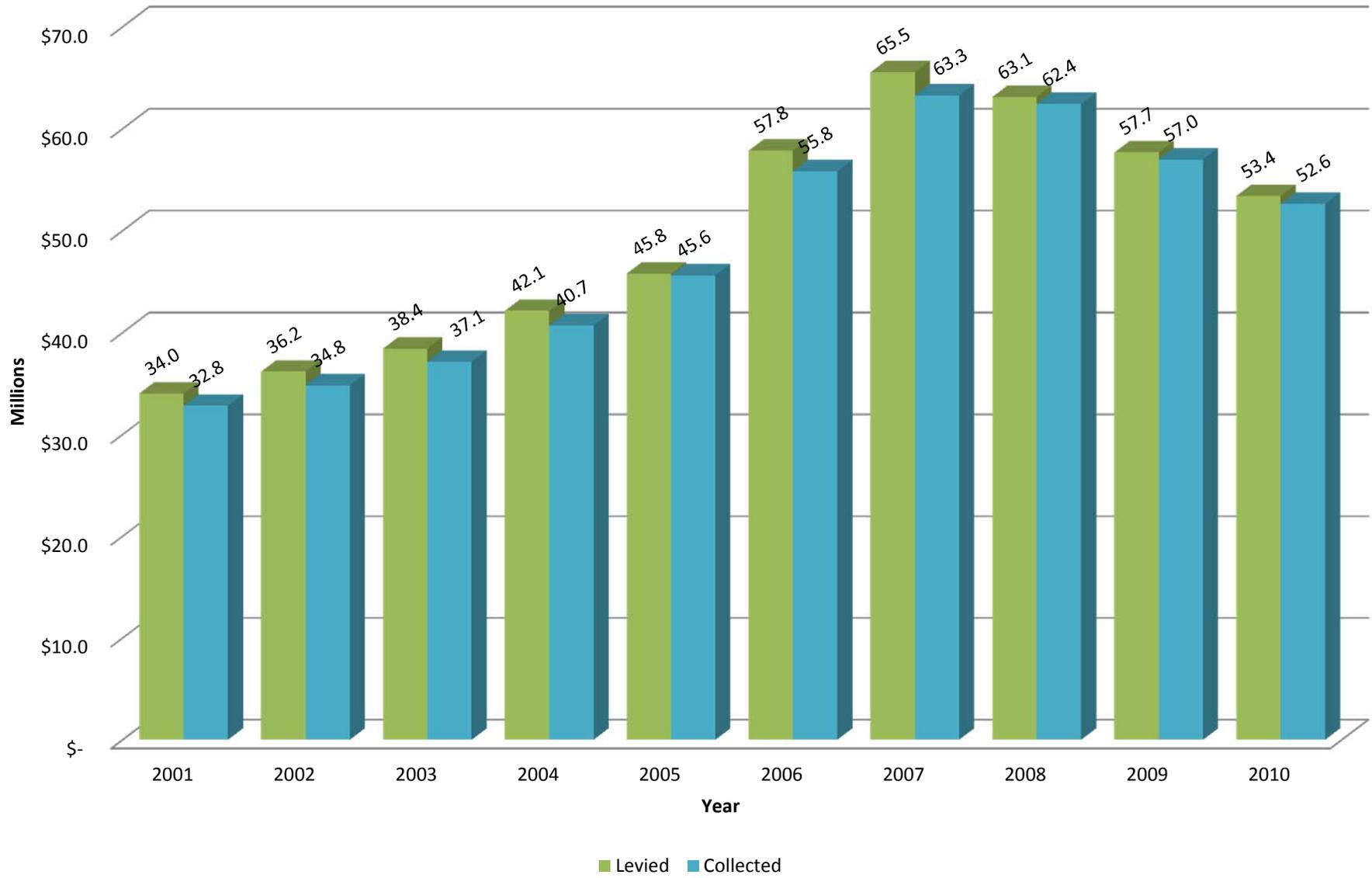


PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS

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

SOURCE: OKALOOSA COUNTY TAX COLLECTOR RECAPITULATION OF THE TAX ROLL

Property Tax Levies and Collections Last Ten Fiscal Years



RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS

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

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

(2) Includes Sales Tax Revenue Bonds, Series 2009

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

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

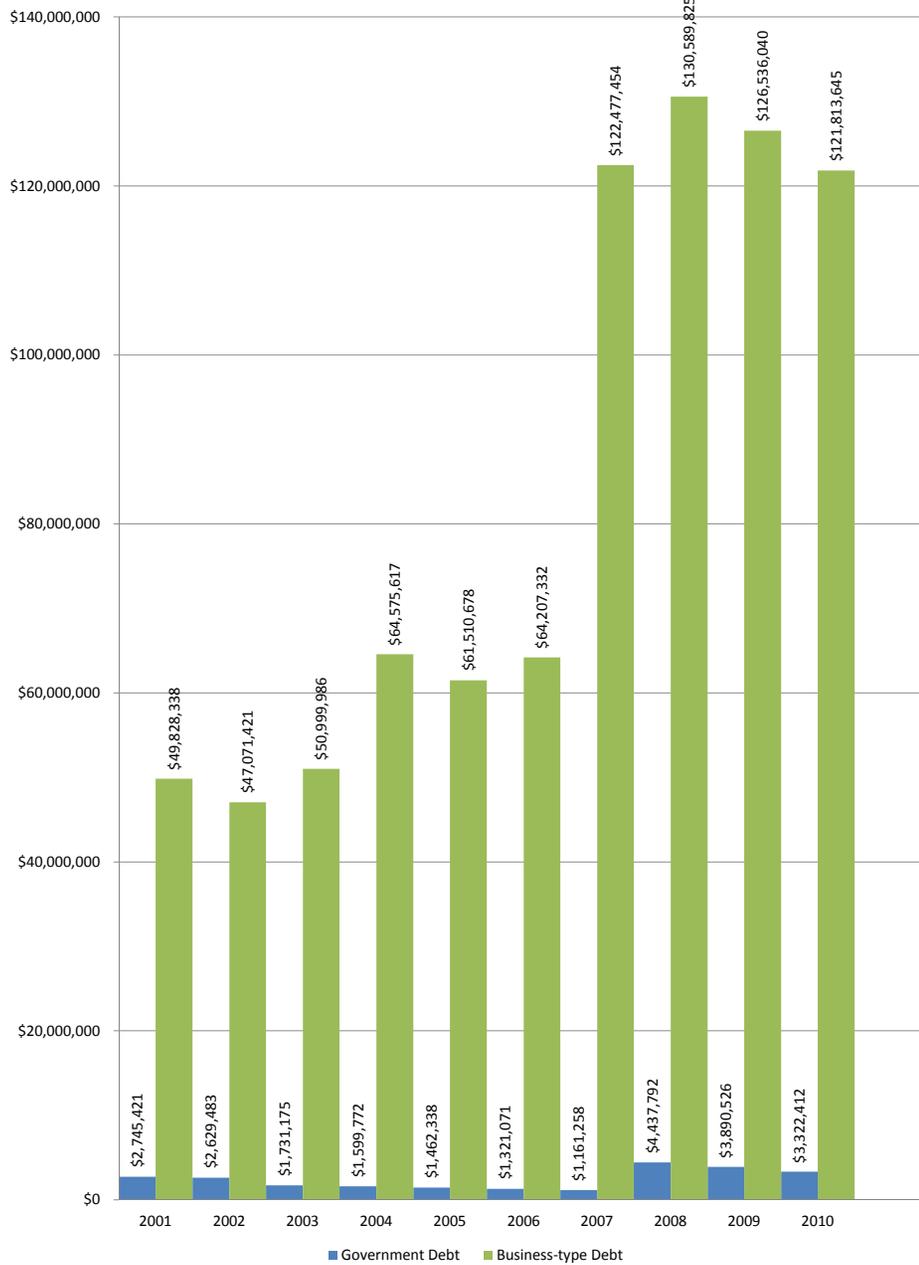
(5) Includes State Pollution Control Bonds, Subordinated Revenue, 1985, Refunding, Revenue, 2004, 2006, State Revolving, and Personal Loans

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

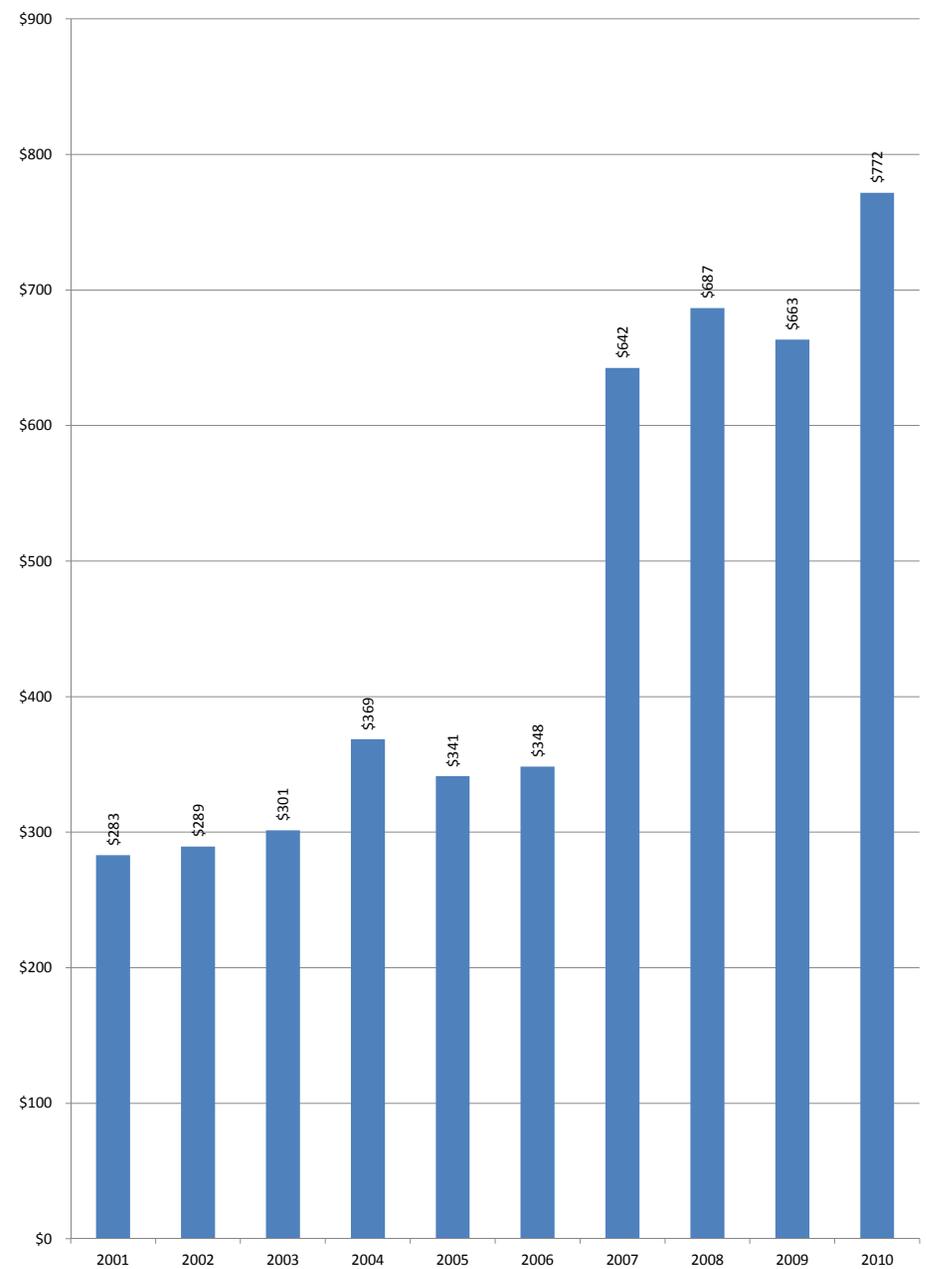
(7) Includes Capital Imprvement Bonds, 1991

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

**Debt by Type
Last Ten Fiscal Years**



**Per Capita Debt
Last Ten Fiscal Years**



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

PLEDGED-REVENUE BOND COVERAGE

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

PLEDGED-REVENUE BOND COVERAGE

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

COMPUTATION OF DIRECT AND UNDERLYING DEBT (1)

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

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

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

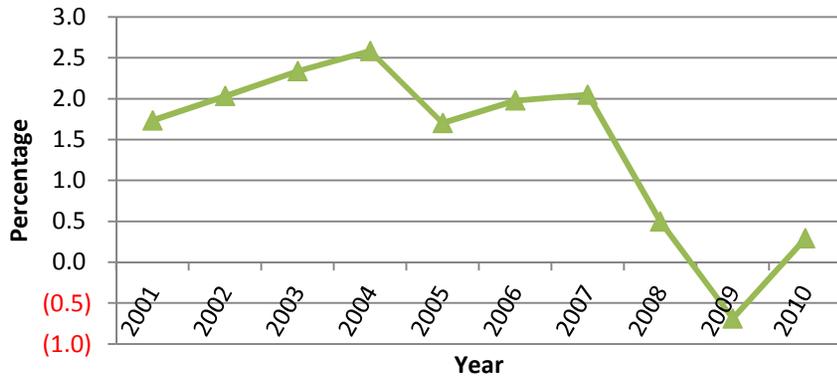
DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN YEARS

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

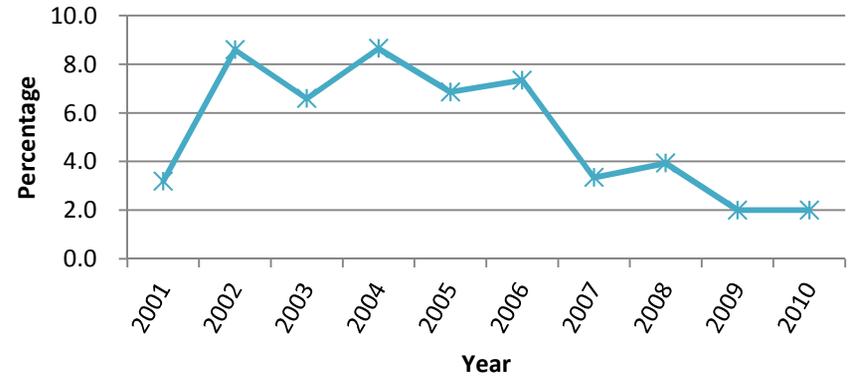
(1) Estimated income figures based upon average percent in prior years.

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

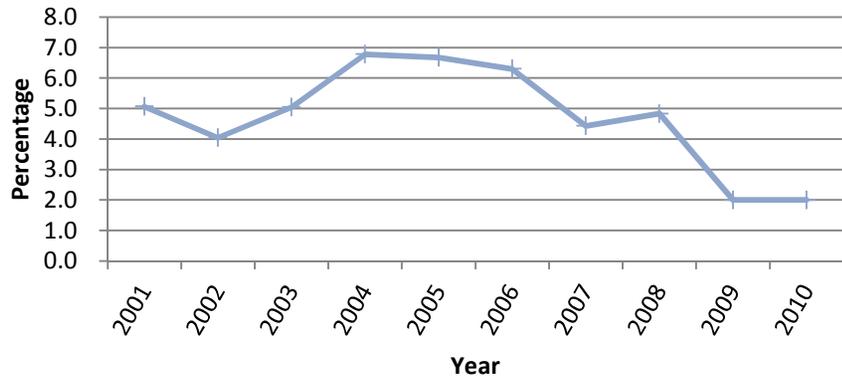
**Population
Last Ten Fiscal Years**



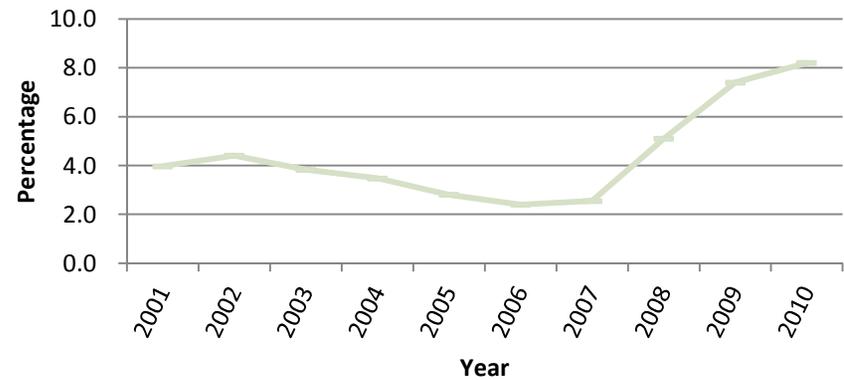
**Personal Income
Last Ten Fiscal Years**



**Per Capita Income
Last Ten Fiscal Years**



**Unemployment Rate
Last Ten Fiscal Years**

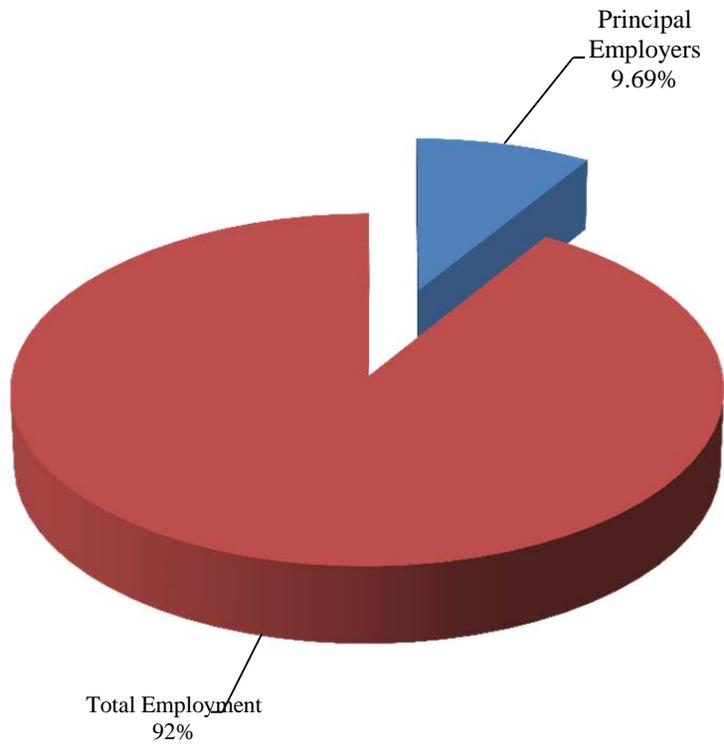


PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO

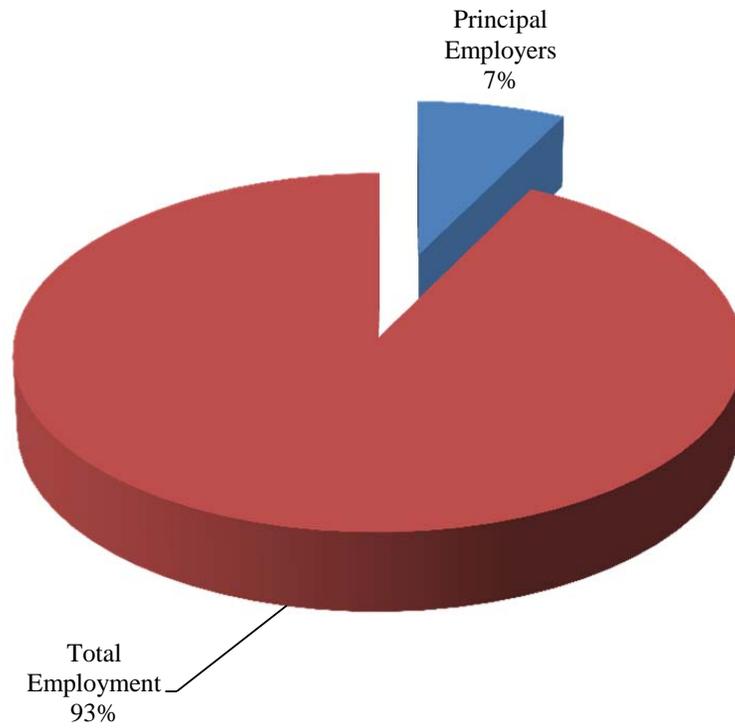
EMPLOYER	2010		2001	
	EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT	EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT
FT WALTON BEACH MEDICAL CENTER	992	1.24%	850	1.01%
L-3/CRESTVIEW AEROSPACE CORP	973	1.22%	370	0.44%
RESORT QUEST	930	1.17%		
INDYNE, INC	861	1.08%		
DRS TRAINING & CONTROL SYSTEMS	860	1.08%		
SVERDRUP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

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

Principal Employers Current Year 2010



Principal Employers Nine Years Ago 2001

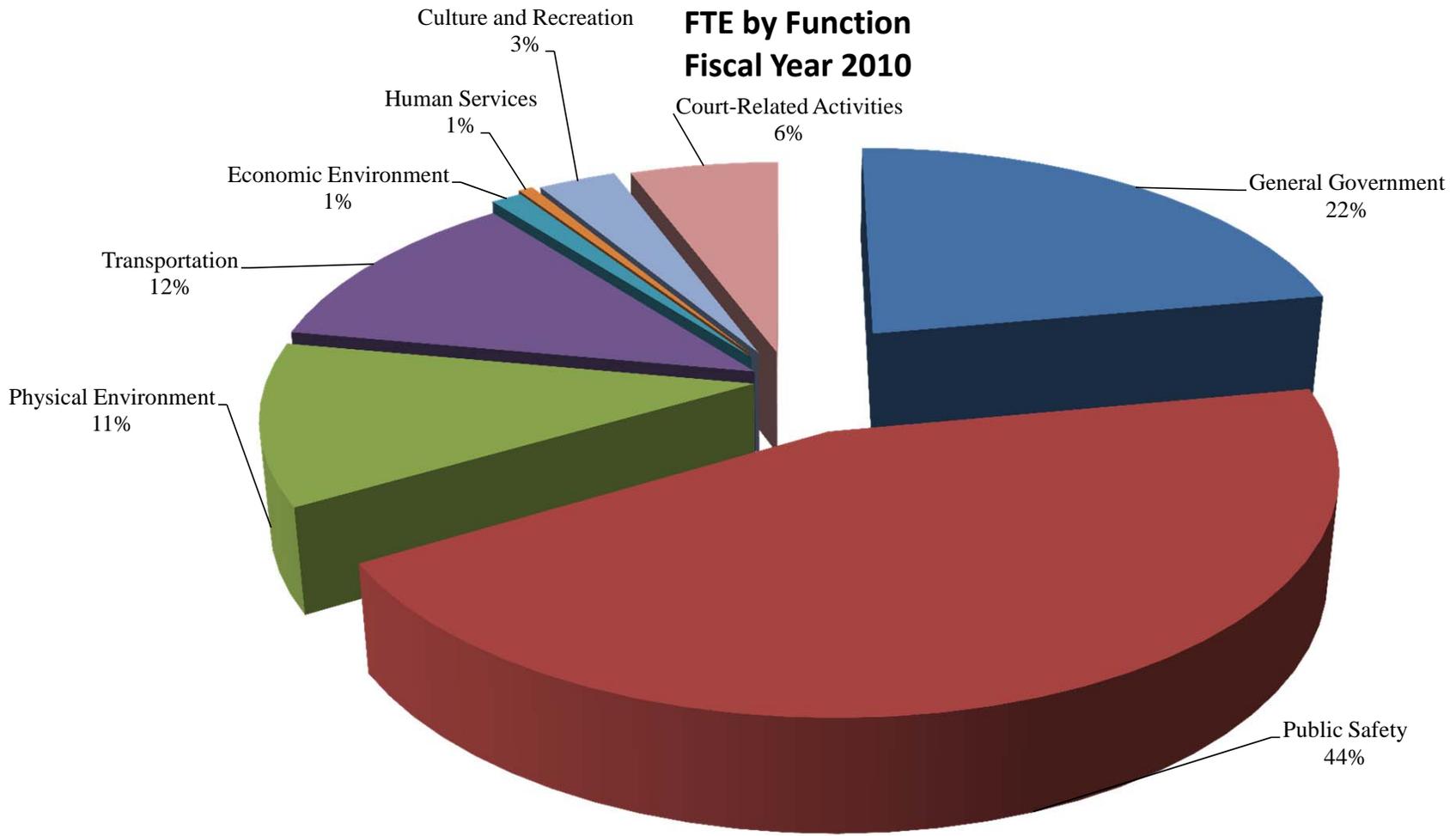


FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION - LAST TEN YEARS

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

SOURCE: BUDGET OFFICE

FTE by Function Fiscal Year 2010



OPERATING INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

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

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

CAPITAL INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

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

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

SINGLE AUDIT SECTION

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

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

Continued...

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

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

Continued...

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

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

Continued...

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

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

Continued...

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

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

Continued...

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

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

Continued...

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

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

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

NOTE 1 - GENERAL

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

NOTE 2 - BASIS OF ACCOUNTING

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

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

Grantor/Program: Passenger Facility Charges

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

Latest ROD 07-03-C-00-VPS

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



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

Board of County Commissioners
Okaloosa County Courthouse
Okaloosa County, Florida

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

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

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of County Commissioners
Okaloosa County Courthouse
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards* (Continued)

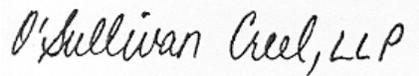
Compliance and Other Matters

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

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

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

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

A handwritten signature in black ink that reads "O'Sullivan Creel, LLP". The signature is written in a cursive style and is placed on a light-colored rectangular background.

March 18, 2011



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

Board of County Commissioners
Okaloosa County, Florida

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Okaloosa County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Okaloosa County, Florida's compliance with those requirements.

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

Board of County Commissioners
Okaloosa County, Florida

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

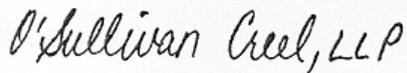
Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program, state project or the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program, state project or the passenger facility charge program will not be prevented, or detected and corrected on a timely basis.

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

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



March 18, 2011

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

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards and State Projects

Internal control over major programs:

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

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

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

Identification of major federal programs:

U.S. Department of Housing and Urban Development

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

U.S. Department of Justice

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

U.S. Department of Transportation

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

U.S. Department of Health and Human Services

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

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

1. Summary of Auditor's Results – Continued

U.S. Department of Homeland Security

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

Identification of major state projects:

Florida Executive Office of the Governor

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

Florida Department of Transportation

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

Florida Department of Transportation

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

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

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

Finding 2010-1 MONTHLY CLOSING PROCEDURES - SHERIFF

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

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

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

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

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

Finding 2010-1 MONTHLY CLOSING PROCEDURES – SHERIFF - CONTINUED

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

Recommendations -

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

Views of the Responsible Officials and Planned Corrective Actions –

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

Finding 2010-2 – INTERNAL CONTROL OVER BILLINGS AT AIRPORT

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

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

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

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

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

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

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

Recommendations –

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

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

Views of the Responsible Officials and Planned Corrective Actions

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

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

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

4. Summary Schedule of Prior Audit Findings

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



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

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

MANAGEMENT LETTER

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

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

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

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

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

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

BOARD OF COUNTY COMMISSIONERS

PRIOR YEAR RECOMMENDATIONS

1. RECONCILIATION OF ACCOUNTS RECEIVABLE AIRPORT ENTERPRISE FUND

Prior Year Comment Summarized

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

Status

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

Continuing Recommendation

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

Management's Response and Action Plan

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

2. RELIANCE ON VENDOR DOCUMENTATION AIRPORT ENTERPRISE FUND

Prior Year Comment Summarized

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

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

BOARD OF COUNTY COMMISSIONERS (CONTINUED)

PRIOR YEAR RECOMMENDATION (CONTINUED)

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

Status

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

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

CLERK OF THE CIRCUIT COURT

No management comments necessary.

SHERIFF

No management comments necessary

TAX COLLECTOR

No management comments necessary.

PROPERTY APPRAISER

No management comments necessary.

SUPERVISOR OF ELECTIONS

No management comments necessary.

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

- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Okaloosa County, Florida, is a political subdivision of the State of Florida organized under Title VIII, Section 1(e) of the Florida Constitution. The primary government includes the Board of County Commissioners, the Clerk of the Circuit Court, the Sheriff, the Tax Collector, the Property Appraiser, and the Supervisor of Elections. As of September 30, 2010, Okaloosa County had one component unit, as defined by GASB 14, with a significant operational or financial relationship with the County. The Emerald Coast Bridge Authority is reported as a discretely presented component unit in the financial statements of Okaloosa County. The Authority was established in May 2001 by legislative action amending Chapter 90-412, Laws of Florida.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of any such specific condition(s) met. In connection with our audit, we determined that Okaloosa County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for Okaloosa County, Florida for the fiscal year ended September 30, 2010, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor Okaloosa County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.
- Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of County Commissioners of Okaloosa County, Florida, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



March 18, 2011

**BOARD OF COUNTY
COMMISSIONERS**

**OKALOOSA COUNTY, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
 SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
 GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit/ Statement/ Schedule</u>
BOARD OF COUNTY COMMISSIONERS		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual		
General Fund	6	III
Fine and Forfeiture Special Revenue Fund	7	IV
Balance Sheet - Proprietary Funds	8	V
Statement of Revenues, Expenses, and Changes in Equity - Proprietary Funds	11	VI
Statement of Cash Flows - Proprietary Funds	13	VII
Notes to Financial Statements	16	
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	64	A-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	68	A-2

**OKALOOSA COUNTY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

BOARD OF COUNTY COMMISSIONERS - Continued

Combining and Individual Fund Statements and Schedules:	Page	Exhibit/ Statement/ Schedule
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Capital Outlay Construction Trust Capital Projects Fund	72	A-3
County Transportation Trust Special Revenue Fund	73	A-4
Library Cooperative Special Revenue Fund	74	A-5
Tourist Development Special Revenue Fund	75	A-6
Natural Disaster Special Revenue Fund	76	A-7
County Public Health Special Revenue Fund	77	A-8
Municipal Services Benefit Unit Special Revenue Funds	78	A-9
Unincorporated County Parks Special Revenue Fund	79	A-10
Okaloosa Debt Service Fund	80	A-11
Road and Bridge Construction Capital Projects Fund	81	A-12
Combining Balance Sheet - Nonmajor Enterprise Funds	82	B-1
Combining Statement of Revenues, Expenses, and Changes in Equity - Nonmajor Enterprise Funds	84	B-2
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	85	B-3
Combining Balance Sheet - Internal Service Funds	87	C-1
Combining Statement of Revenues, Expenses, and Changes in Equity - Internal Service Funds	89	C-2
Combining Statement of Cash Flows - Internal Service Funds	90	C-3

OTHER REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>	92
Schedule of Finding and Responses	94
Management Letter	95

Basic Financial Statements



Honorable Chairman and the Members of the
Board of County Commissioners
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of County Commissioners of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board of County Commissioners of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Board of County Commissioners of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Fine and Forfeiture Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Chairman and the Members of the
Board of County Commissioners
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011 on our consideration of the Board of County Commissioners of Okaloosa County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of County Commissioners of Okaloosa County, Florida's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners of Okaloosa County, Florida and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "O'Sullivan Creel, LLP". The signature is written in a cursive, flowing style.

March 18, 2011



Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010

	General Fund	Fine and Forfeiture Special Revenue Fund
ASSETS		
Cash and Cash Equivalents	\$ 236,735	\$ 34,349
Investments	2,711,169	2,079,784
Accounts Receivable	203,806	42,578
Due from Other Elected Officials	1,113,256	1,278,864
Due from Other Governments	1,178,019	1,572,753
Prepays	566,771	11,770
Investments - Restricted	-	-
	-	-
Total Assets	\$ 6,009,756	\$ 5,020,098
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 215,795	\$ 73,225
Contracts Payable	392,099	105,873
Other Accrued Liabilities	331,615	336,241
Due to Other Funds	-	-
Due to Other Elected Officials	15,804	814,406
Due to Other Governments	3,560	26,588
Due to Depositors	109,567	111,246
Deferred Revenue	164,322	214,003
	1,232,762	1,681,582
Total Liabilities	1,232,762	1,681,582
Fund Balances		
Reserved for		
Encumbrances	290,948	42,000
Prepays	566,771	11,770
Debt Service	-	-
Other Restricted Purposes	1,906,860	1,747,296
Unreserved Reported in		
General Fund	2,012,415	-
Special Revenue Funds	-	1,537,450
Capital Project Funds	-	-
	4,776,994	3,338,516
Total Fund Balances	4,776,994	3,338,516
Total Liabilities and Fund Balances	\$ 6,009,756	\$ 5,020,098

Exhibit I

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 268,652	\$ 1,547,231	\$ 2,086,967
10,827,723	26,786,479	42,405,155
-	709,636	956,020
104,810	11,205	2,508,135
82,839	1,897,642	4,731,253
-	37,424	615,965
16,292,608	-	16,292,608
<u>\$ 27,576,632</u>	<u>\$ 30,989,617</u>	<u>\$ 69,596,103</u>
\$ 417,428	\$ 54,860	\$ 761,308
1,750,638	771,882	3,020,492
2,724	233,711	904,291
-	278,569	278,569
-	-	830,210
-	2,778	32,926
-	87,595	308,408
-	15,432	393,757
<u>2,170,790</u>	<u>1,444,827</u>	<u>6,529,961</u>
2,214,362	605,934	3,153,244
-	37,424	615,965
-	300,796	300,796
18,517,853	10,181,174	32,353,183
-	-	2,012,415
-	8,768,197	10,305,647
4,673,627	9,651,265	14,324,892
<u>25,405,842</u>	<u>29,544,790</u>	<u>63,066,142</u>
<u>\$ 27,576,632</u>	<u>\$ 30,989,617</u>	<u>\$ 69,596,103</u>

The notes to the financial statements are an integral part of this statement.

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

	<u>General Fund</u>	<u>Fine and Forfeiture Special Revenue Fund</u>
Revenues		
Taxes	\$ 22,330,880	\$ 30,499,136
Licenses and Permits	8,700	-
Intergovernmental	7,931,528	10,012,093
Charges for Services	3,045,864	5,236,208
Fines	4,300	257,517
Miscellaneous	800,866	921,676
	<hr/>	<hr/>
Total Revenues	34,122,138	46,926,630
	<hr/>	<hr/>
Expenditures		
Current		
General Government	17,274,916	-
Public Safety	3,848,636	13,441,940
Physical Environment	470,777	-
Transportation	1,862,153	-
Economic Environment	2,367,608	-
Human Services	3,443,944	-
Culture and Recreation	545,808	-
Court-Related	-	1,678,575
Capital Outlay	2,682,073	32,100
Debt Service		
Principal	-	-
Interest	-	-
Other Debt Service Costs	-	-
	<hr/>	<hr/>
Total Expenditures	32,495,915	15,152,615
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,626,223	31,774,015
	<hr/>	<hr/>

Exhibit II

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 11,736,843	\$ 64,566,859
-	1,319,205	1,327,905
411,827	14,090,936	32,446,384
130,000	276,351	8,688,423
-	766	262,583
537,143	3,787,507	6,047,192
<u>1,078,970</u>	<u>31,211,608</u>	<u>113,339,346</u>
581,356	190,750	18,047,022
-	-	17,290,576
-	489,805	960,582
-	12,414,451	14,276,604
-	6,685,229	9,052,837
-	647,055	4,090,999
75,728	3,830,986	4,452,522
-	-	1,678,575
10,126,156	3,240,334	16,080,663
-	587,505	587,505
-	435,901	435,901
-	692,498	692,498
<u>10,783,240</u>	<u>29,214,514</u>	<u>87,646,284</u>
<u>(9,704,270)</u>	<u>1,997,094</u>	<u>25,693,062</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

	<u>General Fund</u>	<u>Fine and Forfeiture Special Revenue Fund</u>
Other Financing Sources (Uses)		
Transfers In	1,001,459	1,679,012
Transfers Out	-	(1,213,284)
Transfers Among Constitutional Officers	(4,867,580)	(31,783,052)
Issuance of Debt	-	-
Discount on Debt Issuance	-	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(3,866,121)	(31,317,324)
	<hr/>	<hr/>
Net Change in Fund Balances	(2,239,898)	456,691
	<hr/>	<hr/>
Fund Balances - Beginning	7,016,892	2,881,825
	<hr/>	<hr/>
Fund Balances - Ending	<u>\$ 4,776,994</u>	<u>\$ 3,338,516</u>

Exhibit II

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
678,427	4,604,453	7,963,351
(1,659,417)	(4,004,055)	(6,876,756)
-	34,444	(36,616,188)
25,671,794	943,206	26,615,000
-	(251,241)	(251,241)
<u>24,690,804</u>	<u>1,326,807</u>	<u>(9,165,834)</u>
14,986,534	3,323,901	16,527,228
<u>10,419,308</u>	<u>26,220,889</u>	<u>46,538,914</u>
<u>\$ 25,405,842</u>	<u>\$ 29,544,790</u>	<u>\$ 63,066,142</u>

The notes to the financial statements are an integral part of this statement.

**Board of County Commissioners
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 21,609,140	\$ 22,329,845	\$ 22,330,880	\$ 1,035
Licenses and Permits	10,300	10,300	8,700	(1,600)
Intergovernmental	1,395,126	17,696,602	7,931,528	(9,765,074)
Charges for Services	3,093,394	3,116,824	3,045,864	(70,960)
Fines	1,000	4,300	4,300	-
Miscellaneous	899,049	809,015	800,866	(8,149)
Total Revenues	<u>27,008,009</u>	<u>43,966,886</u>	<u>34,122,138</u>	<u>(9,844,748)</u>
Expenditures				
Current				
General Government	18,250,292	21,343,242	17,274,916	4,068,326
Public Safety	7,065,522	7,568,734	3,848,636	3,720,098
Physical Environment	443,904	458,063	470,777	(12,714)
Transportation	444,004	4,541,178	1,862,153	2,679,025
Economic Environment	2,720,541	2,815,944	2,367,608	448,336
Human Services	3,433,572	3,593,038	3,443,944	149,094
Culture and Recreation	598,727	598,727	545,808	52,919
Capital Outlay	64,800	6,649,634	2,682,073	3,967,561
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>33,021,362</u>	<u>47,568,560</u>	<u>32,495,915</u>	<u>15,072,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,013,353)</u>	<u>(3,601,674)</u>	<u>1,626,223</u>	<u>5,227,897</u>
Other Financing Sources (Uses)				
Transfers In	278,000	1,001,459	1,001,459	-
Transfers Among Constitutional Officers	<u>(5,677,674)</u>	<u>(5,752,674)</u>	<u>(4,867,580)</u>	<u>885,094</u>
Total Other Financing Sources (Uses)	<u>(5,399,674)</u>	<u>(4,751,215)</u>	<u>(3,866,121)</u>	<u>885,094</u>
Net Change in Fund Balance	<u>(11,413,027)</u>	<u>(8,352,889)</u>	<u>(2,239,898)</u>	<u>6,112,991</u>
Fund Balance - Beginning	<u>11,413,027</u>	<u>8,352,889</u>	<u>7,016,892</u>	<u>(1,335,997)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,776,994</u>	<u>\$ 4,776,994</u>

The notes to the financial statements are an integral part of this statement.

**Board of County Commissioners
Okaloosa County, Florida
FINE AND FORFEITURE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 30,885,655	\$ 30,922,755	\$ 30,499,136	\$ (423,619)
Intergovernmental	8,371,883	10,932,200	10,012,093	(920,107)
Charges for Services	5,028,485	5,178,527	5,236,208	57,681
Fines	225,000	278,349	257,517	(20,832)
Miscellaneous	361,500	719,535	921,676	202,141
Total Revenues	44,872,523	48,031,366	46,926,630	(1,104,736)
Expenditures				
Public Safety	14,253,614	14,861,830	13,441,940	1,419,890
Transportation	-	3,500	-	3,500
Court-Related	2,375,251	2,824,814	1,678,575	1,146,239
Capital Outlay	180,000	220,574	32,100	188,474
Total Expenditures	16,808,865	17,910,718	15,152,615	2,758,103
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,063,658	30,120,648	31,774,015	1,653,367
Other Financing Sources (Uses)				
Transfers In	1,686,512	1,679,012	1,679,012	-
Transfers Out	(950,000)	(1,300,289)	(1,213,284)	87,005
Transfers Among Constitutional Officers	(31,077,700)	(33,381,194)	(31,783,052)	1,598,142
Total Other Financing Sources (Uses)	(30,341,188)	(33,002,471)	(31,317,324)	1,685,147
Net Change in Fund Balance	(2,277,530)	(2,881,823)	456,691	3,338,514
Fund Balance - Beginning	2,277,530	2,881,823	2,881,825	2
Fund Balance - Ending	\$ -	\$ -	\$ 3,338,516	\$ 3,338,516

The notes to the financial statements are an integral part of this statement.

Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Solid Waste Enterprise Fund
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 380,200	\$ 2,101,871	\$ 1,600
Investments	11,440,706	12,995,248	-
Receivables, Net of Allowance for Uncollectible	2,426,388	1,020,262	505,965
Due from Other Funds	-	-	-
Due from Other Elected Officials	60	-	-
Due from Other Governments	272,859	2,427,669	147,225
Inventory	1,547,759	61,596	-
Prepays	54,213	15,739	-
Restricted Assets			
Cash and Cash Equivalents			
Customer Deposits	1,391,785	23,375	20,643
Other Deposits	2,359,613	-	-
Investments	1,229,702	2,882,114	-
Total Restricted Assets	4,981,100	2,905,489	20,643
Total Current Assets	21,103,285	21,527,874	675,433
Capital Assets			
Land	4,802,034	5,553,582	133,301
Buildings	6,019,664	52,380,085	115,363
Improvements Other Than Buildings	-	-	276,776
Intangibles	655,456	94,400	-
Machinery and Equipment	9,404,505	2,299,348	3,091,589
Construction in Progress	12,354,684	5,489,606	-
Infrastructure	225,681,459	60,367,033	-
Works of Art	-	69,865	-
Less Accumulated Depreciation/Amortization	(76,340,700)	(19,647,299)	(3,066,773)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	182,577,102	106,606,620	550,256

Exhibit V

Activities			Governmental
Convention Center	Other	Total	Activities --
Enterprise Fund	Enterprise Funds	Enterprise Funds	Internal
			Service Funds
\$ 51,099	\$ 2,365	\$ 2,537,135	\$ 372,576
12,108,787	-	36,544,741	549,960
-	3,266,727	7,219,342	10,122
278,569	-	278,569	-
-	2	62	753
-	-	2,847,753	147,171
-	-	1,609,355	221,412
217	5,447	75,616	-
-	-	1,435,803	-
-	-	2,359,613	-
992,875	-	5,104,691	-
992,875	-	8,900,107	-
13,431,547	3,274,541	60,012,680	1,301,994
-	-	10,488,917	316,861
17,895,784	-	76,410,896	900,466
9,915	-	286,691	257,345
23,840	72,575	846,271	-
1,113,005	4,694,014	20,602,461	2,500,552
48,634	-	17,892,924	-
363,670	-	286,412,162	-
-	-	69,865	-
(4,343,284)	(3,169,681)	(106,567,737)	(3,287,082)
15,111,564	1,596,908	306,442,450	688,142

Continued...

**Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010**

	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Business-type Solid Waste Enterprise Fund
Other Assets			
Investment in Joint Venture, at Equity	629,548	-	-
Total Other Assets	629,548	-	-
Total Noncurrent Assets	183,206,650	106,606,620	550,256
Total Assets	\$ 204,309,935	\$ 128,134,494	\$ 1,225,689
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 316,396	\$ 35,553	\$ 217,790
Contracts Payable	1,943,238	461,625	323,296
Accrued Liabilities			
Compensated Absences	507,008	77,637	61,846
Closure Costs Payable	-	-	239,973
Claims and Judgments	-	-	-
Other Accrued Liabilities	224,484	44,621	29,553
Due to Other Funds	-	-	-
Due to Other Elected Officials	-	-	-
Due to Other Governments	48,032	15,879	231
Notes Payable	93,303	-	-
Revenue Bonds Payable	45,376	-	157,589
Deferred Revenue	5,506,438	233,226	-
Current Liabilities Payable from Restricted Assets			
Customer Deposits Payable	1,507,795	23,375	21,643
Interest Payable	949,843	595,494	-
Loan - State of Florida	1,081,676	-	-
Revenue Bonds Payable	2,580,000	500,000	-
Total Current Liabilities Payable from Restricted Assets	6,119,314	1,118,869	21,643
Total Current Liabilities	14,803,589	1,987,410	1,051,921

Exhibit V

Activities			Governmental
Convention Center	Other	Total	Activities --
Enterprise Fund	Enterprise Funds	Enterprise Funds	Internal
			Service Funds
-	-	629,548	-
-	-	629,548	-
15,111,564	1,596,908	307,071,998	688,142
\$ 28,543,111	\$ 4,871,449	\$ 367,084,678	\$ 1,990,136
\$ 37,066	\$ 733,200	\$ 1,340,005	\$ 117,073
4,311	56,396	2,788,866	39,579
40,447	244,490	931,428	94,929
-	-	239,973	-
-	-	-	1,742,675
32,311	237,786	568,755	42,480
-	-	-	-
8,998	130	9,128	-
98	7,600	71,840	227
-	-	93,303	-
-	-	202,965	-
50,109	65,685	5,855,458	11,603
-	-	1,552,813	-
328,519	-	1,873,856	-
-	-	1,081,676	-
300,000	-	3,380,000	-
628,519	-	7,888,345	-
801,859	1,345,287	19,990,066	2,048,566

Continued...

**Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010**

	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Business-type Solid Waste Enterprise Fund
Noncurrent Liabilities			
Compensated Absences	456,962	50,444	63,758
Closure Costs Payable	-	-	3,748,760
Claims and Judgments	-	-	-
Notes Payable	73,208	2,000,000	-
Loan- State of Florida (Net of Unamortized Discounts)	8,209,344	-	-
Revenue Bonds Payable (Net of Unamortized Discounts and Deferred Amount on Refunding)	76,393,612	17,783,475	(4,368)
Other Post Employment Benefits	75,456	13,780	8,548
Total Noncurrent Liabilities	85,208,582	19,847,699	3,816,698
Total Liabilities	100,012,171	21,835,109	4,868,619
Equity			
Invested in Capital Assets, Net of Related Debt	92,953,889	86,323,146	550,256
Restricted for Debt Service	2,639,473	2,081,289	-
Restricted for Other Purposes	-	6,292,920	-
Unrestricted	8,704,402	11,602,030	(4,193,186)
Total Equity	104,297,764	106,299,385	(3,642,930)
Total Liabilities and Equity	\$ 204,309,935	\$ 128,134,494	\$ 1,225,689

Activities			Governmental
Convention Center	Other	Total	Activities --
Enterprise Fund	Enterprise Funds	Enterprise Funds	Internal
			Service Funds
28,541	140,560	740,265	93,088
-	-	3,748,760	-
-	-	-	2,079,710
-	-	2,073,208	-
-	-	8,209,344	-
11,425,000	-	105,597,719	-
11,353	75,190	184,327	12,453
11,464,894	215,750	120,553,623	2,185,251
12,266,753	1,561,037	140,543,689	4,233,817
3,386,565	1,596,908	184,810,764	688,142
8,933,523	-	13,654,285	-
3,956,270	-	10,249,190	-
-	1,713,504	17,826,750	(2,931,823)
16,276,358	3,310,412	226,540,989	(2,243,681)
\$ 28,543,111	\$ 4,871,449	\$ 367,084,678	\$ 1,990,136

The notes to the financial statements are an integral part of this statement.

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Solid Waste Enterprise Fund
Operating Revenues			
Licenses and Permits	\$ -	\$ -	\$ -
Charges for Services	23,984,342	8,656,082	7,382,757
Fines	2,201	-	-
Miscellaneous	60,326	101,441	540
Total Operating Revenues	24,046,869	8,757,523	7,383,297
Operating Expenses			
Personal services	6,756,645	1,425,680	926,191
Contractual Services	3,867,176	1,608,640	5,663,637
Supplies	699,277	565,966	104,517
Insurance Premiums and Claims	-	-	-
Utilities	1,781,482	785,564	8,924
Other Operating Expenses	2,163,001	1,651,014	914,476
Depreciation/Amortization	6,565,753	3,182,841	115,699
Total Operating Expenses	21,833,334	9,219,705	7,733,444
Operating Income (Loss)	2,213,535	(462,182)	(350,147)
Nonoperating Revenues (Expenses)			
Taxes	-	-	-
Intergovernmental	185,704	267,673	436,291
Investment Income	465,577	361,149	(524)
Net Gain/(Loss) from Joint Venture	319,446	-	-
Other Non-Operating Revenue	277,586	5,500	-
Interest Expenses	(3,808,985)	(1,199,270)	(16,752)
Other Debt Services Costs	(93,645)	(152,531)	(7,489)
Gain/(Loss) on Disposal of Capital Assets	(6,257)	(1,800)	11,625
Passenger and Customer Facility Charges	-	2,539,493	-
Administrative Charges	-	-	-
Total nonoperating Revenues (Expenses)	(2,660,574)	1,820,214	423,151
Income (Loss) Before Contributions and Transfers	(447,039)	1,358,032	73,004

Exhibit VI

Activities			Governmental
Convention Center	Other	Total	Activities --
Enterprise Fund	Enterprise Funds	Enterprise Funds	Internal
\$ -	\$ 894,021	\$ 894,021	\$ -
842,538	5,791,528	46,657,247	16,457,651
-	-	2,201	35
281	2,849	165,437	1,254
<u>842,819</u>	<u>6,688,398</u>	<u>47,718,906</u>	<u>16,458,940</u>
941,709	6,682,379	16,732,604	1,307,922
1,177,277	428,808	12,745,538	120,892
75,843	549,304	1,994,907	2,648,373
-	-	-	13,133,556
314,077	36,193	2,926,240	8,675
585,336	489,601	5,803,428	238,945
564,568	579,870	11,008,731	108,245
<u>3,658,810</u>	<u>8,766,155</u>	<u>51,211,448</u>	<u>17,566,608</u>
<u>(2,815,991)</u>	<u>(2,077,757)</u>	<u>(3,492,542)</u>	<u>(1,107,668)</u>
3,506,687	1,323,527	4,830,214	-
-	8,920	898,588	-
268,351	(13,504)	1,081,049	31,808
-	-	319,446	-
-	-	283,086	-
(657,038)	-	(5,682,045)	-
(975)	-	(254,640)	-
-	(35,722)	(32,154)	27,380
-	-	2,539,493	-
<u>(106,874)</u>	<u>-</u>	<u>(106,874)</u>	<u>-</u>
<u>3,010,151</u>	<u>1,283,221</u>	<u>3,876,163</u>	<u>59,188</u>
<u>194,160</u>	<u>(794,536)</u>	<u>383,621</u>	<u>(1,048,480)</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Business-type Solid Waste Enterprise Fund
Capital Contributions	4,712,420	4,313,934	-
Transfers In	-	-	-
Transfers Out	-	(1,119,595)	-
Change in Equity	4,265,381	4,552,371	73,004
Total Equity - Beginning	100,032,383	101,747,014	(3,715,934)
Total Equity - Ending	\$ 104,297,764	\$ 106,299,385	\$ (3,642,930)

Exhibit VI

Activities			Governmental
Convention Center Enterprise Fund	Other Enterprise Funds	Total Enterprise Funds	Activities -- Internal
96	287	9,026,737	80,511
-	283,000	283,000	-
(250,000)	-	(1,369,595)	-
(55,744)	(511,249)	8,323,763	(967,969)
16,332,102	3,821,661	218,217,226	(1,275,712)
<u>\$ 16,276,358</u>	<u>\$ 3,310,412</u>	<u>\$ 226,540,989</u>	<u>\$ (2,243,681)</u>

The notes to the financial statements are an integral part of this statement.

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010**

	Business-type Activities		
	Water and Sewer System	Airport Enterprise	Solid Waste
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 23,436,774	\$ 8,796,326	\$ 7,703,533
Receipts from Interfund Services Provided	354,291	-	30,503
Payments to Suppliers	(6,281,645)	(4,125,732)	(6,101,644)
Payments to Employees	(6,495,576)	(1,393,339)	(896,721)
Payments for Interfund Services Used	(2,775,348)	(931,885)	(785,300)
Net Cash Provided (Used) by Operating Activities	<u>8,238,496</u>	<u>2,345,370</u>	<u>(49,629)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Subsidy - Taxes	-	-	-
Operating Subsidy - Intergovernmental Revenue	65,033	399,945	363,752
Transfers In	-	-	-
Transfers (Out)	-	(1,119,595)	-
Interest Paid on Non-Capital Debt	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>65,033</u>	<u>(719,650)</u>	<u>363,752</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(10,446,673)	(5,153,925)	(9,095)
Passenger Facility Charges	-	1,466,902	-
Customer Facility Charges	-	1,072,591	-
Proceeds from Disposal of Capital Assets	10,185	1,840	11,625
Net Borrowing (Repayments)			
Proceeds from Capital Debt	-	-	16,752
Principal Paid on Capital Debt	(3,661,651)	(475,000)	(317,495)
Interest Paid on Capital Debt	(3,851,284)	(1,210,970)	-
Other Debt Service Costs	(4,433)	(26,304)	(16,752)
Taxes	-	-	-
Tap Fees in Excess of Cost	437,649	-	-
Capital Contributions	5,212,768	2,997,815	-
Net cash provided (used) by capital and related financing activities	<u>(12,303,439)</u>	<u>(1,327,051)</u>	<u>(314,965)</u>

Exhibit VII

- Enterprise Funds			Governmental
Convention	Other		Activities
Center	Enterprise	Total	Internal
	Funds		Service Funds
\$ 837,816	\$ 6,507,436	\$ 47,281,885	\$ 10,277,465
-	-	384,794	6,153,933
(1,824,762)	(792,162)	(19,125,945)	(15,634,183)
(928,435)	(6,337,895)	(16,051,966)	(1,282,500)
(349,081)	(716,402)	(5,558,016)	(136,962)
(2,264,462)	(1,339,023)	6,930,752	(622,247)
1,771,336	1,323,963	3,095,299	-
-	44,986	873,716	-
-	283,000	283,000	-
(250,000)	-	(1,369,595)	-
-	(7,342)	(7,342)	(947)
1,521,336	1,644,607	2,875,078	(947)
(97,726)	(299,037)	(16,006,456)	(1,120)
-	-	1,466,902	-
-	-	1,072,591	-
-	-	23,650	29,352
-	-	16,752	-
(285,000)	-	(4,739,146)	-
(664,305)	-	(5,726,559)	-
(112,841)	-	(160,330)	-
1,771,336	-	1,771,336	-
-	-	437,649	-
-	-	8,210,583	-
611,464	(299,037)	(13,633,028)	28,232

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010**

	Business-type Activities		
	Water and Sewer System	Airport Enterprise	Solid Waste
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	13,955,635	5,001,855	248,227
Interest Income	335,306	305,253	950
Purchases of Investments	(10,002,451)	(5,738,895)	(249,202)
Net Cash Provided (Used) by Investing Activities	<u>4,288,490</u>	<u>(431,787)</u>	<u>(25)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	288,580	(133,118)	(867)
Cash and Cash Equivalents - Beginning of Year	<u>3,843,018</u>	<u>2,258,364</u>	<u>23,110</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,131,598</u>	<u>\$ 2,125,246</u>	<u>\$ 22,243</u>
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 380,200	\$ 2,101,871	\$ 1,600
Restricted assets	3,751,398	23,375	20,643
Total	<u>\$ 4,131,598</u>	<u>\$ 2,125,246</u>	<u>\$ 22,243</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 2,213,535	\$ (462,182)	\$ (350,147)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	6,051,072	3,182,840	115,700
Other revenue	277,586	5,500	-
Decrease (Increase) in Assets			
Accounts Receivable	(334,365)	24,689	349,739
Due from Other Funds	(60)	-	-
Due from Other Governments	(149,928)	-	-
Inventories	22,014	(18,085)	-
Prepaid Expenses	13,736	(7,297)	-

Exhibit VII

- Enterprise Funds			Governmental
Convention	Other		Activities
Center	Enterprise	Total	Internal
	Funds		Service Funds
3,952,615	6,215	23,164,547	1,926,774
213,808	-	855,317	21,286
(4,376,114)	(10,397)	(20,377,059)	(1,282,057)
<u>(209,691)</u>	<u>(4,182)</u>	<u>3,642,805</u>	<u>666,003</u>
(341,353)	2,365	(184,393)	71,041
392,452	0	6,516,944	301,535
<u>\$ 51,099</u>	<u>\$ 2,365</u>	<u>\$ 6,332,551</u>	<u>\$ 372,576</u>
\$ 51,099	\$ 2,365	\$ 2,537,135	\$ 372,576
-	-	3,795,416	-
<u>\$ 51,099</u>	<u>\$ 2,365</u>	<u>\$ 6,332,551</u>	<u>\$ 372,576</u>
\$ (2,815,991)	\$ (2,077,757)	\$ (3,492,542)	\$ (1,107,668)
564,569	579,870	10,494,051	108,245
-	-	283,086	-
49	(166,313)	(126,201)	(3,471)
-	-	(60)	(393)
-	-	(149,928)	(27,881)
-	-	3,929	16,524
1,746	(3,427)	4,758	5,862

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010**

	Business-type Activities		
	Water and Sewer System	Airport Enterprise	Solid Waste
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities - Continued			
Increase (Decrease) in Liabilities			
Accounts Payable	(9,619)	(452,360)	(244,402)
Service Contracts Payable	91,807	54,740	234,380
Due to Other Funds	(54)	(80)	-
Due to Other Governments	46,610	5,602	149
Compensated Absences Payable	24,730	(2,973)	(5,092)
Closure Cost Payable	-	-	(157,056)
Claims and Judgments Payable	-	-	-
Other Accrued Liabilities	14,854	6,955	3,211
Deposits	11,615	-	1,000
Deferred Revenue	(60,652)	3,013	-
Other Post Employment Benefits	25,615	5,008	2,889
Total Adjustments	<u>6,024,961</u>	<u>2,807,552</u>	<u>300,518</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,238,496</u>	<u>\$ 2,345,370</u>	<u>\$ (49,629)</u>
Noncash Investing, Capital, and Financing Activities:			
Improvements Acquired Through Contributions	\$ -	\$ -	\$ -
Amortization of Loan Costs and Refunding Losses	\$ (89,213)	\$ (126,226)	\$ (7,489)
Transfer of Fixed Assets From Other Funds	\$ -	\$ -	\$ -
Transfer of Fixed Assets to Other Funds	\$ -	\$ (1,175)	\$ -
Gain on Joint Venture	\$ 319,446	\$ -	\$ -
Loss on Disposal of Capital Assets	\$ (16,442)	\$ (2,465)	\$ -
Unrealized Gain/(Loss) on Investments	\$ (109,441)	\$ (107,043)	\$ 1,621

Exhibit VII

- Enterprise Funds			Governmental
Convention	Other		Activities
Center	Enterprise	Total	Internal
	Funds		Service Funds
24,458	254,576	(427,347)	(29,193)
(36,220)	25,518	370,225	22,274
-	130	(4)	-
(747)	3,353	54,967	(12,696)
(8,382)	9,263	17,546	(4,839)
-	-	(157,056)	-
-	-	-	396,948
6,317	25,972	57,309	5,600
-	-	12,615	-
(4,306)	(15,245)	(77,190)	4,203
4,045	25,037	62,594	4,238
551,529	738,734	10,423,294	485,421
<u>\$ (2,264,462)</u>	<u>\$ (1,339,023)</u>	<u>\$ 6,930,752</u>	<u>\$ (622,247)</u>
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ (222,928)	\$ -
\$ -	\$ 287	\$ 287	\$ 80,511
\$ -	\$ (25,929)	\$ (27,104)	\$ -
\$ -	\$ -	\$ 319,446	\$ -
\$ -	\$ (9,793)	\$ (28,700)	\$ (1,972)
\$ (88,284)	\$ 4,135	\$ (299,012)	\$ (6,721)

The notes to the financial statements are an integral part of this statement.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Okaloosa County is a political subdivision of the State of Florida, governed by a five member Board of County Commissioners (Board), each elected at large for four-year terms. The Board has no powers other than those expressly vested in it by State Statute and their governmental powers cannot be delegated.

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Board uses the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes.

The Board also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its proprietary funds at the fund reporting level, provided they do not conflict or contradict GASB pronouncements.

The following is a summary of the more significant accounting policies of the Board of County Commissioners of Okaloosa County, Florida.

A. The Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Board consists of all funds, departments, boards and agencies of the Board that are not legally separate from the Board. Component units are legally separate organizations for which the Board is financially accountable.

The Board is financially accountable for an organization if the Board appoints a voting majority of the organization's governing board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access the organization's resources; the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Board is obligated for the debt of the organization.

Component units are presented either as "blended" or "discretely presented". If blended, it is reported as if it was a fund of the Board throughout the year and is included at both the government-wide and fund financial reporting levels. Discretely presented component units are reported only at the government-wide reporting level.

The Board is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Board's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. The Reporting Entity – Continued

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections.

As required by generally accepted accounting principles, these financial statements present the Board of County Commissioners of Okaloosa County, Florida (the primary government) and its component units. As of September 30, 2010, the Board had one component unit as defined by GASB 14, the Emerald Coast Bridge Authority (Authority). It is included in the Board's reporting entity as a result of fiscal dependency upon the Board and is presented as a governmental fund type. The Authority is discretely presented in a separate column in the combined financial statements of Okaloosa County to emphasize it is legally separate from the primary government. In the separate financial statements of the Board, the Authority's financial information is presented as part of the notes to the financial statements to emphasize it is legally separate from the primary government. The Authority has a September 30 year-end. The Authority does not issue separately issued financial statements. Following is a description.

Emerald Coast Bridge Authority

The Emerald Coast Bridge Authority was established in May 2001 by legislative action amending Chapter 90-412, Laws of Florida. The legislative action changed the name of the Fort Walton Beach Bridge Authority to the Emerald Coast Bridge Authority (hereinafter referred to as the Authority). The Authority consists of five members all appointed by the Governor of Florida. The purpose of the Authority is the planning, constructing, operating, and maintaining of a bridge or bridges transversing Choctawhatchee Bay or Santa Rosa Sound, or both, and access roads to the bridge or bridges. The Authority is fiscally dependent on the Board of County Commissioners because the Board has the responsibility to review and change the Authority's budget on an annual basis pursuant to the authorizing legislation forming the Authority. The Authority has been in the planning state of its mission statement and has conducted feasibility studies to determine the best location for a bridge. During fiscal year 2006, public meetings were held to discuss the bridge corridor options recommended by the studies. It was determined that none of the options were acceptable to the local public. In May of 2006, the Authority requested that the Okaloosa County Board of County Commissioners forward a letter to the Florida Legislature asking that they, 1) dissolve the Authority, 2) forgive the debt owed and 3) state that the bridge corridor options have no public support. No action has been taken by the Florida Legislature. The Authority is now dormant. Following are their last available financial statements as of September 30, 2010.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. The Reporting Entity – Continued

Emerald Coast Bridge Authority – Continued

Emerald Coast Bridge Authority
Condensed Statement of Net Assets
September 30, 2010

Total Assets - Cash	\$ -
Liabilities	
Notes Payable- Long Term	\$ 1,777,289
Net Assets, Unrestricted	<u>\$ (1,777,289)</u>

Emerald Coast Bridge Authority
Condensed Statement of Activities
September 30, 2010

Expenses	
Transportation	\$ -
Program Revenue	<u>-</u>
Change in Net Assets	-
Net Assets - Beginning	<u>(1,777,289)</u>
Net Assets - Ending	<u>\$ (1,777,289)</u>

B. Special Purpose Financial Statements

The financial statements presented for the Board of County Commissioners in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define “basic financial statements,” “required supplementary information,” and “disclosures presented in the notes to the financial statements” for those entities such as the Board that have implemented GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Special Purpose Financial Statements - Continued

The Board segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and proprietary funds of the Board. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is a charge for service, rent, in exchange for a specific service, use of a County building. Non-exchange transactions are those in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is property tax revenue received by the County which is used to fund various general governmental services. The revenue from these exchange and non-exchange transactions is recognized in the financial statements in varying ways depending on the basis of accounting used.

2. Governmental Fund Financial Statements

All governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are sales tax, gasoline taxes and other intergovernmental revenues collected and held by the state at year-end on behalf of the Board, special assessments, licenses, interest revenue and charges for service. Current year property taxes uncollected at the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and are not recorded as a receivable on the balance sheet. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

3. Proprietary Fund Financial Statements

The proprietary fund financial statements are reported using the *economic resources measurement focus*. Under this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The statement of revenue, expenses and changes in equity reports revenues and expenses. The proprietary funds are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. The principal operating revenues for the proprietary funds are fees and charges for water and sewer, airports, solid waste, inspection services, emergency medical services, convention center, self-insurance, and fleet internal service operations. Operating expenses for the enterprise funds, and the internal service funds, include the cost of sales and services, administrative expenses and depreciation of capital assets.

Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. They include property taxes, grants, entitlements, donations and capital contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Contributions of capital in proprietary fund financial statements arise from internal and external contributions of capital assets or from grants or outside contribution of resources restricted to capital acquisition and construction.

4. Other Financial Statement Presentation Information

The Board currently employs an indirect allocation system. An administrative service fee is charged by the General Fund, at the direction of the Board of County Commissioners, to several special revenue and enterprise funds to address General Fund services (finance, personnel, purchasing, legal, technology management, etc.) provided.

The Board reports the following major governmental funds:

General Fund

This is the Board's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

4. Other Financial Statement Presentation Information - Continued

Fine and Forfeiture Fund

This fund is used to account for all criminal justice activity of the Board including the concession sales and expenses related to prisoner activities. This fund includes appropriations to the Sheriff, the County Department of Corrections, the Clerk of the Circuit and County Courts (the Clerk), the Circuit and County Judges, the County Medical Examiner, the State Attorney and the State Public Defender. The fund accounts for most restricted activity related to fees generated from the assessment of court costs or fees collected by the Clerk for the County such as those for the improving of court facilities, providing education and training for law enforcement officers, activities of the Law Library and Legal Aid that are funded under Chapter 67-1787, Laws of Florida from assessment of a court cost and the proceeds from the sale of confiscated property declared forfeited by the Circuit Court.

Capital Outlay Construction Trust Fund

This fund is used to account for proceeds of bond issues, federal and state grants, and local appropriations for major capital projects. At the end of the fiscal year, completed projects are capitalized and reported on the government-wide financial statements of Okaloosa County, Florida.

The Board reports the following major enterprise funds:

Water and Sewer Fund

This fund is used to account for the user charges and expenses including debt service associated with the provision of water and sewer services to residents of the unincorporated areas of Okaloosa County.

Airport Enterprise Fund

This fund is used to account for the operation of three Okaloosa County airports including debt service. Revenue sources include federal and state grants, fees from concessionaires and other fees and charges for services to tenants and airport users.

Solid Waste Fund

This fund is used to account for the revenues and expenses associated with the provision of solid waste management within Okaloosa County.

Convention Center Fund

This fund is used to account for the general operation of the Okaloosa County Convention Center. This fund also accounts for the debt service on the Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000, issued to fund construction of the Convention Center.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

4. Other Financial Statement Presentation Information - Continued

The Board reports the following fund type:

Internal Service Funds

These funds account for insurance coverage and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; SEC registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the Board has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the name of Okaloosa County, Florida by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Board adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which establishes registration procedures for securities and dealers.

The Board maintains cash and investment pools available for use by all funds of the primary government. Earnings from such accounts are allocated to the respective funds based on applicable cash participation by each fund. In addition, certificates of deposits, money market accounts and debt securities can be separately maintained by individual funds.

Each fund's portion of the pooled cash account, cash on hand, any individual demand deposit accounts and highly liquid investments are displayed on the balance sheet as "cash and cash equivalents." For purposes of these statements, all highly liquid investments (including restricted assets) with maturity of 90 days or less when purchased are considered to be cash equivalents.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

1. Deposits and Investments - Continued

U.S. Treasury and agency obligations with maturities of one (1) year or less when purchased are reported on the balance sheet at their amortized cost. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost. All other investments are reported at fair value. The State of Florida provides regulatory oversight for the external investment pools in which the Board invests. The pools either meet the “2A-7 like” criteria of GASB 31 or value investments at fair value. Therefore, fair value of the position in these pools is the same as the value of the pool shares.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds or elected officials” or “due to other funds or elected officials” on the balance sheet. Short-term interfund loans are also classified as “interfund receivables/payables.” If applicable, non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources, and therefore are not available for appropriation.

The Emergency Medical Services Enterprise Fund, the Airport Fund, and the Water and Sewer Enterprise Fund are the only funds of the Board that provide for an allowance for doubtful accounts for trade accounts receivables. All other funds accounts receivable write offs are insignificant.

Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1, 2010
Levy Date	November 1, 2010
Due Date	November 1, 2010
Delinquent Date	April 1, 2011

Discounts of 1% for each month taxes are paid prior to March 2011 are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. Current year taxes that are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

3. Inventories and Prepaid Items

Inventory is presented by the Board only in the proprietary funds and is valued at lower of cost (first-in, first-out) or market. The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

4. Restricted Assets

Certain proceeds of the Water and Sewer System Enterprise Fund revenue bonds, the Airport Enterprise Fund revenue bonds and the Convention Center Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, restricted assets include funds set aside for repayment of customer deposits in several enterprise funds.

5. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County. Capital assets acquired by proprietary funds are reported in those funds.

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Board's capitalization levels are \$1,000 on tangible personal property and \$5,000 on buildings, improvements other than buildings, intangibles, and infrastructure. Other costs incurred for repairs and maintenance is expensed as incurred. General infrastructure assets acquired prior to July 1, 1980 are included in the capital asset inventory and are reported at estimated historical cost using deflated replacement cost.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings	10-50
Improvements Other Than Buildings	7-25
Intangibles	5
Equipment	3-7
Vehicles	2-15
Roads and Bridges	10-75
Wastewater Lines and Pump Stations	10-50
Other Infrastructure	10-50

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

6. Compensated Absences

The liability for compensated absences reported in the governmental and proprietary fund statements consists of unpaid, accumulated annual and sick leave or compensatory time balances. A liability for these amounts is reported in governmental funds financial statements only if they have matured, for example, as a result of employee resignations and retirements. The liability is accrued when incurred in the proprietary fund financial statements.

7. Accrued liabilities and Long-Term Obligations

Proprietary fund types report long-term debt such as capital leases and other long-term obligations as liabilities in the proprietary fund type balance sheet.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligation of these funds. However, compensated absences and claims that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due. At the inception of capital leases reported in governmental funds, expenditures and an “Other Financing Source” of an equal amount are reported at the net present value of future minimum lease payments.

8. Bond Premiums, Discounts and Issuance Costs

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the proprietary fund type statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Unamortized losses on bonds are presented as a reduction of the face amount of bonds payable. The Water and Sewer Enterprise Fund is the only fund that has unamortized losses on bonds. The unamortized loss on revenue bonds as of September 30, 2010 is \$50,090 (Series 2006).

9. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change. When both restricted and unrestricted resources are available for use, it is the policy of the Board to use restricted resources first, and then unrestricted resources as they are needed.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental and proprietary funds; however, budgets for proprietary funds are not required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board re-adopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each elected official is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

A. BUDGETARY INFORMATION - CONTINUED

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. Supplemental budgetary appropriations of \$93,549,826, representing a 35.49% increase over the original adopted budget, were necessary during the fiscal year. All amendments to originally adopted amounts were made in a legally permissible manner.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances at fiscal year end do not constitute expenditures since the commitments will be honored during the subsequent year. Encumbrances will instead be reported as a reservation of fund balance.

B. DEFICIT FUND EQUITY

The Solid Waste Enterprise Fund reported deficit fund equity of \$3,642,930 for the year ended September 30, 2010. The deficit is caused by changes in reporting closure costs and long-term care costs for the solid waste landfills of the County. Further description of these costs and methods of funding them are discussed in Note 7.

The Inspection and Code Enforcement Fund reported deficit fund equity of \$347,113 for the year ended September 30, 2010. The deficit is caused by the slowed housing market resulting in decreased revenues such as building, re-inspection, home occupation, and development permits.

The Self Insurance Internal Service Fund reported deficit fund equity of \$3,066,590. Claim liabilities for workers' compensation, general and automobile liabilities and property damage are funded by actuarially projected budget requirements for expected yearly cash payouts. This funding method results in a deficit fund balance which will be charged back to the other funds over a reasonable period of time so that service fund revenues and expenses will be equal.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Board maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. Collateral requirements may increase according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Board deposits, including certificates of deposit, are considered fully insured.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED

As of September 30, 2010 the Board had the following investments:

Investment Type and Quantity	Principal/ Par Value	Fair Value	Maturity
Florida Local Government Surplus			
Funds Trust investment pool - Fund A	\$ 17,254,720	\$ 17,254,721	On Demand
Florida Local Government Surplus			
Funds Trust investment pool - Fund B	1,799,911	1,799,911	As Available*
Florida Local Government Investment			
Trust investment pool	35,051,221	35,051,221	On Demand
Florida Local Government Investment			
Trust day to day fund	10,071,056	10,071,056	On Demand
STI Classic Institutional Cash Mgmt	10,183,125	10,183,125	On Demand
U.S. Treasury bill (1)			
Repurchase Agreement (1)	800,825	800,825	10/1/2013
Federal Home Loan Mortgage Corp (2)	1,000,000	1,002,810	8/17/2017
	1,000,000	1,002,810	11/19/2018
Federal National Mortgage Assoc. (13)	3,806,137	4,032,488	7/25/2016
	2,238,561	2,334,103	1/1/2012
	1,792,888	1,842,748	11/1/2011
	782,172	812,019	7/1/2012
	498,896	513,508	10/1/2011
	989,731	1,017,829	10/1/2014
	2,350,000	2,371,291	12/30/2015
	941,442	992,129	5/1/2013
	1,513,253	1,599,811	2/1/2013
	1,083,487	1,172,550	1/1/2015
	3,000,000	3,004,680	5/26/2015
	2,000,000	2,023,760	4/7/2014
	2,000,000	2,013,760	5/14/2014
	<u>\$ 100,157,425</u>	<u>\$ 100,897,155</u>	

*Fund B cash holdings are being distributed to participants as they become available from maturities, sales and received income. The investment objective for Fund B is to maximize the present value of the distributions.

State Statutes and the formal investments and portfolio policies adopted by the Board restrict the types of investments that can be made by the Board. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1.

The investment policy manual details the methods used to manage the risks inherent to the investment process. The authority for investment of County funds rests with the Clerk who has delegated management of the investment program to the Finance Director. Investments can only be made by majority vote of the investment committee appointed by the Clerk. Although the policies allow investments in many types of instruments, the investment committee has chosen to limit investment risks by investing mainly in allowed investment pools. The pools are 2a7-like investment pools and manage interest rate risk by limiting the weighted average maturity of their portfolios, manage credit risk by investing in mainly governmental and other highly rated securities, manage concentration of credit risk by limiting investment in any one issuer to

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED

less than 5% of the portfolio and manage custodial credit risk by requiring collateral for investments held by counterparties.

Interest rate risk. In accordance with the investment policy, the exposure to declines in fair value of investments outside of the pools is managed by matching the investments to a specific cash flow requirement. The repurchase agreement and instrumentalities are matched to the timing of required debt service payments.

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Florida Local Government Investment Trust Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriated assets, and Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk.

Credit risk. As of September 30, 2010, Standard & Poor's rated the investment in Florida Local Government Investment Trust investment pool AA Af, Florida Local Government Investment Day to Day AA Am, Florida Local Government Surplus Fund Trust AA Am, and STI Classic Institutional Cash Management AA Am. The Florida Local Government Surplus Fund Trust Fund B investment pool was not rated by any nationally recognized statistical rating agency as of September 2010. As of September 30, 2010 all U.S. Instrumentalities held by the County were rated AAA. The investment policies of the County manage credit risk by limiting investments in U. S. Instrumentalities to the two highest ratings issued by nationally recognized statistical rating organization.

Concentration of credit risk. The investment policies of the County diversify the portfolio by limiting the maximum percentage of various types of investments that can be purchased. The investment policy maximum percentages for the current portfolio are 50% for U.S. agencies and instrumentalities and 50% for repurchase agreements. More than 5% of the County's investments are in the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. These investments are 2% and 24% respectively, of the County's total investments.

Custodial credit risk. Okaloosa County has a perfected first security interest in the collateral underlying the repurchase agreement. STI Classic Institutional Cash Management and U.S. instrumentalities are held by the County's agent in the County's name in accordance with the Okaloosa County Investment Policy requiring third party custody and safekeeping.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 – RECEIVABLES

Receivables as of September 30, 2010 for the government’s individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Funds	Accounts	Due From Other Governments	Total Receivables	Less: Allowance for Doubtful Accounts	Net Total Receivables Sept. 30, 2009
General	\$ 203,806	\$ 1,178,019	\$ 1,381,825	\$ -	\$ 1,381,825
Fine and Forfeiture	42,578	1,572,753	1,615,331	-	1,615,331
Capital Outlay	-	82,839	82,839	-	82,839
Water and Sewer	2,626,388	272,859	2,899,247	(200,000)	2,699,247
Airport	1,655,902	2,427,669	4,083,571	(635,640)	3,447,931
Solid Waste	505,965	147,225	653,190	-	653,190
Nonmajor and Other Funds	6,636,471	2,044,813	8,681,284	(2,649,986)	6,031,298
Total	\$ 11,671,110	\$ 7,726,177	\$ 19,397,287	\$ (3,485,626)	\$ 15,911,661

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows.

	Unavailable	Unearned
General Fund		
Grant revenue	\$ -	\$ 157,756
Rent Received in Advance	-	6,566
Special Revenue Funds		
Fine and Forfeiture		
Grant revenue	-	6,428
Commissions Received in Advance	-	207,575
Nonmajor Funds		
Grant revenue	-	15,432
Total deferred/unearned revenue for governmental funds	\$ -	\$ 393,757

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 5 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets, regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Board of County Commissioners of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 9,898,076	\$ -	\$ -	\$ 9,898,076
Intangibles	1,133,116	13,789	-	1,146,905
Construction in progress	5,543,977	11,024,312	(2,406,994)	14,161,295
Total capital assets, not being depreciated/amortized	<u>16,575,169</u>	<u>11,038,101</u>	<u>(2,406,994)</u>	<u>25,206,276</u>
Capital assets, being depreciated/amortized:				
Buildings	41,356,402	222,155	-	41,578,557
Improvements other than buildings	27,519,569	793,575	-	28,313,144
Intangibles	1,442,820	127,620	-	1,570,440
Machinery and equipment	34,012,716	3,712,439	(2,665,588)	35,059,567
Infrastructure	128,568,381	4,843,562	-	133,411,943
Total capital assets being depreciated/amortized	<u>232,899,888</u>	<u>9,699,351</u>	<u>(2,665,588)</u>	<u>239,933,651</u>
Less accumulated depreciation/amortization for:				
Buildings	(16,937,400)	(1,094,704)	-	(18,032,104)
Improvements other than buildings	(6,031,414)	(695,759)	-	(6,727,173)
Intangibles	(666,029)	(246,317)	-	(912,346)
Machinery and equipment	(24,855,758)	(3,547,440)	2,331,183	(26,072,015)
Infrastructure	(69,428,550)	(3,250,258)	-	(72,678,808)
Total accumulated depreciation/amortization	<u>(117,919,151)</u>	<u>(8,834,478)</u>	<u>2,331,183</u>	<u>(124,422,446)</u>
Total capital assets, being depreciated/amortized, net	<u>114,980,737</u>	<u>864,873</u>	<u>(334,405)</u>	<u>115,511,205</u>
Governmental activities capital assets, net	<u>\$ 131,555,906</u>	<u>\$ 11,902,974</u>	<u>\$ (2,741,399)</u>	<u>\$ 140,717,481</u>

Note: The "Increases" column includes transfers of assets purchased in prior years from business-type activities to governmental activities as well as reclassifications from completed multiyear construction projects. Therefore the amounts in the column will not be equal to capital outlay or total depreciation expense by major capital asset class in the governmental funds.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 5 – CAPITAL ASSETS – CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business - type activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 10,488,917	\$ -	\$ -	\$ 10,488,917
Construction in progress	9,963,550	9,267,453	(1,338,079)	17,892,924
Works of art	69,865	-	-	69,865
Total capital assets not being depreciated/amortized	<u>20,522,332</u>	<u>9,267,453</u>	<u>(1,338,079)</u>	<u>28,451,706</u>
Capital assets, being depreciated/amortized:				
Buildings	75,609,032	950,721	(148,857)	76,410,896
Improvement other than buildings	286,691	-	-	286,691
Intangibles	760,931	85,340	-	846,271
Machinery and equipment	20,659,226	582,670	(639,435)	20,602,461
Infrastructure	283,209,231	3,202,931	-	286,412,162
Total capital assets being depreciated/amortized	<u>380,525,111</u>	<u>4,821,662</u>	<u>(788,292)</u>	<u>384,558,481</u>
Less accumulated depreciation/amortization for:				
Buildings	(11,238,696)	(1,904,853)	139,064	(13,004,485)
Improvements other than buildings	(123,863)	(10,218)	-	(134,081)
Intangibles	(171,329)	(149,171)	-	(320,500)
Machinery and equipment	(14,998,456)	(1,800,383)	595,199	(16,203,640)
Infrastructure	(69,719,030)	(7,186,001)	-	(76,905,031)
Total accumulated depreciation/amortization	<u>(96,251,374)</u>	<u>(11,050,626)</u>	<u>734,263</u>	<u>(106,567,737)</u>
Total capital assets, being depreciated/amortized, net	<u>284,273,737</u>	<u>(6,228,964)</u>	<u>(54,029)</u>	<u>277,990,744</u>
Business-type activities capital assets, net	<u>\$ 304,796,069</u>	<u>\$ 3,038,489</u>	<u>\$ (1,392,108)</u>	<u>\$ 306,442,450</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 5 – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions/programs as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Government activities:		
General government	\$ 1,175,387	\$ 96,585
Public safety	950,288	4,313
Physical environment	43,965	-
Transportation, including depreciation of general infrastructure assets	4,727,704	30,967
Economic environment	39,369	-
Human services	347,590	-
Culture and recreation	592,495	-
Court related	189,173	114,452
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	108,245	-
Total depreciation expense - governmental activities	<u>\$ 8,174,216</u>	<u>\$ 246,317</u>
Business - type activities:		
Water and sewer	\$ 6,451,730	\$ 114,023
Airport	3,163,961	18,880
Solid waste	115,699	-
Convention center	559,800	4,768
Other enterprise funds	568,370	11,500
Total depreciation expense - business - type activities	<u>\$ 10,859,560</u>	<u>\$ 149,171</u>

Construction Commitments

Judicial/Governmental Center

The Board of County Commissioners has entered into contracts for the design of a new judicial/governmental center. The total of the two contracts is \$25,963,159. Expenditures to date total \$8,295,412, and the remaining balance is \$17,667,747.

Fiber Optic Network

The Board entered into a contract with World Fiber Technologies for the development of Phase V of the fiber optic network to facilitate communications and networking. The total contract amount is \$957,010. Total expenditures on the project to date are \$861,989 leaving a balance of \$95,021.

In-House Improvements

The Board of County Commissioners is continuing in-house renovations of various county facilities. Cumulative expenditures total \$227,717 to date.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 5 – CAPITAL ASSETS – CONTINUED

Construction Commitments –Continued

Road and Other Infrastructure Improvements

The Board has also entered into contracts to improve roads and other infrastructure at various locations throughout the County. The contracts total \$1,669,491. Cumulative expenditures total \$1,384,639, with \$284,852 remaining liability outstanding at September 30, 2010.

Water and Sewer Expansion and Renovation

The Water and Sewer System is continuing significant expansion and renovations throughout the County. Based on the fiscal year 2010 capital budget, total expenditures will approximate \$4,000,000 on contracted projects, plus an additional \$2,000,000 for in-house construction.

Construction of a new wastewater treatment plant to service the Garnier's area of south Okaloosa County was completed in Fiscal Year 2010. The total project cost was approximately \$62 million and was funded by the proceeds of the 2006 bond issue.

Construction at Northwest Florida Regional Airport

The Airport has completed the design and started construction of additions to the main terminal building. Total expenditures for the design were approximately \$1,200,000. The construction contract total amount is \$1,266,980 and expenditures to date are \$1,064,394 leaving a balance of \$202,586. The Airport is also involved in an Emergency Power Upgrade project at the main airport. The total amount of the contract is \$653,415, and expenditures to date are \$588,074, leaving a balance of \$65,341. The Airport has also begun a project to expand the credit card parking lot at the main airport. Expenditures on the project to date are approximately \$600,000.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 6 – COMPENSATED ABSENCES

The policy of the Board of County Commissioners for annual and sick leave and compensatory time is as follows.

Employees may accrue an unlimited amount of annual and sick leave. The employees earn leave at varying rates per month based on their work schedules.

	Years of Service	Group A 40 hours/ week	Group B 45 hours/ week	Group C 24 hours on/ 48 hours off
<u>Annual Leave</u>				
Full time employees	0-5	8 hours	9 hours	11 hours
	6-10	10 hours	11 hours	14 hours
	11-15	12 hours	14 hours	17 hours
	16-20	14 hours	16 hours	20 hours
	21-25	16 hours	18 hours	22 hours
	26+	18 hours	20 hours	25 hours
Part time employees	1	4 hours		
Amount paid upon separation from service		240 hours	270 hours	336 hours
<u>Sick Leave</u>				
Full time employees		8 hours	9 hours	11 hours
Part time employees		0 hours		

Unused sick leave will be paid to employees having ten consecutive years of service upon termination or retirement at varying percentages based on the total unused hours: 50% for the first 480 hours; 25% for the second 480 hours and 20% for all hours over 960.

Compensatory Time

Compensatory time is available only to hourly (non-exempt) employees. Most employees may accrue up to 240 hours except for law enforcement and correctional officers who can accrue up to 480 hours. Unused amounts will be paid upon termination or retirement.

The total amounts of accumulated compensated absences for the funds of the Board of County Commissioners as of September 30, 2010 are as follows:

	Current Portion	Long-Term Portion	Totals
Compensated Absences	\$ 2,588,490	\$ 1,998,672	\$ 4,587,162

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

The Board is required to study, estimate, and certify to the U.S. Environmental Protection Agency through the Florida Department of Environmental Protection the estimated cost to close and to perform certain maintenance and monitoring functions at Baker Landfill and Wright Landfill for 30 years after closure and Niceville Landfill for 20 years after closure. One hundred percent of the landfill capacity has been used in the landfills and they have all been permanently closed.

The Florida Department of Environmental Protection approved termination of long-term care at the permanently closed Laurel Hill Landfill effective September 25, 2006.

The Board is required by state and federal laws and regulations to develop its estimates using rates normal to commercial contracting firms and is based on the amount of the landfill capacity used to date, 100%. The landfill closure and post closure costs are reevaluated each year. The estimate is subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations. The effect of this change in estimates has been reflected in the operations of the Solid Waste Enterprise Fund and has increased net income by \$157,056. The estimated liability for landfill closure and post closure care costs has a balance of \$3,988,733 as of September 30, 2010.

The Board issued bonds during the fiscal year ended September 30, 1991 to cover a portion of the estimated closure and post-closure care costs for the Wright Landfill, which ceased operations on March 1, 1990. Information on that Bond Issue can be found in Note 10.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
Other Funds			
Convention Center	Nonmajor Governmental	\$ 278,569	Allocation of taxes
Other Elected Officials			
General	Supervisor of Elections	\$ 11,874	Excess Appropriations
General	Clerk of Courts	15,925	Fees
General	Property Appraiser	218,697	Excess Appropriations
General	Tax Collector	814,834	Unused Revenue
General	Tax Collector	36,170	Unused Rent/Lease
General	Tax Collector	15,605	Unused Bank Fees
General	Tax Collector	151	Interest
Fine and Forfeiture	Sheriff	15,925	Fees
Fine and Forfeiture	Sheriff	23,242	Ivan Overpayment
Fine and Forfeiture	Sheriff	902,474	2010 Excess Appropriations
Fine and Forfeiture	Sheriff	113,465	2009 Excess Appropriations
Fine and Forfeiture	Clerk of Courts	127,725	Fines and Fees
Fine and Forfeiture	Clerk of Courts	26,588	Fees
Fine and Forfeiture	Clerk of Courts	69,397	Excess Appropriations
Fine and Forfeiture	Tax Collector	48	Interest
Capital Outlay	Tax Collector	104,810	Retained Vessel Commissions
Nonmajor Governmental	Tax Collector	4,083	Unused Revenue
Nonmajor Governmental	Tax Collector	1	Interest
Nonmajor Governmental	Tax Collector	1,257	Unused Revenue
Nonmajor Governmental	Tax Collector	5,862	Unused Revenue
Nonmajor Governmental	Tax Collector	2	Interest
Water and Sewer	Clerk of Courts	60	Restitution
Nonmajor Enterprise	Tax Collector	2	Interest
Nonmajor Enterprise	Clerk of Courts	653	Restitution
Nonmajor Enterprise	Clerk of Courts	100	Interfund Services
Clerk of Courts	General	(13,497)	Administrative Fees
Tax Collector	General	(2,307)	Delinquent Taxes
Clerk of Courts	Fine and Forfeiture	(230)	Local Ordinance Fees
Sheriff	Fine and Forfeiture	(298,621)	Grant revenue
Sheriff	Fine and Forfeiture	(34,405)	Law Enforcement Trust Fund
Sheriff	Fine and Forfeiture	(481,150)	Appropriations
Clerk of Courts	Convention Center	(8,998)	Administrative Fees
Tax Collector	Nonmajor Enterprise	(130)	Vehicle registration fees
Total		<u>\$ 1,669,612</u>	

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 – INTERFUND BALANCES AND ACTIVITY -CONTINUED

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
Other Funds			
General	Nonmajor Governmental	\$ 16,350	Transfer of additional funding
General	Nonmajor Governmental	400,000	Transfer of additional funding
General	Nonmajor Governmental	28,000	Allocation racing monies
General	Conference Center	250,000	Allocation of tax revenues
General	Fine and Forfeiture	307,109	Transfer of Grant Funding
Fine and Forfeiture	Capital Outlay	659,417	Allocation of tax revenues
Fine and Forfeiture	Airport	1,019,595	Sheriff Appropriations
Capital Outlay	Airport	100,000	Transfer of additional funding
Capital Outlay	Fine and Forfeiture	578,427	Transferring judicial center funding
Nonmajor Governmental	Nonmajor Governmental	2,121,503	Allocation of tax revenues
Nonmajor Governmental	Capital Outlay	1,000,000	Allocation of tax revenues
Nonmajor Governmental	Fine and Forfeiture	43,179	Transfer of additional funding
Nonmajor Governmental	Nonmajor Governmental	900,000	Allocation of tax revenues
Nonmajor Governmental	Nonmajor Governmental	4,000	Allocation of tax revenues
Nonmajor Governmental	Nonmajor Governmental	251,202	Debt Service Transfer
Nonmajor Governmental	Fine and Forfeiture	284,569	Transfer of Debt Proceeds
Nonmajor Enterprise	Nonmajor Governmental	250,000	Transfer of additional funding
Nonmajor Enterprise	Nonmajor Governmental	33,000	Allocation racing monies
Total		<u><u>\$ 8,246,351</u></u>	
Other Elected Officials			
General	Tax Collector	\$ (814,834)	Excess Appropriations
Fine and Forfeiture	Clerk of Courts	(69,397)	Excess Appropriations
Fine and Forfeiture	Sheriff	(902,474)	Excess Appropriations
Nonmajor Governmental	Tax Collector	(4,083)	Excess Appropriations
Nonmajor Governmental	Tax Collector	(1,257)	Excess Appropriations
Nonmajor Governmental	Tax Collector	(5,862)	Excess Appropriations
Nonmajor Governmental	Sheriff	(23,242)	Ivan Overpayment
Clerk of Courts	General	1,350,582	Appropriations
Property Appraiser	General	2,706,726	Appropriations
Supervisor of Elections	General	1,625,106	Appropriations
Sheriff	Fine and Forfeiture	31,569,514	Appropriations
Sheriff	Fine and Forfeiture	1,185,409	Appropriations - Grants
Total		<u><u>\$ 36,616,188</u></u>	

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 9 - LEASES

Operating Leases – Lessor

The Board of County Commissioners leases four county-owned parks and park buildings located on Okaloosa Island to outside parties. Capitalized investment in these assets is \$6,588,730. Accumulated depreciation of \$1,658,108 has been recorded as of September 30, 2010. All of the leases were for a 25-year period. However, two of the leases have been renegotiated and the period extended to thirty years. Three of the leases contain a 20% rent increase every five years. The first renegotiated lease contains a fixed rental through 2029. The second renegotiated lease contains a contingent rent fee of 15% of gross revenue if that amount is greater than the set rent amount through 2012. To date, the contingent rent option has not been needed. The remaining terms of the leases range from 3 to 20 years.

The Board of County Commissioners leases land and a building to a convenience store company. Capitalized investment in the building is \$132,488. Accumulated depreciation of \$38,090 has been recorded as of September 30, 2010. The lease was renegotiated to a five year lease with four five-year renewals beginning in 2008. The rent will increase at the beginning of each option period by the consumer price index. These option periods extend through 2032.

The Board of County Commissioners leases space in a building to six (6) leases. Capitalized investment in the building is \$546,688. The one year leases may have two (2) one year renewals through 2011. Rental fees total \$3,499 monthly.

The Board of County Commissioners has leased space on a water tower to a wireless communication company. The five year lease can be renewed for five five-year periods through 2034. Monthly rental fees begin at \$1,667 and increase at each renewal to \$3,352 in the final renewal period. There is no capitalized investment related to this lease.

The Board of County Commissioners has leased space on a telecommunications tower and the parcel of land on which it is located to a wireless communication company. The five year lease can be renewed for four five-year periods through 2031. Monthly rental fees begin at \$1,900 and increase at each renewal period by 15% to \$3,324 in the final renewal period. There is no capitalized investment related to this lease.

The Board of County Commissioners has leased space on a telecommunications tower and the parcel of land on which it is located to a wireless communication company. The five year lease can be renewed for five five-year periods through 2035. Monthly rental fees begin at \$1,900 and increase at each renewal period by 15% to \$3,824 in the final renewal period. There is no capitalized investment related to this lease.

The Board of County Commissioners has entered into operating leases with various lessees and concessionaires for lease of space and facilities at the Okaloosa County Air Terminal, the Bob Sikes Airport and the Destin Airport. Lease periods vary with expiration dates through 2048. Capitalized investment in assets associated with these leases is \$35,094,657. Accumulated depreciation of \$4,271,192 has been recorded as of September 30, 2010.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 9 – LEASES - CONTINUED

Operating Leases – Lessor – Continued

Total minimum future rentals for material operating leases in which the Board of County Commissioners is the lessor are as follows:

<u>Fiscal Year Ended September 30</u>	
2011	\$ 903,781
2012	857,626
2013	658,130
2014	639,111
2015	633,905
Thereafter	<u>3,711,080</u>
	<u><u>\$ 7,403,633</u></u>

Operating Leases – Lessee

1. The Board of County Commissioners leases the land on which the airport facilities are located from the United States Government under a thirty-year lease agreement expiring in February 2031. The lease was renegotiated in 2008 adding an additional 22.6 acres for the rental car facilities under a twenty-five year lease expiring in September 2032. The land lease agreement contains a built in rent increase of 3% for annual escalation factor. The lease has an option for renewal at the end of the current lease period. The future minimum lease payments total \$10,611,143 over the life time of the lease. Lease expense for fiscal year 2010 was \$337,366.
2. The Board of County Commissioners leases the land on which Water and Sewer's Water Reclamation Facility is located from the United States Government under a 30 year lease agreement expiring in September 2037. The lease agreement contains a built in rent increase of 3% for annual escalation factor. The lease has an option of renewal at the end of the current lease period. The future minimum lease payments total \$12,778,689 over the life time of the lease. Lease expense for fiscal year 2010 was \$338,130.
3. The Board of County Commissioners leases office space used by the Tax Collector and the Property Appraiser through September 30, 2014. The rent is based on \$33,147 per month plus a proportionate amount of any annual Consumer Price Index increase beginning in year three (3). The five (5) year lease has three (3) one year renewals beginning in 2012. Based on assumed increases of 3%, future minimum lease payments total \$2,931,577. Lease expenditure for fiscal year 2010 was \$460,285.
4. The Board of County Commissioners leases office space used by public safety and veterans' affairs departments of the Board through March 2011. All offices were relocated to County buildings and the lease was terminated December 2010. Monthly payments under the lease are \$4,495 with total minimum lease payments of \$6,613 for the remaining term of the lease. Lease expenditure for fiscal year 2010 was \$53,940.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 9 – LEASES – CONTINUED

Operating Leases – Lessee

5. The Board of County Commissioners leases office space used by the Commissioners, County Administrator, Law Library, and Information System departments of the Board as well as various other elected officials and State Agencies through November 2009. The first renewal of three (3) three year renewals was exercised December 2009. Monthly payments under the lease are \$20,625 for 2009 and increased to \$22,275 for the three (3) year renewal with the total minimum lease payments for the years 2011 through 2013 of \$579,150. Lease expenditure for fiscal year 2010 was \$264,000.
6. The Board of County Commissioners leases four (4) Volvo G930 motor Graders used by public works department for the Board through May 2013. The three (3) year lease is based on monthly payments of \$6,790 at 4.31% interest with a balloon payment of \$480,000 in June 2013. Future lease payments total \$217,290 for the remaining term of the lease. Lease expenditures for fiscal year 2010 were \$27,161.

Total lease expenditure/expense for material operating leases in which the Board of County Commissioners is the lessee for fiscal year ended September 30, 2010 was \$1,453,721. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended September 30</u>	
2011	\$ 1,445,547
2012	1,456,255
2013	1,236,050
2014	1,167,706
2015	1,186,417
2016-2020	5,002,684
2021-2025	4,667,228
2026-2030	5,289,839
2031-2035	3,941,060
2036-2038	1,731,676
	<u>\$ 27,124,462</u>

NOTE 10 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Board of County Commissioners of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Component Unit

The following is a summary of long-term debt transactions of the Emerald Coast Bridge Authority for the fiscal year ended September 30, 2010.

	Note Payable
Long-term debt payable October 1, 2009	\$ 1,777,289
Increase/Decrease in long-term debt	-
	\$ 1,777,289

NOTES PAYABLE

\$1,033,391 loan advances, 1991-92, due in annual payments (payments have not been made) through 2005, including interest.	\$ 1,033,391
\$298,000 loan advance, 2003 zero interest, repayable from future toll revenue. No payment date or amount.	298,000
\$500,000 loan advance, 2005, zero interest, repayable from future toll revenue. No payment date or amount.	445,898
 Total Notes Payable	 \$ 1,777,289

Primary Government

The following debt issues are outstanding for September 30, 2010.

Governmental Activities:

REVENUE BONDS

\$2,524,287 Capital Improvement Revenue Bonds, Series 1991, capital appreciation bonds with no stated interest rate, effective interest rate of 7.15 percent compounded semi-annually through December 1, 2010; issued in denominations of \$5,000 maturity value due in annual installments of \$35,000 to \$685,000 from December 1, 1993 through December 1, 2010. "Second Guaranteed Entitlement Revenues" as defined in Paragraph II, Chapter 218 Florida Statutes are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance the acquisition and construction of roads within the County.	\$ 182,412
--	------------

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government - Continued

Governmental Activities - Continued:

REVENUE BONDS - CONTINUED

\$26,615,000 Sales Tax Revenue Bonds, Series 2009, serial and term bonds with states interest rates ranging from 3.0 percent to 6.375 percent compounded semiannually through October 1, 2039; issued in denominations of \$5,000 maturity value due in annual installments of \$315,000 to \$1,495,000 from October 1, 2011 through October 1, 2039. Sales tax revenues along with any direct federal subsidy payments received with respect to the Taxable Series 2009B Bonds (Direct Payment Build America Bonds) are pledged for payment of the bonds. Proceeds of the bonds are being used to finance the construction of a new judicial center complex in the County. This issue is subject to federal arbitrage regulations.

26,615,000

Total Governmental Activities Revenue Bonds

\$ 26,797,412

LOANS AND NOTES

\$3,800,000 Commercial Paper Loan from the Florida Local Government Finance Commission Pooled Commercial Paper Loan Program; interest and fee payments are made monthly beginning August 1, 2007; Three principal payments of \$220,000 each are due on June 3, 2008, June 2, 2009, and June 2, 2010, with the remaining \$3,140,000 due on December 7, 2010 (See Note 20). The loan finances the County's portion of a joint beach renourishment project with the City of Destin and is payable solely from Tourist Development taxes.

\$ 3,140,000

Total Governmental Activities Loans and Notes

\$ 3,140,000

Business-type Activities:

REVENUE BONDS

Solid Waste

\$2,180,777 Capital Improvement Revenue Bonds, Series 1991, capital appreciation bonds with no stated interest rate, effective interest rate of 7.15 percent compounded semi-annually through December 1, 2010; issued in denominations of \$5,000 maturity value due in annual installments of \$35,000 to \$685,000 from December 1, 1993 through December 1, 2010. "Second Guaranteed Entitlement Revenues" as defined in Paragraph II, Chapter 218 Florida Statutes are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance landfill closure and post closure costs of the Wright Landfill.

\$ 157,589

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued:

Business-type Activities:

REVENUE BONDS

Airport

\$10,860,000 Airport Revenue Bonds, Series 2003, serial and term bonds with stated interest rates ranging from 2.4 percent to 6.0 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$225,000 to \$750,000 from October 1, 2003 through October 1, 2030. Net revenues derived from the operation of the Airport System and the Passenger Facility Charges imposed per enplaned passenger at the Northwest Florida Regional Airport are pledged for payment of the bonds. Proceeds from the bonds were used to finance a portion of the cost of the Terminal Development Program and to repay a commercial paper loan that provided partial temporary financing for the project. This issue is subject to federal arbitrage regulations. 9,670,000

\$9,980,000 Taxable Airport Revenue Bonds, Series 2007, term bonds with stated interest rates ranging from 6.0 percent to 7.0 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$220,000 to \$830,000 from October 1, 2009 through October 1, 2030. Net revenue derived from the operation of the Airport System and the Customer Facility Charges imposed per rental car transaction day at the Northwest Florida Regional Airport are pledged for payment of the bonds. Proceeds from the bonds were used to finance a portion of the cost of the East Side Development Program. This issue is not subject to federal arbitrage regulations. 9,760,000

Convention Center

\$13,450,000 Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000, serial and term bonds with stated interest rates ranging from 4.6 percent to 5.75 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$215,000 to \$940,000 from October 1, 2003 through October 1, 2030. Fourth Cent Tourist Development Tax monies are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance the costs of acquisition and construction of the Okaloosa County Convention Center. This issue is subject to federal arbitrage regulations. 11,725,000

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued:

Business-type Activities - Continued:

Revenue Bonds – Continued:

Water and Sewer

The following parity bonds are secured by a pledge of the net revenues from the operation of the water and sewer system.

\$650,000 Subordinated Revenue Bond, Series 1985, term bond due in semi-annual installments of \$34,338 beginning July 1, 1985 through January 2, 2015; interest at 10.0 percent per annum. Proceeds from the bonds were used to finance constructing and acquiring additions, extensions and improvements to the County Water and Sewer System.	244,070
--	---------

\$31,170,000 Water and Sewer Revenue Bonds, Series 2004, due in annual installments of \$300,000 to \$3,680,000 through July 1, 2016; interest ranging from 1.017 percent to 3.61 percent per annum. Proceeds from the bond were used to refund Water and Sewer Revenue Refunding Bonds, Series 1993 and Water and Sewer Refunding Revenue Bonds, Series 1998 as well as constructing and acquiring additions, extensions and improvements to the County Water and Sewer System. This issue is subject to federal arbitrage regulations.	15,685,000
--	------------

\$65,150,000 Water and Sewer Revenue Bonds, Series 2006, due in annual installments of \$525,000 to \$4,500,000 through July 1, 2036; interest ranging from 4.00 percent to 5.00 percent per annum. Proceeds from the bond were used to refund Water and Sewer Revenue Bonds, Series 1992 as well as construct the Arbennie Pritchett Water Reclamation Facility. This issue is subject to federal arbitrage regulations.	<u>62,965,000</u>
---	-------------------

Total Business-type Revenue Bonds	\$ <u><u>110,206,659</u></u>
-----------------------------------	------------------------------

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued:

Business-type Activities – Continued:

The following loans from the State of Florida were obtained for construction of extensions and improvements to the County sewer system. Water and Sewer revenue net of operating costs and debt service are pledged for repayment of these loans.

LOANS – STATE OF FLORIDA

\$5,927,701 State of Florida Department of Environmental Regulation Revolving Loan Fund; annual payments of \$429,920 including capitalized interest at 4.20% to 4.26% beginning April 1, 1992 through April 1, 2011. \$ 412,473

\$1,458,000 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$46,776 including interest at 2.59% and 3.24% beginning December 30, 1994 through June 30, 2014. 352,413

\$729,744 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$22,230 at 2.59% beginning October 10, 1995 through April 10, 2015. 207,249

\$1,949,795 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$74,622 at 3.28% and 2.63% beginning April 1, 1997 reducing to \$58,007 beginning April 1, 2001 through October 1, 2016. 679,854

\$1,768,312 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$59,870 at 2.63% and 2.99% beginning September 15, 1999 reducing to \$56,219 beginning September 15, 1999 through March 15, 2017. 665,722

\$351,895 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$23,204 at 3.18% beginning February 15, 2000 reducing to \$11,073 beginning February 15, 2001 through August 15, 2019. 172,151

\$8,168,888 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$291,598 at 2.71% and 3.00% beginning June 15, 2007 reducing to \$263,938 beginning December 15, 2008 through December 15, 2023. 6,950,613

Total Loans – State of Florida 9,440,475

OTHER LOANS

\$440,000 loan from individual; annual payments of \$101,629 including interest at 5% beginning November 1, 2007 through November 1, 2011. 166,511

\$2,000,000 Commercial Paper Loan from the Florida Local Government Finance Commission Pooled Commercial Paper Loan Program; interest and fee payments are made monthly beginning July 1, 2008; the entire principal balance of the loan is due on December 4, 2012. The loan finances construction at Northwest Florida Regional Airport and Bob Sikes Airport and is payable from net revenues of the Airport. 2,000,000

Total Business-type Loans and Notes \$ 11,606,986

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government - Continued

The following is a summary of the changes in long-term debt of the Board of County Commissioners for the fiscal year ended September 30, 2010.

	Balance Due October 1, 2009	Increases	Decreases	Balance Due September 30, 2010	Due Within One Year
Governmental Activities:					
Revenue Bonds					
Capital Improvement Revenue					
Bonds, Series 1991	\$ 530,526	\$ 19,391 *	\$ (367,505)	\$ 182,412	\$ 182,412
Sales Tax Revenue Bonds, Series 2009	-	26,615,000	-	26,615,000	-
Less deferred amounts					
For issuance discounts/premiums	-	(922,110)	57,029	(865,081)	-
Total Revenue Bonds	530,526	25,712,281	(310,476)	25,932,331	182,412
Loans and Notes					
Commercial Paper Loan	3,360,000	-	(220,000)	3,140,000	400,000
Accrued compensated absences	3,100,099	105,068	(289,698)	2,915,469	1,657,062
Estimated claims payable	3,425,437	1,366,029	(969,081)	3,822,385	1,742,675
Other post employment benefits	193,164	185,397	(85,826)	292,735	-
Total Governmental Activities	\$ 10,609,226	\$ 27,368,775	\$ (1,875,081)	\$ 36,102,920	\$ 3,982,149
Business-type Activities:					
Revenue Bonds					
Capital Improvement Revenue					
Bonds, Series 1991	\$ 458,332	\$ 16,752 *	\$ (317,495)	\$ 157,589	\$ 157,589
Airport Revenue Bonds, Series 2003	9,925,000	-	(255,000)	9,670,000	265,000
Airport Taxable Revenue Bonds, Series 2007	9,980,000	-	(220,000)	9,760,000	235,000
Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000	12,010,000	-	(285,000)	11,725,000	300,000
Subordinated Revenue Bonds, Series 1985	285,228	-	(41,158)	244,070	45,376
Water and Sewer Revenue, Series 2004	15,985,000	-	(300,000)	15,685,000	490,000
Water and Sewer Revenue, Series 2006	65,150,000	-	(2,185,000)	62,965,000	2,090,000
Less deferred amounts					
For issuance discounts/premiums	(1,117,234)	(122,227)	263,576	(975,885)	-
On refunding	(116,877)	-	66,787	(50,090)	-
Total Revenue Bonds	112,559,449	(105,475)	(3,273,290)	109,180,684	3,582,965

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government - Continued

	Balance Due October 1, 2009	Increases	Decreases	Balance Due September 30, 2010	Due Within One Year
Business-type Activities - Continued					
Loans and Notes					
State of Florida Revolving Loan Fund, April 1, 1992 through April 1, 2011	808,208	-	(395,735)	412,473	412,473
State of Florida Revolving Loan Fund, December 30, 1994 through June 30, 2014	434,750	-	(82,337)	352,413	84,579
State of Florida Revolving Loan Fund, October 10, 1995 through April 10, 2015	245,594	-	(38,345)	207,249	39,345
State of Florida Revolving Loan Fund, April 1, 2001 through October 1, 2016	773,159	-	(93,305)	679,854	96,149
State of Florida Revolving Loan Fund, September 15, 1999 through March 15, 2017	758,153	-	(92,431)	665,722	94,963
State of Florida Revolving Loan Fund, February 15, 2001 through August 15, 2019	188,433	-	(16,282)	172,151	16,804
State of Florida Revolving Loan Fund, beginning June 15, 2007 through December 15, 2023	7,278,812	-	(328,199)	6,950,613	337,363
Personal Loan	255,371	-	(88,860)	166,511	93,303
Commercial Paper Loan	2,000,000	-	-	2,000,000	-
Less deferred amounts For issuance discounts	(164,245)	-	14,790	(149,455)	-
Total Loans and Notes	12,578,235	-	(1,120,704)	11,457,531	1,174,979
Accrued compensated absences	1,654,147	89,658	(72,112)	1,671,693	931,428
Estimated closure costs payable	4,145,789	-	(157,056)	3,988,733	239,973
Other post employment benefits	121,733	116,546	(53,952)	184,327	-
Total Business-type Activities	\$ 131,059,353	\$ 100,729	\$ (4,677,114)	\$ 126,482,968	\$ 5,929,345

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$188,017 of internal service funds compensated absences, \$3,822,385 of estimated claims, and \$12,453 of other post employment benefits are included in the above amounts.

Compensated absences and other post employment benefits are liquidated in the general and other governmental funds. Claims liabilities are liquidated in the internal service fund.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government - Continued

Debt service requirements to maturity on long-term debt at September 30, 2010 are as follows.

<u>Year Ending September 30,</u>	Governmental Activities			
	Revenue Bonds		Loans and Notes	
	Principal	Interest	Principal	Interest
2011	182,412	1,608,008	400,000	10,048
2012	310,000	1,461,894	400,000	8,768
2013	580,000	1,444,494	400,000	7,488
2014	600,000	1,426,494	400,000	6,208
2015	615,000	1,408,044	1,540,000	4,928
2016-2020	3,370,000	6,643,313	-	-
2021-2025	3,925,000	5,739,363	-	-
2026-2030	4,660,000	4,540,390	-	-
2031-2035	5,650,000	2,935,344	-	-
2036-2040	6,905,000	916,087	-	-
	<u>\$ 26,797,412</u>	<u>\$ 28,123,431</u>	<u>\$ 3,140,000</u>	<u>\$ 37,440</u>

<u>Year Ending September 30,</u>	Business-type Activities					
	Revenue Bonds		Loans and Notes		Landfill Closure Costs	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	3,582,965	5,365,781	1,174,979	309,897	239,973	-
2012	4,155,027	5,103,140	761,233	269,062	239,973	-
2013	4,335,155	4,953,074	2,707,380	218,392	239,973	-
2014	4,520,809	4,795,922	727,296	189,204	239,973	-
2015	4,692,703	4,621,563	653,564	169,371	239,973	-
2016-2020	15,810,000	20,738,534	2,462,716	607,929	1,199,865	-
2021-2025	20,310,000	16,133,181	2,349,483	289,897	1,085,715	-
2026-2030	26,230,000	10,104,450	770,335	21,478	503,288	-
2031-2035	22,070,000	4,072,700	-	-	-	-
2036-2040	4,500,000	225,000	-	-	-	-
	<u>\$ 110,206,659</u>	<u>\$ 76,113,345</u>	<u>\$ 11,606,986</u>	<u>\$ 2,075,230</u>	<u>\$ 3,988,733</u>	<u>\$ -</u>

In prior years, the County has defeased various bond issues. Of those defeased issues, the following amounts are outstanding at September 30, 2010.

Business-type activities:

Water and Sewer System Enterprise Fund
Revenue Bonds, Series 1992

\$ 2,225,000

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11 - CONDUIT DEBT

Since 1984, the Board has authorized eight industrial development revenue bond issues that are still outstanding. The original issues totaled \$55,814,025 and as of September 30, 2010, \$35,184,025 was the principal liability. These bonds do not constitute an indebtedness of the County and are not a charge against its general credit or taxing powers. The bonds are payable solely from revenues of the respective industries to which these bond proceeds were remitted.

NOTE 12 - RESERVED FUND BALANCES

The governmental fund balance sheet contains the line item "Reserved for Other Restricted Purposes". Following is a list of the detail balances contained in that line item for September 30, 2010.

Fund	Amount	Purpose
General	\$ 1,462,347	911 Emergency System
General	418,601	County Revolving Loan Fund Program
General	25,912	Code Enforcement/Nuisance Abatement
Special Revenue Funds		
Fine and Forfeiture	127,524	Police Academy
Fine and Forfeiture	88,982	Law Enforcement Trust Fund
Fine and Forfeiture	5,255	Family Mediation Services
Fine and Forfeiture	13,889	Law Library
Fine and Forfeiture	251,861	Prisoner Benefit Trust
Fine and Forfeiture	85,980	Teen Court
Fine and Forfeiture	98,135	Alcohol and Other Drug Abuse Trust Fund
Fine and Forfeiture	241,252	Domestic Violence Trust Fund
Fine and Forfeiture	194,059	Radio Communications Program
Fine and Forfeiture	640,359	Public Records Innovation
Tourist Development	9,728,656	Tourist Development Tax
Municipal Services		
Benefit Units	452,518	Assessments Reserve
Capital Projects Fund		
Capital Outlay Construction	560,656	Florida Boating Improvement Trust
Capital Outlay Construction	1,605,888	Court Facility Improvement Trust
Capital Outlay Construction	58,701	Parks Development Trust
Capital Outlay Construction	16,292,608	Judicial Center Funding
Total Reserved for Other Restricted Purposes	<u>\$ 32,353,183</u>	

The proprietary fund balance sheet contains the line item "Equity Restricted for Other Purposes". Following is a list of the detail balances contained in that line item for September 30, 2010.

Fund	Amount	Purpose
Airport Enterprise Fund	6,292,920	Passenger Facility Charges Program
Convention Center Enterprise Fund	3,956,270	Tourist Development Tax
Total Equity Restricted for Other Purposes	<u>\$ 10,249,190</u>	

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 13 - PENSION PLAN

Florida Retirement System

Plan Description

The Board of County Commissioners contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payroll are for regular employees 8.74%, special risk employees 19.81%, special risk administrative support 11.44%, elected judges 18.45%, elected county officers 15.42%, senior management service class 12.01%, and 9.80% for the Deferred Retirement Option Program (DROP). The Board's contributions to the plan for the years ended September 30, 2010, 2009 and 2008 were \$4,348,214, \$4,278,096, and \$4,423,713, respectively, equal to the required contributions for the year.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 13 - PENSION PLAN - CONTINUED

Health Insurance Subsidy

Plan Description

The Board of County Commissioners contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 14 – POST EMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described, the Board of County Commissioners and all other elected officials except for the Sheriff (County) provides post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses through a single-employer defined benefit plan administered by Blue Cross Blue Shield of Florida (BCBSFL). Benefits, benefit levels, employee contributions and employer contributions are governed and amended through its personnel manual by the County's Self Insurance Fund with approval by the Board. The plan does not issue a separate report.

Benefits Provided

The County provides post-employment health care and dental benefits to its retirees. To be eligible for benefits an employee must retire under the County's retirement plan and must have been covered under the medical plan as an active employee immediately prior to retirement. Elected officials are not eligible for benefits if they qualify for retirement.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 14 – POST EMPLOYMENT BENEFITS – CONTINUED

Benefits Provided - Continued

All health care benefits are provided through the County’s health care provider, BCBSFL. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; dental care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the County’s plan becomes secondary.

Membership

At September 30, 2010, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	39
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	-
Active Employees	872
Total	911
Participating Employers	1

Funding Policy

The County and County contracted Insurance Broker negotiates the premium rates with BCBSFL. The required contribution is based on pay-as-you-go financing requirements. Retirees and beneficiaries currently receiving benefits are required to contribute 100% of their current premium costs which for fiscal year 2010 was \$391,249. The County contributes the remainder to cover the costs of providing the benefits to the retirees via the insured plan. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The County annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 30 years. The following shows the components of the County’s net OPEB obligation:

Annual Required Contribution	\$ 395,855
Interest on Prior Year Net OPEB Obligation	15,994
Adjustment to Annual Required Contribution	(23,124)
Annual OPEB Costs	388,725
Estimated Employer Contributions made	(179,953)
Increase (Decrease) in Net OPEB Obligation	208,772
Net OPEB Obligation , Beginning of Year	399,860
Estimated Net OPEB Obligation, End of Year	\$ 608,632

The County first had an actuarial valuation performed for the plan as of September 30, 2010 to determine the employer’s ARC for the fiscal year ended September 30, 2010. The County’s annual OPEB cost (expense) of \$290,143 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 31, 2007. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and the prior three (3) years were as follows:

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 14 – POST EMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Costs and Net OPEB Obligation - Continued

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	\$ 290,143	32.06%	\$ 197,135
9/30/2009	\$ 300,610	32.56%	\$ 399,860
9/30/2010	\$ 388,725	46.29%	\$ 608,632

Funded Status and Funding Progress

As of September 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$3,335,095 was unfunded. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements in the government-wide financial statements of Okaloosa County, Florida, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.7% initially, reduced by decrements to an ultimate rate of 4.2% in 2080. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2010, was 27 years.

NOTE 15 - RISK MANAGEMENT

The Board is exposed to risk of loss for claims and judgments for public liability, workers' compensation, employee medical benefits and other special risks. The Board uses the Self Insurance Internal Services Fund to account for all risks from workers' compensation loss, general liability and medical benefit claims for all County employees except those of the Sheriff, from catastrophic damage to real and tangible property and from special risk policies for the Board. A mixture of commercial insurance coverage and self-insurance, which is described below, manages the risk to the Board. There has been no significant reduction in insurance coverage from the prior fiscal year, and insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 15 - RISK MANAGEMENT - CONTINUED

A. Method of Risk Management

Public Liability

Florida Statutes 768.28(5) limits the maximum County liability for claims and judgments by any one person and any one incident to \$100,000 and \$200,000, respectively. The County self-insures public liability claims for automobile, general and professional liability. A third party administrator manages claims. Currently, the County retains the risk for the first \$200,000 (\$50,000 for automobile liability) of each claim or incident. Excess insurance is purchased to cover losses over the \$200,000 (\$50,000 for automobile liability) self-insured retention.

Property Insurance

The County self-insures the risk of physical loss to its real property, business property and equipment. The County retains the risk of the first \$50,000 of physical damage to County property. The self-insurance retention amount increases to a maximum of \$200,000 if the damage is the result of a named storm. Excess insurance is purchased to cover the physical damage exposure over the self-insured retention amount.

All Lines Aggregate Policy

The County purchased an All Lines Aggregate insurance policy that limits the County's risk for deductible and self-insured retention expenses to \$2,407,500 for the fiscal year ended September 30, 2010.

Workers' Compensation

The County contracts with a Third Party Administrator to have its workers' compensation claims processed. The County retains risk for all claims up to \$500,000 per employee per accident. Excess insurance is purchased to cover losses up to \$25,000,000 for workers' compensation and \$1,000,000 for employers' liability. The County retains no liability for claims that have been settled by purchase of annuity contracts.

Employee Medical Benefits

The Board of County Commissioners and all other elected officials of Okaloosa County, except the Sheriff, use a fully insured commercial insurance plan to fund employee medical benefits. The Board of County Commissioners or elected official pays the premiums for the employees while the individual pays for dependent and retiree coverage. The County bears no risk of loss under this type of coverage.

Special Risk Policies

The Board of County Commissioners purchases commercial crime coverage against theft of money and securities. All of the other elected officials, except the Sheriff, are covered under the policy. Florida Statute requires certain classes of employees be provided with a special death and disability benefit. The Board of County Commissioners purchases a commercial policy. The County bears no risk of loss under this type of coverage. The Sheriff insures this exposure separately.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 15 - RISK MANAGEMENT - CONTINUED

B. Claim Liabilities for Retained Risk

Claim liabilities for workers' compensation, general liabilities (including errors and omissions), and auto liability (both bodily injury and property damage) have been determined based on an actuarial evaluation of all claims reported and all claims incurred but not reported (IBNR) as of September 30, 2010. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The actuarial estimation of ultimate losses does not include any future recoveries from the Florida Special Disability Fund, subrogation or third party liens, etc. except to the degree they are implicitly included in the trending process of estimating ultimate losses. The ultimate loss calculation does take into consideration specific excess reinsurance recoverable. Claims liabilities recognized in the Self Insurance Fund at September 30, 2010 were as follows.

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Workers' compensation	\$ 1,407,321	\$ 1,327,670	\$ 2,734,991
General liability	273,877	726,024	999,901
Automobile liability	61,477	26,016	87,493
Total claims liability recognized	<u>\$ 1,742,675</u>	<u>\$ 2,079,710</u>	<u>\$ 3,822,385</u>

C. Funding of Claims Liabilities

The Self Insurance Fund charges the other funds of the Board and other participating elected officials for the cost of claim liabilities based on actuarially projected budget requirements for expected yearly cash payouts. This funding method results in a deficit fund balance that will be charged back to the other funds over a reasonable period of time so that service fund revenues and expenses will be approximately equal.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 15 - RISK MANAGEMENT - CONTINUED

D. Reconciliation of Claims Liabilities

	As of September 30, 2010				As of September 30, 2009			
	Workers' Compensation	Liability	Property	Total	Workers' Compensation	Liability	Property	Total
Unpaid claims and adjustment expenses at beginning of year	\$ 2,569,062	\$ 856,375	\$ -	\$ 3,425,437	\$ 2,667,277	\$1,120,401	\$ -	\$ 3,787,678
Incurred claims and claim adjustment expenses								
A) Provision for insured events of current fiscal year	643,794	382,430	-	1,026,224	803,957	263,603	405	1,067,965
B) Increases (decreases) in provision for insured events of prior fiscal years	<u>269,284</u>	<u>71,521</u>	<u>(1,000)</u>	<u>339,805</u>	<u>(249,679)</u>	<u>(599,570)</u>	<u>(46,001)</u>	<u>(895,250)</u>
Total incurred claims and claim adjustment expenses	<u>913,078</u>	<u>453,951</u>	<u>(1,000)</u>	<u>1,366,029</u>	<u>554,278</u>	<u>(335,967)</u>	<u>(45,596)</u>	<u>172,715</u>
Payments								
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	161,270	53,213	-	214,483	199,889	47,880	405	248,174
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>585,879</u>	<u>169,719</u>	<u>(1,000)</u>	<u>754,598</u>	<u>452,604</u>	<u>(119,821)</u>	<u>(46,001)</u>	<u>286,782</u>
Total payments	<u>747,149</u>	<u>222,932</u>	<u>(1,000)</u>	<u>969,081</u>	<u>652,493</u>	<u>(71,941)</u>	<u>(45,596)</u>	<u>534,956</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 2,734,991</u>	<u>\$1,087,394</u>	<u>\$ -</u>	<u>\$ 3,822,385</u>	<u>\$ 2,569,062</u>	<u>\$ 856,375</u>	<u>\$ -</u>	<u>\$ 3,425,437</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Reclaimed Water System

The Board has entered into an agreement to share equally in the costs to expand a reclaimed water system with the City of Niceville. Prior capital expenditures by the County of approximately \$1,300,000 have been matched by the City to achieve an equitable basis for in the agreement. Additional capital expenditure by the County totaled \$1,071,102 through September 30, 2010. The County agreed to perform minor maintenance services, equally share with the City of Niceville the future costs of capital expenditures, operations, major maintenance and billing and collection services. The agreement, signed in October 2002, has an initial term of 20 years which may be continued for additional ten-year increments by mutual written consent of both parties. The system began preliminary operations in November, 2006. Rate studies were conducted to determine charges. The County’s investment in this joint agreement will be carried in the Water and Sewer Enterprise Fund.

Wastewater Service Interlocal Agreement with Fort Walton Beach

In 2009, the Board adopted the Wastewater Service Interlocal Agreement with the City of Fort Walton Beach (Agreement). The Agreement outlines a long-term association for the treatment of the City’s influent wastewater flow at a set percentage of the County’s base sewer rate plus a locked-in annual rate escalator. The agreement provides other ancillary benefits to the City such as the provision of “no cost” tertiary treated effluent for use as irrigation water at the City’s 36-hole municipal Golf Club. The Agreement is effective for 30 years and can be automatically extended for up to two additional terms for a period of ten years for each extension term.

The City will be billed monthly at a rate equal to \$2.46 per each 1,000 gallons of wastewater flow. Additionally, the City will pay to the County the Sewer Readiness to Serve Fee, which is equal to \$3,750 per month. Beginning March 2011, and each year thereafter, the Readiness to Serve Fee will increase by 3% annually. Service to the City is scheduled to begin March 2010. Fees of \$1,043,698 paid by the City during 2010 are reflected as Charges for Services in the Water and Sewer fund. The minimum commitment to the County under the Agreement is as follows:

Fiscal Year Ending September 30,	Payment
2011	\$ 45,675
2012	47,045
2013	48,457
2014	49,910
2015	51,408
2016-2020	281,118
2021-2025	325,893
2026-2030	377,799
2031-2035	437,973
2036-2039	400,094
Total	<u>\$ 2,065,372</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 16 – COMMITMENTS AND CONTINGENCIES - CONTINUED

7th Special Forces Group Complex

In May 2009, the Okaloosa County Water and Sewer System (OCWS) executed agreements with the United States Army Corp of Engineers to design and build approximately 17 miles of force main and a lift station to transmit wastewater from the 7th Special Forces Complex being constructed on Eglin Air Force Base property in North Okaloosa County, to the new OCWS wastewater treatment plant in Fort Walton Beach.

An agreement was also signed with Eglin Air Force Base (AFB) increasing the diameter of the original force main to accommodate future Eglin AFB wastewater flow.

The agreements totaled \$5,232,000 and a significant portion of the agreement amount (\$3,973,000) has been paid in cash or through the recognition of the value of in-kind services. In-kind agreement payments are equal to the rent due from OCWS for the land on which the new wastewater treatment facility was constructed. These amounts have been or will be recognized as rent expense and contributed capital based on the following schedule:

Rent Due Date	Amount
October 15, 2009	\$ 338,130
October 15, 2010	\$ 344,893
October 15, 2011	\$ 134,977 *
	\$ 818,000

*Partial credit for \$351,790 rent due

OCWS has also received prepayment of \$3,155,200 for sewer capacity expansion charges (tap fees) to effectively reserve wastewater treatment and disposal capacity of 345,100 gallons per day for use by the 7th Special Forces Group. These fees will be recorded as income when the project is completed and wastewater treatment and disposal services commence.

Customer Facility Charge Agreement

As of December 1, 2004, the County entered into a Customer Facility Charge Agreement with the on-airport rental car companies. In accordance with Ordinance No. 04-64, the County imposes and the rental car companies collect on behalf of the County, a Customer Facility Charge (CFC). Effective July 2007, Ordinance 04-64 was amended to increase the CFC charge from two dollars and fifty cents (\$2.50) to three dollars and twenty-five cents (\$3.25) per rental car transaction day on all rental car contracts. In December 2010, Ordinance 10-16 was implemented increasing the CFC charge from three dollars and twenty-five cents (\$3.25) to three dollars and seventy-five cents (\$3.75). CFC revenue will be utilized by the County to construct, operate and maintain facilities and services for the rental car operators and their customers at the Northwest Florida Regional Airport. The facilities were completed and began operations in fiscal year 2009. CFC collections for the year ended September 30, 2010 were \$1,072,591 and will be used for debt service on the Series 2007 taxable airport revenue bonds.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 16 – COMMITMENTS AND CONTINGENCIES - CONTINUED

Emergency Operations Center

Okaloosa County and Northwest Florida State College executed a memorandum of understanding in 2005 for a joint use facility which would house the College's Community Life, Safety and Military Science programs, and the County's Public Safety Administration, Emergency Operation Center, and the 911 Dispatch Center. The facility also may serve as a hurricane evacuation shelter. The facility is under construction on the College's Niceville, Florida campus. The County funded approximately \$502,056 in fiscal year 2010 for the project. Prior year contributions to the project are \$6,497,944. The joint use facility is expected to be completed in December 2010.

Deepwater Horizon Oil Spill

April 2010, the Deepwater Horizon drilling platform and well exploded resulting in a sea-floor oil gusher into the Gulf of Mexico for three months. The spill resulted in extensive damage to the tourism industry and caused additional financial burden on local Gulf Coast governments to protect their coast against oil, oil sheen, and tar balls. BP was identified as the responsible party and being held accountable for all cleanup costs and other damages. To aide with the tourism industry, BP gave Florida \$25 million and Florida Coastal Northwest Communications Council \$7 million to promote the beaches. Okaloosa County received \$750,000 of the State funds to host two free beach concerts during the summer of 2010. The \$1,371,939 funding provided by the Florida Coastal Northwest Communications Council was used to purchase prepaid credit cards which were disbursed to tourist staying in Okaloosa County. Additionally, at September 30, 2010 the County has received \$111,614 in reimbursements for oil cleanup and prevention measures implemented by the County.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Board expects such amount, if any, to be immaterial.

Lawsuits

The Board is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Board's management that resolution of most of these matters will not have a material adverse effect on the financial condition of the Board.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 16 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Arbitrage Rebate

Section 148(f) of the Internal Revenue Code of 1986, as amended, and the proposed and temporary regulations issued by the Internal Revenue Service on May 15, 1989, and made final effective May 18, 1992, require the rebate to the United States government of the excess of earnings on non-purpose investments over earnings which would have been made on such investments if they had been made at bond yield, together with earnings on all future rebate amounts. Although rebates need not be remitted until five years after issuance of the bonds and each five (5) years thereafter, computations must be made annually to show financial position at fiscal year end. Okaloosa County has four bond issues falling within the purview of the above directives - \$26,615,000 Sales Tax Revenue Bonds, Series 2009; \$13,450,000 Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000; \$10,860,000 Airport Revenue Bonds, Series 2003; and \$65,150,000 Water and Sewer Revenue Bond, Series 2006.

According to the calculations, the Board has no rebate liability with respect to the bonds at September 30, 2010. This determination reflects the liability on that date only and does not represent any amount that may be due at the end of the five-year period from the delivery date of the bonds.

NOTE 17 – RELATED ORGANIZATION

Library Cooperative

The Okaloosa County Board of County Commissioners entered into an inter-local agreement with six (6) municipalities located within Okaloosa County, Florida to provide for operation of a countywide public library system. The governing body of the cooperative is the Okaloosa County Public Library Cooperative Board made up of one appointee from each municipality and the County. Capital assets remain the property of the participating municipalities. Under the agreement, the County agreed to provide annual funding to the cooperative of not less than the following amounts for the term of the agreement. The current agreement was effective October 1, 2009 and ended on September 30, 2010 and is subject to renewal or revision October 2010. The Okaloosa County Board of County Commissioners' contribution to the library cooperative for the year ended September 30, 2010 was \$900,000. In addition approximately \$400,000 of allocable indirect costs was charged to the fund. These charges were treated as an in-kind contribution by the County during the year ended September 30, 2010. The future commitment to the library cooperative in 2011 is \$535,000.

NOTE 18 - JOINT VENTURE

Okaloosa County, in alliance with the City of Valparaiso and City of Niceville, began implementation, in 1975, of initial steps leading to the eventual construction of a comprehensive regional sanitary sewer system designed to provide service to residents of Niceville and Valparaiso as well as County residents within the general area. The project was funded 75% by U.S. Environmental Protection Agency (EPA) Grants under provisions of Public Law 92-500 and 25% by the local government applicants.

The system was completed and placed in service during the fiscal year ended September 30, 1982. During the fiscal year ended September 30, 1990, a one million gallon-per-day expansion was completed. The Board of County Commissioners presently owns 36% of the operating capacity of the total system. The City of Niceville is a 44% owner and the City of Valparaiso is a 20% owner. The in-service cost of the property, plant and equipment paid for through the combined funding of the participants and the EPA is recorded pro-rata on the accounting records of the individual participants.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 18 - JOINT VENTURE - CONTINUED

The Board of County Commissioners' portion of assets (at original cost) accounted for in its Water and Sewer Enterprise Fund are as follows.

Land		\$ 33,496
Building and plant		877,641
Infrastructure		
Plant improvements	\$ 978,577	
Lift stations, force mains and sprayfields	<u>3,460,547</u>	
		4,439,124
 Machinery and equipment		 <u>14,978</u>
 Total		 <u>\$ 5,365,239</u>

The system is managed and operated by a separate governing body (Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc.) consisting of six members; two appointed by each of the three participants. The Sewer Board is responsible for preparing and approving its own budget. The cost of operations, including additional equipment, inventory purchases, etc., are funded by water and sewer user fees and are accounted for, in total, on the books and financial statements of the Sewer Board. The County's share of the operating results of the Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc. is reported in the Board of County Commissioner's water and sewer enterprise fund. The Board of County Commissioners' portion of the equity in the joint venture is \$629,548 as of September 30, 2010. Complete financial statements for the Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc. can be obtained from the Sewer Board's administrative office at 507 Crestview Avenue, Niceville, Florida or from the County Clerk's office at the Okaloosa County Courthouse in Crestview, Florida.

NOTE 19 – GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, will be effective for the County beginning with its year ending September 30, 2011. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is based to observe constraints imposed upon the use of the resources reporting in the governmental funds. Management has not determined what impact, if any, this GASB statement may have on its financial statements.

NOTE 20 – SUBSEQUENT EVENTS

Special Mandatory Redemption

The Okaloosa County Tourist Development Tax 4th Cent Bonds, Series 2000 which funded the construction of the Okaloosa County Convention Center included a Special Mandatory Redemption bond resolution provision scheduled for October 1, 2010. The Special Mandatory Redemption Account, in accordance with the bond resolution cash flow, contains surplus monies set aside from the pledged 4th Cent TDT less several priority expenditures related to debt service costs and renewal and replacement costs. The bond paying agent was notified in January 2011 that the Redemption Account contained \$8,017,534 and that they could now proceed with the execution of the redemption provision to be completed on March 1, 2011.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 20 – SUBSEQUENT EVENTS - CONTINUED

Florida Department of Juvenile Justice Reconciliation

In accordance with Section 985.686, Florida Statutes, Okaloosa County is billed monthly, in accordance with the State of Florida Detention Cost Share allocation for all counties, based upon an estimated number of “pre-disposition” days utilized by Okaloosa detainees. The State Detention Cost Share program is required each fiscal year to adjust the allocated costs based upon the reconciliation of the actual costs and “pre-disposition” days for the State fiscal year and that bill is generally available six months following the fiscal year end. That reconciled cost, in the past, has been adjusted nominally and included in the current fiscal year expenditures. The reconciled invoice received in January 2011 by the County for the reconciliation of FY09-10 allocation totaled \$1,061,187. The County has challenged the reconciliation for FY09-10 allocation and has joined the challenge previously filed by a number of counties for FY08-09.

Florida Association of Counties (FAC) Commercial Paper Loan

November 2010, Okaloosa County approved Resolution No. 10-205 extending the FAC Commercial Paper Loan financing for the Tourist Development Council’s joint beach renourishment project with Okaloosa County, Destin, and Walton County. \$3,140,000 was refinanced with four equal payments of \$400,000 due annually and a balloon payment of \$1,540,000 due June 2015.

British Petroleum (BP) Claim Settlements

As a result of the Deepwater Horizon Oil Spill, Okaloosa County submitted claims with BP for lost revenues largely impart to the decreased vacationers renting properties within the County. The Tourist Development Council (TDC) requested \$1,724,596 for lost Bed Tax Collection Revenue from May 2010 through September 2010, and Water and Sewer requested \$112,379 in lost revenue due to the decreased consumption of water and sewer services on Okaloosa Island. February 15, 2011 the County accepted BP’s offer of \$1,567,000 which was premised on the economic downturn by using the trend reflected by comparing the months of March and April of 2009 to the same months of 2010. March 15, 2011 the County accepted BP’s trend reduced offer of \$110,301 for lost Water and Sewer revenues.

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Board of County Commissioners

County Transportation Trust Fund

This fund is used to account for maintenance and in-house construction of Okaloosa County roads. These activities include road maintenance, traffic control, engineering, right-of-way acquisition, and construction of new roadways. Funds are provided from state shared revenue and certain gasoline taxes collected and distributed by the State of Florida.

Library Cooperative Fund

This fund is used to account for the activities of a county-wide library cooperative comprised of the unincorporated areas of the County and certain municipalities which have entered into an interlocal agreement.

Tourist Development Fund

This fund is used to account for funds received from imposition of the 4% tourist development tax for the purpose of improving Okaloosa County's tourist industry as authorized by 125.0104, F.S., and Okaloosa county Ordinance No. 89-23 as amended by 91-20, 92-52, 95-10 and 99-07.

Natural Disaster Fund

This fund is used to account for disaster funding and expenditures not considered normal recurring operating activity of the County.

County Public Health Fund

This fund is used to account for funds appropriated by Okaloosa County for or on behalf of the county public health unit, such as capital projects costs.

Municipal Services Benefit Units Fund

This fund is used to account for the assessments levied against benefiting properties for providing street lighting, street and drainage improvements and maintenance.

Unincorporated County Parks Fund

This fund is used to account for ad valorem tax proceeds levied on property in the unincorporated areas of Okaloosa County for the maintenance of parks in those areas.

Nonmajor Governmental Funds (Continued)

DEBT SERVICE FUND

Debt Service funds are used to account for the accumulation of resources and payment of special obligation bond principal and interest from governmental resources when Okaloosa County is obligated in some manner for the payment.

Board of County Commissioners

Okaloosa Debt Service Fund

This fund is used to account for accumulation of resources and payment of bond debt for Capital Improvement Revenue Bonds, Series 1991, and Sales Tax Revenue Bonds, Series 2009.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds

Board of County Commissioners

Road and Bridge Construction Fund

This fund is used to account for constitutional gasoline tax revenues and balances on hand, as well as a portion of the County's Local Option Gasoline Tax revenue, all available for capital improvements. All improvements from this fund are restricted to the construction of roads and bridges within Okaloosa County.

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010**

	County Transportation Trust Special Revenue Fund	Library Cooperative Special Revenue Fund	Tourist Development Special Revenue Fund	Natural Disaster Special Revenue Fund	County Public Health Special Revenue Fund
ASSETS					
Cash and Cash Equivalents	\$ 123,418	\$ 87,974	\$ 99,476	\$ 320,534	\$ 189,681
Investments	2,139,995	29,849	9,658,399	966,058	4,254
Accounts Receivable	1,525	10	698,479	-	568
Due from Other Elected Officials	-	-	4,083	-	1
Due from Other Governments	720,172	-	82,902	278,419	-
Prepays	26,233	6,149	3,404	-	-
Total Assets	\$ 3,011,343	\$ 123,982	\$ 10,546,743	\$ 1,565,011	\$ 194,504
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 16,023	\$ 4,675	\$ 7,805	\$ -	\$ -
Contracts Payable	58,607	-	487,412	-	4,265
Other Accrued Liabilities	192,909	4,037	19,281	-	-
Due to Other Funds	-	-	278,569	-	-
Due to Other Elected Officials	-	-	-	-	-
Due to Other Governments	2,616	-	20	-	-
Due to Depositors	60,095	-	25,000	-	-
Deferred Revenue	-	15,432	-	-	-
Total Liabilities	330,250	24,144	818,087	-	4,265

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010**

	County Transportation Trust Special Revenue Fund	Library Cooperative Special Revenue Fund	Tourist Development Special Revenue Fund	Natural Disaster Special Revenue Fund	County Public Health Special Revenue Fund
Fund Balances					
Reserved for					
Encumbrances	44,814	-	-	233,875	-
Prepays	26,233	6,149	3,404	-	-
Debt Service	-	-	-	-	-
Other Restricted Purposes	-	-	9,728,656	-	-
Unreserved Reported in					
Special Revenue Funds	2,610,046	93,689	(3,404)	1,331,136	190,239
Capital Project Funds	-	-	-	-	-
Total Fund Balances	<u>2,681,093</u>	<u>99,838</u>	<u>9,728,656</u>	<u>1,565,011</u>	<u>190,239</u>
Total Liabilities and Fund Balances	<u>\$ 3,011,343</u>	<u>\$ 123,982</u>	<u>\$ 10,546,743</u>	<u>\$ 1,565,011</u>	<u>\$ 194,504</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010**

	Municipal Services Benefit Unit Special Revenue Fund	Unincorporated County Parks Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 66,759	\$ 465,834	\$ 68,920	\$ 124,635	\$ 1,547,231
Investments	400,405	4,110,273	231,876	9,245,370	26,786,479
Accounts Receivable	-	9,054	-	-	709,636
Due from Other Elected Officials	1,257	5,864	-	-	11,205
Due from Other Governments	1,283	36,286	-	778,580	1,897,642
Prepays	1,638	-	-	-	37,424
Total Assets	<u>\$ 471,342</u>	<u>\$ 4,627,311</u>	<u>\$ 300,796</u>	<u>\$ 10,148,585</u>	<u>\$ 30,989,617</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 17,044	\$ 9,313	\$ -	\$ -	\$ 54,860
Contracts Payable	-	54,023	-	167,575	771,882
Accrued Liabilities	-	17,484	-	-	233,711
Due to Other Funds	-	-	-	-	278,569
Due to Other Elected Officials	-	-	-	-	-
Due to Other Governments	142	-	-	-	2,778
Due to Depositors	-	-	-	2,500	87,595
Deferred Revenue	-	-	-	-	15,432
Total Liabilities	<u>17,186</u>	<u>80,820</u>	<u>-</u>	<u>170,075</u>	<u>1,444,827</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010**

	Municipal Services Benefit Unit Special Revenue Fund	Unincorporated County Parks Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds
Fund Balances					
Reserved for					
Encumbrances	-	-	-	327,245	605,934
Prepays	1,638	-	-	-	37,424
Debt Service	-	-	300,796	-	300,796
Other Restricted Purposes	452,518	-	-	-	10,181,174
Unreserved Reported in					
Special Revenue Funds	-	4,546,491	-	-	8,768,197
Capital Project Funds	-	-	-	9,651,265	9,651,265
Total Fund Balances	<u>454,156</u>	<u>4,546,491</u>	<u>300,796</u>	<u>9,978,510</u>	<u>29,544,790</u>
Total Liabilities and Fund Balances	<u>\$ 471,342</u>	<u>\$ 4,627,311</u>	<u>\$ 300,796</u>	<u>\$ 10,148,585</u>	<u>\$ 30,989,617</u>

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

	County Transportation Trust Special Revenue Fund	Library Cooperative Special Revenue Fund	Tourist Development Special Revenue Fund	Natural Disaster Special Revenue Fund	County Public Health Special Revenue Fund
Revenues					
Taxes	\$ 2,687,900	\$ -	\$ 5,260,031	\$ -	\$ 824,046
Licenses and Permits	-	-	898,550	-	-
Intergovernmental	4,571,600	111,863	878,785	648,201	-
Charges for Services	251,307	24,000	44	-	-
Fines	650	-	-	-	-
Miscellaneous	20,153	429,660	1,625,067	1,126,668	134,843
Total Revenues	7,531,610	565,523	8,662,477	1,774,869	958,889
Expenditures					
Current					
General Government	-	-	-	-	-
Physical Environment	489,805	-	-	-	-
Transportation	9,030,577	-	409,999	-	-
Economic Environment	-	-	5,727,451	957,778	-
Human Services	-	-	-	-	647,055
Culture and Recreation	-	1,500,390	1,458,864	-	-
Capital Outlay	574,450	-	(162,920)	5,684	131,972
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other Debt Service Costs	-	-	-	-	-
Total Expenditures	10,094,832	1,500,390	7,433,394	963,462	779,027

Continued...

**Board of County Commissioners
Okaloosa County, Florida**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010**

	County Transportation Trust Special Revenue Fund	Library Cooperative Special Revenue Fund	Tourist Development Special Revenue Fund	Natural Disaster Special Revenue Fund	County Public Health Special Revenue Fund
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,563,222)	(934,867)	1,229,083	811,407	179,862
Other Financing Sources (Uses)					
Transfers In	3,121,503	943,179	-	-	4,000
Transfers Out	-	-	(251,202)	(266,350)	-
Transfers Among Constitutional Officers	-	-	4,083	23,242	-
Total Other Financing Sources (Uses)	3,121,503	943,179	(247,119)	(243,108)	4,000
Net Change in Fund Balances	558,281	8,312	981,964	568,299	183,862
Fund Balances - Beginning	2,122,812	91,526	8,746,692	996,712	6,377
Fund Balances - Ending	\$ 2,681,093	\$ 99,838	\$ 9,728,656	\$ 1,565,011	\$ 190,239

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

	Municipal Services Benefit Unit Special Revenue Fund	Unincorporated County Parks Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues					
Taxes	\$ -	\$ 1,284,544	\$ -	\$ 1,680,322	\$ 11,736,843
Licenses and Permits	420,655	-	-	-	1,319,205
Intergovernmental	-	37,851	4,109,625	3,733,011	14,090,936
Charges for Services	-	1,000	-	-	276,351
Fines	-	116	-	-	766
Miscellaneous	10,749	107,041	139,746	193,580	3,787,507
	<u>431,404</u>	<u>1,430,552</u>	<u>4,249,371</u>	<u>5,606,913</u>	<u>31,211,608</u>
Total Revenues					
Expenditures					
Current					
General Government	-	-	190,750	-	190,750
Physical Environment	-	-	-	-	489,805
Transportation	424,987	-	-	2,548,888	12,414,451
Economic Environment	-	-	-	-	6,685,229
Human Services	-	-	-	-	647,055
Culture and Recreation	-	871,732	-	-	3,830,986
Capital Outlay	-	276,046	-	2,415,102	3,240,334
Debt Service					
Principal	-	-	587,505	-	587,505
Interest	-	-	435,901	-	435,901
Other Debt Service Costs	-	-	692,498	-	692,498
	<u>424,987</u>	<u>1,147,778</u>	<u>1,906,654</u>	<u>4,963,990</u>	<u>29,214,514</u>
Total Expenditures					

Continued...

**Board of County Commissioners
Okaloosa County, Florida**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010**

	Municipal Services Benefit Unit Special Revenue Fund	Unincorporated County Parks Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,417	282,774	2,342,717	642,923	1,997,094
Other Financing Sources (Uses)					
Transfers In	-	-	535,771	-	4,604,453
Transfers Out	-	-	(3,486,503)	-	(4,004,055)
Transfers Among Constitutional Officers	1,257	5,862	-	-	34,444
Issuance of Debt	-	-	943,206	-	943,206
Discount on Debt Issuance	-	-	(251,241)	-	(251,241)
Total Other Financing Sources (Uses)	1,257	5,862	(2,258,767)	-	1,326,807
Net Change in Fund Balances	7,674	288,636	83,950	642,923	3,323,901
Fund Balances - Beginning	446,482	4,257,855	216,846	9,335,587	26,220,889
Fund Balances - Ending	\$ 454,156	\$ 4,546,491	\$ 300,796	\$ 9,978,510	\$ 29,544,790

**Board of County Commissioners
Okaloosa County, Florida**

**CAPITAL OUTLAY CONSTRUCTION TRUST CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 120,000	\$ 1,269,435	\$ 411,827	\$ (857,608)
Charges for Services	-	130,000	130,000	-
Miscellaneous	250,000	422,000	537,143	115,143
Total Revenues	<u>370,000</u>	<u>1,821,435</u>	<u>1,078,970</u>	<u>(742,465)</u>
Expenditures				
Current				
General Government	8,458,995	20,774,187	581,356	20,192,831
Culture and Recreation	578,601	453,924	75,728	378,196
Capital Outlay	<u>1,531,688</u>	<u>15,790,439</u>	<u>10,126,156</u>	<u>5,664,283</u>
Total Expenditures	<u>10,569,284</u>	<u>37,018,550</u>	<u>10,783,240</u>	<u>26,235,310</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,199,284)</u>	<u>(35,197,115)</u>	<u>(9,704,270)</u>	<u>25,492,845</u>
Other Financing Sources (Uses)				
Transfers In	950,000	765,431	678,427	(87,004)
Transfers Out	(1,659,417)	(1,659,417)	(1,659,417)	-
Issuance of Debt	<u>-</u>	<u>25,671,794</u>	<u>25,671,794</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(709,417)</u>	<u>24,777,808</u>	<u>24,690,804</u>	<u>(87,004)</u>
Net Change in Fund Balance	(10,908,701)	(10,419,307)	14,986,534	25,405,841
Fund Balance - Beginning	<u>10,908,701</u>	<u>10,419,307</u>	<u>10,419,308</u>	<u>1</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,405,842</u>	<u>\$ 25,405,842</u>

**Board of County Commissioners
Okaloosa County, Florida
COUNTY TRANSPORTATION TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,550,000	\$ 2,550,000	\$ 2,687,900	\$ 137,900
Intergovernmental	4,475,162	5,279,512	4,571,600	(707,912)
Charges for Services	239,500	239,500	251,307	11,807
Fines	-	-	650	650
Miscellaneous	35,000	35,000	20,153	(14,847)
Total Revenues	7,299,662	8,104,012	7,531,610	(572,402)
Expenditures				
Public Safety	-	78,183	-	78,183
Physical Environment	479,518	538,455	489,805	48,650
Transportation	9,477,847	9,600,194	9,030,577	569,617
Capital Outlay	2,148,800	3,131,495	574,450	2,557,045
Total Expenditures	12,106,165	13,348,327	10,094,832	3,253,495
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,806,503)	(5,244,315)	(2,563,222)	2,681,093
Other Financing Sources (Uses)				
Transfers In	3,121,503	3,121,503	3,121,503	-
Total Other Financing Sources (Uses)	3,121,503	3,121,503	3,121,503	-
Net Change in Fund Balance	(1,685,000)	(2,122,812)	558,281	2,681,093
Fund Balance - Beginning	1,685,000	2,122,812	2,122,812	-
Fund Balance - Ending	\$ -	\$ -	\$ 2,681,093	\$ 2,681,093

Board of County Commissioners
Okaloosa County, Florida
LIBRARY COOPERATIVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 120,703	\$ 127,295	\$ 111,863	\$ (15,432)
Charges for Services	-	24,000	24,000	-
Miscellaneous	3,500	430,455	429,660	(795)
Total Revenues	<u>124,203</u>	<u>581,750</u>	<u>565,523</u>	<u>(16,227)</u>
Expenditures				
Current				
Culture and Recreation	1,109,203	1,616,456	1,500,390	116,066
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,109,203</u>	<u>1,616,456</u>	<u>1,500,390</u>	<u>116,066</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(985,000)</u>	<u>(1,034,706)</u>	<u>(934,867)</u>	<u>99,839</u>
Other Financing Sources (Uses)				
Transfers In	900,000	943,180	943,179	(1)
Total Other Financing Sources (Uses)	<u>900,000</u>	<u>943,180</u>	<u>943,179</u>	<u>(1)</u>
Net Change in Fund Balance	(85,000)	(91,526)	8,312	99,838
Fund Balance - Beginning	<u>85,000</u>	<u>91,526</u>	<u>91,526</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,838</u>	<u>\$ 99,838</u>

Board of County Commissioners
Okaloosa County, Florida
TOURIST DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 5,850,000	\$ 5,850,000	\$ 5,260,031	\$ (589,969)
Licenses and Permits	930,000	930,000	898,550	(31,450)
Intergovernmental	-	7,941,484	878,785	(7,062,699)
Charges for Services	-	-	44	44
Miscellaneous	235,000	1,635,461	1,625,067	(10,394)
Total Revenues	7,015,000	16,356,945	8,662,477	(7,694,468)
Expenditures				
Current				
Transportation	282,000	562,593	409,999	152,594
Economic Environment	6,032,710	7,975,132	5,727,451	2,247,681
Culture and Recreation	7,639,140	16,245,673	1,458,864	14,786,809
Capital Outlay	43,150	52,238	(162,920)	215,158
Total Expenditures	13,997,000	24,835,636	7,433,394	17,402,242
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,982,000)	(8,478,691)	1,229,083	9,707,774
Other Financing Sources (Uses)				
Transfers Out	(268,000)	(268,000)	(251,202)	16,798
Transfers Among Constitutional Officers	-	-	4,083	4,083
Total Other Financing Sources (Uses)	(268,000)	(268,000)	(247,119)	20,881
Net Change in Fund Balance	(7,250,000)	(8,746,691)	981,964	9,728,655
Fund Balance - Beginning	7,250,000	8,746,691	8,746,692	1
Fund Balance - Ending	\$ -	\$ -	\$ 9,728,656	\$ 9,728,656

Board of County Commissioners
Okaloosa County, Florida
NATURAL DISASTER SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 1,288,544	\$ 648,201	\$ (640,343)
Miscellaneous	-	1,129,979	1,126,668	(3,311)
Total Revenues	-	2,418,523	1,774,869	(643,654)
Expenditures				
Public Safety	-	562,634	-	562,634
Economic Environment	-	2,166,317	957,778	1,208,539
Capital Outlay	-	419,934	5,684	414,250
Total Expenditures	-	3,148,885	963,462	2,185,423
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(730,362)	811,407	1,541,769
Other Financing Sources (Uses)				
Transfers Out	-	(266,350)	(266,350)	-
Transfers Among Constitutional Officers	-	-	23,242	23,242
Total Other Financing Sources (Uses)	-	(266,350)	(243,108)	23,242
Net Change in Fund Balance	-	(996,712)	568,299	1,565,011
Fund Balance - Beginning	-	996,712	996,712	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,565,011	\$ 1,565,011

Board of County Commissioners
Okaloosa County, Florida
COUNTY PUBLIC HEALTH SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 823,531	\$ 823,531	\$ 824,046	\$ 515
Miscellaneous	3,000	134,973	134,843	(130)
Total Revenues	<u>826,531</u>	<u>958,504</u>	<u>958,889</u>	<u>385</u>
Expenditures				
Current				
Human Services	840,531	578,214	647,055	(68,841)
Capital Outlay	-	394,290	131,972	262,318
Total Expenditures	<u>840,531</u>	<u>972,504</u>	<u>779,027</u>	<u>193,477</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,000)</u>	<u>(14,000)</u>	<u>179,862</u>	<u>193,862</u>
Other Financing Sources (Uses)				
Transfers In	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Net Change in Fund Balance	(10,000)	(10,000)	183,862	193,862
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>6,377</u>	<u>(3,623)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,239</u>	<u>\$ 190,239</u>

Board of County Commissioners
Okaloosa County, Florida
MUNICIPAL SERVICES BENEFIT UNIT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and Permits	\$ 414,120	\$ 430,675	\$ 420,655	\$ (10,020)
Miscellaneous	-	-	10,749	10,749
Total Revenues	414,120	430,675	431,404	729
Expenditures				
Current				
Transportation	750,019	816,214	424,987	391,227
Capital Outlay	37,575	60,943	-	60,943
Total Expenditures	787,594	877,157	424,987	452,170
Excess (Deficiency) of Revenues Over (Under) Expenditures	(373,474)	(446,482)	6,417	452,899
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	-	1,257	1,257
Total Other Financing Sources (Uses)	-	-	1,257	1,257
Net Change in Fund Balance	(373,474)	(446,482)	7,674	454,156
Fund Balance - Beginning	373,474	446,482	446,482	-
Fund Balance - Ending	\$ -	\$ -	\$ 454,156	\$ 454,156

Board of County Commissioners
Okaloosa County, Florida
UNINCORPORATED COUNTY PARKS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,269,607	\$ 1,284,548	\$ 1,284,544	\$ (4)
Intergovernmental	-	50,239	37,851	(12,388)
Charges for Services	-	1,000	1,000	-
Fines	-	116	116	-
Miscellaneous	150,000	153,116	107,041	(46,075)
Total Revenues	1,419,607	1,489,019	1,430,552	(58,467)
Expenditures				
Current				
Culture and Recreation	3,973,845	4,434,126	871,732	3,562,394
Capital Outlay	1,245,762	1,312,748	276,046	1,036,702
Total Expenditures	5,219,607	5,746,874	1,147,778	4,599,096
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,800,000)	(4,257,855)	282,774	4,540,629
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	-	5,862	5,862
Total Other Financing Sources (Uses)	-	-	5,862	5,862
Net Change in Fund Balance	(3,800,000)	(4,257,855)	288,636	4,546,491
Fund Balance - Beginning	3,800,000	4,257,855	4,257,855	-
Fund Balance - Ending	\$ -	\$ -	\$ 4,546,491	\$ 4,546,491

**Board of County Commissioners
Okaloosa County, Florida
OKALOOSA DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 3,946,500	\$ 4,096,500	\$ 4,109,625	\$ 13,125
Miscellaneous	-	140,443	139,746	(697)
Total Revenues	<u>3,946,500</u>	<u>4,236,943</u>	<u>4,249,371</u>	<u>12,428</u>
Expenditures				
Current				
General Government	395,750	407,596	190,750	216,846
Principal	905,000	905,000	587,505	317,495
Interest	24,000	449,012	435,901	13,111
Other Debt Service Costs	25,000	716,964	692,498	24,466
Total Expenditures	<u>1,349,750</u>	<u>2,478,572</u>	<u>1,906,654</u>	<u>571,918</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,596,750</u>	<u>1,758,371</u>	<u>2,342,717</u>	<u>584,346</u>
Other Financing Sources (Uses)				
Transfers In	284,753	819,322	535,771	(283,551)
Transfers Out	(3,086,503)	(3,486,503)	(3,486,503)	-
Issuance of Debt	-	943,206	943,206	-
Discount on Debt Issuance	-	(251,242)	(251,241)	1
Total Other Financing Sources (Uses)	<u>(2,801,750)</u>	<u>(1,975,217)</u>	<u>(2,258,767)</u>	<u>(283,550)</u>
Net Change in Fund Balance	(205,000)	(216,846)	83,950	300,796
Fund Balance - Beginning	<u>205,000</u>	<u>216,846</u>	<u>216,846</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,796</u>	<u>\$ 300,796</u>

**Board of County Commissioners
Okaloosa County, Florida
ROAD AND BRIDGE CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,680,322	\$ 80,322
Intergovernmental	2,350,000	5,159,272	3,733,011	(1,426,261)
Miscellaneous	790,238	790,238	193,580	(596,658)
Total Revenues	<u>4,740,238</u>	<u>7,549,510</u>	<u>5,606,913</u>	<u>(1,942,597)</u>
Expenditures				
Current				
Transportation	2,360,530	6,448,636	2,548,888	3,899,748
Capital Outlay	10,616,546	10,436,461	2,415,102	8,021,359
Total Expenditures	<u>12,977,076</u>	<u>16,885,097</u>	<u>4,963,990</u>	<u>11,921,107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,236,838)</u>	<u>(9,335,587)</u>	<u>642,923</u>	<u>9,978,510</u>
Net Change in Fund Balance	(8,236,838)	(9,335,587)	642,923	9,978,510
Fund Balance - Beginning	<u>8,236,838</u>	<u>9,335,587</u>	<u>9,335,587</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,978,510</u>	<u>\$ 9,978,510</u>

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Board of County Commissioner of Okaloosa County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Board has decided that periodic determination of net income is appropriate for accountability purposes.

Inspection and Code Enforcement Fund

This fund is used to account for the license, permit and inspection fees and related expenses for the provision of inspection and code enforcement services to residents of the unincorporated areas of Okaloosa County.

Emergency Medical Services Fund

This fund is used to account for the operation of a county-wide emergency medical technician and paramedic service. Revenue sources include ad valorem property tax subsidy, user charges, and private donations.

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR ENTERPRISE FUNDS
September 30, 2010**

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit V)
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,735	\$ 630	\$ 2,365
Receivables, Net of Allowance for Uncollectible	24,943	3,241,784	3,266,727
Due from Other Elected Officials	-	2	2
Prepays	3,370	2,077	5,447
Total Current Assets	30,048	3,244,493	3,274,541
Capital Assets			
Intangible	42,425	30,150	72,575
Machinery and Equipment	342,234	4,351,780	4,694,014
Less Accumulated Depreciation/Amortization	(363,631)	(2,806,050)	(3,169,681)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	21,028	1,575,880	1,596,908
Total Noncurrent Assets	21,028	1,575,880	1,596,908
Total Assets	\$ 51,076	\$ 4,820,373	\$ 4,871,449

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR ENTERPRISE FUNDS
September 30, 2010**

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit V)
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 218,887	\$ 514,313	\$ 733,200
Contracts Payable	3,704	52,692	56,396
Accrued Liabilities			
Compensated Absences	60,557	183,933	244,490
Other Accrued Liabilities	41,410	196,376	237,786
Due to Other Elected Officials	-	130	130
Due to Other Governments	3,507	4,093	7,600
Deferred Revenue	24,446	41,239	65,685
Total Current Liabilities	352,511	992,776	1,345,287
Noncurrent Liabilities			
Compensated Absences	36,839	103,721	140,560
Other Post Employment Benefits	8,839	66,351	75,190
Total Noncurrent Liabilities	45,678	170,072	215,750
Total Liabilities	398,189	1,162,848	1,561,037
Equity			
Invested in Capital Assets, Net of Related Debt	21,028	1,575,880	1,596,908
Unrestricted	(368,141)	2,081,645	1,713,504
Total Equity	(347,113)	3,657,525	3,310,412
Total Liabilities and Equity	\$ 51,076	\$ 4,820,373	\$ 4,871,449

**Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN EQUITY
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2010**

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit VI)
Operating Revenues			
Licenses and Permits	\$ 894,021	\$ -	\$ 894,021
Charges for Services	144,192	5,647,336	5,791,528
Miscellaneous	2,849	-	2,849
Total Operating Revenues	1,041,062	5,647,336	6,688,398
Operating Expenses			
Personal services	1,127,897	5,554,482	6,682,379
Contractual Services	5,000	423,808	428,808
Supplies	23,806	525,498	549,304
Utilities	-	36,193	36,193
Other Operating Expenses	57,038	432,563	489,601
Depreciation/Amortization	27,544	552,326	579,870
Total Operating Expenses	1,241,285	7,524,870	8,766,155
Operating Income (Loss)	(200,223)	(1,877,534)	(2,077,757)
Nonoperating Revenues (Expenses)			
Taxes	102,113	1,221,414	1,323,527
Intergovernmental	-	8,920	8,920
Investment Income	(4,021)	(9,483)	(13,504)
Gain/Loss on Disposal of Capital Assets	-	(35,722)	(35,722)
Total Nonoperating Revenues (Expenses)	98,092	1,185,129	1,283,221
Income (Loss) Before			
Contributions and Transfers	(102,131)	(692,405)	(794,536)
Capital Contributions	287	-	287
Transfers In	-	283,000	283,000
Change in Equity	(101,844)	(409,405)	(511,249)
Total Equity - Beginning	(245,269)	4,066,930	3,821,661
Total Equity - Ending	\$ (347,113)	\$ 3,657,525	\$ 3,310,412

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2010

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit XI)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,015,020	\$ 5,492,416	\$ 6,507,436
Payments to Suppliers	(23,761)	(768,401)	(792,162)
Payments to Employees	(1,013,185)	(5,324,710)	(6,337,895)
Payments for Interfund Services Used	(74,763)	(641,639)	(716,402)
Net Cash Provided (Used) by Operating Activities	(96,689)	(1,242,334)	(1,339,023)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Subsidy - Taxes	102,113	1,221,850	1,323,963
Operating Subsidy - Intergovernmental Revenue	-	44,986	44,986
Transfers In	-	283,000	283,000
Interest Paid on Non-Capital Debt	(3,943)	(3,399)	(7,342)
Net Cash Provided (Used) by Non-capital Financing Activities	98,170	1,546,437	1,644,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	-	(299,037)	(299,037)
Net cash provided (used) by capital and related financing activities	-	(299,037)	(299,037)
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	2,075	4,140	6,215
Purchases of Investments	(1,821)	(8,576)	(10,397)
Net Cash Provided (Used) by Investing Activities	254	(4,436)	(4,182)
Net Increase (Decrease) in Cash and Cash Equivalents	1,735	630	2,365
Cash and Cash Equivalents - Beginning of Year	-	-	-
Cash and Cash Equivalents - End of Year	\$ 1,735	\$ 630	\$ 2,365

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2010

	Business-type Activities		
	Inspection and Code Enforcement	Emergency Medical Services	Total Nonmajor Enterprise Funds (Exhibit XI)
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 1,735	\$ 630	\$ 2,365
Total	<u>\$ 1,735</u>	<u>\$ 630</u>	<u>\$ 2,365</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (200,223)	\$ (1,877,534)	\$ (2,077,757)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	27,544	552,326	579,870
Decrease (Increase) in Assets			
Accounts Receivables	(11,393)	(154,920)	(166,313)
Prepaid Expenses	(3,370)	(57)	(3,427)
Increase (Decrease) in Liabilities			
Accounts Payable	101,012	153,564	254,576
Service Contracts Payable	3,704	21,814	25,518
Due to Other Funds	-	130	130
Due to Other Governments	596	2,757	3,353
Compensated Absences Payable	(10,510)	19,773	9,263
Other Accrued Liabilities	8,692	17,280	25,972
Deferred Revenue	(15,245)	-	(15,245)
Other Post Employment Benefits	2,504	22,533	25,037
Net Cash Provided (Used) by Operating Activities	<u>\$ (96,689)</u>	<u>\$ (1,242,334)</u>	<u>\$ (1,339,023)</u>
Noncash Investing, Capital, and Financing Activities			
Transfer of Fixed Assets From Other Funds	\$ 287	\$ -	287
Transfer of Fixed Assets to Other Funds	\$ -	\$ (25,929)	(25,929)
Loss on Disposal of Assets	\$ -	\$ (9,793)	\$ (9,793)
Unrealized Gain/(Loss) on Investments	\$ 1,593	\$ 2,542	\$ 4,135

(THIS PAGE INTENTIONALLY LEFT BLANK)

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Board of County Commissioners of Okaloosa County and to other government units, on a cost reimbursement basis.

Self Insurance

This fund is used to account for premiums and claims associated with the provision of self-insurance programs for Okaloosa County.

Garage Service Fund

This fund is used to account for user charges and expenses associated with vehicle maintenance and the centralized distribution of gasoline and special fuel to various Okaloosa County Departments as well as other County agencies.

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
September 30, 2010**

	Governmental Activities		
	Self Insurance	Garage Services	Total Internal Service Funds (Exhibit V)
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 266,492	\$ 106,084	\$ 372,576
Investments	549,830	130	549,960
Receivables, Net of Allowance for Uncollectible	8,159	1,963	10,122
Due from Other Elected Officials	653	100	753
Due from Other Governments	-	147,171	147,171
Inventory	-	221,412	221,412
Total Current Assets	825,134	476,860	1,301,994
Noncurrent Assets			
Capital Assets			
Land	-	316,861	316,861
Buildings	-	900,466	900,466
Improvements Other Than Buildings	-	257,345	257,345
Machinery and Equipment	33,478	2,467,074	2,500,552
Less Accumulated Depreciation/Amortization	(32,774)	(3,254,308)	(3,287,082)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	704	687,438	688,142
Total Noncurrent Assets	704	687,438	688,142
Total Assets	\$ 825,838	\$ 1,164,298	\$ 1,990,136

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
September 30, 2010**

	Governmental Activities		Total Internal Service Funds (Exhibit V)
	Self Insurance	Garage Services	
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 1,213	\$ 115,860	\$ 117,073
Contracts Payable	12,998	26,581	39,579
Accrued Liabilities			
Compensated Absences	15,887	79,042	94,929
Claims and Judgments	1,742,675	-	1,742,675
Other Accrued Liabilities	7,107	35,373	42,480
Due To Other Governments	227	-	227
Deferred Revenue	11,603	-	11,603
Total Current Liabilities	1,791,710	256,856	2,048,566
Noncurrent Liabilities			
Compensated Absences	19,334	73,754	93,088
Claims and Judgments	2,079,710	-	2,079,710
Other Post Employment Benefits	1,674	10,779	12,453
Total Noncurrent Liabilities	2,100,718	84,533	2,185,251
Total Liabilities	3,892,428	341,389	4,233,817
Equity			
Invested in Capital Assets, Net of Related Debt	704	687,438	688,142
Unrestricted	(3,067,294)	135,471	(2,931,823)
Total Equity	(3,066,590)	822,909	(2,243,681)
Total Liabilities and Equity	\$ 825,838	\$ 1,164,298	\$ 1,990,136

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN EQUITY
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2010

	Governmental Activities		Total Internal Service Funds (Exhibit VI)
	Self Insurance	Garage Services	
Operating Revenues			
Charges for Services	\$ 12,583,692	\$ 3,873,959	\$ 16,457,651
Fines	35	-	35
Miscellaneous	1,181	73	1,254
Total Operating Revenues	12,584,908	3,874,032	16,458,940
Operating Expenses			
Personal Services	214,300	1,093,622	1,307,922
Contractual Services	117,992	2,900	120,892
Supplies	2,660	2,645,713	2,648,373
Insurance Premiums and Claims	13,133,556	-	13,133,556
Utilities	-	8,675	8,675
Other Operating Expenses	5,671	233,274	238,945
Depreciation/Amortization	1,136	107,109	108,245
Total Operating Expenses	13,475,315	4,091,293	17,566,608
Operating Income (Loss)	(890,407)	(217,261)	(1,107,668)
Nonoperating Revenues (Expenses)			
Investment Income	30,804	1,004	31,808
Gain/Loss on Disposal of Capital Assets	-	27,380	27,380
Total Nonoperating Revenues (Expenses)	30,804	28,384	59,188
Income (Loss) Before Contributions and Transfers	(859,603)	(188,877)	(1,048,480)
Capital Contributions	-	80,511	80,511
Change in Equity	(859,603)	(108,366)	(967,969)
Total Equity - Beginning	(2,206,987)	931,275	(1,275,712)
Total Equity - Ending	\$ (3,066,590)	\$ 822,909	\$ (2,243,681)

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2010

	Governmental Activities		
	Self- Insurance	Garage Services	Total Internal Service Funds (Exhibit XII)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 9,544,298	\$ 733,167	\$ 10,277,465
Receipts from Interfund Services Provided	3,042,305	3,111,628	6,153,933
Payments to Suppliers	(12,842,228)	(2,791,955)	(15,634,183)
Payments to Employees	(213,742)	(1,068,758)	(1,282,500)
Payments for Interfund Services Used	(40,093)	(96,869)	(136,962)
Net Cash Provided (Used) by Operating Activities	<u>(509,460)</u>	<u>(112,787)</u>	<u>(622,247)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interest Paid on Non-Capital Debt	<u>-</u>	<u>(947)</u>	<u>(947)</u>
Net Cash Provided (Used) by Non-capital Financing Activities	<u>-</u>	<u>(947)</u>	<u>(947)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	-	(1,120)	(1,120)
Proceeds from Disposal of Capital Assets	<u>-</u>	<u>29,352</u>	<u>29,352</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>28,232</u>	<u>28,232</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	1,922,441	4,333	1,926,774
Interest Income	21,286	-	21,286
Purchases of Investments	<u>(1,282,057)</u>	<u>-</u>	<u>(1,282,057)</u>
Net Cash Provided (Used) by Investing Activities	<u>661,670</u>	<u>4,333</u>	<u>666,003</u>
Net Increase (Decrease) in Cash and Cash Equivalents	152,210	(81,169)	71,041
Cash and Cash Equivalents - Beginning of Year	<u>114,282</u>	<u>187,253</u>	<u>301,535</u>
Cash and Cash Equivalents - End of Year	<u>\$ 266,492</u>	<u>\$ 106,084</u>	<u>\$ 372,576</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2010

	Governmental Activities		
	Self- Insurance	Garage Services	Total Internal Service Funds (Exhibit XII)
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 266,492	\$ 106,084	\$ 372,576
Total	<u>\$ 266,492</u>	<u>\$ 106,084</u>	<u>\$ 372,576</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (890,407)	\$ (217,261)	\$ (1,107,668)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	1,136	107,109	108,245
Decrease (Increase) in Assets			
Accounts Receivable	(1,855)	(1,616)	(3,471)
Due from Other Funds	(653)	260	(393)
Due from Other Governments	-	(27,881)	(27,881)
Inventories	-	16,524	16,524
Prepaid Expenses	5,862	-	5,862
Increase (Decrease) in Liabilities			
Accounts Payable	(37,936)	8,743	(29,193)
Service Contracts Payable	12,887	9,387	22,274
Due to Other Governments	227	(12,923)	(12,696)
Compensated Absences Payable	(1,184)	(3,655)	(4,839)
Claims and Judgments Payable	396,948	-	396,948
Other Accrued Liabilities	734	4,866	5,600
Deferred Revenue	4,203	-	4,203
Other Post Employment Benefits	578	3,660	4,238
Total Adjustments	<u>380,947</u>	<u>104,474</u>	<u>485,421</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (509,460)</u>	<u>\$ (112,787)</u>	<u>\$ (622,247)</u>
Noncash Investing, Capital, and Financing Activities:			
Transfers of Capital Assets From Other Funds	\$ -	\$ 80,511	\$ 80,511
Loss on Disposal of Capital Assets	\$ -	\$ (1,972)	\$ (1,972)
Unrealized Gain/(Loss) on Investments	\$ (7,021)	\$ 300	\$ (6,721)

Other Reports

Honorable Chairman and the Members of the
Board of County Commissioners
Okaloosa County, Florida

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which collectively comprise the Board of County Commissioners of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Board of County Commissioners of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of County Commissioners of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of County Commissioners of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010-1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

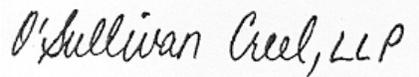
As part of obtaining reasonable assurance about whether the Board of County Commissioners of Okaloosa County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Chairman and the Members of the
Board of County Commissioners
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Board of County Commissioners of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

This report is intended solely for the information and use of the Board of County Commissioners of Okaloosa County, Florida, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "O'Sullivan Creel, LLP". The signature is written in black ink on a light-colored background.

March 18, 2011

Okaloosa County, Florida
Board of County Commissioners
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended September 30, 2010

1. **Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)**

Finding 2010-1 – INTERNAL CONTROL OVER BILLINGS AT AIRPORT

Criteria – Okaloosa County Airport’s system of internal control should be designed so that management and employees, in the normal course of performing their assigned functions, can prevent or detect misstatements on a timely basis.

Condition – Billings to an operator who leases space at the Destin airport were calculated incorrectly for the period from June 1, 2006 to September 30, 2010. A lease amendment signed April 7, 2008, and made effective retroactive to the period of June 1, 2006, was not considered in the monthly billing process. As a result, the operator was under billed approximately \$290,000 during this time period. In addition a CPI adjustment to the lease was allowable as of January 1, 2010 and such adjustment was not made in the billing examined after that date.

Cause – The Airport Enterprise fund and other Okaloosa County enterprise activities, independently process revenue transactions including billing to customers and the related account receivable. Revenue and accounts receivable are recorded by BOCC in the County’s accounting system based on source data provided by the respective enterprise funds. The airport derives significant revenue from lease agreements and there is not a formal process in place to periodically compare lease agreements with monthly billings. The lease agreements are complex as well as multi-faceted deriving revenue based on the activities of the vendor, such as sales of particular products or services.

Effect – The airport has under collected and underreported revenue earned from the lease during the time period from June 1, 2006 to September 30, 2010.

Recommendations –

- Institute a procedure that requires all leases to be examined on an annual basis and billings agreed to lease terms. This should be done by someone independent of the monthly billing function.

- Create a comprehensive lease listing that indicates lease start and end dates, dates in which CPI increases take effect, and other facets of the agreements, such as additional provisions to include supplementary billings based on sales, etc. Use this listing to update monthly billings as needed and to make inquiries concerning lease extensions or amendments that would be executed by the governing body of Okaloosa County, Florida.

Views of the Responsible Officials and Planned Corrective Actions

Airport management concurs. The Airport Property/Lease Specialist will create a comprehensive spreadsheet or database listing each contract/lease with information relating to each revenue factor. Information such as CPI adjustments and credits authorized will also be entered. Each contract/lease master file will also contain a control sheet indicating dates of reviews and notation that any extensions/amendments have been furnished to the Airports Financial Specialist for billing updates, and the Administration & Finance Manager for follow-up.



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Board of County Commissioners of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted below under the heading **Prior Year Recommendation**.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Board of County Commissioners of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit we had no current year recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. In connection with our audit, we report the matter noted below under the heading **Prior Year Recommendations**.

To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida
Management Letter (Continued)

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Board of County Commissioners of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e). The Board of County Commissioners of Okaloosa County, Florida included one component unit, as defined by GASB 14, with a significant operational or financial relationship with the County. That component unit, Emerald Coast Bridge Authority, has been reported as a discretely-presented component unit in the financial statements of the Board of County Commissioners of Okaloosa County, Florida. The Authority was established in May 2001 by legislative action amending Chapter 90-412, Laws of Florida.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Board of County Commissioners of Okaloosa County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Board of County Commissioners of Okaloosa County, Florida for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Board of County Commissioners of Okaloosa County, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

PRIOR YEAR RECOMMENDATIONS

1. RECONCILIATION OF ACCOUNTS RECEIVABLE AIRPORT ENTERPRISE FUND

Prior Year Comment Summarized

The independent subsidiary accounts receivable detail maintained by the Airport Enterprise Fund improperly included previously paid accounts at September 30, 2009. As a result accounts receivable recorded by BOCC Clerk Finance was overstated by \$70,000 which was discovered via audit procedures. We recommended procedures be established to ensure that both billings and cash collections are posted to the accounts receivable subsidiary maintained by the Airport Enterprise Fund on a consistent and timely basis.

Status

An adjustment of approximately \$7,500 to the control account was necessary to record additional billings included on the airport's independent subsidiary detail not initially recorded by BOCC Clerk Finance. An audit adjustment of \$13,000 was made to correct an additional accounts receivable account that was overstated as a result of returned checks that were re-deposited during the year under audit. Billings and cash collections were posted to the subsidiary ledger maintained by the Airport Enterprise Fund consistently and timely during the year ended September 30, 2010.

Continuing Recommendation

Correctly recording accounts receivable and related revenue in the Airport Enterprise Fund must involve active communication between personnel at the Airport and BOCC Clerk Finance. We recommend the two parties collaborate and collectively approve the accounts receivable detail at year end prior to transmittal of the trial balance to the auditors.

To the Honorable Chairman and Members of the
Board of County Commissioners
Okaloosa County, Florida
Management Letter (Continued)

PRIOR YEAR RECOMMENDATIONS (CONTINUED)

1. RECONCILIATION OF ACCOUNTS RECEIVABLE AIRPORT ENTERPRISE FUND (CONTINUED)

Management's Response and Action Plan

Airport management and the BOCC Clerk Finance will collaborate and approve the year end accounts receivable balance prior to the start of audit fieldwork. In addition, when NSF checks are returned to the Airport, BOCC Finance will reduce the deposited amount pending any redeposit of the funds.

2. RELIANCE ON VENDOR DOCUMENTATION AIRPORT ENTERPRISE FUND

Prior Year Comment Summarized

Certain revenues in the airport enterprise fund are based on variable factors such as the number/type/weight of planes departing or arriving or the revenue base of the rental car companies. The Airport Enterprise Fund relies heavily on reports produced and provided by the service and concession providers to record revenue earned. The Airport Enterprise fund does not perform audits of the service provider records to substantiate revenue remitted.

Status

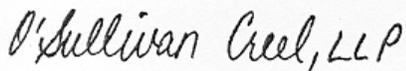
Airport Management reviewed several alternatives during the year ended September 30, 2010 and the following modification were made to the system of internal control:

- Effective for FY10-11 flight data is obtained from an independent third party, which allows the airport to verify data provided by the commercial airlines used in billing.
- Audits of the revenue reported by the rental car companies are in progress as of the date of the auditor's report by an independent CPA firm that specializes in this type of activity.
- Standardized self reporting forms for the FBO's have been developed to report various types of revenue on which rents and charges are based. The General Aviation Airports Manger for the Crestview and Destin airports is responsible for reviewing the information subsequent to the billing process and researching any significant or unusual variances on a monthly basis. Airport management also has the right to inspect the records of the FBO's although no formal schedule for these reviews has been implemented.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, the Board of County Commissioners of Okaloosa County, Florida, and the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Board of County Commissioners of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



March 18, 2011

CLERK OF THE
CIRCUIT COURT

**OKALOOSA COUNTY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit/ Statement</u>
CLERK OF THE CIRCUIT COURT		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual		
General Fund	5	III
Courts Special Revenue Fund	6	IV
Public Records Modernization Trust Special Revenue Fund	7	V
Public Records Courts Special Revenue Fund	8	VI
Public Records 10% Fine Special Revenue Fund	9	VII
Balance Sheet - Proprietary Fund	10	VIII
Statement of Revenues, Expenses, and Changes in Equity - Proprietary Fund	11	IX
Statement of Cash Flows - Proprietary Fund	12	X
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	13	XI
Notes to Financial Statements	14	
Combining and Individual Fund Statements and Schedules:		
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	27	A-1
Combining Statement of Changes in Assets and Liabilities - Agency Funds	29	A-2
OTHER REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33	
Management Letter	35	

(THIS PAGE INTENTIONALLY LEFT BLANK)

Basic Financial Statements



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

Honorable Don W. Howard
Clerk of the Circuit Court
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Clerk of the Circuit Court of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Clerk's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clerk of the Circuit Court of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Clerk of the Circuit Court of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Clerk of the Circuit Court of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Courts Special Revenue Fund, the Public Records Modernization Trust Special Revenue Fund and the Public Records Courts Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011 on our consideration of the Clerk of the Circuit Court of Okaloosa County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Don W. Howard
Clerk of the Circuit Court
Independent Auditor's Report (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clerk of the Circuit Court of Okaloosa County, Florida's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Clerk of the Circuit Court of Okaloosa County, Florida, the Board of County Commissioners of Okaloosa County, Florida and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "O'Sullivan Creel, LLP". The signature is written in a cursive style and is positioned above a light gray rectangular background.

March 18, 2011

**Clerk of the Circuit Court
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010**

	General Fund	Courts Special Revenue Fund
ASSETS		
Cash and Cash Equivalents	\$ 52,868	\$ 200,751
Accounts Receivable	1,966	-
Due from Other Funds	8,954	-
Due from Other Elected Officials	22,494	-
Due from Other Governments	97,456	-
Prepays	3,440	-
	<u>187,178</u>	<u>200,751</u>
Total Assets	<u>\$ 187,178</u>	<u>\$ 200,751</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 7,381	\$ 12,061
Accrued Liabilities	49,073	40,354
Due to Other Funds	41,379	-
Due to Other Elected Officials	87,911	-
Due to Other Governments	1,330	-
Due to Depositors	104	24,997
Deferred Revenue	-	123,339
	<u>187,178</u>	<u>200,751</u>
Total Liabilities	<u>187,178</u>	<u>200,751</u>
Fund Balances		
Reserved for		
Prepays	3,440	-
Other Restricted Purposes	-	-
Unreserved	(3,440)	-
	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 187,178</u>	<u>\$ 200,751</u>

Exhibit I

Public Records Modernization Trust Special Revenue Fund	Public Records Courts Special Revenue Fund	Public Records 10% Fine Special Revenue Fund	Total Governmental Funds
\$ 890,932	\$ 554,794	\$ 135,432	\$ 1,834,777
-	-	-	1,966
8,268	25,259	-	42,481
-	-	-	22,494
-	-	-	97,456
-	-	-	3,440
<u>\$ 899,200</u>	<u>\$ 580,053</u>	<u>\$ 135,432</u>	<u>\$ 2,002,614</u>
\$ -	\$ -	\$ -	\$ 19,442
-	-	-	89,427
-	-	-	41,379
-	-	-	87,911
-	-	-	1,330
-	-	-	25,101
-	-	-	123,339
-	-	-	387,929
-	-	-	3,440
899,200	580,053	135,432	1,614,685
-	-	-	(3,440)
<u>899,200</u>	<u>580,053</u>	<u>135,432</u>	<u>1,614,685</u>
<u>\$ 899,200</u>	<u>\$ 580,053</u>	<u>\$ 135,432</u>	<u>\$ 2,002,614</u>

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

	General Fund	Courts Special Revenue Fund
Revenues		
Intergovernmental	\$ 577,747	\$ 3,484,616
Charges for Services	1,385,759	-
Fines	-	-
Miscellaneous	1,994	-
Total Revenues	1,965,500	3,484,616
Expenditures		
Current		
General Government	2,853,796	-
Human Services	232,034	-
Court-Related	-	3,484,616
Capital Outlay	160,855	-
Total Expenditures	3,246,685	3,484,616
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,281,185)	-
Other Financing Sources (Uses)		
Transfers Among Constitutional Officers	1,281,185	-
Total Other Financing Sources (Uses)	1,281,185	-
Net Change in Fund Balances	-	-
Fund Balances - Beginning	-	-
Fund Balances - Ending	\$ -	\$ -

Exhibit II

Public Records Modernization Trust Special Revenue Fund	Public Records Courts Special Revenue Fund	Public Records 10% Fine Special Revenue Fund	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 4,062,363
115,991	270,169	283,174	2,055,093
-	-	425	425
19,541	12,166	-	33,701
<u>135,532</u>	<u>282,335</u>	<u>283,599</u>	<u>6,151,582</u>
226,728	-	-	3,080,524
-	-	-	232,034
-	205,117	216,743	3,906,476
174,204	143,364	-	478,423
<u>400,932</u>	<u>348,481</u>	<u>216,743</u>	<u>7,697,457</u>
(265,400)	(66,146)	66,856	(1,545,875)
-	-	-	1,281,185
-	-	-	1,281,185
(265,400)	(66,146)	66,856	(264,690)
<u>1,164,600</u>	<u>646,199</u>	<u>68,576</u>	<u>1,879,375</u>
<u>\$ 899,200</u>	<u>\$ 580,053</u>	<u>\$ 135,432</u>	<u>\$ 1,614,685</u>

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 450,000	\$ 550,000	\$ 577,747	\$ 27,747
Charges for Services	1,400,800	1,400,800	1,385,759	(15,041)
Miscellaneous	8,000	8,000	1,994	(6,006)
Total Revenues	1,858,800	1,958,800	1,965,500	6,700
Expenditures				
Current				
General Government	2,947,490	2,896,260	2,853,796	42,464
Human Services	241,517	249,997	232,034	17,963
Capital Outlay	20,375	163,125	160,855	2,270
Total Expenditures	3,209,382	3,309,382	3,246,685	62,697
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,350,582)	(1,350,582)	(1,281,185)	69,397
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	1,350,582	1,350,582	1,281,185	(69,397)
Total Other Financing Sources (Uses)	1,350,582	1,350,582	1,281,185	(69,397)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
COURTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,461,642	\$ 3,474,302	\$ 3,484,616	\$ 10,314
Total Revenues	3,461,642	3,474,302	3,484,616	10,314
Expenditures				
Current				
Court-Related	3,461,642	3,474,302	3,484,616	(10,314)
Total Expenditures	3,461,642	3,474,302	3,484,616	(10,314)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida**
PUBLIC RECORDS MODERNIZATION TRUST SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$ 100,000	\$ 100,000	\$ 115,991	\$ 15,991
Miscellaneous	1,190,000	1,190,000	19,541	(1,170,459)
Total Revenues	1,290,000	1,290,000	135,532	(1,154,468)
Expenditures				
Current				
General Government	-	226,735	226,728	7
Capital Outlay	1,290,000	1,063,265	174,204	889,061
Total Expenditures	1,290,000	1,290,000	400,932	889,068
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(265,400)	(265,400)
Net Change in Fund Balance	-	-	(265,400)	(265,400)
Fund Balance - Beginning	-	-	1,164,600	1,164,600
Fund Balance - Ending	\$ -	\$ -	\$ 899,200	\$ 899,200

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
PUBLIC RECORDS COURTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Charges for Services	\$ 275,000	\$ 275,000	\$ 270,169	\$ (4,831)
Miscellaneous	667,000	667,000	12,166	(654,834)
Total Revenues	942,000	942,000	282,335	(659,665)
Expenditures				
Current				
Court-Related	-	205,125	205,117	8
Capital Outlay	942,000	736,875	143,364	593,511
Total Expenditures	942,000	942,000	348,481	593,519
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(66,146)	(66,146)
Net Change in Fund Balance	-	-	(66,146)	(66,146)
Fund Balance - Beginning	-	-	646,199	646,199
Fund Balance - Ending	\$ -	\$ -	\$ 580,053	\$ 580,053

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida**

**PUBLIC RECORDS 10% FINE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Charges for Services	\$ 240,000	\$ 240,000	\$ 283,174	\$ 43,174
Fines	68,800	68,800	425	(68,375)
Total Revenues	308,800	308,800	283,599	(25,201)
Expenditures				
Current				
Court-Related	-	217,000	216,743	257
Total Expenditures	308,800	308,800	216,743	92,057
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	66,856	66,856
Net Change in Fund Balance	-	-	66,856	66,856
Fund Balance - Beginning	-	-	68,576	68,576
Fund Balance - Ending	\$ -	\$ -	\$ 135,432	\$ 135,432

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUND
September 30, 2010**

	ASSETS	Governmental Activities <u>Compensated Absences</u> Internal Service <u>Fund</u>
Cash and Cash Equivalents		\$ 269,459
Total Assets		<u>269,459</u>
	LIABILITIES AND EQUITY	
Liabilities		
Accrued Compensated Absences		<u>269,459</u>
Equity		
Unrestricted		<u>-</u>
Total Liabilities and Equity		<u>\$ 269,459</u>

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2010

	Governmental Activities <hr/> Compensated Absences Internal Service Funds <hr/>
Operating Revenues	
Charges for Services	\$ 4,341
Total Operating Revenues	<hr/> 4,341
Operating Expenses	
Personal services	<hr/> 4,341
Total Operating Expenses	<hr/> 4,341
Operating Income (Loss)	-
Equity - Beginning	-
Equity - Ending	<hr/> <hr/> \$ -

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2010**

	Governmental Activities <hr/> Compensated Absences Internal Service Funds <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Interfund Services Provided	\$ 4,341
Net Cash Provided (Used) by Operating Activities	<hr/> 4,341
Net Increase in Cash and Cash Equivalents	4,341
Cash and Cash Equivalents - Beginning of Year	<hr/> 265,118
Cash and Cash Equivalents - End of Year	<hr/> <hr/> \$ 269,459
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Increase in Liabilities	
Compensated Absences Payable	<hr/> 4,341
Net Cash Provided (Used) by Operating Activities	<hr/> <hr/> \$ 4,341

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
September 30, 2010**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,677,696
Accounts Receivable	9,632
Due from Other Funds	7,852
Due from Other Elected Officials	230
Total Assets	4,695,410
LIABILITIES	
Liabilities	
Due to Other Funds	8,954
Due to Other Elected Officials	155,026
Due to Other Governments	1,217,700
Due to Depositors	3,313,730
Total Liabilities	4,695,410
NET ASSETS	\$ -

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Clerk of the Circuit Court (Clerk) is an elected official established pursuant to the Constitution of the State of Florida. The Clerk is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Clerk have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Clerk uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The Clerk also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its proprietary fund at the fund reporting level, provided the statements and interpretations do not conflict or contradict GASB pronouncements.

The following is a summary of the more significant accounting policies of the Clerk.

A. The Reporting Entity

The Clerk is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Clerk's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Clerk in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Clerk that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Special Purpose Financial Statements - Continued

The Clerk segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds, the proprietary fund and the fiduciary funds of the Clerk. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is a charge for service, a fee, in exchange for a specific service, recording a document. Non-exchange transactions are those in which the Clerk gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is the Title IV-D funds received by the Clerk which are used to fund the support collection and distribution function of the Clerk. The revenue from these exchange and non-exchange transactions is recognized in the financial statements in varying ways depending on the basis of accounting used.

2. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Clerk considers all revenues reported in the governmental funds to be available if the revenues are collected within 30 days after year-end as the Clerk must remit excess appropriations and fees back to the Board of County Commissioners by October 31. Those revenues susceptible to accrual are interest, charges for service, and intergovernmental.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Proprietary and Fiduciary Fund Financial Statements

The proprietary fund financial statement is reported using the *economic resources measurement focus*. Under this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The statement of revenue, expenses and changes in equity reports revenues and expenses. The proprietary fund is reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

3. Proprietary and Fiduciary Fund Financial Statements - Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. The principal operating revenues for the proprietary fund are charges to the general fund for funding the operating expenses of the fund which are for accrual of the short term portion of the Clerk's compensated absence liability.

Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The Clerk's proprietary fund usually does not have this type of revenue.

The only fiduciary funds of the Clerk are agency funds and as such do not record revenues and expenses.

4. Financial Statement Presentation

The Clerk reports the following major governmental funds:

General Fund

This is the Clerk's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Courts Special Revenue Fund

This fund is used to account for the statutory fines, fees, service charges and costs collected by the Clerk related to the performance of court-related activities. All excess funds over the amount of the Clerk's operating budget for this fund, approved by the Clerks of Court Operations Corporation, are remitted to the Florida Department of Revenue.

Public Records Modernization Trust Special Revenue Fund

This fund is used to account for recording fees collected by the Clerk under Florida Statute 28.24(12)(d). The fund is used exclusively for equipment, personnel training, and technical assistance in modernizing the public records system.

Public Records Courts Special Revenue Fund

This fund is used to account for recording fees collected by the Clerk under Florida Statute 28.24(12)(e). The fund is used exclusively for court-related technology needs.

Public Records 10% Fine Special Revenue Fund

This fund is used to account for 10% of the base fines collected by the Clerk as per Florida Statute 28.37(2) to be used exclusively for additional clerk court-related operational needs and program enhancements.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

4. Financial Statement Presentation - Continued

The Clerk reports the following fund types:

Internal Service Fund

This fund accounts for the funding of short-term compensated absence debt provided to the general fund of the Clerk on a cost reimbursement basis.

Agency Funds

These funds account for monies held on behalf of individuals and companies that use the Clerk as a depository; fines, court costs, licenses and fees collected on behalf of other governments; and surety bonds and performance deposits.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; Security and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Clerk adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers. Investments are reported at fair value.

The Clerk maintains a pooled cash account available for use by all funds. Some agency funds maintain individual deposit type investment accounts. Each fund's portion of the pooled cash and individual deposit type investments are displayed on the balance sheet as "cash and cash equivalents." For purposes of these statements and the cash flows statement of the internal service fund, all highly liquid investments with maturity of 90 days or less when purchased are considered to be cash equivalents.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds or elected officials for goods provided or services rendered. These receivables and payables are classified as “due to/from other funds” or “due to/from other elected officials” on the balance sheet. Short-term interfund loans are also classified as “interfund receivables/payables.”

The Clerk maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

4. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Clerk’s capitalization levels are \$1,000 on tangible personal property and \$5,000 on intangible assets. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation/amortization on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Intangibles	3
Equipment	3 - 7
Vehicles	2 - 15

5. Compensated Absences

The liability for compensated absences consisting of unpaid accumulated annual and sick leave balances is reported on the government-wide statement of net assets of Okaloosa County and the proprietary fund statement of the Clerk. The liability is accrued when incurred in the government-wide and proprietary fund financial statements. The Clerk uses an internal service fund to accumulate the resources to fund the short-term portion of this compensated absences liability. Long-term liability is reported on the government-wide statement of net assets of Okaloosa County. A liability for these amounts is reported in governmental funds financial statements of the Clerk only if they have matured, for example, as a result of employee resignations and retirements.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Appropriated Budget

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board readopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

All appropriated court-related functions of the Clerk are reported in the Courts Special Revenue Fund. On or before October 1st, a budget prepared according to Florida Statute 28.36 for that fund for the next fiscal year must be prepared and submitted to the Clerks of Court Operations Corporation. The Clerk of Court Operations Corporation's Finance and Budget Committee reviews each budget and makes recommendations to the executive council. The executive council then submits the total budget request from all clerks on December 1st to the Legislature. The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) is established at the fund level. Effective July 1, 2009, the Clerk's office court-related functions became a state appropriated line item under the Justice Administration Commission in Tallahassee. All court-related fines, fees, costs, and service charges became revenue to the state. The legislature also changed the budget cycle to match the state fiscal year, July through June, instead of the County fiscal year. There was no payment of excess fees at the State Fiscal year end as of June 30, 2010 as all state appropriations were expended. The court-related budgets must be based on a unit cost methodology by State Fiscal Year 2010-2011.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 2 – LEGAL COMPLIANCE BUDGETS - CONTINUED

Appropriated Budget – Continued

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. There were no supplemental budgetary appropriations necessary during the fiscal year for the Clerk.

All excess fees and appropriations received by the Clerk in the funds supported by the Board appropriated budget must be returned to the Okaloosa County Board of County Commissioners by October 31 following the end of the fiscal year.

Court-Related Budget

All court-related functions of the Clerk are reported in the Courts Special Revenue Fund. On or before August 15, a budget prepared according to Florida Statute 28.36 for that fund for the next fiscal year must be prepared and submitted to the Clerks of Court Operations Corporation. In previous years, all excess court-related fees, service charges, court costs, and fines had to be remitted to the Department of Revenue by January 1 following the end of that fiscal year. Due to legislative change, the excess fees had to be paid in July of fiscal year 2008-2009. As a result, at the end of the business day on June 30, 2009, the Clerk's office court-related functions became a state appropriated line item under the Justice Administration Commission in Tallahassee. All court-related fines, fees, costs, and service charges became revenue to the state on July 1, 2009. The legislature also changed the budget cycle to match the state fiscal year, July through June, instead of the County fiscal year. There was no payment of excess fees at the State Fiscal year end as of June 30, 2010 as all state appropriations were expended. The court-related budget must be based on a unit cost methodology by State Fiscal Year 2010-2011.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Clerk maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Clerk deposits, including certificates of deposit, would be considered fully insured.

State Statutes and the formal investments and portfolio policies adopted by the Board of County Commissioners of Okaloosa County restrict the types of investments that can be made. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1.

The investment policy manual details the methods used to manage the risks inherent to the investment process. The authority for investment of County funds rests with the Clerk who has delegated management of the investment program to the Finance Director. Investments can only be made by majority vote of the investment committee appointed by the Clerk. Investments for Okaloosa County are accounted for in the books and records of the Board of County Commissioners. Individual investment accounts were not maintained in the books of the Clerk during the fiscal year ended September 30, 2010.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows.

	<u>Unavailable</u>	<u>Unearned</u>
Special Revenue Funds		
Courts Special Revenue Fund	\$ -	\$ 123,339
Total deferred/unearned revenue for governmental funds	<u>\$ -</u>	<u>\$ 123,339</u>

NOTE 5 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Clerk of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated/amortized:				
Intangibles	\$ 1,060,618	\$ 60,033	\$ -	\$ 1,120,651
Machinery and equipment	3,353,450	428,207	(1,189,495)	2,592,162
Total Capital assets, being depreciated/amortized	<u>4,414,068</u>	<u>488,240</u>	<u>(1,189,495)</u>	<u>3,712,813</u>
Less accumulated depreciation/amortization for:				
Intangibles	(429,144)	(178,495)	-	(607,639)
Machinery and equipment	(2,381,652)	(259,002)	844,952	(1,795,702)
Total accumulated depreciation/amortization	<u>(2,810,796)</u>	<u>(437,497)</u>	<u>844,952</u>	<u>(2,403,341)</u>
Governmental activities capital assets, net	<u>\$ 1,603,272</u>	<u>\$ 50,743</u>	<u>\$ (344,543)</u>	<u>\$ 1,309,472</u>

Depreciation/amortization expense was charged to functions/programs as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Governmental activities:		
General government	\$ 146,324	\$ -
Court-related	<u>281,356</u>	<u>-</u>
Total depreciation/amortization expenses - governmental activities	<u>\$ 427,680</u>	<u>\$ -</u>

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 6 – COMPENSATED ABSENCES

The policy of the Clerk for annual and sick leave is that full-time employees earn four hours of annual leave (five hours if employed five years or longer) and four hours of sick leave per biweekly pay period. The employee can accumulate a maximum of 240 hours of annual leave and an unlimited amount of sick leave. Annual leave earned in excess of 240 hours is credited to sick leave. Upon retirement or termination, the employee may be paid a maximum of 240 hours accumulated annual leave. Unused sick leave will be paid as follows upon termination (provided the employee has 160 hours accrued and 24 months of service.)

- 2 years service - 20% of all sick leave accrued
- 5 years service - 25% of all sick leave accrued
- 10 years service - 30% of all sick leave accrued
- 15 years service - 40% of all sick leave accrued
- 20+ years service - 50% of all sick leave accrued

Upon retirement from the Florida Retirement System with 30 years of service, of which the last 20 years of service must have been served with the Clerk’s office, employees will be paid for 100% of their accrued sick leave balance.

The vested portion of compensated absences for the Clerk as of September 30, 2010 follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Totals</u>
Compensated absences	<u>\$ 269,459</u>	<u>\$ 523,651</u>	<u>\$ 793,110</u>

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:

Due to/from other funds and elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Other Funds			
General	Fiduciary Fund Type	\$ 8,954	Fees collected
Public Records Modernization	General	8,268	Restricted fees
Public Records Courts	General	25,259	Restricted fees
Total		<u>\$ 42,481</u>	
Other Elected Officials			
General	Board of County Commissioners	\$ 22,494	Fees
Fiduciary Fund Type	Board of County Commissioners	230	Fees
Board of County Commissioners	General	(15,925)	Fees
Board of County Commissioners	General	(69,397)	Excess fees
Board of County Commissioners	General	(100)	Reimbursement of costs
Board of County Commissioners	General	(2,489)	Reimbursement of costs
Board of County Commissioners	Fiduciary Fund Type	(713)	Fees
Board of County Commissioners	Fiduciary Fund Type	(26,588)	Fees
Board of County Commissioners	Fiduciary Fund Type	(127,725)	Collected fines and fees
Total		<u>\$ (220,213)</u>	
Transfer In			
Transfer Out			
Amount			
Purpose			
Other Elected Officials			
General	Board of County Commisssioners	\$ (1,350,582)	Appropriations
Board of County Commissioners	General	69,397	Excess fees
Total		<u>\$ (1,281,185)</u>	

NOTE 8 – OPERATING LEASES

The Clerk leases copier equipment under a non-cancelable operating lease effective for 48 months. Monthly payments under the lease are \$4,414. Future minimum lease payments for the equipment lease total \$172,146 through December 2013. Lease expenditure for the fiscal year ended September 30, 2010 was \$39,726.

The Clerk leases postal equipment for the Crestview office under a non-cancelable operating lease effective for 48 months. Monthly payments under the lease are \$596. Future minimum lease payments for the equipment lease totals \$23,244 through December 2013. Total lease expenditure for fiscal year ended September 30, 2010 was \$5,364.

The Clerk leases postal equipment for the Shalimar office under a non-cancelable operating lease effective for 60 months. Monthly payments under the lease are \$410. Future minimum lease payments for the equipment lease totals \$24,600 through December 2014. Total lease expenditure for fiscal year ended September 30, 2010 was \$0. (New lease as of October 1, 2010)

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 – OPERATING LEASES - CONTINUED

Total lease expenditure/expense for operating leases in which the Clerk is the lessee for fiscal year ended September 30, 2010 was \$45,090. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended September 30</u>		
2011	\$	65,040
2012		65,040
2013		65,040
2014		19,950
2015		4,920
	<u>\$</u>	<u>219,990</u>

NOTE 9 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that the notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Clerk of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

	<u>Balance Due September 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Due September 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Accrued compensated absences	\$ 773,364	\$ 19,746	\$ -	\$ 793,110	\$ 269,459
Other post employment benefits	40,174	39,446	(18,261)	61,359	-
Total Governmental Activities	<u>\$ 813,538</u>	<u>\$ 59,192</u>	<u>\$ (18,261)</u>	<u>\$ 854,469</u>	<u>\$ 269,459</u>

Internal service funds predominantly serve the governmental funds. Accordingly, liabilities for these funds are included as part of the above totals for governmental activities. Included in the amounts above is \$269,459 of internal service fund compensated absences.

Compensated absences typically have been liquidated in the general fund on an interim basis with transfer of activity to the internal service fund at year-end.

NOTE 10 - RESERVED FUND BALANCES

The governmental fund balance sheet contains the line item “Reserved for Other Restricted Purposes”. Following is a list of the detail balances contained in that line item for September 30, 2010:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Special Revenue Funds		
Public Record Modernization	\$ 899,200	General Information Technology
Public Records Courts	580,053	Judicial Information Technology
Public Records 10% Fine	135,432	Court Related Expenditures
Total Reserved for Other Restricted Purposes	<u>\$ 1,614,685</u>	

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11 – PENSION PLAN

Florida Retirement System

Plan Description

The Clerk contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payrolls for regular employees are 9.85%, special risk employees 20.92%, special risk administrative support 12.55%, elected judges 19.56%, elected county officers 16.53%, senior management service class 13.12% and 10.91% for the Deferred Retirement Option Program (DROP). The Clerk's contributions to the plan for the years ended September 30, 2010, 2009 and 2008 were \$453,451, \$437,659, and \$456,576, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Clerk contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11 – PENSION PLAN – CONTINUED

Health Insurance Subsidy – Continued

Plan Description - Continued

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 12 – POSTEMPLOYMENT BENEFITS

Rules of the Auditor General of the State of Florida, Chapter 10.550 allows notes to the financial statements of a county agency to supplement rather than duplicate notes included in the government-wide financial statements of the county as a whole. The Clerk has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Clerk is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

NOTE 13 - RISK MANAGEMENT

The Clerk is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Special risks are covered by commercial insurance policies that are accounted for in the Clerk's general fund. The Clerk bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

The Clerk has chosen to participate in a group medical insurance plan along with all other elected official offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Clerk bears no risk of loss under this type of coverage.

The Clerk has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Clerk a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Clerk.

(THIS PAGE INTENTIONALLY LEFT BLANK)

Agency Funds

Agency funds are used to account for assets held by the Clerk of the Circuit Court (Clerk) of Okaloosa County as agent for individuals, private organizations, other governments, and/or other funds.

Fine and Forfeiture Fund

This fund is used to account for the collection and disbursement of fines and court costs to Okaloosa County, State of Florida, and Municipalities. These fines and costs sources are generated from traffic, misdemeanor, felony and court ordered probation.

Jury and Witness Fund

This fund is used to account for the juror and witness payments received from Okaloosa County and State of Florida and subsequent disbursement to jurors and witnesses for court services.

Tax Deed Fund

This fund is used to account for the collection and disbursement of child support and alimony payments, pursuant to orders of the court.

Support Fund

This fund is used to account for the collection and disbursement of child support and alimony payments, pursuant to orders of the court.

Registry of Court Fund

This fund is used to account for court ordered deposits that are held pending litigation and disbursed based on final disposition by the court.

Board of County Commissioners Trust Fund

This fund is used to account for collection of recording fees collected by the Clerk's office and remitted to the Board of County Commissioners to fund judicial information technology.

State Trust Fund

This fund is used to account for various taxes, fees and service charges collected by the Clerk's office and remitted to the State of Florida. The state revenues collected are:

Documentary Stamp taxes are paid by individuals at the time of recording deeds, mortgages and some contracts.

Intangible Tax is paid by individuals at the time of recording mortgages and some deeds.

Marriage License fees are collected on each marriage license issued and remitted to the State of Florida for funding of dispatched homemaker programs, domestic violence centers and vital statistic collection.

Court Education Trust Service Charge is an additional \$2.50 service charge for each civil action brought in Circuit or County Court.

Civil Action Service Charge is an additional \$7.00 service charge for each civil action brought in Circuit Court.

Mediation fees are paid in connection with initial divorce filing or divorce modification filings. Of the fees charged, \$1.00 in each instance is forwarded to the State Court Administration.

Bridgeway Center Incorporated Trust Fund

This fund is used to account for collection of certain court costs on traffic and misdemeanor cases and their subsequent disbursement to Bridgeway Center, Inc. to fund education costs.

Escrow Trust Fund

This fund is used to account for deposits from title companies and is used to pay for monthly copy usage. These accounts are reconciled monthly and copy revenue earned is transferred to the Clerk's General Fund. This fund also accounts for escrow funds from Circuit and County Court cases.

Juvenile Trust Fund

This fund is used to account for the collection and disbursement of Juvenile Restitution payments, pursuant to orders of the court. These funds are disbursed to the victim in each case.

Foreclosure Escrow Trust Fund

This fund is used to account for court ordered deposits from foreclosure sales until final certificates of disbursement are issued.

Cash Bond Trust Fund

This fund is used to account for the receipt and disbursement of cash bond monies as directed by the court.

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2010**

	Fine and Forfeiture	Jury and Witness	Tax Deed	Support	Registry of Court	BCC Trust
ASSETS						
Cash and Cash Equivalents	\$ 1,021,136	\$ 34,360	\$ 461,387	\$ 73,271	\$ 1,655,316	\$ 26,588
Accounts Receivable	3,243	-	-	6,389	-	-
Due from Other Funds	-	-	-	-	7,852	-
Due from Other Elected Officials	230	-	-	-	-	-
Total Assets	1,024,609	34,360	461,387	79,660	1,663,168	26,588
LIABILITIES						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 8,954	\$ -	\$ -
Due to Other Elected Officials	127,725	-	-	-	-	26,588
Due to Other Governments	896,884	-	-	448	-	-
Due to Depositors	-	34,360	461,387	70,258	1,663,168	-
Total Liabilities	1,024,609	34,360	461,387	79,660	1,663,168	26,588
NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2010**

	State Trust	Bridgeway Center Inc. Trust	Escrow Trust	Juvenile Trust	Foreclosure Escrow Trust	Cash Bond Trust	Total
ASSETS							
Cash and Cash Equivalents	\$ 320,368	\$ -	\$ 143,781	\$ 526	\$ 597,717	\$ 343,246	\$ 4,677,696
Accounts Receivable	-	-	-	-	-	-	9,632
Due from Other Funds	-	-	-	-	-	-	7,852
Due from Other Elected Officials	-	-	-	-	-	-	230
Total Assets	320,368	-	143,781	526	597,717	343,246	4,695,410
LIABILITIES							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,954
Due to Other Elected Officials	-	-	653	60	-	-	155,026
Due to Other Governments	320,368	-	-	-	-	-	1,217,700
Due to Depositors	-	-	143,128	466	597,717	343,246	3,313,730
Total Liabilities	320,368	-	143,781	526	597,717	343,246	4,695,410
NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended September 30, 2010

	Balances September 30, 2009	Additions	Deletions	Balances September 30, 2010
FINE AND FORFEITURE AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 1,036,942	\$ 12,781,327	\$ 12,797,133	\$ 1,021,136
Accounts Receivable	5,274	21,375	23,406	3,243
Due from Other Funds	350	349	699	-
Due from Other Elected Officials	220	230	220	230
Total Assets	<u>\$ 1,042,786</u>	<u>\$ 12,803,281</u>	<u>\$ 12,821,458</u>	<u>\$ 1,024,609</u>
LIABILITIES				
Due to Other Elected Officials	\$ 103,305	\$ 1,685,650	\$ 1,661,230	\$ 127,725
Due to Other Governments	939,481	11,012,048	11,054,645	896,884
Total Liabilities	<u>\$ 1,042,786</u>	<u>\$ 12,697,698</u>	<u>\$ 12,715,875</u>	<u>\$ 1,024,609</u>
JURY AND WITNESS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	<u>\$ 34,978</u>	<u>\$ 37,109</u>	<u>\$ 37,727</u>	<u>\$ 34,360</u>
LIABILITIES				
Due to Depositors	<u>\$ 34,978</u>	<u>\$ 37,109</u>	<u>\$ 37,727</u>	<u>\$ 34,360</u>
TAX DEED AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	<u>\$ 99,299</u>	<u>\$ 855,725</u>	<u>\$ 493,637</u>	<u>\$ 461,387</u>
LIABILITIES				
Due to Depositors	<u>\$ 99,299</u>	<u>\$ 1,328,349</u>	<u>\$ 966,261</u>	<u>\$ 461,387</u>

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended September 30, 2010

	Balances September 30, 2009	Additions	Deletions	Balances September 30, 2010
SUPPORT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 75,308	\$ 4,452,366	\$ 4,454,403	\$ 73,271
Accounts Receivable	5,633	15,712	14,956	6,389
Total Assets	<u>\$ 80,941</u>	<u>\$ 4,468,078</u>	<u>\$ 4,469,359</u>	<u>\$ 79,660</u>
LIABILITIES				
Due to Other Funds	\$ 9,655	\$ 8,502	\$ 9,203	\$ 8,954
Due to Other Governments	487	5,390	5,429	448
Due to Depositors	70,799	4,440,515	4,441,056	70,258
Total Liabilities	<u>\$ 80,941</u>	<u>\$ 4,454,407</u>	<u>\$ 4,455,688</u>	<u>\$ 79,660</u>
REGISTRY OF COURT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 960,718	\$ 9,316,223	\$ 8,621,625	\$ 1,655,316
Due from Other Funds	-	17,460	9,608	7,852
Total Assets	<u>\$ 960,718</u>	<u>\$ 9,333,683</u>	<u>\$ 8,631,233</u>	<u>\$ 1,663,168</u>
LIABILITIES				
Due to Other Funds	\$ -	\$ 99,630	\$ 99,630	\$ -
Due to Depositors	960,718	9,903,591	9,201,141	1,663,168
Total Liabilities	<u>\$ 960,718</u>	<u>\$ 10,003,221</u>	<u>\$ 9,300,771</u>	<u>\$ 1,663,168</u>
BOARD OF COUNTY COMMISSIONERS TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 24,762	\$ 287,029	\$ 285,203	\$ 26,588
Due from Other Elected Officials	18	1,032	1,050	-
Due from Other Governments	192	1,090	1,282	-
Total Assets	<u>\$ 24,972</u>	<u>\$ 289,151</u>	<u>\$ 287,535</u>	<u>\$ 26,588</u>
LIABILITIES				
Due to Other Elected Officials	\$ 24,972	\$ 284,394	\$ 282,778	\$ 26,588

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended September 30, 2010

	Balances September 30, 2009	Additions	Deletions	Balances September 30, 2010
STATE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 320,737	\$ 14,789,880	\$ 14,790,249	\$ 320,368
Due from Other Governments	2	15	17	-
Total Assets	<u>\$ 320,739</u>	<u>\$ 14,789,895</u>	<u>\$ 14,790,266</u>	<u>\$ 320,368</u>
LIABILITIES				
Due to Other Governments	<u>\$ 320,739</u>	<u>\$ 14,789,880</u>	<u>\$ 14,790,251</u>	<u>\$ 320,368</u>
BRIDGEWAY CENTER, INC. TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	<u>\$ 320</u>	<u>\$ 530</u>	<u>\$ 850</u>	<u>\$ -</u>
LIABILITIES				
Due to Depositors	<u>\$ 320</u>	<u>\$ 530</u>	<u>\$ 850</u>	<u>\$ -</u>
ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	<u>\$ 145,373</u>	<u>\$ 363,356</u>	<u>\$ 364,948</u>	<u>\$ 143,781</u>
LIABILITIES				
Due to Other Elected Officials	\$ -	\$ 653	\$ -	\$ 653
Due to Depositors	145,373	362,703	364,948	143,128
	<u>\$ 145,373</u>	<u>\$ 363,356</u>	<u>\$ 364,948</u>	<u>\$ 143,781</u>
JUVENILE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	<u>\$ 1,354</u>	<u>\$ 22,272</u>	<u>\$ 23,100</u>	<u>\$ 526</u>
LIABILITIES				
Due to Other Elected Officials	\$ -	\$ 60	\$ -	\$ 60
Due to Depositors	1,354	22,212	23,100	466
	<u>\$ 1,354</u>	<u>\$ 22,272</u>	<u>\$ 23,100</u>	<u>\$ 526</u>

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended September 30, 2010

	Balances September 30, 2009	Additions	Deletions	Balances September 30, 2010
FORECLOSURE ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 7,716,309	\$ 7,118,592	\$ 597,717
LIABILITIES				
Due to Depositors	\$ -	\$ 7,715,248	\$ 7,117,531	\$ 597,717
CASH BOND TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 477,213	\$ 936,125	\$ 1,070,092	\$ 343,246
LIABILITIES				
Due to Other Funds	\$ 1,769	\$ 523,850	\$ 525,619	\$ -
Due to Depositors	475,444	935,166	1,067,364	343,246
Total Liabilities	\$ 477,213	\$ 1,459,016	\$ 1,592,983	\$ 343,246
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 3,177,004	\$ 51,558,251	\$ 50,057,559	\$ 4,677,696
Accounts Receivable	10,907	37,087	38,362	9,632
Due from Other Funds	350	17,809	10,307	7,852
Due from Other Elected Officials	238	1,262	1,270	230
Due from Other Governments	194	1,105	1,299	-
Total Assets	\$ 3,188,693	\$ 51,615,514	\$ 50,108,797	\$ 4,695,410
LIABILITIES				
Due to Other Funds	\$ 11,424	\$ 631,982	\$ 634,452	\$ 8,954
Due to Other Elected Officials	128,277	1,970,757	1,944,008	155,026
Due to Other Governments	1,260,707	25,807,318	25,850,325	1,217,700
Due to Depositors	1,788,285	24,745,423	23,219,978	3,313,730
Total Liabilities	\$ 3,188,693	\$ 53,155,480	\$ 51,648,763	\$ 4,695,410

Other Reports



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

Honorable Don W. Howard
Clerk of the Circuit Court
Okaloosa County, Florida

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Clerk of the Circuit Court of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which collectively comprise the Clerk of the Circuit Court of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Clerk of the Circuit Court of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk of the Circuit Court of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk of the Circuit Court of Okaloosa County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Don W. Howard
Clerk of the Circuit Court
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we have reported to management of the Clerk of the Circuit Court of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

This report is intended solely for the information and use of the Clerk of the Circuit Court of Okaloosa County, Florida, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "O'Sullivan Creel, LLP". The signature is written in black ink on a light-colored background.

March 18, 2011



Honorable Don W. Howard
Clerk of the Circuit Court
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Clerk of the Circuit Court of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report of the Clerk of Circuit Court of Okaloosa County.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Clerk of the Circuit Court of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

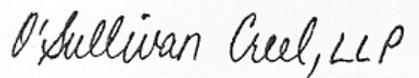
Honorable Don W. Howard
Clerk of the Circuit Court
Management Letter (Continued)

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Clerk of the Circuit Court of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e) as part of the primary government of Okaloosa County, Florida. There are no component units related to the Clerk of the Circuit Court of Okaloosa County, Florida.
- Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the Clerk of the Circuit Court complied with Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the Clerk of the Circuit Court of Okaloosa County, Florida complied with such requirements.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, the Florida Auditor General, the Clerk of the Circuit Court of Okaloosa County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Clerk of the Circuit Court of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.

The image shows a handwritten signature in cursive script that reads "O'Sullivan Creel, LLP". The signature is written in black ink on a light-colored background.

March 18, 2011

SHERIFF

**OKALOOSA COUNTY, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
 SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
 GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit/ Statement</u>
SHERIFF		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Fund	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	III
Balance Sheet - Proprietary Funds	6	IV
Statement of Revenues, Expenses, an Changes in Equity - Proprietary Funds	7	V
Statement of Cash Flows - Proprietary Funds	8	VI
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	9	VII
Notes to Financial Statements	10	
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Internal Service Funds	24	A-1
Combining Statement of Revenues, Expenses, and Changes in Equity - Internal Service Funds	25	A-2
Combining Statement of Cash Flows - Internal Service Funds	26	A-3
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	27	B-1
Combining Statement of Changes in Assets and Liabilities - Agency Funds	28	B-2
OTHER REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29	
Schedule of Finding and Responses	31	
Management Letter	32	

Basic Financial Statements

To the Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sheriff of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Sheriff of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Sheriff of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

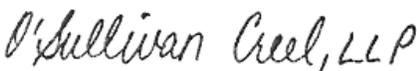
Honorable Larry Ashley, Sheriff
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011 on our consideration of the Sheriff of Okaloosa County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff of Okaloosa County, Florida's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Sheriff of Okaloosa County, Florida, the Board of County Commissioners of Okaloosa County, Florida, and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

**Sheriff
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2010**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,145,329
Accounts Receivable	216
Due from Other Elected Officials	333,026
Inventory	69,944
Prepays	<u>5,532</u>
 Total Assets	 <u><u>\$ 2,554,047</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 471,790
Other Accrued Liabilities	914,996
Due to Other Funds	217,428
Due to Other Elected Officials	558,031
Due to Other Governments	95,674
Deferred Revenue	<u>296,128</u>
 Total Liabilities	 <u>2,554,047</u>
 Fund Balance	
Reserved for	
Inventory	69,944
Prepays	5,532
Unreserved	<u>(75,476)</u>
 Total Fund Balance	 <u>-</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 2,554,047</u></u>

The notes to the financial statements are an integral part of this statement.

**Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2010**

	General Fund
Revenues	
Miscellaneous	\$ 127,260
Total Revenues	127,260
Expenditures	
Current	
Public Safety	27,181,893
Physical Environment	1,306,822
Court-Related	1,517,390
Capital Outlay	1,950,362
Total Expenditures	31,956,467
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,829,207)
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	31,829,207
Total Other Financing Sources (Uses)	31,829,207
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

The notes to the financial statements are an integral part of this statement.

**Sheriff
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Miscellaneous	\$ -	\$ 46,662	\$ 127,260	\$ 80,598
Total Revenues	-	46,662	127,260	80,598
Expenditures				
Current				
Public Safety	27,699,871	27,899,543	27,181,893	717,650
Physical Environment	1,350,495	1,350,495	1,306,822	43,673
Court-Related	1,695,080	1,695,080	1,517,390	177,690
Capital Outlay	1,804,064	1,842,464	1,950,362	(107,898)
Total Expenditures	32,549,510	32,787,582	31,956,467	831,115
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,549,510)	(32,740,920)	(31,829,207)	911,713
Other Financing Sources (Uses)				
Transfers Among				
Constitutional Officers	32,549,510	32,740,920	31,829,207	(911,713)
Total Other Financing Sources (Uses)	32,549,510	32,740,920	31,829,207	(911,713)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

**Sheriff
Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2010**

	Governmental Activities
	Internal Service Funds
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 3,890,906
Due from Other Funds	217,428
Due From Other Governments	98,921
Total Assets	\$ 4,207,255
LIABILITIES AND EQUITY	
Current Liabilities	
Compensated Absences	1,482,832
Claims and Judgments	650,727
Total Current Liabilities	2,133,559
Noncurrent Liabilities	
Other Post Employment Benefits	3,229,829
Total Noncurrent Liabilities	3,229,829
Total Liabilities	5,363,388
Equity	
Unrestricted (Deficit)	(1,156,133)
Total Liabilities and Equity	\$ 4,207,255

The notes to the financial statements are an integral part of this statement.

Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

	Governmental Activities Internal Service Funds
Operating Revenues	
Charges for Services	\$ 3,886,891
Total Operating Revenues	3,886,891
Operating Expenses	
Personal Services	691,393
Contractual Services	213,641
Insurance Premiums and Claims	2,604,467
Other Operating Expenses	1,325
Total Operating Expenses	3,510,826
Operating Income (Loss)	376,065
Nonoperating Revenues (Expenses)	
Investment Income	1,963
Income (Loss) Before Contributions and Transfers	378,028
Change in Equity	378,028
Total Equity - Beginning	(1,534,161)
Total Equity (Deficit) - Ending	\$ (1,156,133)

The notes to the financial statements are an integral part of this statement.

**Sheriff
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010**

	<u>Governmental Activities Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Interfund Services Provided	\$ 4,085,579
Payments to Suppliers	(2,677,044)
Net Cash Provided (Used) by Operating Activities	<u>1,408,535</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	<u>1,963</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,410,498
Cash and Cash Equivalents - Beginning of Year	2,480,408
Cash and Cash Equivalents - End of Year	<u><u>\$ 3,890,906</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 376,065
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Increase in Assets	
Due from Other Governments	(156,121)
Due from Other Funds	137,381
Increase in Liabilities	
Compensated Absences Payable	217,429
Claims and Judgments Payable	691,393
Other Post Employment Benefits	142,388
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,408,535</u></u>

The notes to the financial statements are an integral part of this statement.

**Sheriff
Okaloosa County, Florida
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
September 30, 2010**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 28,630
Total Assets	28,630
LIABILITIES	
Due to Other Elected Officials	15,925
Due to Depositors	12,705
Total Liabilities	28,630
NET ASSETS	\$ -

The notes to the financial statements are an integral part of this statement.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sheriff is an elected official established pursuant to the Constitution of the State of Florida. The Sheriff is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Sheriff have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Sheriff uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The Sheriff applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its proprietary funds at the fund reporting level, provided they do not conflict or contradict GASB pronouncements.

The following is a summary of the more significant accounting policies of the Sheriff of Okaloosa County, Florida.

A. The Reporting Entity

The Sheriff is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Sheriff's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Sheriff in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Sheriff that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Special Purpose Financial Statements – Continued

The Sheriff segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Sheriff is the General Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is a purchase of equipment in exchange for cash or in exchange for another asset such as an used car. Non-exchange transactions are those in which the Sheriff gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is the fines revenue received by the Sheriff from specific citizens which is used to fund various police services provided to the citizens of the County. The revenue from these exchange and non-exchange transactions is recognized in the financial statements in varying ways depending on the basis of accounting used.

2. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Sheriff considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are fines, charges for service, and intergovernmental revenue.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Proprietary and Fiduciary Fund Financial Statements

The proprietary fund financial statements are reported using the *economic resources measurement focus*. Under this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The statement of revenue, expenses and changes in equity reports revenues and expenses. The proprietary funds are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

3. Proprietary and Fiduciary Fund Financial Statements - Continued

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. The principal operating revenues for the proprietary funds are fees and charges for self-insurance, and compensated absences internal service operations. Operating expenses for the internal service funds include the cost of providing services and administrative expenses.

Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. On an accrual basis, revenue from interest is recorded when earned. The only fiduciary funds of the Sheriff are agency funds and as such do not record revenues and expenses.

4. Financial Statement Presentation

The Sheriff reports the following major governmental fund:

General Fund

This is the Sheriff's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sheriff reports the following fund types:

Internal Service Fund

These funds account for the funding of short-term compensated absence debt provided to the general fund of the Sheriff on a cost reimbursement basis and for risks from medical benefit claims of the self-funded health insurance plan.

Agency Funds

These funds account for monies held on behalf of individuals and companies. The funds account for the collection and disbursement of statutory fees for services performed by the Sheriff or monies collected and disbursed pursuant to levies.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; SEC registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

1. Deposits and Investments - Continued

Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Sheriff adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers. Investments are reported at fair value.

The Sheriff maintains separate cash account available for use by all funds. Each account is displayed on the balance sheet as “cash and cash equivalents.” For purposes of these statements, all highly liquid investments with maturity of ninety days or less when purchased are considered to be cash equivalents.

2. Inventories and Prepaid Items

Inventory is valued at lower of cost (first-in, first-out) or market. The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used. Payments for goods and services applicable to future period are recorded as prepaid items in the Sheriff’s operating fund.

3. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds or elected officials” or “due to other funds or elected officials” on the balance sheet. Short-term interfund loans are also classified as “interfund receivables/payables.”

The Sheriff maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Sheriff’s capitalization level is \$1,000 on tangible personal property. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Equipment	3-7
Vehicles	2-15

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

4. Compensated Absences

The liability for compensated absences reported in the governmental and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances. A liability for these amounts is reported in governmental funds financial statements only if they have matured, for example, as a result of employee resignations and retirements. The liability is accrued when incurred in the proprietary fund financial statements. The Sheriff uses an internal service fund to accumulate the resources to fund the short-term portion of this compensated absences liability. Long-term liability is reported on the government-wide statement of net assets of Okaloosa County.

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. Fund Equity

Governmental funds report zero fund balance at year end as all excess appropriations must be returned to the Board of County Commissioners. When both restricted and unrestricted resources are available for use, it is the policy of the Sheriff to use restricted resources first, and then unrestricted resources as they are needed.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other constitutional officers, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board re-adopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information - Continued

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each constitutional officer is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. Supplemental budgetary appropriations of \$68,050 representing a slight increase over the original adopted budget were necessary during the fiscal year for the Sheriff. All amendments to originally adopted amounts were made in a legally permissible manner.

B. Deficit Fund Equity

The Sheriff’s Self-Insurance Fund is reflecting a deficit fund equity of \$1,156,133. This is the result of the implementation of GASB 45 which requires the unfunded liability for future employee benefits (OPEB) to be recorded at September 30, 2010.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Sheriff maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a “Qualified Public Depository”. All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Sheriff deposits, including certificates of deposit, are considered fully insured.

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1. The Sheriff maintained no investment accounts during the fiscal year ended September 30, 2010.

NOTE 4 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
General Fund		
Federal Forfeitures	\$ -	\$ 296,128

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 5 - CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Sheriff of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 14,596,682	\$ 1,950,362	\$ (1,409,782)	\$ 15,137,262
Less accumulated depreciation	<u>(9,752,587)</u>	<u>(1,650,761)</u>	<u>1,258,438</u>	<u>(10,144,910)</u>
Governmental activities capital assets, net	<u>\$ 4,844,095</u>	<u>\$ 299,601</u>	<u>\$ (151,344)</u>	<u>\$ 4,992,352</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Public safety	<u>\$ 1,650,761</u>

NOTE 6 – COMPENSATED ABSENCES

The Sheriff maintains a policy providing for annual and sick leave pay for all full-time non-exempt employees. Employees are allowed to accumulate unlimited time; however, upon separation the employee will receive compensation only for any unused annual leave up to a maximum of 240 hours. Annual leave is calculated as follows:

<u>Years of Service</u>	<u>Accrual Rate</u>
Less than five (5) years	(8) hours per calendar month
Five (5) to ten (10) years	(10) hours per calendar month
Ten (10) and more years	(12) hours per calendar month

Sick leave is earned by all personnel at 8 hours per month. Unused accrued leave is carried over from year to year. Employees terminating after ten years of service are compensated for unused sick leave up to a maximum of 100 hours.

An employee who meets eligibility requirements receives a minimum of 12 weeks of leave, paid and /or unpaid in accordance with federal guidelines.

The vested portion of accumulated annual leave for the Sheriff as of September 30, 2010 follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Totals</u>
Annual Leave	<u>\$ 1,482,832</u>	<u>\$ 1,260,200</u>	<u>\$ 2,743,032</u>

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:
Due to/from other funds and elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Other Funds			
Internal Service	General	\$ 217,428	Internal services
Other Elected Officials			
General	Board of County Commissioners	\$ 298,621	Grant revenue
General	Board of County Commissioners	34,405	LETA Expense
Board of County Commissioners	General	(444,566)	2010 Excess appropriations
Board of County Commissioners	General	(113,465)	2009 Excess appropriations
Board of County Commissioners	Fiduciary Fund Type	(15,925)	Court fees
Total		\$ (240,930)	

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
Other Elected Officials			
General	Board of County Commissioners	\$ 30,643,798	Budget appropriations
General	Board of County Commissioners	1,185,409	Grant appropriations
Total		\$ 31,829,207	

NOTE 8 – OPERATING LEASES

Sheriff rents office space under an operating lease which expires in December, 2012. Monthly lease payments are \$10,500. Total lease expenditure for fiscal year ended September 30, 2010 was \$133,800. The future minimum lease payments are as follows:

Fiscal Year Ended September 30	
2011	\$ 126,000
2012	126,000
2013	31,500
Total minimum lease payments	\$ 283,500

NOTE 9 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Sheriff of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 9 – LONG-TERM DEBT - CONTINUED

The Sheriff had no outstanding debt issues at September 30, 2010. The following is a summary of long-term debt transactions of the Sheriff for the fiscal year ended September 30, 2010:

	Balance Due			Balance Due	
	October			September	Due Within
	30, 2009	Increases	Decreases	30, 2010	One Year
Governmental Activities:					
Accrued Compensated Absences	\$ 3,073,403	\$ -	\$ (330,371)	\$ 2,743,032	\$ 1,482,832
Estimated Claims Payable	508,339	650,727	(508,339)	650,727	650,727
Net OPEB Obligation	2,538,436	691,393	-	3,229,829	-
Total Governmental Activities					
Long-Term Debt	<u>\$ 6,120,178</u>	<u>\$ 1,342,120</u>	<u>\$ (838,710)</u>	<u>\$ 6,623,588</u>	<u>\$ 2,133,559</u>

Internal service funds predominantly serve the governmental funds. Accordingly, liabilities for them are included as part of the above totals for governmental activities. At year end \$2,743,032 of internal service fund compensated absences, \$650,727 of internal service fund estimated claims payable, \$3,229,829 of internal service fund net OPEB obligation are included in the above amounts.

Compensated absences typically have been liquidated in the general fund while the estimated claims and OPEB obligations are liquidated from the internal service self-insurance fund.

NOTE 10 - PENSION PLAN

Florida Retirement System

Plan Description

The Sheriff contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 - PENSION PLAN - CONTINUED

Florida Retirement System - Continued

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payrolls for regular employees are 8.74%, special risk employees 19.81%, special risk administrative support 11.44%, elected judges 18.45%, elected county officers 15.42%, senior management service class 12.01% and 9.80% for the Deferred Retirement Option Program (DROP). The Sheriff's contributions to the plan for the years ended September 30, 2010, 2009, and 2008 were \$3,091,965, \$3,180,160, and \$3,225,225, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Sheriff contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11- POSTEMPLOYMENT BENEFITS

Background

Certain Other Post Employment Benefits (OPEB) are available to all employees eligible for disability, early or normal retirement after terminating employment with Okaloosa County Sheriff's Office (OCSO). The OPEB benefits include lifetime coverage for the retiree and dependents in the medical/prescription plans as well as participation in the dental group plan sponsored by the Sheriff's Office for employees. Beginning in fiscal year 2008, the Sheriff implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for the OPEB offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the Sheriff's retiree health benefit subsidy. Historically, the Sheriff's subsidy was funded on a pay-as-you-go basis but GASB 45 requires the Sheriff to accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Sheriff.

Plan Description

The OCSO administers a single-employer defined benefit healthcare plan ("the Plan"). The Plan provides healthcare insurance for eligible retirees and their spouses through the Sheriff's group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage. The Plan does not issue a publicly available financial report but OPEB expenses are reflected in the Sheriff's internal service fund within the County's Comprehensive Annual Financial Report (CAFR).

Benefits Provided

Eligible retirees may choose among the same medical plan options available for active employees of the employer. Dependents of retirees may be covered, at the retiree's option, the same as dependents of active employees. Prescription drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the medical plan options. Covered retirees and their dependents are subject to all the same medical and prescription benefits and rules for coverage as are active employees. Retirees and their dependents are eligible to participate in the employer-sponsored dental plans. Retirees may elect any combination of plans (i.e. only dental, medical/prescription, etc.). Retirees and their dependents who are over age 65 must enroll for Parts A and B under Medicare in order to remain covered under the program. All post-65 medical coverage is secondary to Medicare.

Membership

At September 30, 2010, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	21
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	-
Active Employees	308
Total	<u>329</u>
Participating Employers	<u><u>1</u></u>

Funding Policy

Retirees and beneficiaries currently receiving medical/prescription benefits are required to make monthly premium contributions in order to maintain their coverage. The single retiree premium is paid by the OCSO for retirees with at least 20 years of service, until the retiree reaches age 65. Effective October 1, 2010 that benefit is no longer available except to retirees that met the criteria as of September 30, 2010. Dependent coverage is paid by the retiree. The amount of the premium contribution may change from time to time. Surviving spouses of retirees are eligible to continue coverage under the plan, but must continue to pay the full premium. However, the premiums for health coverage for surviving spouses and any dependent children of officers who had sustained catastrophic injuries or death in the line of duty are paid fully by the OCSO as prescribed by FS Sec 112.19(g) and 112.19(h)1.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 11- POSTEMPLOYMENT BENEFITS - CONTINUED

Annual OPEB Costs and Net OPEB Obligation

The Sheriff's annual OPEB cost (expense) is the actuarially required contribution (ARC) of the employer determined in accordance with the provisions of GASB Statement 45. The ARC represents a level of funding that, if paid on an on going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 28 years. The following shows the components of the Sheriff's net OPEB obligation as of September 30, 2010:

Annual Required Contribution	\$	887,276
Interest on Prior Year Net OPEB Obligation		101,537
Adjustment to Annual Required Contribution		(90,658)
Annual OPEB Costs		898,155
Estimated Employer Contributions made		206,762
Increase (Decrease) in Net OPEB Obligation		691,393
Net OPEB Obligation , Beginning of Year		2,538,436
Estimated Net OPEB Obligation, End of Year	\$	3,229,829

The Sheriff's annual OPEB cost (expense) of \$898,155 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 31, 2007. The Sheriff's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and the prior three (3) years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	\$1,476,435	14.70%	\$1,259,328
9/30/2009	\$1,543,888	17.15%	\$2,538,436
9/30/2010	\$898,155	23.02%	\$3,229,829

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$7,977,525 was unfunded. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements in the government-wide financial statements of Okaloosa County, Florida, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 11 - POSTEMPLOYMENT BENEFITS - CONTINUED

Actuarial methods and Assumptions - Continued

In the September 30, 2010, actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5.0% in 2020. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2010, was 28 years.

NOTE 12 - RISK MANAGEMENT

The Sheriff is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Public liability and special risks are covered by commercial insurance policies which are accounted for in the Sheriff's general fund. The Sheriff bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

The Sheriff participates in the Florida Sheriff's Association Workers' Compensation Program. It is a fully insured, guaranteed cost program with a deductible trust fund and insurance with a commercial carrier. The Sheriff retains no risk.

The Sheriff utilizes a self-funded health plan to provide comprehensive medical benefits to the employees, retirees and their dependents. It is funded by contributions from the Sheriff's Office and employees. In compliance with Florida Statute, Section 112.08, an actuarial review of the Plan demonstrates that the current rate structure of the Plan plus the current net assets available for benefits appears adequate to support current outstanding claims as well as those projected claims and expenses for the next plan year.

Excess insurance is purchased from a commercial carrier to provide a specific claim and aggregate limits coverage. Specific claim coverage benefits the covered individual by providing \$1,000,000 of coverage to begin when a specific claim exceeds \$85,000. Specific claim coverage is subject to a \$2,000,000 aggregate lifetime maximum limit per covered individual. Aggregate limits coverage limits the Sheriff's total risk exposure. This coverage provides the Sheriff with an additional \$1,000,000 in coverage for the coverage year when the costs of total claims paid less the total paid under the specific claim excess coverage exceeds \$3,821,682 for the year ended September 30, 2010.

The Sheriff uses an internal service fund to account for risks from medical benefit claims. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At September 30, 2010, the amount of these liabilities was \$650,727. This liability has been determined based on an actuarial evaluation of all claims reported and all claims incurred but not reported (IBNR) as of September 30, 2010. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 12 - RISK MANAGEMENT - CONTINUED

Reconciliation of Claims Liabilities for Medical Benefits	As of	As of
	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Unpaid claims and adjustment expenses at beginning of year	\$ 508,339	\$ 353,125
Incurred claims and claim adjustment expenses		
A) Provision for insured events of current fiscal year	2,427,915	2,505,875
B) Increases (decreases) in provision for insured events of prior fiscal years	-	-
Total incurred claims and claim adjustment expenses	<u>2,936,254</u>	<u>2,859,000</u>
Payments		
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	2,285,527	2,350,661
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	-	-
Total payments	<u>2,285,527</u>	<u>2,350,661</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 650,727</u>	<u>\$ 508,339</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Sheriff, on a cost reimbursement basis.

Compensated Absences Fund

This fund is used to accumulate and fund the short-term portion of compensated absence liability for the Sheriff.

Health Benefits Self Insurance Fund

This fund is used to account for premiums and claims associated with the provision of self-insurance of health benefits for the Sheriff and to record the liability for other post employment benefits provided to the retirees of the Sheriff.

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
September 30, 2010

	<u>Compensated Absences</u>	<u>Health Benefits Self Insurance</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,265,404	\$ 2,625,502	\$ 3,890,906
Due from Other Funds	217,428	-	217,428
Due From Other Governments	-	98,921	98,921
	<u>\$ 1,482,832</u>	<u>\$ 2,724,423</u>	<u>\$ 4,207,255</u>
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Compensated Absences	\$ 1,482,832	\$ -	\$ 1,482,832
Claims and Judgments	-	650,727	650,727
	<u>1,482,832</u>	<u>650,727</u>	<u>2,133,559</u>
Total Current Liabilities			
	<u>1,482,832</u>	<u>650,727</u>	<u>2,133,559</u>
Noncurrent Liabilities			
Other Post Employment Benefits	-	3,229,829	3,229,829
Noncurrent Liabilities	-	3,229,829	3,229,829
	<u>1,482,832</u>	<u>3,880,556</u>	<u>5,363,388</u>
Total Liabilities			
	<u>1,482,832</u>	<u>3,880,556</u>	<u>5,363,388</u>
Equity			
Unrestricted	-	(1,156,133)	(1,156,133)
	<u>-</u>	<u>(1,156,133)</u>	<u>(1,156,133)</u>
Total Equity			
	<u>-</u>	<u>(1,156,133)</u>	<u>(1,156,133)</u>
Total Liabilities and Equity			
	<u>\$ 1,482,832</u>	<u>\$ 2,724,423</u>	<u>\$ 4,207,255</u>

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN EQUITY
For the Fiscal Year Ended September 30, 2010

	<u>Compensated Absences</u>	<u>Health Benefits Self Insurance</u>	<u>Total Internal Service Funds</u>
Operating Revenues			
Charges for Services	\$ -	\$ 3,886,891	\$ 3,886,891
Total Operating	<u>-</u>	<u>3,886,891</u>	<u>3,886,891</u>
Operating Expenses			
Personal Services	-	691,393	691,393
Contractual Services	-	213,641	213,641
Insurance Premiums and Claims	-	2,604,467	2,604,467
Other Operating Expenses	<u>-</u>	<u>1,325</u>	<u>1,325</u>
Total Operating Expenses	<u>-</u>	<u>3,510,826</u>	<u>3,510,826</u>
Operating Income (Loss)	<u>-</u>	<u>376,065</u>	<u>376,065</u>
Nonoperating Revenues (Expenses)			
Investment Income	<u>-</u>	<u>1,963</u>	<u>1,963</u>
Change in Equity	-	378,028	378,028
Total Equity - Beginning	<u>-</u>	<u>(1,534,161)</u>	<u>(1,534,161)</u>
Total Equity - Ending	<u>\$ -</u>	<u>\$ (1,156,133)</u>	<u>\$ (1,156,133)</u>

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2010

	Compensated Absences	Health Benefits Self Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Interfund Services Provided	\$ 354,810	\$ 3,730,769	\$ 4,085,579
Payments to Suppliers	-	(2,677,044)	(2,677,044)
Net Cash Provided (Used) by Operating Activities	354,810	1,053,725	1,408,535
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	-	1,963	1,963
Net Increase (Decrease) in Cash and Cash Equivalents	354,810	1,055,688	1,410,498
Cash and Cash Equivalents - Beginning of Year	910,594	1,569,814	2,480,408
Cash and Cash Equivalents - End of Year	<u>\$ 1,265,404</u>	<u>\$ 2,625,502</u>	<u>\$ 3,890,906</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ -	\$ 376,065	\$ 376,065
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Increase in Assets			
Due from Other Governments	-	(156,121)	(156,121)
Due from Other Funds	137,381	-	137,381
Increase in Liabilities			
Compensated Absences Payable	217,429	-	217,429
Claims and Judgments Payable	-	691,393	691,393
Other Post Employment Benefits	-	142,388	142,388
Net Cash Provided (Used) by Operating Activities	<u>\$ 354,810</u>	<u>\$ 1,053,725</u>	<u>\$ 1,408,535</u>

AGENCY FUNDS

Agency funds are used to account for assets held by the Sheriff of Okaloosa County as agent for individuals, private organizations, other governments, and/or other funds.

Individual Depositors Fund

This fund is used to account for the collection and disbursement of statutory fees for services performed by the Sheriff.

Suspense (Levies) Fund

This fund is used to account for monies collected and disbursed pursuant to levies.

Sheriff
Okaloosa County, Florida
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2010

	Individual Depositors	Suspense (Levies)	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 15,835	\$ 12,795	\$ 28,630
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Due to Other Elected Officials	15,835	90	15,925
Due to Depositors	-	12,705	12,705
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	15,835	12,795	28,630
	<u> </u>	<u> </u>	<u> </u>
NET ASSETS	<u> </u> \$ -	<u> </u> \$ -	<u> </u> \$ -

Sheriff
Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2010

	Balances October 1, 2009	Additions	Deletions	Balances September 30, 2010
INDIVIDUAL DEPOSITORS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 18,120	\$ 205,270	\$ 207,555	\$ 15,835
LIABILITIES				
Due to Other Elected Officials	\$ 18,120	\$ 205,270	\$ 207,555	\$ 15,835
SUSPENSE (LEVIES) AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 4,399	\$ 122,179	\$ 113,783	\$ 12,795
LIABILITIES				
Due to Other Elected Officials	\$ -	\$ 1,870	\$ 1,780	\$ 90
Due to Depositors	4,399	120,309	112,003	12,705
Total Liabilities	\$ 4,399	\$ 122,179	\$ 113,783	\$ 12,795
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 22,519	\$ 327,449	\$ 321,338	\$ 28,630
LIABILITIES				
Due to Other Elected Officials	\$ 18,120	\$ 207,140	\$ 209,335	\$ 15,925
Due to Depositors	4,399	120,309	112,003	12,705
Total Liabilities	\$ 22,519	\$ 327,449	\$ 321,338	\$ 28,630

Other Reports



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548

To The Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the basic financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which collectively comprise the Sheriff of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Sheriff of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting, Finding 2009-2. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff of Okaloosa County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Larry Ashley, Sheriff
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards (Continued)

Compliance and Other Matters (Continued)

The Sheriff of Okaloosa County, Florida's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the Sheriff of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

This report is intended solely for the information and use of the Sheriff of Okaloosa County, Florida, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

O'Sullivan Creel, LLP
O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

Okaloosa County, Florida
Sheriff
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended September 30, 2010

Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)

Finding 2009-1 PERFORMANCE PAY - SHERIFF

Status: Corrective Action Taken.

Finding 2009-2 MONTHLY CLOSING PROCEDURES - SHERIFF

Criteria –Authority and responsibility of the Sheriff’s office fiscal management function rests with the Chief Financial Officer (CFO), as defined in OCSO Fiscal Management Policy, General Order 7.01. That policy defines fiscal management to include participation in the preparation of the agency’s budget; accounting system; collecting, safeguarding and disbursing of cash; and all finance, payroll, grants, and travel functions.

Condition –Various general ledger accounts were not reconciled timely throughout the year. Significant audit adjustments were necessary during the annual audit process and to the reporting package submitted to the Okaloosa County Clerk of Courts in November, 2010.

Cause – The former Director of Administration contributed to the condition above. Duties within the Sheriff’s office were re-aligned but there was not adequate oversight (training) for accounting personnel, nor timely review of accounting information or account reconciliations by management.

Effect – Significant audit adjustments were necessary to correct the general ledger balances, and the financial reporting package submitted to the Okaloosa County Clerk of Courts.

Recommendations -

- Finance should establish monthly procedures to comply with its Fiscal Management Policy, 7.01 to ensure fiscal responsibility is met by management.
- Monthly reconciliation of key subsidiary ledgers with general ledger accounts should be made for each key account – including bank accounts, accounts receivable, accounts payable, payroll liabilities, and capital outlay purchases. In addition, key accounts with the Okaloosa County Board of County Commissioners (appropriations, due to/from) should be reconciled.
- Quarterly monitoring procedures should be employed to determine whether budgetary amendments, if any, are necessary. Reconciling accounts monthly as recommended above should allow for better tracking of budgetary dollars.

Views of the Responsible Officials and Planned Corrective Actions –

The OCSO will ensure the books and records are materially correct at the end of each reporting period, and that key accounts are reconciled monthly. Such procedures include monthly reconciliation of key subsidiary accounts, independent monitoring of status reports and continued re-alignment of certain accounting functions.



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To the Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Sheriff of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we have determined that the Sheriff of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management of the Sheriff of Okaloosa County, Florida. In connection with our audit, we did not have any recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

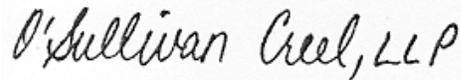
The Honorable Larry Ashley
Sheriff
Management Letter (Continued)

- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. In connection with our audit, we noted no such items.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Sheriff of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e), as part of the primary government of Okaloosa County, Florida. There are no component units related to the Sheriff of Okaloosa County, Florida.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, the Sheriff of Okaloosa County, Florida, and the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Sheriff of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



O'SULLIVAN CREEL, L.L.P.
Certified Public Accountants and Consultants

March 18, 2011

TAX COLLECTOR

**OKALOOSA COUNTY, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
 SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
 GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit/ Statement</u>
TAX COLLECTOR		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Fund	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	III
Statement of Fiduciary Assets and Liabilities - Fiduciary Fund	6	IV
Notes to Financial Statements	7	
Individual Fund Statements and Schedules		
Statement of Changes in Assets and Liabilities - Agency Fund	18	A-1
OTHER REPORTS		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19	
Schedule of Finding and Responses	21	
Management Letter	22	

Basic Financial Statements



To the Honorable Chris Hughes
Tax Collector
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Tax Collector of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Tax Collector's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tax Collector of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Tax Collector of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Tax Collector of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

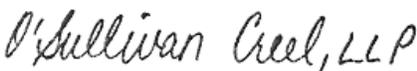
The Honorable Chris Hughes, Tax Collector
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011 on our consideration of the Tax Collector of Okaloosa County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tax Collector of Okaloosa County, Florida's basic financial statements. The individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Tax Collector of Okaloosa County, Florida, the Board of County Commissioners of Okaloosa County, Florida, and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

**Tax Collector
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2010**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,245,064
Accounts Receivable	361
Due from Other Elected Officials	2,438
Deposits	<u>848</u>
 Total Assets	 <u><u>\$ 1,248,711</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 103,532
Other Accrued Liabilities	65,719
Due to Other Elected Officials	982,825
Due to Other Governments	79,025
Due to Depositors	<u>17,610</u>
 Total Liabilities	 <u>1,248,711</u>
 Fund Balance	
Unreserved	<u>-</u>
 Total Fund Balance	 <u>-</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 1,248,711</u></u>

The notes to the financial statements are an integral part of this statement.

Tax Collector
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2010

	General Fund
Revenues	
Charges for Services	\$ 5,810,111
Miscellaneous	260,717
Total Revenues	6,070,828
Expenditures	
Current	
General Government	5,142,547
Capital Outlay	102,245
Total Expenditures	5,244,792
Excess (Deficiency) of Revenues Over (Under) Expenditures	826,036
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	(826,036)
Total Other Financing Sources (Uses)	(826,036)
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

The notes to the financial statements are an integral part of this statement.

**Tax Collector
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 5,737,200	\$ 5,737,200	\$ 5,810,111	\$ 72,911
Miscellaneous	265,500	265,500	260,717	(4,783)
Total Revenues	6,002,700	6,002,700	6,070,828	68,128
Expenditures				
Current				
General Government	5,358,245	5,358,245	5,142,547	215,698
Capital Outlay	105,000	105,000	102,245	2,755
Total Expenditures	5,463,245	5,463,245	5,244,792	218,453
Excess (Deficiency) of Revenues Over (Under) Expenditures	539,455	539,455	826,036	286,581
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(539,455)	(539,455)	(826,036)	(286,581)
Total Other Financing Sources (Uses)	(539,455)	(539,455)	(826,036)	(286,581)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

**Tax Collector
Okaloosa County, Florida
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
September 30, 2010**

	<u>Disbursements Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,525,758
Accounts Receivable	<u>11,990</u>
Total Assets	<u><u>\$ 1,537,748</u></u>
LIABILITIES	
Due to Other Governments	\$ 15,795
Due to Depositors	198,519
Taxes Collected in Advance	<u>1,323,434</u>
Total Liabilities	<u>1,537,748</u>
NET ASSETS	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tax Collector is an elected official established pursuant to the Constitution of the State of Florida. The Tax Collector is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Tax Collector have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Tax Collector uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The following is a summary of the more significant accounting policies of the Tax Collector.

A. The Reporting Entity

The Tax Collector is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Tax Collector's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Tax Collector in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Tax Collector that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

The Tax Collector segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and fiduciary funds. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Tax Collector is the General Fund.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Tax Collector considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are interest revenue and charges for service. Current year property taxes uncollected at the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and are not recorded as a receivable on the balance sheet.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is an auto license, in exchange for a specific license fee. Non-exchange transactions are those in which the Tax Collector gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is grant revenue received from the federal or state government used to fund governmental services for the citizens of Okaloosa County. The revenue from these exchange and non-exchange transactions is recognized in the financial statements of the Tax Collector using the modified accrual basis of accounting.

3. Fiduciary Fund Financial Statements

The only fiduciary fund of the Tax Collector is an agency fund and as such does not record revenues and expenses.

4. Financial Statement Presentation

The Tax Collector reports the following major governmental fund:

General Fund

This is the Tax Collector’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Tax Collector reports the following fund type:

Agency Fund

The Disbursements Agency Fund accounts for the collection of both current and delinquent property tax assessments as well as licenses and fees collected on behalf of Okaloosa County, municipalities other taxing districts, and state agencies.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Tax Collector adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers. Investments are reported at fair value.

During 2009, the Tax Collector participated in the Florida Surplus Asset Fund Trust ("FLSAFE") that was established under authority of, and in conformity with, Florida Statutes 163-01; *et seq.* FLSAFE began operations in February 2008 and was formed by and for Florida local governmental entities as a means of investing funds. The State of Florida provides regulatory oversight over FLSAFE, and FLSAFE is not registered with the U.S. Securities and Exchange Commission. FLSAFE is an external investment pool, and may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper and repurchase agreements with securities valued in excess of the repurchase agreement amount. No monies were held in the FLSAFE account during the fiscal year ended September 30, 2010.

The Tax Collector maintains a pooled cash account available for use by all funds. Each fund's portion of the pooled cash is displayed on the balance sheet as "cash and cash equivalents."

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds or elected officials for goods provided or services rendered. These receivables and payables are classified as "due from other funds or elected officials" or "due to other funds or elected officials" on the balance sheet. Short-term inter-fund loans are also classified as "interfund receivables/payables."

The Tax Collector maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

3. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Tax Collector's capitalization level is \$1,000 on tangible personal property. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings and improvements	5
Equipment	3-7
Vehicles	2-15

4. Compensated Absences

The liability for compensated absences consisting of unpaid, accumulated annual and sick leave and compensatory time balances is reported on the government-wide statement of net assets of Okaloosa County. The liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds financial statements of the Tax Collector under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - LEGAL COMPLIANCE BUDGETS

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millage and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 2 - LEGAL COMPLIANCE BUDGETS - CONTINUED

Not later than August 1 of each year, the Tax Collector submits his budget to the State of Florida Department of Revenue. Tentative approval must be given to the Tax Collector by September 15. The Department of Revenue issues their approval of the Tax Collector's final budget and simultaneously notifies the Board of County Commissioners of their approval not later than September 30.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board readopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The Tax Collector may transfer budgeted amounts between line items within his budget without approval but may not reallocate amounts between personal services, capital outlay, and operating expenses. The Department of Revenue must approve transfer of amounts between these major groups of budgetary items, and any modification of the budget that increases the total of the budget. The Department of Revenue notifies the Board of County Commissioners of all budget modifications approved by them. In the current year there were no supplemental budgetary appropriations.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Tax Collector maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Tax Collector deposits, including certificates of deposit, are considered fully insured.

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1. The Tax Collector maintained no investment accounts during the fiscal year ended September 30, 2010.

NOTE 4 - TAXES RECEIVABLE

Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector). The County bills and collects its own property taxes, as well as taxes for the County School District and taxes for municipalities and special districts within the County in accordance with the laws of the State of Florida. No accrual has been made for 2010 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Collection of taxes and remittance of them to other governmental agencies are accounted for in the tax agency fund of the Tax Collector.

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 - TAXES RECEIVABLE - CONTINUED

The following is the current property tax calendar:

Lien Date	January 1, 2010
Levy Date	November 1, 2010
Due Date	November 1, 2010
Delinquent Date	April 1, 2011

Discounts of 1% for each month taxes are paid prior to March 2011 are granted.

Revenue recognition criteria for property taxes under the Government Accounting Standards Board requires that property taxes expected to be collected within 60 days of the current period be accrued. Current year taxes that are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

NOTE 5 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Tax Collector of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental				
Capital assets, being depreciated:				
Buildings and improvements	21,962	-	-	21,962
Machinery and equipment	815,487	102,245	(37,964)	879,768
Less accumulated depreciation	<u>(509,728)</u>	<u>(68,329)</u>	<u>37,964</u>	<u>(540,093)</u>
Governmental activities capital assets, net	<u>\$ 327,721</u>	<u>\$ 33,916</u>	<u>\$ -</u>	<u>\$ 361,637</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	<u>\$ 68,329</u>

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 6 – COMPENSATED ABSENCES

The policy of the Tax Collector for annual and sick leave is that employees are entitled to two (2) weeks annual leave and 12 days sick leave. Annual leave increases by one (1) week for each five (5) years of service in the Florida Retirement System (FRS) up to 20 years and six (6) weeks. Employees may accumulate between 160-500 hours of annual leave based on FRS years of service and 240 hours of sick leave. Upon termination, unused sick leave is forfeited.

The total amounts of accumulated annual leave for the Tax Collector as of September 30, 2010 follow:

	Current Portion	Long-Term Portion	Totals
Annual Leave	\$ -	\$ 167,325	\$ 167,325

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of inter-fund balances as of September 30, 2010 is as follows:

Due to/from other funds and elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Other Funds			
General	Fiduciary	\$ -	Internal services
Other Elected Officials			
	Board of County Commissioners General	\$ 826,036	Excess fees
	Board of County Commissioners General	204	Interest
	Board of County Commissioners General	36,170	Prepaid occupancy
	Board of County Commissioners General	104,810	Vessel commissions
	Board of County Commissioners General	15,605	Bank fees
	General Board of County Commissioners	(2,438)	Delq. Real & TPP, BCC Vehl Reg
Total		\$ 980,387	

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
Other Elected Officials			
	Board of County Commissioners General	\$ 826,036	Excess fees

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 – OPERATING LEASES

The Tax Collector rents office space for a decentralized location to accommodate residents in a certain area of the County. The twenty-year lease expires in 2025. As of October 1, 2010, the yearly rental is \$218,877. Total lease expenditure for fiscal year ended September 30, 2010 was \$213,268. Future minimum lease payments for this lease are as follows:

<u>Fiscal Year Ended September 30</u>	
2011	\$ 218,877
2012	218,877
2013	218,877
2014	218,877
2015	218,877
2016-2020	1,094,385
2021-2025	1,094,385
Total minimum lease payments	<u>\$ 3,283,155</u>

NOTE 9 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Tax Collector of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010.

	<u>Balance Due September 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Due September 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Accrued Compensated Absences	\$ 166,095	\$ 202,985	\$ (201,755)	\$ 167,325	\$ -
Other post employment benefits	24,851	27,612	(12,783)	39,680	-
Total Governmental Activities	<u>\$ 190,946</u>	<u>\$ 230,597</u>	<u>\$ (214,538)</u>	<u>\$ 207,005</u>	<u>\$ -</u>

Compensated absences typically have been liquidated in the general fund.

NOTE 10 - PENSION PLAN

Florida Retirement System

Plan Description

The Tax Collector contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 10 - PENSION PLAN - CONTINUED

Florida Retirement System - Continued

Plan Description - Continued

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payrolls for regular employees are 9.66%, special risk employees 22.14%, special risk administrative support 12.13%, elected judges 20.68%, elected county officers 17.53%, senior management service class 13.46% and 11.14% for the Deferred Retirement Option Program (DROP). The Tax Collector's contributions to the plan for the years ended September 30, 2010, 2009, and 2008, were \$324,608, \$307,137, and \$311,797, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Tax Collector contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 - PENSION PLAN - CONTINUED

Health Insurance Subsidy – Continued

Plan Description - Continued

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Rules of the Auditor General of the State of Florida, Chapter 10.550 allows notes to the financial statements of a county agency to supplement rather than duplicate notes included in the government-wide financial statements of the county as a whole. The Tax Collector has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Tax Collector is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

NOTE 12 - RISK MANAGEMENT

The Tax Collector is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

Special risks are covered by commercial insurance policies that are accounted for in the Tax Collector's general fund. The Tax Collector bears no risk of loss under this type of coverage.

The Tax Collector has chosen to participate in a group medical insurance plan along with all other elected officials' offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Tax Collector bears no risk of loss under this type of coverage.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010

NOTE 12 - RISK MANAGEMENT - CONTINUED

The Tax Collector has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Tax Collector a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Tax Collector.

NOTE 13 – SUBSEQUENT EVENT

The Tax Collector expanded existing services for Drivers License (DL) Services within Okaloosa County, Florida, as part of a state-wide initiative by the Florida Department of Motor and Vehicle Safety (DHSMV) to move DL services to Tax Collectors. In September 2010, the DHSMV closed its Fort Walton Beach Office and transitioned operations for such services with the Tax Collector. Additional closures are expected in Crestview in the near future. As part of the transition, the Tax Collector has assumed financial responsibilities with such services, including transition of equipment and personnel.

AGENCY FUNDS

Agency funds are used to account for assets held by the Tax Collector of Okaloosa County as agent for individuals, private organizations, other governments, and/or other funds.

Disbursements Fund

This fund is used to account for the collection of current and delinquent tax assessments; business tax receipts for Okaloosa County, municipalities and other taxing districts; automobile and boat tags, titles and other related fees for the Florida Department of Motor Vehicles; and, to account for the collection of hunting and fishing licenses fees for the Florida Department of Natural Resources.

Tax Collector
Okaloosa County, Florida
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Fiscal Year Ended September 30, 2010

	Balances September 30, 2009	Additions	Deletions	Balances September 30, 2010
DISBURSEMENTS AGENCY FUND				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,367,526	\$ 248,176,315	\$ 248,018,083	\$ 1,525,758
Accounts Receivable	13,523	11,990	13,523	11,990
Total Assets	<u>\$ 1,381,049</u>	<u>\$ 248,188,305</u>	<u>\$ 248,031,606</u>	<u>\$ 1,537,748</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 1,038	\$ 5,780,311	\$ 5,781,349	\$ -
Due to Other Elected Officials	-	194,460,125	194,460,125	-
Due to Other Governments	15,024	45,084,824	45,084,053	15,795
Due to Depositors	93,307	198,519	93,307	198,519
Taxes Collected in Advance	1,271,680	2,664,526	2,612,772	1,323,434
Total Liabilities	<u>\$ 1,381,049</u>	<u>\$ 248,188,305</u>	<u>\$ 248,031,606</u>	<u>\$ 1,537,748</u>

(THIS PAGE INTENTIONALLY LEFT BLANK)

Other Reports

To The Honorable Chris Hughes
Tax Collector
Okaloosa County, Florida

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the basic financial statements of each major fund and the aggregate remaining fund information of the Tax Collector of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which comprise the Tax Collector of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Tax Collector of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector of Okaloosa County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

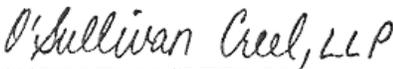
The Honorable Chris Hughes, Tax Collector
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Tax Collector of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

This report is intended solely for the information and use of the Tax Collector of Okaloosa County, Florida, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

Okaloosa County, Florida
Tax Collector
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended September 30, 2010

1. Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)

Finding 2009-1 – TAX COLLECTOR DEFERRED COMPENSATION

Status: Correction Action Taken



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To the Honorable Chris Hughes
Tax Collector
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Tax Collector of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Tax Collector of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

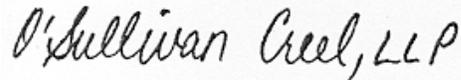
The Honorable Chris Hughes
Tax Collector
Management Letter (Continued)

- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Tax Collector of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e), as part of the primary government of Okaloosa County, Florida. There are no component units related to the Tax Collector of Okaloosa County, Florida.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, the Tax Collector of Okaloosa County, Florida, and the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Tax Collector of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



O'SULLIVAN CREEL, L.L.P.
Certified Public Accountants and Consultants

March 18, 2011

PROPERTY APPRAISER

**OKALOOSA COUNTY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit</u>
PROPERTY APPRAISER		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Fund	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	III
Notes to Financial Statements	6	
OTHER REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15	
Management Letter	17	

Basic Financial Statements



To the Honorable Pete Smith
Property Appraiser
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of the General Fund of the Property Appraiser of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Property Appraiser's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Property Appraiser of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Property Appraiser of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

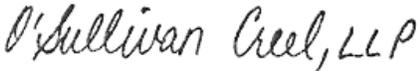
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Property Appraiser of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Pete Smith, Property Appraiser
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011, on our consideration of the Property Appraiser of Okaloosa County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Property Appraiser of Okaloosa County, Florida, the Board of County Commissioners of Okaloosa County, Florida, and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

**Property Appraiser
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2010**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 270,568
Total Assets	<u>\$ 270,568</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 2,371
Other Accrued Liabilities	29,702
Due to Other Elected Officials	218,697
Due to Other Governments	<u>19,798</u>
Total Liabilities	<u>270,568</u>
Fund Balance	
Unreserved	<u>-</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 270,568</u>

The notes to the financial statements are an integral part of this statement.

**Property Appraiser
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2010**

	General Fund
Revenues	
Charges for Services	\$ 245,027
Miscellaneous	3,723
Total Revenues	248,750
Expenditures	
Current	
General Government	2,900,335
Capital Outlay	55,141
Total Expenditures	2,955,476
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,706,726)
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	2,706,726
Total Other Financing Sources (Uses)	2,706,726
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

The notes to the financial statements are an integral part of this statement.

**Property Appraiser
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 245,082	\$ 245,082	\$ 245,027	\$ (55)
Miscellaneous	-	-	3,723	3,723
Total Revenues	245,082	245,082	248,750	3,668
Expenditures				
Current				
General Government	3,201,357	3,176,217	2,900,335	275,882
Capital Outlay	8,895	8,895	55,141	(46,246)
Total Expenditures	3,210,252	3,185,112	2,955,476	229,636
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,965,170)	(2,940,030)	(2,706,726)	233,304
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	2,965,170	2,940,030	2,706,726	(233,304)
Total Other Financing Sources (Uses)	2,965,170	2,940,030	2,706,726	(233,304)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Property Appraiser is an elected official established pursuant to the Constitution of the State of Florida. The Property Appraiser is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Property Appraiser have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Property Appraiser uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The following is a summary of the more significant accounting policies of the Property Appraiser.

A. The Reporting Entity

The Property Appraiser is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Property Appraiser's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Property Appraiser in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Property Appraiser that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

The Property Appraiser segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Property Appraiser is the General Fund.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Property Appraiser considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are interest revenue and charges for service.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is rent, in exchange for a specific service, use of a County building. Non-exchange transactions are those in which the Property Appraiser gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is tax revenue received by the County and appropriated to the Property Appraiser to be used to fund various general governmental services. The revenue from these exchange and non-exchange transactions is recognized in the financial statements of the Property Appraiser using the modified accrual basis of accounting.

3. Financial Statement Presentation

The Property Appraiser reports the following major governmental fund:

General Fund

This is the Property Appraiser’s primary operating fund. It accounts for all financial resources of the general government.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

1. Deposits and Investments - Continued

Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Property Appraiser adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds or elected officials for goods provided or services rendered. These receivables and payables are classified as "due from other funds or elected officials or "due to other funds or elected officials" on the balance sheet. Short-term interfund loans are also classified as "interfund receivables/payables."

3. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant, equipment, and intangible assets purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Property Appraiser's capitalization level is \$1,000 on tangible personal property and \$5,000 on intangible assets. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation and amortization on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings and improvements	5
Intangibles	5
Equipment	3 - 7
Vehicles	2 - 15

4. Compensated Absences

The liability for compensated absences consisting of unpaid, accumulated paid days off balances is reported on the government-wide statement of net assets of Okaloosa County. The liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds financial statements of the Property Appraiser under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

No later than June 1 of each year, the Property Appraiser submits his budget to the State of Florida Department of Revenue. Tentative approval must be given to the Property Appraiser by July 15. The Department of Revenue issues their approval of the Property Appraiser's final budget and simultaneously notifies the Board of County Commissioners of their approval no later than August 15.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board readopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each elected official is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. Supplemental budgetary appropriations of \$25,140 representing a 0.8% decrease over the original adopted budget were necessary during the fiscal year for the Property Appraiser. All amendments to originally adopted amounts were made in a legally permissible manner.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 3 - DEPOSITS AND INVESTMENTS

The Property Appraiser maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Property Appraiser deposits, including certificates of deposit, are considered fully insured.

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1. The Property Appraiser maintained no investment accounts during the fiscal year ended September 30, 2010.

NOTE 4 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Property Appraiser of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated/amortized:				
Buildings and improvements	\$ 31,800	\$ -	\$ -	\$ 31,800
Intangible	36,682	-	-	36,682
Machinery and equipment	663,980	55,141	(106,500)	612,621
Total Capital assets, being depreciated/amortized	<u>732,462</u>	<u>55,141</u>	<u>(106,500)</u>	<u>681,103</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,998)	(3,975)	-	(5,973)
Intangible	(15,284)	(7,336)	-	(22,620)
Machinery and equipment	(557,153)	(54,640)	106,500	(505,293)
Total accumulated depreciation/amortization	<u>(574,435)</u>	<u>(65,951)</u>	<u>106,500</u>	<u>(533,886)</u>
Governmental activities capital assets, net	<u>\$ 158,027</u>	<u>\$ (10,810)</u>	<u>\$ -</u>	<u>\$ 147,217</u>

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 – CAPITAL ASSETS - CONTINUED

Depreciation/amortization expense was charged to functions/programs as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Governmental activities:		
General government	\$ 58,615	\$ 7,336

NOTE 5 – COMPENSATED ABSENCES

The Property Appraiser’s policy for compensated absences provides for “paid days off” (a combination of sick and annual leave) which may be used at the employee’s discretion. Paid days off accumulate ratably during each year of employment at the following rates based on years of employment.

1 to 5 years	192 hours per year
5 to 10 years	216 hours per year
Over 10 years	240 hours per year

Employees are allowed to accumulate up to 360 hours of paid days off for which they will be paid upon termination of employment. Paid days off accumulated in excess of 360 hours at the end of the calendar year are lost except for employees planning retirement. Employees planning retirement within the following year may increase the accrued paid days off to a maximum of 500 hours. The total amounts of accumulated paid days off for the Property Appraiser as of September 30, 2010 follow:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Totals</u>
Compensated absences	\$ -	\$ 155,475	\$ 155,475

NOTE 6– INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:

Due to/from other elected officials:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Board of County Commissioners	General	\$ 218,697	Excess appropriations

Interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Board of County Commissioners	\$ 2,706,726	Budget appropriations

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Property Appraiser of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

	Balance Due October 1, 2009			Balance Due September 30, 2010		Due Within One Year
	Increases	Decreases				
Governmental Activities:						
Accrued compensated absences	\$ 164,040	\$ -	\$ (8,565)	\$ 155,475	\$ -	
Other post employment benefit	14,253	13,985	(6,474)	21,764	-	
Total Governmental Activities	<u>\$ 178,293</u>	<u>\$ 13,985</u>	<u>\$ (15,039)</u>	<u>\$ 177,239</u>	<u>\$ -</u>	

Compensated absences typically have been liquidated in the general fund.

NOTE 8 - PENSION PLAN

Florida Retirement System

Plan Description

The Property Appraiser contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 8 - PENSION PLAN - CONTINUED

Florida Retirement System – Continued

Funding Policy - Continued

Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payroll are for regular employees 10.77%, special risk employees 23.25%, special risk administrative support 12.13%, elected judges 21.79%, elected county officers 18.64%, senior management service class 14.57%, and 12.25% for the Deferred Retirement Option Program (DROP). The Property Appraiser's contributions to the plan for the years ended September 30, 2010, 2009, and 2008 were \$192,717, \$178,287, and \$177,620, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Property Appraiser contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Plan Description - Continued

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 9 – POST EMPLOYMENT BENEFITS

Rules of the Auditor General of the State of Florida, Chapter 10.550 allows notes to the financial statements of a county agency to supplement rather than duplicate notes included in the government-wide financial statements of the county as a whole. The Property Appraiser has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Property Appraiser is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 10 - RISK MANAGEMENT

The Property Appraiser is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

Special risks are covered by commercial insurance policies that are accounted for in the Property Appraiser's general fund. The Property Appraiser bears no risk of loss under this type of coverage.

The Property Appraiser has chosen to participate in a group medical insurance plan along with all other elected officials' offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Property Appraiser bears no risk of loss under this type of coverage.

The Property Appraiser has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Property Appraiser a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Property Appraiser.

Other Reports

To The Honorable Pete Smith
Property Appraiser
Okaloosa County, Florida

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of the General Fund of the Property Appraiser of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which comprise the Property Appraiser of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Property Appraiser of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Property Appraiser of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property Appraiser of Okaloosa County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

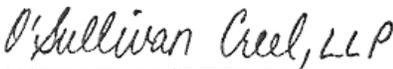
Honorable Pete Smith, Property Appraiser
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Property Appraiser of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

This report is intended solely for the information and use of the Property Appraiser of Okaloosa County, Florida, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To The Honorable Pete Smith
Property Appraiser
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Property Appraiser of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no significant findings and recommendations made in the preceding annual financial audit report for the Property Appraiser of Okaloosa County.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Property Appraiser of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

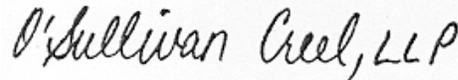
The Honorable Pete Smith
Property Appraiser
Management Letter (Continued)

- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. . In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Property Appraiser of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e) as part of the primary government of Okaloosa County, Florida. There are no component units related to the Property Appraiser of Okaloosa County, Florida.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, the Property Appraiser of Okaloosa County, Florida, and the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Property Appraiser of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



O'SULLIVAN CREEL, L.L.P.
Certified Public Accountants and Consultants

March 18, 2011

SUPERVISOR OF ELECTIONS

**OKALOOSA COUNTY, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

**FINANCIAL STATEMENTS AND AUDIT REPORTS PRESENTED TO
 DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
 SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
 GENERAL, CHAPTER 10.557**

	<u>Page</u>	<u>Exhibit</u>
SUPERVISOR OF ELECTIONS		
INTRODUCTORY SECTION		
Table of Contents	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements		
Fund Financial Statements		
Balance Sheet - Governmental Fund	3	I
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	4	II
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	III
Notes to Financial Statements	6	
OTHER REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16	
Management Letter	18	

Basic Financial Statements



To the Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying special-purpose financial statements of the General Fund of the Supervisor of Elections of Okaloosa County, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Supervisor of Elections of Okaloosa County, Florida's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Supervisor of Elections of Okaloosa County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1 to the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Supervisor of Elections of Okaloosa County, Florida, nor are they intended to be a complete presentation of the financial position and changes in financial position of Okaloosa County, Florida, taken as a whole.

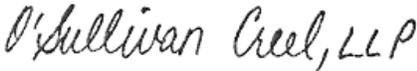
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Supervisor of Elections of Okaloosa County, Florida as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Paul Lux, Supervisor of Elections
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2011, on our consideration of the Supervisor of Elections of Okaloosa County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Supervisor of Elections of Okaloosa County, Florida, the Board of County Commissioners of Okaloosa County, Florida, and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011

**Supervisor of Elections
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2010**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 26,530
Investments	792
Accounts Receivable	2,652
Due from Other Elected Officials	2,489
Prepays	54,310
Total Assets	\$ 86,773
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 28,785
Contracts Payable	1,001
Other Accrued Liabilities	30,991
Due to Other Elected Officials	11,874
Deferred Revenue	14,122
Total Liabilities	86,773
Fund Balance	
Reserved for	
Prepays	54,310
Unreserved	(54,310)
Total Fund Balance	-
Total Liabilities and Fund Balance	\$ 86,773

The notes to the financial statements are an integral part of this statement.

**Supervisor of Elections
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2010**

	General Fund
Revenues	
Intergovernmental	\$ 27,168
Charges for Services	34,249
Miscellaneous	1,875
Total Revenues	63,292
Expenditures	
Current	
General Government	1,661,311
Capital Outlay	27,087
Total Expenditures	1,688,398
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,625,106)
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	1,625,106
Total Other Financing Sources (Uses)	1,625,106
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

The notes to the financial statements are an integral part of this statement.

**Supervisor of Elections
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 42,521	\$ 27,168	\$ (15,353)
Charges for Services	14,620	14,620	34,249	19,629
Miscellaneous	-	635	1,875	1,240
	<u>14,620</u>	<u>57,776</u>	<u>63,292</u>	<u>5,516</u>
Total Revenues				
Expenditures				
Current				
General Government	1,596,738	1,639,894	1,661,311	(21,417)
Capital Outlay	54,862	54,862	27,087	27,775
	<u>1,651,600</u>	<u>1,694,756</u>	<u>1,688,398</u>	<u>6,358</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,636,980)</u>	<u>(1,636,980)</u>	<u>(1,625,106)</u>	<u>11,874</u>
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	<u>1,636,980</u>	<u>1,636,980</u>	<u>1,625,106</u>	<u>(11,874)</u>
Total Other Financing Sources (Uses)	<u>1,636,980</u>	<u>1,636,980</u>	<u>1,625,106</u>	<u>(11,874)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Supervisor of Elections is an elected official established pursuant to the Constitution of the State of Florida. The Supervisor of Elections is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

The financial statements of the Supervisor of Elections have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Supervisor of Elections uses the Uniform Accounting System (UAS) mandated by Chapter 218.33, Florida Statutes.

The following is a summary of the more significant accounting policies of the Supervisor of Elections.

A. The Reporting Entity

The Supervisor of Elections is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Supervisor of Elections' individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial statements of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Special Purpose Financial Statements

The financial statements presented for the Supervisor of Elections in this separate audit of county agencies required by the Rules of the Auditor General of the State of Florida, Chapter 10.550 are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Chapter 10.550 contains special rules that define "basic financial statements," "required supplementary information," and "disclosures presented in the notes to the financial statements" for those entities such as the Supervisor of Elections that have implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements presented for this report are the fund financial statements as defined by GASB 34.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Special Purpose Financial Statements - Continued

The Supervisor of Elections segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Supervisor of Elections is the General Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is rent, in exchange for a specific service, use of a County building. Non-exchange transactions are those in which the Supervisor of Elections gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is grant revenue received from the federal or state government used to fund governmental services for the citizens of Okaloosa County. The revenue from these exchange and non-exchange transactions is recognized in the financial statements of the Supervisor of Elections using the modified accrual basis of accounting.

2. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Supervisor of Elections considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are charges for service and intergovernmental revenue.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Presentation

The Supervisor of Elections reports the following major governmental fund:

General Fund

This is the Supervisor of Elections’ only operating fund. It accounts for all financial resources of the general government.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Sections 28.33, 218.415, and 219.075, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County's name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers' acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Supervisor of Elections adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which establishes registration procedures for securities and dealers.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds of the primary government of Okaloosa County for goods provided or services rendered. These receivables and payables are classified as "due from other elected officials" or "due to other elected officials" on the balance sheet of the Supervisor of Elections, if applicable. Short-term interfund loans are also classified as "interfund receivables/payables."

The Supervisor of Elections maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Supervisor of Elections' capitalization level is \$1,000 on tangible personal property. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Equipment	3-7
Vehicles	2-15

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity - Continued

4. Compensated Absences

The liability for compensated absences consisting of unpaid, accumulated annual and sick leave and compensatory time balances is reported on the government-wide statement of net assets of Okaloosa County. The liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds financial statements of the Supervisor of Elections under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget or the Board readopts its prior year's adopted final budget, as amended, and expends monies based on that budget until such time as its tentative budget is adopted pursuant to law. The final budget is adopted by resolution of the Board of County Commissioners.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each elected official is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. No supplemental budgetary appropriations to the original adopted budget were necessary during the fiscal year for the Supervisor of Elections.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS

The Supervisor of Elections maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a “Qualified Public Depository”. All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Supervisor of Elections’ deposits, including certificates of deposit, are considered fully insured.

As of September 30, 2010 the Supervisor of Elections had the following investments:

Florida Local Government Investment Trust investment pool	\$	333
Florida Local Government Investment Trust day to day fund		23
Florida Local Government Surplus Funds Trust investment pool - Fund A		436
Total Investments	<u>\$</u>	<u>792</u>

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1.

The investment policy manual for Okaloosa County details the methods used to manage the risks inherent to the investment process. The authority for investment of County funds rests with the Clerk of the Circuit Court who has delegated management of the investment program to the Finance Director. Investments can only be made by majority vote of the investment committee appointed by the Clerk. Although the policies allow investments in many types of instruments, the investment committee has chosen to limit investment risks by investing mainly in allowed investment pools. The pools manage interest rate risk by limiting the weighted average maturity of their portfolios, manage credit risk by investing in mainly governmental and other highly rated securities, manage concentration of credit risk by limiting investment in any one issuer to less than 5% of the portfolio and manage custodial credit risk by requiring collateral for investments held by counterparties.

Credit risk. As of September 30, 2010, the investments in Florida Local Government Investment Trust investment pool and Florida Local Government Investment Trust day to day fund was rated AA Af and AA Am, respectively, by Standard and Poor’s. Standard and Poor’s rated the STI Classic Institutional Cash Management as AA Am as of September 2010.

Concentration of credit risk. The investment policies of the County diversify the portfolio by limiting the maximum percentage of various types of investments that can be purchased.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 4 – DEFERRED REVENUE

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental fund were as follows:

	Unavailable	Unearned
General Fund		
Grant revenue	\$ -	\$ 14,122

NOTE 5 – CAPITAL ASSETS

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires that notes to the financial statements of a county agency include disclosures related to capital assets regardless of whether or not government-wide financial statements are presented for the county agency. The following capital asset activity for the Supervisor of Elections of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 1,124,619	\$ 27,087	\$ (4,750)	\$ 1,146,956
Less accumulated depreciation	(802,169)	(91,363)	4,750	(888,782)
Governmental activities capital assets, net	\$ 322,450	\$ (64,276)	\$ -	\$ 258,174

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 91,362

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 6 – COMPENSATED ABSENCES

The policy of the Supervisor of Elections for annual and sick leave and compensatory time is as follows. Employees may accrue an unlimited amount of annual and sick leave according to the following schedule.

	Years of Service	Leave Accrual Per Month
<u>Annual Leave</u>		
Full time employees	0-5	8 hours
	6-10	10 hours
	11-15	12 hours
	16-20	14 hours
	21-25	16 hours
	26+	18 hours
 Part time employees	 1	 4 hours
 Amount paid upon separation from service		 240 hours
<u>Sick Leave</u>		
Full time employees		8 hours

Unused sick leave will be paid to employees having ten consecutive years of service upon termination or retirement at varying percentages based on the total unused hours: 50% for the first 480 hours; 25% for the second 480 hours and 20% for all hours over 960.

Compensatory Time

Compensatory time is available only to hourly (non-exempt) employees. Employees may accrue up to 240 hours. Unused amounts will be paid upon termination or retirement.

The total amounts of accumulated compensated absences for the Supervisor of Elections as of September 30, 2010 follow:

	Current Portion	Long-Term Portion	Totals
Compensated absences	\$ 35,627	\$ 15,416	\$ 51,043

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2010 is as follows:

Due to/from elected officials:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Clerk of Courts	\$ 2,489	Postage
Board of County Commissioners	General Fund	(11,874)	Interfund loan
Total		<u>\$ (9,385)</u>	

Interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Board of County Commissioners	<u>\$1,625,106</u>	Budget appropriations

NOTE 8 – LONG-TERM DEBT

Rules of the Auditor General of the State of Florida, Chapter 10.550 requires notes to the financial statements of a county agency include disclosures related to long-term liabilities, regardless of whether or not government-wide financial statements are presented for the county agency. The following long-term debt activity for the Supervisor of Elections of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2010:

	<u>Balance Due October 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Due September 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Accrued compensated absences	\$ 32,430	\$ 18,613	\$ -	\$ 51,043	\$ 35,627
Other post employment benefits	5,685	5,738	(2,656)	8,767	-
Total Governmental Activities	<u>\$ 38,115</u>	<u>\$ 24,351</u>	<u>\$ (2,656)</u>	<u>\$ 59,810</u>	<u>\$ 35,627</u>

Compensated absences typically have been liquidated in the general fund.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 9 - PENSION PLAN

Florida Retirement System

Plan Description

The Supervisor of Elections contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS provides retirement, disability or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapter 121 provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Members in either plan who have reached normal retirement age may retire and continue employment with the County for up to 60 months. During that period the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earned interest at an annual rate of 6.5%. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan. The current actuarially determined contribution rates expressed as a percentage of covered payrolls are for regular employees 8.74%, special risk employees 19.81%, special risk administrative support 11.44%, elected judges 18.45%, elected county officers 15.42%, senior management service class 12.01%, and 9.80% for the Deferred Retirement Option Program (DROP). The Supervisor of Elections' contributions to the plan for the years ended September 30, 2010, 2009, and 2008 were \$78,414, \$77,590, and \$76,567, respectively, equal to the required contributions for the year.

Health Insurance Subsidy

Plan Description

The Supervisor of Elections contributes to the Florida Retirement System Health Insurance Subsidy (FRSHIS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. Florida Statutes provides the authority under which benefit provisions are established. The provisions may only be amended by legislative action. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2010**

NOTE 9 - PENSION PLAN - CONTINUED

Health Insurance Subsidy - Continued

Plan Description - Continued

The FRS provides assistance to retirees of all state-administered retirement systems in paying health insurance costs. Eligible retirees received an extra \$5 per month for each year of creditable service completed at the time of retirement with a minimum monthly payment of \$30 and a maximum payment of \$150. To be eligible to receive the Health Insurance Subsidy (HIS), a retiree under any state-administered retirement must provide proof of health insurance coverage, which can include Medicare. Any spouse or financial dependent who receives a monthly retirement benefit may also receive the HIS.

Funding Policy

The HIS program is funded by required contributions from FRS participating employers. According to the FRS actuarial valuation of HIS completed July 1, 2010, the unfunded actuarial liability of the HIS program was \$8.2 billion. The annual required contribution (ARC) calculated in July, 2010, for the fiscal year ending June 30, 2011 is 1.28% of active payroll. For fiscal year ended September 30, 2010, the FRS funding policy is pay-as-you-go with a legislated contribution rate of 1.11%. This contribution is added to the amount submitted for retirement contributions but is deposited in a separate trust fund (The Retiree Health Insurance Subsidy Trust Fund) from which Health Insurance Subsidy payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

NOTE 10 - POSTEMPLOYMENT BENEFITS

Rules of the Auditor General of the State of Florida, Chapter 10.550 allows notes to the financial statements of a county agency to supplement rather than duplicate notes included in the government-wide financial statements of the county as a whole. The Supervisor of Elections has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Supervisor of Elections is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

NOTE 11 - RISK MANAGEMENT

The Supervisor of Elections is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Special risks are covered by commercial insurance policies that are accounted for in the Supervisor of Elections' general fund. The Supervisor of Elections bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years. The Supervisor of Elections has chosen to participate in a group medical insurance plan along with all other elected officials' offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Supervisor of Elections bears no risk of loss under this type of coverage.

The Supervisor of Elections has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Supervisor of Elections a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Supervisor of Elections.

Other Reports

To The Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of the General Fund of the Supervisor of Elections of Okaloosa County, Florida, as of and for the fiscal year ended September 30, 2010, which comprise the Supervisor of Elections of Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Supervisor of Elections of Okaloosa County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Supervisor of Elections of Okaloosa County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections of Okaloosa County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisor of Elections of Okaloosa County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

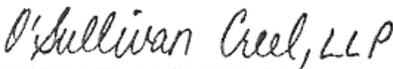
Honorable Paul Lux, Supervisor of Elections
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards (Continued)

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Supervisor of Elections of Okaloosa County, Florida, in a separate letter dated March 18, 2011.

This report is intended solely for the information and use of the Supervisor of Elections of Okaloosa County, Florida, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

March 18, 2011



45 Eglin Pkwy. NE, Ste. 301 • Fort Walton Beach, FL 32548 • (850) 244-5121

To The Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

MANAGEMENT LETTER

We have audited the financial statements of the Supervisor of Elections of Okaloosa County, Florida as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated March 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no significant findings and recommendations made in the preceding annual financial audit report for the Supervisor of Elections of Okaloosa County.
- Section 10.554 (1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Supervisor of Elections of Okaloosa County, Florida complied with Section 218.415, Florida Statutes.
- Section 10.544(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any recommendations.
- Section 10.544(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

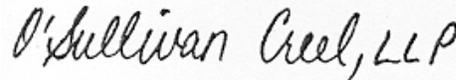
The Honorable Paul Lux
Supervisor of Elections
Management Letter (Continued)

- Section 10.544(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. . In connection with our audit, we did not have any such findings.
- Section 10.544(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Supervisor of Elections of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e) as part of the primary government of Okaloosa County, Florida. There are no component units related to the Supervisor of Elections of Okaloosa County, Florida.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, the Supervisor of Elections of Okaloosa County, Florida, and the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Supervisor of Elections of Okaloosa County, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.



O'SULLIVAN CREEL, L.L.P.
Certified Public Accountants and Consultants

March 18, 2011