

OKALOOSA COUNTY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012



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, 2012

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, 2012**

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**OKALOOSA COUNTY, FLORIDA
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**OKALOOSA COUNTY, FLORIDA
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DON W. HOWARD

CLERK OF THE CIRCUIT COURT, OKALOOSA COUNTY, FLORIDA



March 22, 2013

To the Citizens of Okaloosa County:

The Comprehensive Annual Financial Report of Okaloosa County, Florida for the fiscal year ended September 30, 2012, 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.

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 Generally Accepted Account Principles. 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 certified public accountants of the firm of Warren Averett 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, 2012, 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 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, 2012, are fairly presented in

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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 2012 population was 187,280, 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 120,161 in 2012 and the 2012 unemployment rate at 6.0 percent. This compares favorably to the state's annual average rate of 8.6 percent and the national average of 7.6 percent. Okaloosa County's cost of living is consistently below the national average and the county has, along with its sister counties in Florida, no state income tax.



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

Relative property valuation strength, although declining over the last several years, continues to provide the County the opportunity to maintain one of the state's lowest millage rates while continuing to maintain a relatively high level of service to County residents. Property tax values decreased (1.6) percent. New construction activity in 2012 increased slightly to \$151 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 completed construction of the Courthouse Annex Extension at the very end of Fiscal Year 2011 and moved judiciary functions into the new facility this Fiscal Year while completing all of the "punch-list" items necessary to move this large



operation into this new more useful and secure operation. The County continued to study and renovate other facility space in order to more effectively and efficiently utilize the limited governmental space available for use. The County continues to plan and develop land for future development through the Joint Land Use grant project funding. About \$56,200,000 was spent on General Government initiatives, or approximately 23% 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 lifeguard and beach safety units were enhanced during the year.

The County Corrections Department and County Jail continues to deal with population increases and facility needs, also. 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 moved into and occupied the joint facility at Northwest Florida State College Emergency Operations Center (EOC) and training facility this past



Fiscal Year. The facility is a state-of-the-art joint use complex for EOC and education. This facility will house and 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 County funded approximately \$86,800,000 of Public Safety initiatives, or approximately 35% of total expenditures, in 2012.

Physical Environment Initiatives

Physical environment initiatives are concentrated in the areas of water/wastewater improvements, solid waste and stormwater. The military, with its ever increasing role in our area, is utilizing the County water/wastewater countywide service to their benefit by exploring numerous partnerships for service. With the completion of the new sewer treatment plant, the decommissioning and destruction



of the old plant has now been completed. Stormwater projects continued in 2012, mainly reactionary, due to limited funding. Solid Waste continues to place a high priority on new ideas as the County monitors and remediates their closed landfills. The County complies with State mandates for 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. About \$36,000,000 was spent, plus, as always, a great deal of capital outlay, in the area of Physical Environment initiatives, or approximately 15% of total expenditures, for 2012.

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 2012. 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 Northwest 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, taxiway and building renovation around the Regional Airport and taxiway and building renovation at the Bob Sikes airport. About \$42,700,000, or approximately 17% of total spent, was spent on transportation expenditures in 2012.

Economic Environment
Initiatives

Recovery continued after the area suffered greatly from the devastating oil spill disaster and enhanced efforts allowed tourism activities to increase during the year, although during the year it was discovered that the Executive Director of the Tourist Development Council was involved in a scandal involving certain fraudulent use of certain tourist development funds (See Note 17). 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. Over \$7,600,000 or approximately 3% was spent in the area of economic environment in 2012.

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, including certain legislative changes that occurred during the year. A portion of the operation of the Okaloosa County Health Department is another human service initiative in the County. Over \$4,300,000 or approximately 2% was spent in the area of Human Service activity in 2012.

Culture/Recreation Initiatives Several county and city parks continue to be improved this year with MSTU park funding. 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, while reviewing and analyzing the area to be renourished in the future. An additional penny of Tourist Development Tax continues to be collected to renourish all beaches within the Tourist Development boundary area. 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 \$13,500,000 or approximately 5% was spent for culture/recreational activities throughout the year.

Future Initiatives 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 enhancements while continuing to provide the expected services for County residents will continue to stretch somewhat limited resources significantly. Facility and space needs continue to be a high priority for the immediate future.

Since the Annex Extension facility has been completed, the County has turned its attention to the renovation of the Shalimar Annex in the south end of the County, along with the review 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 County will continue to monitor stormwater needs consistent with the availability of funds.



Other major improvements in transportation will be for ongoing and expanding airport projects and continued evaluation 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, 2011.

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 the members of the County's independent external auditors. 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 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, 2011

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.



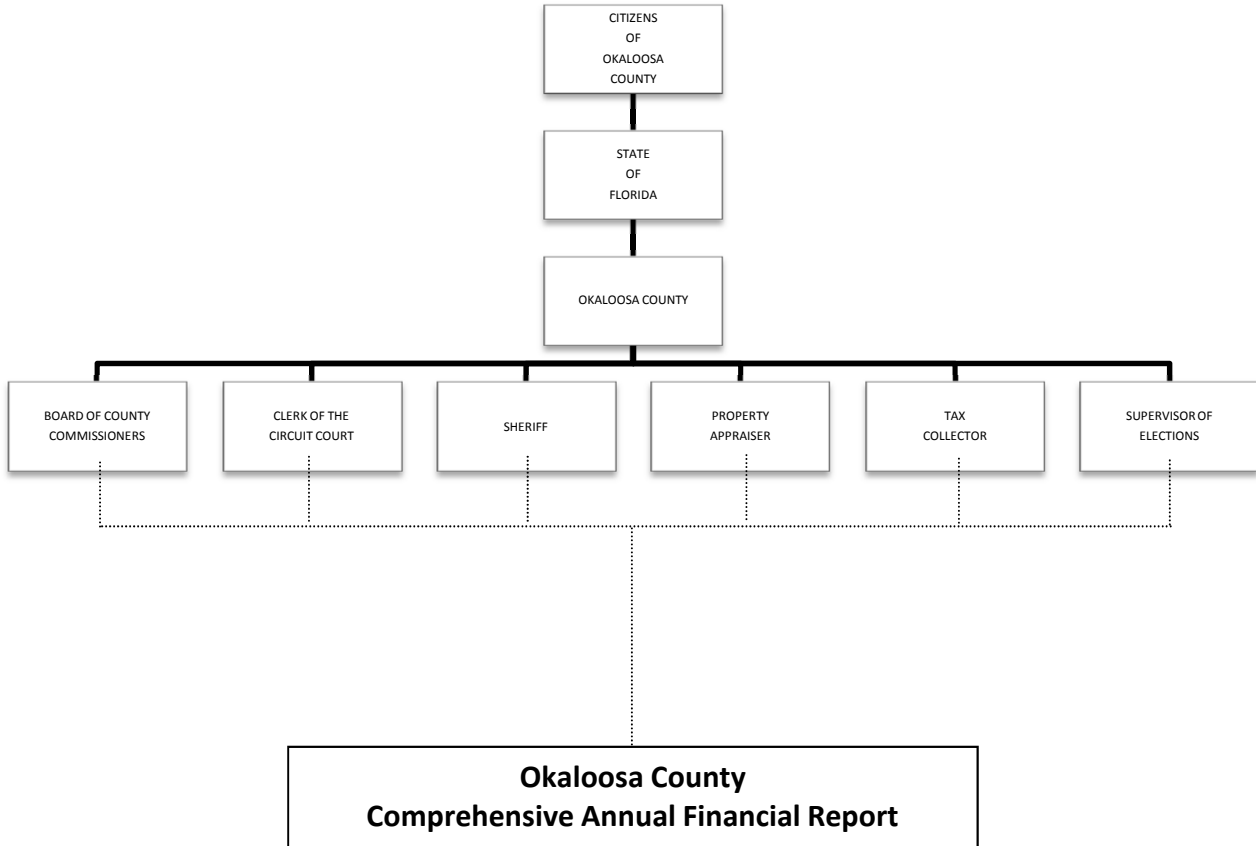
Christopher P. Morrell

President

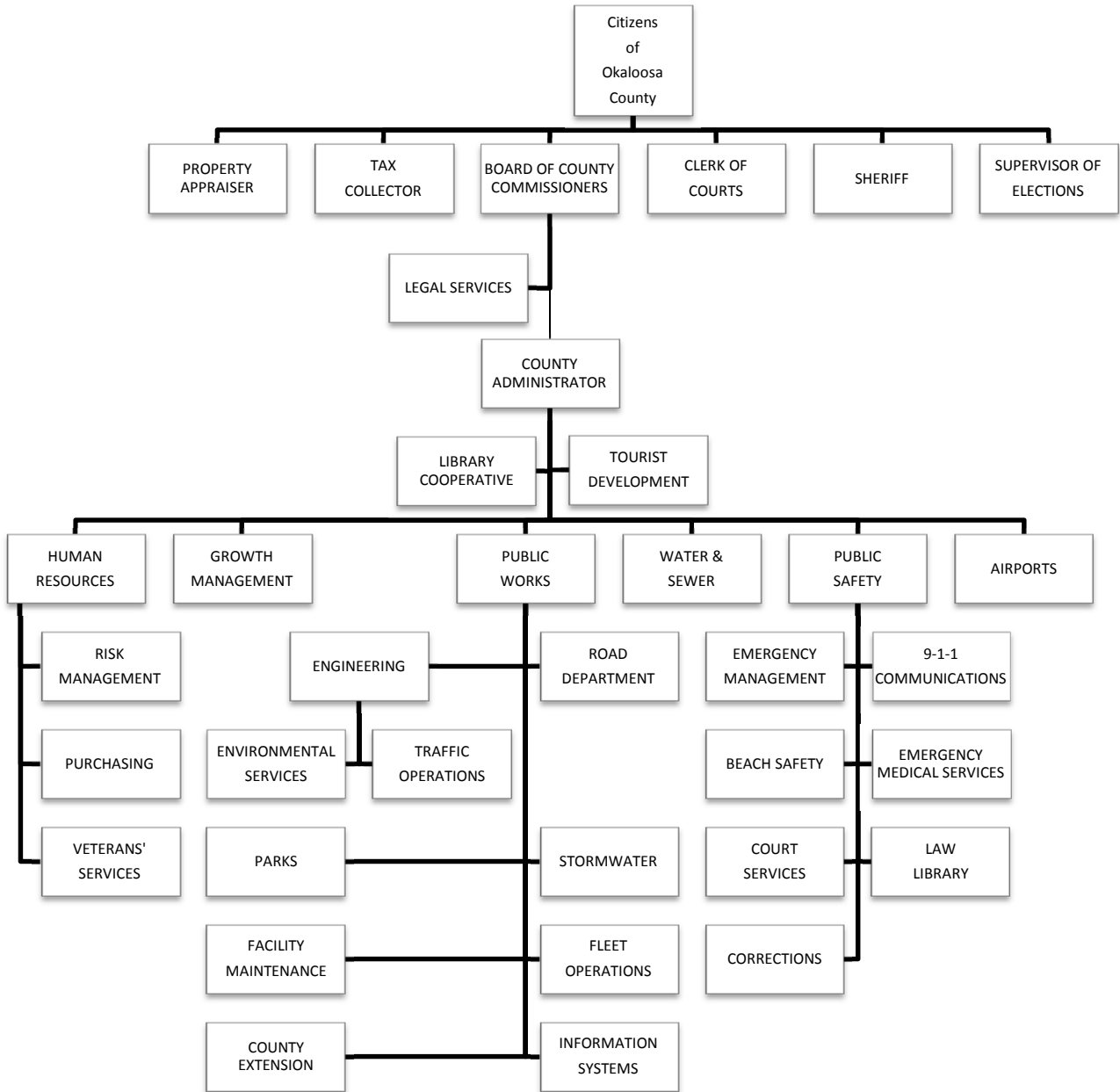
Jeffrey R. Emer

Executive Director

OKALOOSA COUNTY, FLORIDA
REPORTING ORGANIZATION



OKALOOSA COUNTY COMMISSIONERS
OKALOOSA COUNTY, FLORIDA
ORGANIZATION CHART



OKALOOSA COUNTY, FLORIDA

COUNTY OFFICIALS AS OF SEPTEMBER 30, 2012

COUNTY COMMISSIONERS

| | |
|---------------------|--------------|
| Wayne Harris | District I |
| Dave Parisot | District II |
| Bill Roberts | District III |
| Don Amunds | District IV |
| Kelly Windes* | District V |

OTHER ELECTED OFFICIALS

| | |
|----------------------------|-------------------------|
| Don W. Howard | Clerk of Court |
| Larry R Ashley | Sheriff |
| Ben Anderson | Tax Collector |
| Timothy "Pete" Smith | Property Appraiser |
| Paul Lux | Supervisor of Elections |

OTHER OFFICIALS

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

*Governor appointed to take office October 23, 2012.

FINANCIAL SECTION

WARREN AVERETT

O'SULLIVAN CREEL

A Business of Warren Averett, LLC | CPAs & Consultants

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Fort Walton Beach, FL 32548

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

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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, 2012, 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, 2012, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the General Fund, County Transportation Trust and Tourist Development Special Revenue Funds 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 22, 2013, 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 90 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.

To the Honorable Chairman and Members of the
Board of County Commissioners and Other Elected Officials
Independent Auditor's Report
Page two

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 expenditures 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 22, 2013

Okaloosa County, Florida

Management Discussion and Analysis

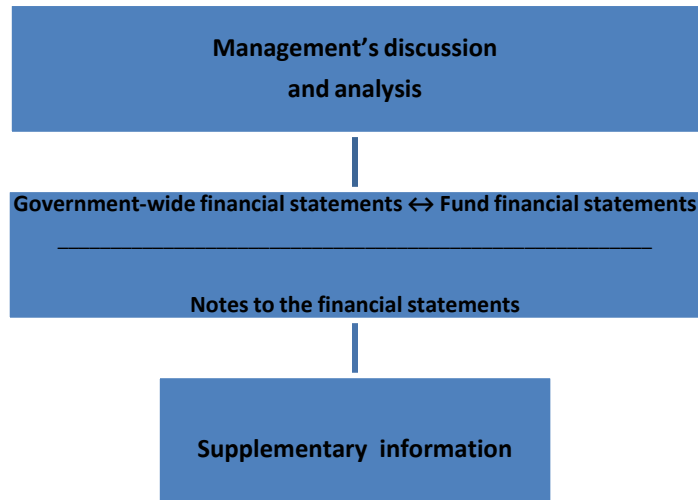
This discussion and analysis of Okaloosa County's (the County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2012. This analysis, in conjunction with additional information provided in our letter of transmittal, should 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 2012 the County's assets exceeded its liabilities, resulting in net assets of \$433,863. Governmental and business-type assets exceeded its liabilities by \$175,481 and \$258,382, respectively.
- The County's total net assets increased \$13,579, or 3.1 percent, in comparison to the prior year.
- The County had \$24,147 of unrestricted net assets at the close of this year compared to \$27,232 last year that can be used to meet the County's obligations.
- Total revenues decreased **(\$8,674)**, or **(4.4)** percent, from \$204,299 to \$195,625.
- Total expenses decreased **(\$4,678)**, or **(2.6)** percent, from \$182,260 to \$177,582.
- The County's governmental activities reported total net assets of \$175,481, which is an increase of \$2,457, or 1.4 percent, in comparison to prior year. 1.4 percent of the total is unrestricted.
- The County's business-type activities reported total net assets of \$258,382, which is an increase of \$11,122, or 4.3 percent, in comparison to prior year. Approximately 8.4 percent of the total, or \$21,163, 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 balance, 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.

Four of the County's governmental funds, the General Fund, County Transportation Trust Fund, Tourist Development Trust 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 Convention 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, 2012, the County's total net assets or total assets less liabilities, was \$433,863. A significant portion of the County's net assets, 80.8 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 \$350,361 increased \$15,273 or 4.4 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 \$59,355 (13.7 percent of total net assets) increased \$1,391 or 2.3 percent, in comparison to prior year, mainly due to increased debt service and increased Transportation restrictions for certain Airport improvements.

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 \$24,147 (5.6 percent of total net assets), decreased (\$3,085), or (11.3) percent, in comparison to prior year although governmental unrestricted balance increased due to reduced expenditures overall and less restrictions, business-type activities decreased due to increased capital activity related to restricted funds.

As shown on the following chart, the County reported increased balances at September 30, 2012. The components of total Net Assets increased mainly due to the general improvement in economic activity in the governmental function and the significant resurgence in capital asset funding and financing, primarily in the business-type activity and most specifically in the Transportation activity related to Airport operations.

The following is a condensed summary of net assets for the primary government for fiscal years 2012 and 2011.

| | Governmental | | Business-type | | Total | |
|-------------------------------|--------------|------------|---------------|------------|------------|------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and Other Assets | \$ 64,911 | \$ 69,189 | \$ 78,336 | \$ 61,706 | \$ 143,247 | \$ 130,895 |
| Capital Assets | 164,780 | 161,255 | 318,252 | 313,928 | 483,032 | 475,183 |
| Total Assets | 229,691 | 230,444 | 396,588 | 375,634 | 626,279 | 606,078 |
| Current and Other Liabilities | 15,669 | 16,495 | 18,413 | 18,726 | 34,082 | 35,221 |
| Long-term Liabilities | 38,541 | 40,925 | 119,793 | 109,647 | 158,334 | 150,572 |
| Total Liabilities | 54,210 | 57,420 | 138,206 | 128,373 | 192,416 | 185,793 |
| Net Asset: | | | | | | |
| Investment in Capital | | | | | | |
| Assets, Net of Related Debt | 135,627 | 131,864 | 214,734 | 203,224 | 350,361 | 335,088 |
| Restricted for | | | | | | |
| Debt Service | 994 | 431 | 10,262 | 7,579 | 11,256 | 8,010 |
| Grants | 587 | 1,244 | - | - | 587 | 1,244 |
| Capital Projects | 569 | 1,008 | - | - | 569 | 1,008 |
| Public Safety | 2,315 | 1,679 | - | - | 2,315 | 1,679 |
| Transportation | 11,202 | 10,745 | 9,007 | 7,054 | 20,209 | 17,799 |
| Eco Environment | 13,804 | 16,945 | 2,766 | 4,036 | 16,570 | 20,981 |
| Culture Recreation | 4,675 | 4,413 | - | - | 4,675 | 4,413 |
| Court-Related | 3,174 | 2,830 | - | - | 3,174 | 2,830 |
| Unrestricted | 2,534 | 1,865 | 21,613 | 25,367 | 24,147 | 27,232 |
| Total Net Assets | \$ 175,481 | \$ 173,024 | \$ 258,382 | \$ 247,260 | \$ 433,863 | \$ 420,284 |

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, 2012 and 2011 | | | | | | |
|--|----------------------------|----------------|-----------------------------|---------------|----------------|----------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 25,696 | \$ 26,754 | \$ 54,211 | \$ 53,428 | \$ 79,907 | \$ 80,182 |
| Operating Grants and Contributions | 8,354 | 7,675 | 338 | 548 | 8,692 | 8,223 |
| Capital Grants and Contributions | 6,240 | 2,611 | 10,292 | 18,035 | 16,532 | 20,646 |
| General Revenues: | | | | | | |
| Taxes | 58,759 | 61,192 | 6,780 | 6,810 | 65,539 | 68,002 |
| State Shared Revenue | 17,041 | 16,880 | - | - | 17,041 | 16,880 |
| Grant and Contributions not Restricted Specific Programs | 360 | 6,622 | - | - | 360 | 6,622 |
| Other | 5,584 | 2,968 | 1,970 | 776 | 7,554 | 3,744 |
| Total Revenues | 122,034 | 124,702 | 73,591 | 79,597 | 195,625 | 204,299 |
| Expenses: | | | | | | |
| Program Activities: | | | | | | |
| General Government | 30,552 | 31,726 | - | - | 30,552 | 31,726 |
| Public Safety | 46,360 | 45,335 | - | - | 46,360 | 45,335 |
| Physical Environment | 933 | 2,148 | - | - | 933 | 2,148 |
| Transportation | 16,245 | 17,728 | - | - | 16,245 | 17,728 |
| Economic Environment | 5,563 | 9,290 | - | - | 5,563 | 9,290 |
| Human Services | 4,352 | 4,454 | - | - | 4,352 | 4,454 |
| Culture and Recreation | 5,902 | 4,007 | - | - | 5,902 | 4,007 |
| Court-Related | 6,634 | 7,118 | - | - | 6,634 | 7,118 |
| Interest and Fiscal Charges | 1,692 | 1,531 | - | - | 1,692 | 1,531 |
| Business-type Activities: | | | | | | |
| Water and Sewer | - | - | 26,149 | 27,124 | 26,149 | 27,124 |
| Airport | - | - | 12,928 | 12,527 | 12,928 | 12,527 |
| Solid Waste | - | - | 7,438 | 6,874 | 7,438 | 6,874 |
| Inspections | - | - | 1,600 | 1,149 | 1,600 | 1,149 |
| Emergency Medical | - | - | 6,933 | 7,495 | 6,933 | 7,495 |
| Convention Center | - | - | 4,301 | 3,754 | 4,301 | 3,754 |
| Total Expenses | 118,233 | 123,337 | 59,349 | 58,923 | 177,582 | 182,260 |
| Inc in Net Assets Before Trf | 3,801 | 1,365 | 14,242 | 20,674 | 18,043 | 22,039 |
| Special Items | (2,007) | - | (2,458) | 1,216 | (4,465) | 1,216 |
| Transfers | 663 | 1,169 | (663) | (1,169) | - | - |
| Inc/(Dec) in Net Assets | 2,457 | 2,534 | 11,121 | 20,721 | 13,578 | 23,255 |
| Net Assets October 1 | 173,024 | 170,490 | 247,261 | 226,540 | 420,285 | 397,030 |
| Net Assets September 30 | \$ 175,481 | \$ 173,024 | \$ 258,382 | \$ 247,261 | \$ 433,863 | \$ 420,285 |

Revenues decreased by **(\$2,668)** or 2.2 percent in Governmental activities, due primarily to the

elimination of BP recovery proceeds received in prior years and the continual decline in ad valorem taxes. Revenues in business-type activity decreased by **(\$6,006)** or **(8.2)** percent from the prior year, mainly due to reduced capital contributions from the prior year associated with the partnership activity related to military associated projects for Water & Sewer activity. Expenses decreased by **(\$5,104)** or **(4.3)** percent in Governmental activities, due primarily to reduced stormwater and grant related physical environment activity. Expenses in business-type expenses increased slightly \$426 or 0.7 percent due mainly to increased costs related to expanded activities at both Water & Sewer and Airports operations. Revenues in 2012 decreased from 2011 and expenses decreased for the year which caused the net assets to increase by 3.1 percent, from \$420,285 in 2011 to \$433,863 in 2012.

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, 2012, the County governmental funds reported combined fund balances of \$49,944, a decrease of **(\$2,448)** over the prior year balances, due mainly to the use of certain transportation funds for much needed capital projects, the use of the buildup of funds for major general government capital projects completed during the year and the use of the funds provided by BP for the tourism area related to the disastrous oil spill to primarily provide marketing and advertising funds for the area's recovery.

The General Fund is the chief operating fund of the County. At September 30, 2012, total fund balance in the general fund was \$8,423 of which \$8,112 was unassigned. The general fund expenditures for the fiscal year exceeded revenues by \$1,871, due mainly to the continued decline in ad valorem tax revenue. The Net change in Fund Balance for the General Fund for fiscal year 2012 amounted to an increase of \$4,487, while the prior year showed a decrease of **(\$657)**. The increase in fiscal year 2012 was mainly due to a significant sale of a county owned leased property to the lessor at year end along with most all of the expenditure functional categories basically maintaining their same spending pattern from the prior year.

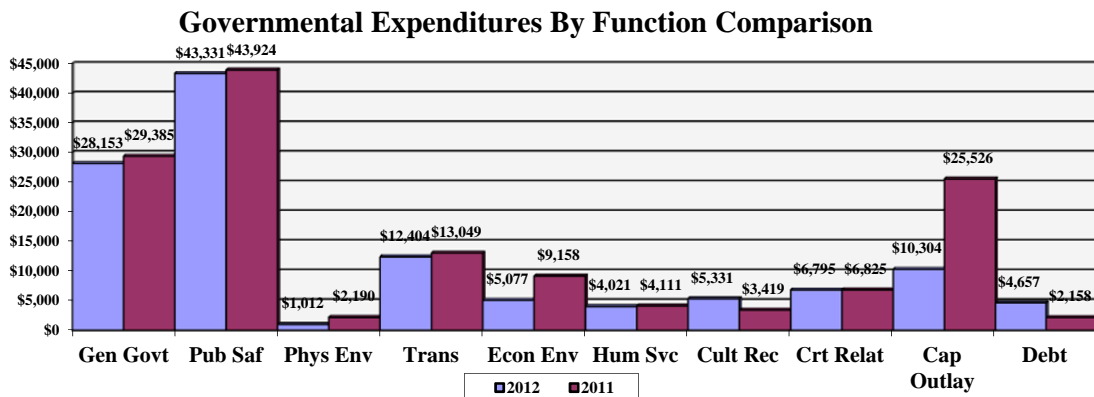
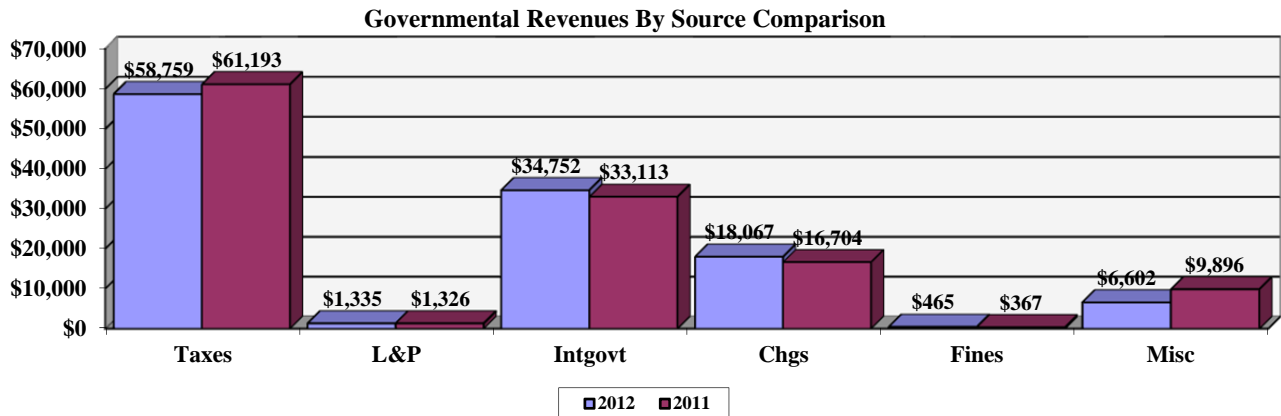
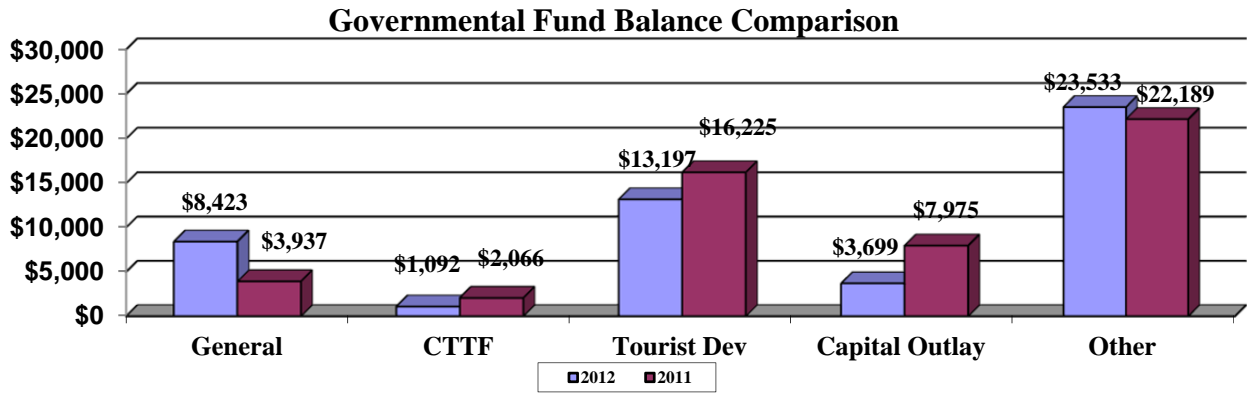
The County Transportation Trust Fund is a special revenue fund that is used to account for revenues and expenditures related to transportation expenditures in the County. The County Transportation Trust Fund balance decreased **(\$974)** from the prior year. The decrease in fund balance occurred primarily because of the decline in local and state shared revenue support along with an increase in transportation expenditures for reactionary capital items.

The Tourist Development Trust Fund is a special revenue fund that is used to account for the revenues and expenditures of a portion of the Tourist Development Tax that is collected on short-term rentals in Okaloosa County. The Tourist Development Trust Fund balance decreased over the prior year by **(\$3,028)**. The decrease in fund balance is primarily due to the use of the funds provided by BP for marketing and advertising activity in response to the recovery from the disastrous oil spill and a refund of a beach renourishment assessment of approximately \$2 million, although bed tax revenue had a record year.

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 decreased substantially by **(\$4,276)**. The fund had decreases due to completion and the use of buildup funds for the Courthouse Annex Extension capital project, as well as, the continued fund transfers out of monies set aside for future capital projects that have been and are still suspended, due to these difficult albeit somewhat improving economic times.

The following is a chart of all Governmental Fund Balances for the fiscal years 2011 and 2012.



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, 2012, total net assets amounted to \$258,382 for enterprise funds as compared to \$247,260 at September 30, 2011. Net asset balances are primarily the result of operations and capital contributions in the Water & Sewer and Airport Enterprise funds.

Business-type activities increased the County's total net assets by \$11,121. Major components of this increase are as follows:

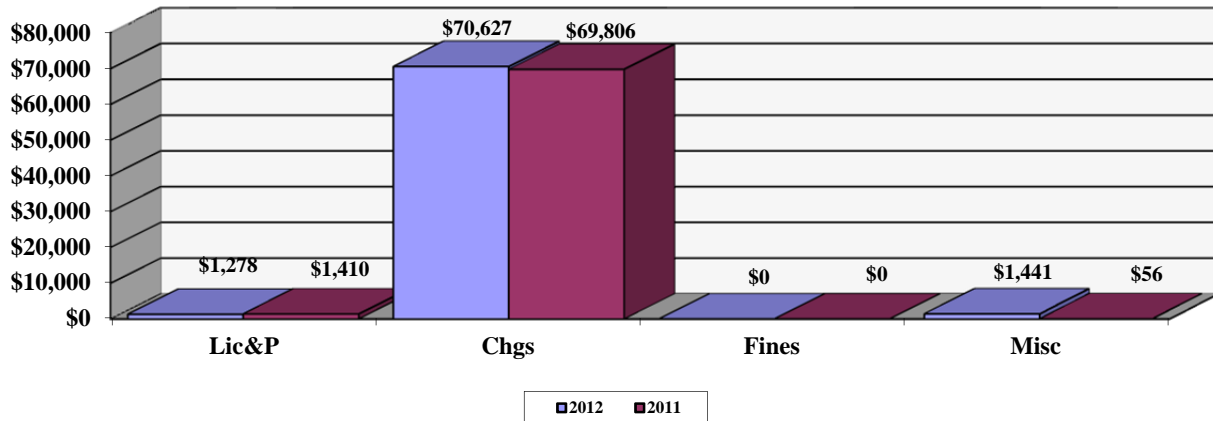
- The Water and Sewer Fund increased its net assets by \$451. Operating income was \$3,936 during the year which was greater than last year. Operating revenues increased during the year, mainly related to the increased partnerships developed with the military and other governmental agencies, while operating expenses declined. A loss on disposal of a joint venture of \$2.4 million was also recognized in 2012.
- The Airport Fund increased its net assets by \$8,063. The Airport again had a significant amount of capital contributions from increased grant and financing capital activities, although operating income decreased and operating expenses increased, due mainly to the capital assets coming online throughout the year.
- The Convention Center Fund increased its net assets by \$1,298. Convention Center Operating Income decreased due to the increase in contractual service expenses. Income before contributions increased substantially due to the recovery of the tourist development tax from the oil spill crisis.

The net operating income of the enterprise funds for fiscal years 2012 and 2011, is as follows:

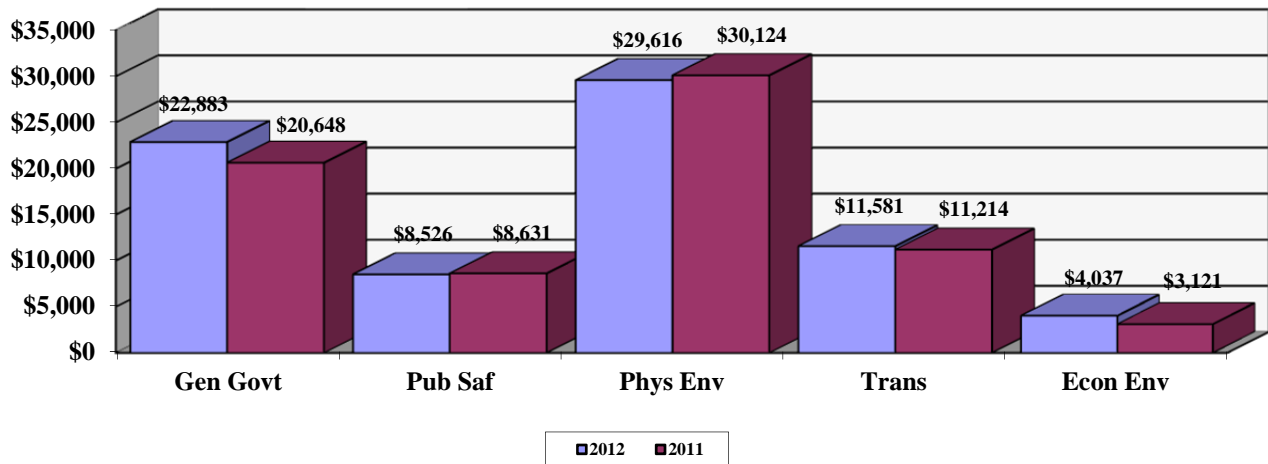
Enterprise Net Operating Income (Loss)

| | 2012 | 2011 |
|----------------------------|-----------|-----------|
| Water and Sewer | \$3,936 | \$2,475 |
| Airport | (2,372) | (1,760) |
| Solid Waste | 618 | 336 |
| Inspections | (133) | 457 |
| Emergency Medical Services | (955) | (1,936) |
| Convention Center | (3,282) | (2,401) |
| | (\$2,188) | (\$2,829) |

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 2012 as well as the final budget is presented.

A comparison of the General Fund revenues original to the final operating budget shows an increase of \$22,715. The main area increased was a \$18,858 rise in intergovernmental revenue funded primarily from additional state and federal grants, especially related to mass transit, public safety/9-1-1 services and economic development. 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 generally below budget, except for the services primarily impacted by the economic downturn, like human services. 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, 2012 amounts to \$483,032 (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 \$3,525 or 2.1 percent increase, which was concentrated in increases in infrastructure, mainly related to road and bridge infrastructure improvements. The business-type activities capital assets amounted to \$318,252 or an increase of \$5,020 or 1.6 percent, mainly increasing in the areas of buildings and infrastructure related to Airport expansion.

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

Okaloosa County, Florida
 Capital Assets
 September 30, 2012 and 2011

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land | \$ 9,958 | \$ 9,898 | \$ 11,318 | \$ 11,318 | \$ 21,276 | \$ 21,216 |
| Buildings | 70,862 | 70,529 | 88,224 | 79,492 | 159,086 | 150,021 |
| Improvements other than buildings | 32,500 | 29,229 | 309 | 309 | 32,809 | 29,538 |
| Intangibles | 2,877 | 2,819 | 887 | 887 | 3,764 | 3,706 |
| Mach/Equipment | 54,496 | 52,302 | 21,004 | 20,967 | 75,500 | 73,269 |
| Const in Progress | 2,884 | 4,846 | 16,596 | 12,698 | 19,480 | 17,544 |
| Infrastructure | 144,436 | 134,934 | 309,343 | 304,927 | 453,779 | 439,861 |
| Art | - | - | 99 | 87 | 99 | 87 |
| Total Capital Assets | 318,013 | 304,557 | 447,780 | 430,685 | 765,793 | 735,242 |
| Accum Deprec | (153,233) | (143,302) | (129,528) | (117,453) | (282,761) | (260,755) |
| Total | <u>\$ 164,780</u> | <u>\$ 161,255</u> | <u>\$ 318,252</u> | <u>\$ 313,232</u> | <u>\$ 483,032</u> | <u>\$ 474,487</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 \$151,570. Of this amount, \$29,905 comprises governmental activities bonds payable while the remaining

\$93,044 in revenue bonds and \$28,621 in revolving loans and a revenue note is secured solely by specified revenue sources in business-type activities.

Okaloosa County, Florida
 Outstanding Debt
 September 30, 2012 and 2011

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------|----------------------------|------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Governmental Loans | \$ - | \$ 2,740 | \$ - | \$ - | \$ - | \$ 2,740 |
| Revenue Bonds | 29,905 | 30,215 | 93,044 | 98,689 | 122,949 | 128,904 |
| Revolving & Commercial Loans | - | - | 28,621 | 12,195 | 28,621 | 12,195 |
| Total | \$ 29,905 | \$ 32,955 | \$ 121,665 | \$ 110,884 | \$ 151,570 | \$ 143,839 |

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, 2012

| Type of Debt Issue: | S & P | Fitch/Moody's |
|---|-----------|---------------|
| 2009 Sales Tax Rev Bonds | AA | AA- |
| Cap Imprv Rev Bonds, Ser 2011 | Not rated | Not rated |
| 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 increased from 91,905 in 2011 to 93,597 in 2012, an increase of approximately 1.8 percent. Increasing labor force coupled with somewhat improving economic times led to the County's unemployment rate falling to 6.1 percent in 2012 compared to 7.4% for 2011. The County's unemployment rate still remains extremely favorable compared to the state and national rates of 8.7 percent and 8.1 percent, respectively, for 2012.
- The assessed value of real property located in the County after exemptions shrank from \$13.745 billion in 2011 to \$13.067 billion, while the total assessed value of the County decreased from \$14.500 billion to \$13.781 billion in 2012. This represented a decrease of **(\$.719)** billion or **(5.0)** 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 2012, total value of new residential construction in the County was valued at \$94 million and total value of new non-residential construction was valued at \$23 million for a total of just \$117 million in new construction. The total construction figure for 2012 represented an \$18 million increase from 2011.

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

Request for information

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

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

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Basic Financial Statements

Okaloosa County, Florida
STATEMENT OF NET ASSETS
September 30, 2012

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-----------------------|-----------------------------------|
| | Governmental Activities | Business-type Activities | Total | Emerald Coast Bridge Authority |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | \$ 13,665,030 | \$ 1,165,927 | \$ 14,830,957 | \$ - |
| Investments | 41,632,775 | 25,518,514 | 67,151,289 | - |
| Receivables, Net of Allowance for Uncollectibles | 1,872,578 | 8,304,005 | 10,176,583 | - |
| Internal Balances | (410,922) | 410,922 | - | - |
| Due from Other Governments | 6,885,718 | 5,138,653 | 12,024,371 | - |
| Inventories | 860,933 | 1,662,844 | 2,523,777 | - |
| Prepaid Expenses | 404,671 | 233,971 | 638,642 | - |
| Restricted Assets | | | | |
| Cash and Cash Equivalents | | | | |
| Customer Deposits | - | 1,375,156 | 1,375,156 | - |
| Other Deposits | - | 4,159,630 | 4,159,630 | - |
| Investments | - | 30,366,548 | 30,366,548 | - |
| Total Current Assets | 64,910,783 | 78,336,170 | 143,246,953 | - |
| Noncurrent Assets | | | | |
| Capital Assets (Net of Accumulated Depreciation) | | | | |
| Land | 9,958,076 | 11,317,940 | 21,276,016 | - |
| Buildings | 49,627,584 | 71,105,557 | 120,733,141 | - |
| Improvements Other Than Buildings | 24,244,279 | 150,796 | 24,395,075 | - |
| Intangibles | 1,514,649 | 249,769 | 1,764,418 | - |
| Machinery and Equipment | 10,797,542 | 3,171,415 | 13,968,957 | - |
| Construction in Progress | 2,884,441 | 16,596,394 | 19,480,835 | - |
| Infrastructure | 65,754,059 | 215,560,719 | 281,314,778 | - |
| Works of Art | - | 99,060 | 99,060 | - |
| Total Noncurrent Assets | 164,780,630 | 318,251,650 | 483,032,280 | - |
| Total Assets | \$ 229,691,413 | \$ 396,587,820 | \$ 626,279,233 | \$ - |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable and Other Accrued Liabilities | 7,214,977 | 5,340,085 | 12,555,062 | - |
| Due to Other Governments | 168,737 | 29,624 | 198,361 | - |
| Unearned Revenue | 1,084,429 | 3,236,669 | 4,321,098 | - |
| Due to Depositors | 173,680 | - | 173,680 | - |

Continued...

Okaloosa County, Florida
STATEMENT OF NET ASSETS
September 30, 2012

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|--------------------|--------------------------------|
| | Governmental Activities | Business-type Activities | Total | Emerald Coast Bridge Authority |
| Current Liabilities (Continued) | | | | |
| Liabilities Payable from Restricted Assets | | | | |
| Customer Deposits | - | 1,485,231 | 1,485,231 | - |
| Interest Payable | - | 1,673,592 | 1,673,592 | - |
| Loans and Revenue Bonds Payable | - | 4,987,380 | 4,987,380 | - |
| Current Portion of Long-term Obligations | | | | |
| Compensated Absences | 3,429,509 | 941,482 | 4,370,991 | - |
| Closure Costs Payable | - | 244,796 | 244,796 | - |
| Claims and Judgments | 2,884,238 | - | 2,884,238 | - |
| Notes Payable | - | 418,930 | 418,930 | - |
| Revenue Bonds Payable | 713,000 | 55,155 | 768,155 | - |
| Total Current Liabilities | <u>15,668,570</u> | <u>18,412,944</u> | <u>34,081,514</u> | <u>-</u> |
| Noncurrent Liabilities | | | | |
| Noncurrent Portion of Long-term Obligations | | | | |
| Compensated Absences | 2,154,753 | 779,769 | 2,934,522 | - |
| Closure Costs Payable | - | 3,334,518 | 3,334,518 | - |
| Claims and Judgments | 3,747,262 | - | 3,747,262 | - |
| Notes Payable | - | 20,489,105 | 20,489,105 | 1,777,289 |
| Loans and Bonds Payable, Net of Unamortized Loan costs | 28,440,198 | 94,925,409 | 123,365,607 | - |
| Other Post Employment Benefits | 4,198,954 | 264,318 | 4,463,272 | - |
| Total Noncurrent Liabilities | <u>38,541,167</u> | <u>119,793,119</u> | <u>158,334,286</u> | <u>1,777,289</u> |
| Total Liabilities | <u>54,209,737</u> | <u>138,206,063</u> | <u>192,415,800</u> | <u>1,777,289</u> |

Continued...

Okaloosa County, Florida
STATEMENT OF NET ASSETS
September 30, 2012

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|-----------------------|--------------------------------|
| | Governmental Activities | Business-type Activities | Total | Emerald Coast Bridge Authority |
| NET ASSETS | | | | |
| Investment in Capital Assets, Net of Related Debt | 135,627,436 | 214,734,235 | 350,361,671 | - |
| Restricted for | | | | |
| Debt Service | 993,830 | 10,261,818 | 11,255,648 | - |
| Grants | 586,915 | - | 586,915 | - |
| Capital Projects | 568,720 | - | 568,720 | - |
| Public Safety | 2,314,997 | - | 2,314,997 | - |
| Transportation | 11,201,954 | 9,006,973 | 20,208,927 | - |
| Economic Environment | 13,804,613 | 2,765,752 | 16,570,365 | - |
| Culture and Recreation | 4,675,333 | - | 4,675,333 | - |
| Court-Related | 3,173,725 | - | 3,173,725 | - |
| Unrestricted | 2,534,153 | 21,612,979 | 24,147,132 | (1,777,289) |
| Total Net Assets | <u>175,481,676</u> | <u>258,381,757</u> | <u>433,863,433</u> | <u>(1,777,289)</u> |
| Total Liabilities and Net Assets | <u>\$ 229,691,413</u> | <u>\$ 396,587,820</u> | <u>\$ 626,279,233</u> | <u>\$ -</u> |

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, 2012

| | 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 | \$ 30,552,368 | \$ 12,364,152 | \$ 1,287,254 | \$ 240,476 | \$ (16,660,486) |
| Public Safety | 46,360,058 | 3,284,073 | 1,422,270 | 9,327 | (41,644,388) |
| Physical Environment | 933,424 | 16,048 | - | 664,325 | (253,051) |
| Transportation | 16,244,872 | 3,456,803 | 4,877,892 | 4,386,550 | (3,523,627) |
| Economic Environment | 5,562,804 | 102,421 | 488,759 | - | (4,971,624) |
| Human Services | 4,351,899 | 632,885 | 18,092 | - | (3,700,922) |
| Culture and Recreation | 5,902,079 | 537,626 | - | 939,502 | (4,424,951) |
| Court-Related | 6,634,150 | 5,301,453 | 260,067 | - | (1,072,630) |
| Interest and Fiscal Charges | 1,691,779 | - | - | - | (1,691,779) |
| Total Governmental Activities | 118,233,433 | 25,695,461 | 8,354,334 | 6,240,180 | (77,943,458) |
| Business-type Activities | | | | | |
| Water & Sewer | 26,149,287 | 26,024,768 | 108,697 | 1,352,226 | 1,336,404 |
| Airport | 12,927,521 | 12,118,310 | 9,553 | 8,916,994 | 8,117,336 |
| Solid Waste | 7,437,619 | 8,023,291 | 207,384 | - | 793,056 |
| Conference Center | 4,300,553 | 755,240 | - | 20,183 | (3,525,130) |
| Other Programs | 8,533,628 | 7,289,622 | 12,715 | 2,389 | (1,228,902) |
| Total Business- type Activities | 59,348,608 | 54,211,231 | 338,349 | 10,291,792 | 5,492,764 |
| Total Primary Government | \$ 177,582,041 | \$ 79,906,692 | \$ 8,692,683 | \$ 16,531,972 | \$ (72,450,694) |
| Component Unit Emerald Coast Bridge Authority | \$ - | \$ - | \$ - | \$ - | \$ - |

Okaloosa County, Florida
STATEMENT OF ACTIVITIES (CONTINUED)
For the Fiscal Year Ended September 30, 2012

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Changes in Net Assets | | | | |
| Net (Expenses) Revenue (From Exhibit II-A) | \$ (77,943,458) | \$ 5,492,764 | \$ (72,450,694) | \$ - |
| Unrestricted General Revenues | | | | |
| Taxes | | | | |
| Ad Valorem Tax | 43,577,037 | 1,528,602 | 45,105,639 | - |
| Tourist Development Tax | 7,877,101 | 5,251,400 | 13,128,501 | - |
| Local Option Fuel Tax | 3,735,262 | - | 3,735,262 | - |
| Communication Services Tax | 2,208,919 | - | 2,208,919 | - |
| Ninth-Cent Voted Fuel Tax | 1,119,335 | - | 1,119,335 | - |
| Local Business Tax | 241,749 | - | 241,749 | - |
| State Revenue Sharing | | | | |
| Miscellaneous Revenue | 4,956,251 | - | 4,956,251 | - |
| Local Government Sales Tax | 12,084,729 | - | 12,084,729 | - |
| Contributions Not Restricted to Specific Programs | | | | |
| Contributions from | | | | |
| Other Governments | 8,362 | - | 8,362 | - |
| Other Donations | 351,518 | - | 351,518 | - |
| Investment Earnings | 1,046,418 | 894,549 | 1,940,967 | - |
| Miscellaneous | 1,737,903 | 1,075,529 | 2,813,432 | - |
| Gain on Sale of Building | 2,800,000 | - | 2,800,000 | - |
| Special Items | (2,007,041) | (2,458,316) | (4,465,357) | - |
| Transfers - Internal Activities | 663,336 | (663,336) | - | - |
| Total Unrestricted-General Revenues and Transfers | 80,400,879 | 5,628,428 | 86,029,307 | - |
| Change in Net Assets | 2,457,421 | 11,121,192 | 13,578,613 | - |
| Net Assets - Beginning | 173,024,255 | 247,260,565 | 420,284,820 | (1,777,289) |
| Net Assets - Ending | <u>\$ 175,481,676</u> | <u>\$ 258,381,757</u> | <u>\$ 433,863,433</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, 2012

| | General Fund | County Transportation Trust Special Revenue Fund |
|--|----------------------|--|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 3,525,626 | \$ 49,631 |
| Investments | 5,869,936 | 838,986 |
| Receivables | 421,223 | 1,212 |
| Due from Other Funds | 5,286 | - |
| Due from Other Elected Officials | 1,402,426 | - |
| Due from Other Governments | 3,371,967 | 888,008 |
| Inventory | - | - |
| Prepays | 284,264 | 11,216 |
| Total Assets | \$ 14,880,728 | \$ 1,789,053 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts Payable | \$ 1,446,244 | \$ 27,841 |
| Contracts Payable | 688,438 | 396,869 |
| Other Accrued Liabilities | 1,652,767 | 211,929 |
| Due to Other Funds | 52,901 | - |
| Due to Other Elected Officials | 1,616,299 | - |
| Due to Other Governments | 130,563 | 540 |
| Due to Depositors | 33,305 | 60,095 |
| Deferred Revenue | 836,900 | - |
| Total Liabilities | 6,457,417 | 697,274 |
| Fund Balances | | |
| Nonspendable | 284,264 | 11,216 |
| Restricted | - | - |
| Committed | 26,808 | - |
| Assigned | - | 1,080,563 |
| Unassigned | 8,112,239 | - |
| Total Fund Balances | 8,423,311 | 1,091,779 |
| Total Liabilities and Fund Balances | \$ 14,880,728 | \$ 1,789,053 |

Exhibit III-A

| Tourist Development Special Revenue Fund | Capital Outlay Construction Trust Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|--------------------------------|--------------------------------|
| \$ 306,755 | \$ 324,557 | \$ 4,633,169 | \$ 8,839,738 |
| 11,807,328 | 2,649,525 | 19,384,796 | 40,550,571 |
| 1,156,755 | 1,152 | 210,447 | 1,790,789 |
| - | - | 56,227 | 61,513 |
| 2,227 | 120,396 | 130,490 | 1,655,539 |
| 174,696 | 832,655 | 1,040,610 | 6,307,936 |
| 549,000 | - | - | 549,000 |
| 16,810 | - | 67,512 | 379,802 |
| <u>\$ 14,013,571</u> | <u>\$ 3,928,285</u> | <u>\$ 25,523,251</u> | <u>\$ 60,134,888</u> |
| | | | |
| \$ 9,836 | \$ 169,330 | \$ 540,124 | \$ 2,193,375 |
| 272,539 | 59,695 | 353,587 | 1,771,128 |
| 21,256 | - | 95,056 | 1,981,008 |
| 425,036 | - | 16,898 | 494,835 |
| 25,363 | - | - | 1,641,662 |
| 37,623 | - | 11 | 168,737 |
| 25,000 | - | 55,280 | 173,680 |
| - | - | 929,563 | 1,766,463 |
| <u>816,653</u> | <u>229,025</u> | <u>1,990,519</u> | <u>10,190,888</u> |
| | | | |
| 565,810 | - | 67,512 | 928,802 |
| 13,196,918 | 568,720 | 22,168,511 | 35,934,149 |
| - | 71,660 | 508,239 | 606,707 |
| - | 3,058,880 | 853,036 | 4,992,479 |
| (565,810) | - | (64,566) | 7,481,863 |
| <u>13,196,918</u> | <u>3,699,260</u> | <u>23,532,732</u> | <u>49,944,000</u> |
| <u>\$ 14,013,571</u> | <u>\$ 3,928,285</u> | <u>\$ 25,523,251</u> | <u>\$ 60,134,888</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, 2012

| | | |
|--|-----------------|-------------|
| Fund balances - total governmental funds (Exhibit III-A) | \$ | 49,944,000 |
| <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 | \$ 9,641,215 | |
| Construction in progress | 2,884,441 | |
| Buildings, net of \$20,578,338 accumulated depreciation | 49,383,088 | |
| Improvements other than buildings, net of \$8,004,463 accumulated depreciation | 24,237,885 | |
| Intangibles, net of \$1,362,161 accumulated amortization | 1,514,649 | |
| Machinery and equipment, net of \$40,384,379 accumulated depreciation | 10,757,517 | |
| Infrastructure, net of \$78,681,953 accumulated depreciation | 65,754,059 | 164,172,854 |
| <p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 691,337</p> | | |
| <p>Internal service funds (see Exhibit VIII) 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: (3,549,934)</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, 2012 are:</p> | | |
| Accrued interest on bonds | | (799,023) |
| Revenue bonds payable | \$ (29,905,000) | |
| Deferred Charges - Debt Issuance | 751,802 | |
| Claims Payable | (1,474,077) | |
| Compensated absences | (3,753,604) | |
| Other Post Employment Benefits | (596,679) | |
| Total long-term liabilities | (34,977,558) | |
| Net assets of governmental activities (Exhibit I) | \$ | 175,481,676 |

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

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Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2012

| | General Fund | County Transportation Trust Special Revenue Fund |
|--|-------------------|--|
| Revenues | | |
| Taxes | \$ 44,094,388 | \$ 2,986,967 |
| Licenses and Permits | 13,400 | - |
| Intergovernmental | 17,294,791 | 3,767,408 |
| Charges for Services | 14,862,826 | 229,559 |
| Fines | 11,451 | 738 |
| Miscellaneous | 4,717,634 | 27,897 |
| Total Revenues | 80,994,490 | 7,012,569 |
| Expenditures | | |
| Current | | |
| General Government | 27,644,630 | - |
| Public Safety | 41,773,130 | - |
| Physical Environment | 339,034 | 672,987 |
| Transportation | 2,488,740 | 8,382,980 |
| Economic Environment | 1,571,734 | - |
| Human Services | 3,361,547 | - |
| Culture and Recreation | 1,243,757 | - |
| Court-Related | 2,101,481 | - |
| Capital Outlay | 2,340,939 | 639,814 |
| Debt Service | | |
| Principal | - | - |
| Interest | - | - |
| Other Debt Service Costs | - | - |
| Total Expenditures | 82,864,992 | 9,695,781 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,870,502) | (2,683,212) |

Exhibit IV-A

| Tourist Development Special Revenue Fund | Capital Outlay Construction Trust Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--|--------------------------------|--------------------------------|
| \$ 7,877,100 | \$ 3,312 | \$ 3,797,636 | \$ 58,759,403 |
| 879,502 | - | 442,167 | 1,335,069 |
| 357,671 | 1,025,196 | 12,307,330 | 34,752,396 |
| - | 182,279 | 2,791,961 | 18,066,625 |
| - | - | 452,827 | 465,016 |
| 385,984 | 204,680 | 1,266,300 | 6,602,495 |
| <u>9,500,257</u> | <u>1,415,467</u> | <u>21,058,221</u> | <u>119,981,004</u> |
| - | 232,674 | 275,857 | 28,153,161 |
| - | - | 1,557,871 | 43,331,001 |
| - | - | - | 1,012,021 |
| 297,671 | - | 1,234,417 | 12,403,808 |
| 3,182,768 | - | 322,918 | 5,077,420 |
| - | - | 658,956 | 4,020,503 |
| 3,073,419 | 114,673 | 899,068 | 5,330,917 |
| - | - | 4,693,876 | 6,795,357 |
| 256,837 | 2,593,898 | 4,472,675 | 10,304,163 |
| - | - | 3,050,000 | 3,050,000 |
| - | - | 1,587,593 | 1,587,593 |
| - | - | 19,768 | 19,768 |
| <u>6,810,695</u> | <u>2,941,245</u> | <u>18,772,999</u> | <u>121,085,712</u> |
| <u>2,689,562</u> | <u>(1,525,778)</u> | <u>2,285,222</u> | <u>(1,104,708)</u> |

Continued...

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2012

| | General Fund | County Transportation Trust Special Revenue Fund |
|--|--------------|--|
| Other Financing Sources (Uses) | | |
| Transfers In | 6,302,808 | 1,708,681 |
| Transfers Out | (1,000) | - |
| Transfers Among Constitutional Officers | 55,362 | - |
| | 6,357,170 | 1,708,681 |
| Special Item - Refund of Beach Renourishment | - | - |
| | 4,486,668 | (974,531) |
| Net Change in Fund Balances | | |
| Fund Balances - Beginning | 3,936,643 | 2,066,310 |
| Fund Balances - Ending | \$ 8,423,311 | \$ 1,091,779 |

Exhibit IV-A

| Tourist Development Special Revenue Fund | Capital Outlay Construction Trust Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--|--------------------------------|--------------------------------|
| - | - | 3,909,154 | 11,920,643 |
| (3,713,145) | (2,749,807) | (4,793,355) | (11,257,307) |
| 2,227 | - | (57,589) | - |
| (3,710,918) | (2,749,807) | (941,790) | 663,336 |
| (2,007,041) | - | - | (2,007,041) |
| (3,028,397) | (4,275,585) | 1,343,432 | (2,448,413) |
| 16,225,315 | 7,974,845 | 22,189,300 | 52,392,413 |
| <u>\$ 13,196,918</u> | <u>\$ 3,699,260</u> | <u>\$ 23,532,732</u> | <u>\$ 49,944,000</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, 2012

Net change in fund balances - total governmental funds (Exhibit IV-A) \$ (2,448,413)

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 (\$10,304,163) exceed depreciation/amortization (\$9,886,458) in the current period. (See Note 5.) 417,705

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

| | | | |
|--|----|------------------|-----------|
| Grant Revenue | \$ | 691,337 | |
| Reversal of Prior Year Deferred Revenues | | (1,244,361) | |
| Capital Contributions | | 3,898,908 | |
| Gain/Loss on Disposal of Capital Assets | | <u>(762,275)</u> | |
| Net adjustment | | | 2,583,609 |

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 | \$ | (799,023) | |
| Reversal of prior year accrual of interest on bonds | | 786,189 | |
| Amortized deferred debt issuance costs | | (71,583) | |
| Compensated Absences | | (192,074) | |
| Other Post Employment Benefits | | <u>(34,278)</u> | |
| Net adjustment | | | (310,769) |

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 | \$ | 310,000 | |
| Notes | | <u>2,740,000</u> | |
| Net adjustment | | | 3,050,000 |

Internal service funds (See Exhibit IX) 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. (834,711)

Change in net assets of governmental activities (Exhibit II-B) \$ 2,457,421

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 43,895,493 | \$ 43,895,493 | \$ 44,094,388 | \$ 198,895 |
| Licenses and Permits | 10,500 | 13,000 | 13,400 | 400 |
| Intergovernmental | 11,312,985 | 30,171,681 | 17,294,791 | (12,876,890) |
| Charges for Services | 13,911,820 | 14,787,859 | 14,862,826 | 74,967 |
| Fines | 2,000 | 5,100 | 11,451 | 6,351 |
| Miscellaneous | 1,642,910 | 4,617,880 | 4,717,634 | 99,754 |
| Total Revenues | <u>70,775,708</u> | <u>93,491,013</u> | <u>80,994,490</u> | <u>(12,496,523)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | 28,768,376 | 30,831,211 | 27,644,630 | 3,186,581 |
| Public Safety | 45,731,036 | 49,099,625 | 41,773,130 | 7,326,495 |
| Physical Environment | 370,329 | 370,329 | 339,034 | 31,295 |
| Transportation | 213,307 | 6,578,339 | 2,488,740 | 4,089,599 |
| Economic Environment | 1,594,251 | 1,594,251 | 1,571,734 | 22,517 |
| Human Services | 3,775,599 | 3,832,945 | 3,361,547 | 471,398 |
| Culture and Recreation | 1,226,380 | 1,395,553 | 1,243,757 | 151,796 |
| Court-Related | 2,398,562 | 3,222,727 | 2,101,481 | 1,121,246 |
| Capital Outlay | 379,316 | 7,649,578 | 2,340,939 | 5,308,639 |
| Total Expenditures | <u>84,457,156</u> | <u>104,574,558</u> | <u>82,864,992</u> | <u>21,709,566</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(13,681,448)</u> | <u>(11,083,545)</u> | <u>(1,870,502)</u> | <u>9,213,043</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 6,508,928 | 6,512,726 | 6,302,808 | (209,918) |
| Transfers Out | - | (1,000) | (1,000) | - |
| Transfers Among Constitutional Officers | 719,520 | (1,108,757) | 55,362 | 1,164,119 |
| Total Other Financing Sources (Uses) | <u>7,228,448</u> | <u>5,402,969</u> | <u>6,357,170</u> | <u>954,201</u> |
| Net Change in Fund Balance | <u>(6,453,000)</u> | <u>(5,680,576)</u> | <u>4,486,668</u> | <u>10,167,244</u> |
| Fund Balance - Beginning | <u>6,453,000</u> | <u>5,680,576</u> | <u>3,936,643</u> | <u>(1,743,933)</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,423,311</u> | <u>\$ 8,423,311</u> |

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

Okaloosa County, Florida
COUNTY TRANSPORTATION TRUST SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 2,725,000 | \$ 2,725,000 | \$ 2,986,967 | \$ 261,967 |
| Intergovernmental | 3,429,570 | 4,798,961 | 3,767,408 | (1,031,553) |
| Charges for Services | 234,380 | 234,380 | 229,559 | (4,821) |
| Fines | - | - | 738 | 738 |
| Miscellaneous | 30,000 | 30,000 | 27,897 | (2,103) |
| Total Revenues | 6,418,950 | 7,788,341 | 7,012,569 | (775,772) |
| Expenditures | | | | |
| Current | | | | |
| Physical Environment | 1,036,072 | 1,055,072 | 672,987 | 382,085 |
| Transportation | 9,128,200 | 9,171,044 | 8,382,980 | 788,064 |
| Capital Outlay | 738,359 | 2,045,906 | 639,814 | 1,406,092 |
| Total Expenditures | 10,902,631 | 12,272,022 | 9,695,781 | 2,576,241 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (4,483,681) | (4,483,681) | (2,683,212) | 1,800,469 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 1,708,681 | 1,708,681 | 1,708,681 | - |
| Total Other Financing Sources (Uses) | 1,708,681 | 1,708,681 | 1,708,681 | - |
| Net Change in Fund Balance | (2,775,000) | (2,775,000) | (974,531) | 1,800,469 |
| Fund Balance - Beginning | 2,775,000 | 2,775,000 | 2,066,310 | (708,690) |
| Fund Balance - Ending | \$ - | \$ - | \$ 1,091,779 | \$ 1,091,779 |

**Board of County Commissioners
Okaloosa County, Florida
TOURIST DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|---|------------------|--------------|----------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 5,400,000 | \$ 7,604,700 | \$ 7,877,100 | \$ 272,400 |
| Licenses and Permits | 875,000 | 875,000 | 879,502 | 4,502 |
| Intergovernmental | - | 7,481,414 | 357,671 | (7,123,743) |
| Miscellaneous | 205,000 | 281,112 | 385,984 | 104,872 |
| Total Revenues | 6,480,000 | 16,242,226 | 9,500,257 | (6,741,969) |
| Expenditures | | | | |
| Current | | | | |
| Transportation | - | 511,231 | 297,671 | 213,560 |
| Economic Environment | 4,836,041 | 7,267,783 | 3,182,768 | 4,085,015 |
| Culture and Recreation | 11,623,959 | 18,573,108 | 3,073,419 | 15,499,689 |
| Capital Outlay | 48,000 | 394,767 | 256,837 | 137,930 |
| Total Expenditures | 16,508,000 | 26,746,889 | 6,810,695 | 19,936,194 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (10,028,000) | (10,504,663) | 2,689,562 | 13,194,225 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (472,000) | (3,713,152) | (3,713,145) | 7 |
| Transfers Among | - | - | 2,227 | 2,227 |
| Total Other Financing | (472,000) | (3,713,152) | (3,710,918) | 2,234 |
| Special Item - Refund of Beach Renourishment Assessment | - | (2,007,500) | (2,007,041) | 459 |
| Net Change in Fund Balance | (10,500,000) | (16,225,315) | (3,028,397) | 13,196,918 |
| Fund Balance - Beginning | 10,500,000 | 16,225,315 | 16,225,315 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 13,196,918 | \$ 13,196,918 |

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

Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2012

| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Business-type Solid Waste Enterprise Fund |
|--|------------------------------------|----------------------------|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 143,151 | \$ 157,644 | \$ 387,030 |
| Investments | 13,857,164 | 5,753,190 | 864,253 |
| Receivables, Net of Allowance for Uncollectibles | 2,434,040 | 916,643 | 717,004 |
| Due from Other Funds | - | - | - |
| Due from Other Elected Officials | 2,788 | - | - |
| Due from Other Governments | 1,252,154 | 3,845,282 | 41,217 |
| Inventory | 1,574,794 | 88,050 | - |
| Prepays | 205,124 | 20,820 | - |
| Restricted Assets | | | |
| Cash and Cash Equivalents | | | |
| Customer Deposits | 1,350,476 | - | 24,680 |
| Other Deposits | 2,127,244 | 2,032,386 | - |
| Investments | 17,157,375 | 12,216,298 | - |
| Total Restricted Assets | 20,635,095 | 14,248,684 | 24,680 |
| Total Current Assets | 40,104,310 | 25,030,313 | 2,034,184 |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Land | 4,802,033 | 6,382,606 | 133,301 |
| Buildings | 6,059,064 | 63,721,761 | 115,363 |
| Improvements Other Than Buildings | - | - | 276,776 |
| Intangibles | 655,456 | 94,400 | - |
| Machinery and Equipment | 9,423,065 | 2,392,158 | 2,968,067 |
| Construction in Progress | 3,028,395 | 13,411,803 | - |
| Infrastructure | 241,318,711 | 67,660,549 | - |
| Works of Art | - | 69,865 | - |
| Less Accumulated Depreciation | (90,854,334) | (26,293,442) | (3,134,995) |
| Total Capital Assets (Net of Accumulated Depreciation/Amortization) | 174,432,390 | 127,439,700 | 358,512 |
| Total Noncurrent Assets | 174,432,390 | 127,439,700 | 358,512 |
| Total Assets | \$ 214,536,700 | \$ 152,470,013 | \$ 2,392,696 |

Exhibit VIII

| Activities | | | Governmental |
|-------------------|------------------|------------------|---------------|
| Convention Center | Other | Total | Activities -- |
| Enterprise Fund | Enterprise Funds | Enterprise Funds | Internal |
| | | | Service Funds |
| \$ 356,095 | \$ 122,007 | \$ 1,165,927 | \$ 4,825,292 |
| 4,942,608 | 101,299 | 25,518,514 | 1,082,204 |
| 50 | 4,236,268 | 8,304,005 | 81,789 |
| 425,036 | - | 425,036 | 8,286 |
| - | 6 | 2,794 | 237 |
| - | - | 5,138,653 | 577,782 |
| - | - | 1,662,844 | 311,933 |
| 7,817 | 210 | 233,971 | 24,869 |
| - | - | 1,375,156 | - |
| - | - | 4,159,630 | - |
| 992,875 | - | 30,366,548 | - |
| 992,875 | - | 35,901,334 | - |
| 6,724,481 | 4,459,790 | 78,353,078 | 6,912,392 |
| - | - | 11,317,940 | 316,861 |
| 18,327,812 | - | 88,224,000 | 900,466 |
| 31,822 | - | 308,598 | 257,345 |
| 23,840 | 113,695 | 887,391 | - |
| 1,166,941 | 5,053,476 | 21,003,707 | 3,354,570 |
| 156,196 | - | 16,596,394 | - |
| 363,670 | - | 309,342,930 | - |
| 29,195 | - | 99,060 | - |
| (5,342,561) | (3,903,038) | (129,528,370) | (4,221,466) |
| 14,756,915 | 1,264,133 | 318,251,650 | 607,776 |
| 14,756,915 | 1,264,133 | 318,251,650 | 607,776 |
| \$ 21,481,396 | \$ 5,723,923 | \$ 396,604,728 | \$ 7,520,168 |

Continued...

Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2012

| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Business-type Solid Waste Enterprise Fund |
|---|------------------------------------|----------------------------|---|
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 277,269 | \$ 140,076 | \$ 16,946 |
| Contracts Payable | 917,640 | 1,933,162 | 895,669 |
| Accrued Liabilities | | | |
| Compensated Absences | 470,289 | 102,278 | 48,831 |
| Closure Costs Payable | - | - | 244,796 |
| Claims and Judgments | - | - | - |
| Other Accrued Liabilities | 234,655 | 77,738 | 24,325 |
| Due to Other Elected Officials | - | - | - |
| Due to Other Governments | 1,150 | 15,351 | 35 |
| Notes Payable | - | 418,930 | - |
| Revenue Bonds Payable | 55,155 | - | - |
| Deferred Revenue | 2,637,773 | 496,388 | - |
| Current Liabilities Payable from Restricted Assets | | | |
| Customer Deposits Payable | 1,460,551 | - | 24,680 |
| Interest Payable | 993,295 | 634,537 | - |
| Loan - State of Florida | 707,380 | - | - |
| Revenue Bonds Payable | 3,395,000 | 550,000 | - |
| Total Current Liabilities Payable from Restricted Assets | 6,556,226 | 1,184,537 | 24,680 |
| Total Current Liabilities | 11,150,157 | 4,368,460 | 1,255,282 |

Exhibit VIII

| Activities | | | Governmental |
|-------------------|------------------|------------------|---------------|
| Convention Center | Other | Total | Activities -- |
| Enterprise Fund | Enterprise Funds | Enterprise Funds | Internal |
| | | | Service Funds |
| \$ 39,376 | \$ 360,680 | \$ 834,347 | \$ 416,429 |
| 114,634 | 36,387 | 3,897,492 | 5,064 |
| 58,684 | 261,400 | 941,482 | 1,742,589 |
| - | - | 244,796 | - |
| - | - | - | 2,884,238 |
| 35,698 | 235,830 | 608,246 | 48,950 |
| 16,908 | - | 16,908 | - |
| 2,714 | 10,374 | 29,624 | - |
| - | - | 418,930 | - |
| - | - | 55,155 | - |
| 56,776 | 45,732 | 3,236,669 | 9,303 |
| - | - | 1,485,231 | - |
| 45,760 | - | 1,673,592 | - |
| - | - | 707,380 | - |
| 335,000 | - | 4,280,000 | - |
| 380,760 | - | 8,146,203 | - |
| 705,550 | 950,403 | 18,429,852 | 5,106,573 |

Continued...

Okaloosa County, Florida
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2012

| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Business-type Solid Waste Enterprise Fund |
|---|------------------------------------|----------------------------|---|
| Noncurrent Liabilities | | | |
| Compensated Absences | 438,979 | 83,304 | 46,389 |
| Closure Costs Payable | - | - | 3,334,518 |
| Claims and Judgments | - | - | - |
| Notes Payable | | | |
| (Net of Unamortized Discounts | 15,322,628 | 5,166,477 | - |
| Loan- State of Florida | | | |
| (Net of Unamortized Discounts) | 6,843,519 | - | - |
| Revenue Bonds Payable | | | |
| (Net of Unamortized Discounts | | | |
| and Deferred Amount | | | |
| on Refunding) | 69,797,641 | 16,934,249 | - |
| Other Post Employment Benefits | 107,788 | 20,235 | 11,813 |
| Total Noncurrent Liabilities | 92,510,555 | 22,204,265 | 3,392,720 |
| Total Liabilities | 103,660,712 | 26,572,725 | 4,648,002 |
| Net Assets | | | |
| Invested in Capital Assets, Net | | | |
| of Related Debt | 93,847,242 | 106,192,433 | 358,512 |
| Restricted for Debt Service | 4,321,987 | 2,408,500 | - |
| Restricted for Other Purposes | - | 9,006,973 | - |
| Unrestricted | 12,706,759 | 8,289,382 | (2,613,818) |
| Total Net Assets | 110,875,988 | 125,897,288 | (2,255,306) |
| Total Liabilities and Net Assets | \$ 214,536,700 | \$ 152,470,013 | \$ 2,392,696 |

Exhibit VIII

| Activities | | | Governmental Activities -- Internal Service Funds |
|--------------------------------------|---------------------------|---------------------------|--|
| Convention Center Enterprise Fund | Other Enterprise Funds | Total Enterprise Funds | |
| 40,143 | 170,954 | 779,769 | 88,069 |
| - | - | 3,334,518 | - |
| - | - | - | 2,273,185 |
| - | - | 20,489,105 | - |
| - | - | 6,843,519 | - |
| 1,350,000 | - | 88,081,890 | - |
| 16,705 | 107,777 | 264,318 | 3,602,275 |
| 1,406,848 | 278,731 | 119,793,119 | 5,963,529 |
| 2,112,398 | 1,229,134 | 138,222,971 | 11,070,102 |
| 13,071,915 | 1,264,133 | 214,734,235 | 607,776 |
| 3,531,331 | - | 10,261,818 | - |
| 2,765,752 | - | 11,772,725 | - |
| - | 3,230,656 | 21,612,979 | (4,157,710) |
| 19,368,998 | 4,494,789 | 258,381,757 | (3,549,934) |
| \$ 21,481,396 | \$ 5,723,923 | \$ 396,604,728 | \$ 7,520,168 |

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

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

| | Business-type | | |
|---|------------------------------------|----------------------------|--------------------------------|
| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Solid Waste Enterprise Fund |
| Operating Revenues | | | |
| Licenses and Permits | \$ - | \$ - | \$ - |
| Charges for Services | 26,024,768 | 9,208,230 | 8,055,106 |
| Fines | - | - | - |
| Miscellaneous | 89,813 | 802 | 665 |
| Total Operating Revenues | 26,114,581 | 9,209,032 | 8,055,771 |
| Operating Expenses | | | |
| Personal Services | 5,869,754 | 1,840,328 | 677,641 |
| Contractual Services | 3,856,234 | 2,118,909 | 5,645,898 |
| Supplies | 808,588 | 828,649 | 140,100 |
| Insurance Premiums and Claims | - | - | - |
| Utilities | 1,698,173 | 808,259 | 6,902 |
| Other Operating Expenses | 3,339,231 | 2,459,902 | 875,021 |
| Depreciation/Amortization | 6,606,181 | 3,524,789 | 92,057 |
| Total Operating Expenses | 22,178,161 | 11,580,836 | 7,437,619 |
| Operating Income (Loss) | 3,936,420 | (2,371,804) | 618,152 |
| Nonoperating Revenues (Expenses) | | | |
| Taxes | - | - | - |
| Intergovernmental | 108,697 | 9,553 | 175,570 |
| Investment Income | 467,384 | 293,061 | 25,380 |
| Other Non-Operating Revenue | 294,689 | 12,000 | - |
| Interest Expenses | (3,830,167) | (1,208,154) | - |
| Other Debt Service Costs | (26,382) | (133,120) | - |
| Gain/(Loss) on Disposal of Capital Assets | (105,254) | (4,617) | - |
| Passenger and Customer Facility Charges | - | 2,910,080 | - |
| Administrative Charges | - | - | - |
| Total Nonoperating Revenues (Expenses) | (3,091,033) | 1,878,803 | 200,950 |
| Income (Loss) Before Contributions and Transfers | 845,387 | (493,001) | 819,102 |

| Activities | | | Governmental Activities -- Internal Service Funds |
|--------------------------------------|---------------------------|---------------------------|--|
| Convention Center Enterprise Fund | Other Enterprise Funds | Total Enterprise Funds | |
| \$ - | \$ 1,277,510 | \$ 1,277,510 | \$ - |
| 755,238 | 6,011,803 | 50,055,145 | 20,571,801 |
| - | 11 | 11 | 67 |
| 317 | 148,107 | 239,704 | 1,201,602 |
| <u>755,555</u> | <u>7,437,431</u> | <u>51,572,370</u> | <u>21,773,470</u> |
| 973,565 | 5,973,190 | 15,334,478 | 1,594,836 |
| 1,469,914 | 903,372 | 13,994,327 | 400,628 |
| 128,586 | 673,177 | 2,579,100 | 4,014,482 |
| - | - | - | 16,503,947 |
| 308,627 | 29,568 | 2,851,529 | 3,510 |
| 628,429 | 473,114 | 7,775,697 | 301,572 |
| 528,254 | 473,453 | 11,224,734 | 64,008 |
| <u>4,037,375</u> | <u>8,525,874</u> | <u>53,759,865</u> | <u>22,882,983</u> |
| <u>(3,281,820)</u> | <u>(1,088,443)</u> | <u>(2,187,495)</u> | <u>(1,109,513)</u> |
| 5,251,400 | 1,528,602 | 6,780,002 | - |
| - | 12,715 | 306,535 | - |
| 103,477 | 5,246 | 894,548 | 21,665 |
| - | - | 306,689 | - |
| (98,563) | - | (5,136,884) | - |
| (8,425) | - | (167,927) | - |
| - | (4,755) | (114,626) | 217,009 |
| - | - | 2,910,080 | - |
| <u>(156,189)</u> | <u>-</u> | <u>(156,189)</u> | <u>-</u> |
| <u>5,091,700</u> | <u>1,541,808</u> | <u>5,622,228</u> | <u>238,674</u> |
| <u>1,809,880</u> | <u>453,365</u> | <u>3,434,733</u> | <u>(870,839)</u> |

Continued...

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

| | Business-type | | |
|--------------------------------------|------------------------------------|----------------------------|--------------------------------|
| | Water and Sewer Enterprise Fund | Airport Enterprise Fund | Solid Waste Enterprise Fund |
| Capital Contributions | 1,868,545 | 8,916,994 | - |
| Special Item - Loss on Joint Venture | (2,458,316) | - | - |
| Transfers In | 195,500 | 100,000 | - |
| Transfers Out | - | (460,785) | - |
| Change in Net Assets | 451,116 | 8,063,208 | 819,102 |
| Total Net Assets - Beginning | 110,424,872 | 117,834,080 | (3,074,408) |
| Total Net Assets - Ending | \$ 110,875,988 | \$ 125,897,288 | \$ (2,255,306) |

| Activities | | | Governmental Activities -- Internal Service Funds |
|--------------------------------------|---------------------------|---------------------------|--|
| Convention Center Enterprise Fund | Other Enterprise Funds | Total Enterprise Funds | |
| 20,183 | 2,389 | 10,808,111 | 36,128 |
| - | - | (2,458,316) | - |
| - | 34,000 | 329,500 | - |
| (532,051) | - | (992,836) | - |
| 1,298,012 | 489,754 | 11,121,192 | (834,711) |
| 18,070,986 | 4,005,035 | 247,260,565 | (2,715,223) |
| <u>\$ 19,368,998</u> | <u>\$ 4,494,789</u> | <u>\$ 258,381,757</u> | <u>\$ (3,549,934)</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, 2012

| | Business-type Activities | | |
|---|------------------------------|-----------------------|----------------|
| | Water and Sewer System | Airport Enterprise | Solid Waste |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 25,262,786 | \$ 9,724,928 | \$ 7,895,141 |
| Receipts from Interfund Services Provided | 355,205 | - | 32,270 |
| Payments to Suppliers | (7,226,803) | (4,846,972) | (5,392,711) |
| Payments to Employees | (5,706,759) | (1,748,970) | (650,185) |
| Payments for Interfund Services Used | (2,817,617) | (1,118,069) | (1,007,248) |
| Net Cash Provided (Used) by Operating Activities | <u>9,866,812</u> | <u>2,010,917</u> | <u>877,267</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Operating Subsidy - Taxes | - | - | - |
| Operating Subsidy - Intergovernmental Revenue | 138,361 | 49,596 | 172,202 |
| Interest Expense | - | - | - |
| Transfers In | 195,500 | 100,000 | - |
| Transfers (Out) | - | (460,785) | - |
| Interest Paid on Non-Capital Debt | - | - | - |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>333,861</u> | <u>(311,189)</u> | <u>172,202</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | (4,798,287) | (14,946,424) | - |
| Passenger Facility Charges | - | 1,451,015 | - |
| Customer Facility Charges | - | 1,459,065 | - |
| Proceeds from Disposal of Capital Assets | 9,324 | 795 | - |
| Net Borrowing (Repayments) | | | |
| Proceeds from Capital Debt | 15,605,000 | 2,187,311 | - |
| Principal Paid on Capital Debt | (4,263,252) | (520,000) | - |
| Interest Paid on Capital Debt | (3,743,117) | (1,156,430) | - |
| Other Debt Service Costs | (45,920) | (27,235) | - |
| Taxes | - | - | - |
| Tap Fees in Excess of Cost | 671,682 | - | - |
| Capital Contributions | 1,614,526 | 11,861,629 | - |
| Net cash provided (used) by capital and related Financing Activities | <u>5,049,956</u> | <u>309,726</u> | <u>-</u> |

Exhibit X

| <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> |
| \$ 743,729 | \$ 6,678,945 | \$ 50,305,529 | \$ 12,331,521 |
| - | - | 387,475 | 8,811,315 |
| (2,097,830) | (1,034,488) | (20,598,804) | (19,685,648) |
| (940,542) | (5,737,861) | (14,784,317) | (1,332,110) |
| (330,397) | (1,235,742) | (6,509,073) | (98,453) |
| <u>(2,625,040)</u> | <u>(1,329,146)</u> | <u>8,800,810</u> | <u>26,625</u> |
| 2,617,135 | 1,528,921 | 4,146,056 | - |
| - | 43,289 | 403,448 | - |
| - | - | - | - |
| - | 34,000 | 329,500 | - |
| (532,051) | - | (992,836) | - |
| - | - | - | (5,305) |
| <u>2,085,084</u> | <u>1,606,210</u> | <u>3,886,168</u> | <u>(5,305)</u> |
| (593,097) | (373,903) | (20,711,711) | (15,274) |
| - | - | 1,451,015 | - |
| - | - | 1,459,065 | - |
| - | 3,000 | 13,119 | 233,433 |
| - | - | 17,792,311 | - |
| (1,490,000) | - | (6,273,252) | - |
| (52,803) | - | (4,952,350) | - |
| (162,284) | - | (235,439) | - |
| 2,617,135 | - | 2,617,135 | - |
| - | - | 671,682 | - |
| - | - | 13,476,155 | - |
| <u>318,951</u> | <u>(370,903)</u> | <u>5,307,730</u> | <u>218,159</u> |

Continued...

Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

| | Business-type Activities | | |
|--|------------------------------|-----------------------|-------------------|
| | Water and Sewer System | Airport Enterprise | Solid Waste |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale and Maturities of Investments | 24,948,414 | 10,486,747 | - |
| Interest Income | 508,226 | 313,647 | 22,529 |
| Purchases of Investments | (41,162,963) | (12,798,266) | (857,741) |
| Net Cash Provided (Used) by Investing Activities | <u>(15,706,323)</u> | <u>(1,997,872)</u> | <u>(835,212)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (455,694) | 11,582 | 214,257 |
| Cash and Cash Equivalents - Beginning of Year | <u>4,076,565</u> | <u>2,178,448</u> | <u>197,453</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 3,620,871</u> | <u>\$ 2,190,030</u> | <u>\$ 411,710</u> |
| Cash and Cash Equivalents at End of Year Consist of: | | | |
| Current Assets | \$ 143,151 | \$ 157,644 | \$ 387,030 |
| Restricted Assets | 3,477,720 | 2,032,386 | 24,680 |
| Total | <u>\$ 3,620,871</u> | <u>\$ 2,190,030</u> | <u>\$ 411,710</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ 3,936,420 | \$ (2,371,804) | \$ 618,152 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation/Amortization | 6,606,181 | 3,524,789 | 92,057 |
| Other revenue | (221,630) | 12,000 | - |
| Decrease (Increase) in Assets | | | |
| Accounts Receivable | (88,637) | 580,852 | (128,860) |
| Due from Other Funds | (2,788) | - | - |
| Due from Other Governments | 178,913 | - | - |
| Inventories | (114,920) | 38,848 | - |
| Prepaid Expenses | 8,383 | (13,022) | - |

| - Enterprise Funds | | | Governmental |
|--------------------|-------------------|---------------------|---------------------|
| Convention | Other | | Activities |
| Center | Enterprise | Total | Internal |
| | Funds | | Service Funds |
| 2,031,962 | 201,015 | 37,668,138 | 281,131 |
| 78,593 | 4,491 | 927,486 | 29,278 |
| (1,778,732) | (51,601) | (56,649,303) | (1,113,194) |
| <u>331,823</u> | <u>153,905</u> | <u>(18,053,679)</u> | <u>(802,785)</u> |
| 110,818 | 60,066 | (58,971) | (563,306) |
| <u>245,277</u> | <u>61,941</u> | <u>6,759,684</u> | <u>5,388,598</u> |
| <u>\$ 356,095</u> | <u>\$ 122,007</u> | <u>\$ 6,700,713</u> | <u>\$ 4,825,292</u> |
| \$ 356,095 | \$ 122,007 | \$ 1,165,927 | \$ 4,825,292 |
| - | - | 5,534,786 | - |
| <u>\$ 356,095</u> | <u>\$ 122,007</u> | <u>\$ 6,700,713</u> | <u>\$ 4,825,292</u> |
| \$ (3,281,820) | \$ (1,088,443) | \$ (2,187,495) | \$ (1,109,513) |
| 528,254 | 473,453 | 11,224,734 | 64,008 |
| - | - | (209,630) | - |
| (50) | (753,366) | (390,061) | (71,080) |
| - | - | (2,788) | (8,116) |
| - | - | 178,913 | (460,794) |
| - | - | (76,072) | (56,168) |
| (6,797) | (150) | (11,586) | 369,015 |

Continued...

Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

| | 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 | 4,450 | 78,220 | (62,175) |
| Service Contracts Payable | (109,076) | 177,202 | 558,204 |
| Due to Other Governments | 795 | (332) | 35 |
| Compensated Absences Payable | 2,439 | 25,511 | 3,189 |
| Closure Cost Payable | - | - | (206,934) |
| Claims and Judgments Payable | - | - | - |
| Other Accrued Liabilities | 22,832 | 32,532 | 2,519 |
| Deposits | (77,012) | (24,375) | 500 |
| Deferred Revenue | (285,436) | (51,003) | - |
| Other Post Employment Benefits | 5,898 | 1,499 | 580 |
| Total Adjustments | 5,930,392 | 4,382,721 | 259,115 |
| Net Cash Provided (Used) by Operating Activities | \$ 9,866,812 | \$ 2,010,917 | \$ 877,267 |
| Noncash Investing, Capital, and Financing Activities: | | | |
| Improvements Acquired Through Contributions | \$ 35,930 | \$ - | \$ - |
| Amortization of Loan Costs and Refunding Losses | \$ (24,632) | \$ (105,885) | \$ - |
| Transfer of Capital Assets From Other Funds | \$ - | \$ 70,894 | \$ - |
| Transfer of Capital Assets to Other Funds | \$ (20,859) | \$ (2,398) | \$ - |
| Loss on Disposal of Capital Assets | \$ (5,190) | \$ (3,013) | \$ - |
| Unrealized Gain/(Loss) on Investments | \$ 36,674 | \$ 18,907 | \$ 1,140 |

Exhibit X

| <u>- Enterprise Funds</u> | | | <u>Governmental</u> |
|---------------------------|-----------------------|---------------------|----------------------|
| <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> |
| 16,995 | 36,593 | 74,083 | 293,179 |
| 109,448 | (48,641) | 687,137 | (66,863) |
| 90 | 30 | 618 | - |
| 17,940 | 27,067 | 76,146 | (97,583) |
| - | - | (206,934) | - |
| - | - | - | 920,704 |
| 1,751 | 27,824 | 87,458 | 6,570 |
| - | - | (100,887) | - |
| (11,866) | (9,460) | (357,765) | (770) |
| 1,015 | 5,947 | 14,939 | 244,036 |
| <u>656,780</u> | <u>(240,703)</u> | <u>10,988,305</u> | <u>1,136,138</u> |
| <u>\$ (2,625,040)</u> | <u>\$ (1,329,146)</u> | <u>\$ 8,800,810</u> | <u>\$ 26,625</u> |
| \$ - | \$ - | \$ 35,930 | \$ - |
| \$ - | \$ - | \$ (130,517) | \$ - |
| \$ - | \$ - | \$ 70,894 | \$ 36,128 |
| \$ - | \$ (4,434) | \$ (27,691) | \$ - |
| \$ - | \$ (932) | \$ (9,135) | \$ (1,150) |
| \$ 6,358 | \$ (138) | \$ 62,941 | \$ 1,399 |

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, 2012

| | Agency Funds |
|--|------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 6,098,446 |
| Account Receivables | 23,460 |
| | 6,121,906 |
| Total Assets | 6,121,906 |
| LIABILITIES | |
| Liabilities | |
| Due to Other Governments | \$ 1,055,499 |
| Due to Depositors | 4,096,055 |
| Taxes Collected in Advance for Other Governments | 970,352 |
| | 6,121,906 |
| Total Liabilities | 6,121,906 |
| 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, 2012

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 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, 2011, 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, 2012.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. The Reporting Entity – Continued

Emerald Coast Bridge Authority
Balance Sheet
September 30, 2012

| | |
|---|-------------------------------------|
| 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, 2012

| | |
|---|---|
| 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, 2012

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, 2012

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, 2012

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, 2012

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.

County Transportation Special Revenue 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.

Tourist Development Special Revenue Fund

This fund is used to account for funds received from imposition of the 5% 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, 99-07, 07-58, and 12-21.

Capital Outlay Construction Trust Capital Projects 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 Enterprise 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, 2012

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 Enterprise 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 Enterprise 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 Balance

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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Balance - 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 during the fiscal year ended September 30, 2011 or September 30, 2012.

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, Solid Waste, 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Balance – 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 2012 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, 2012 |
| Levy Date | November 1, 2012 |
| Due Date | November 1, 2012 |
| Delinquent Date | April 1, 2013 |

Discounts of 1% for each month taxes are paid prior to March 2013 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. However, inventory presented in the Tourist Development Special Revenue Fund consists of a yacht held for sale. The yacht is reported at market value of \$549,000 which is net a reduction to fair value of \$161,000 reported in Economic Expenditures. 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

5. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported on the government-wide statement of net assets of Okaloosa County. Capital assets acquired by proprietary funds are reported in those funds.

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

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

| Assets | Years |
|------------------------------------|-------|
| Buildings | 10-50 |
| Improvements Other Than Buildings | 7-25 |
| 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, and Net Assets or Balance – 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 County has no unamortized losses on bonds as of September 30, 2012.

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 Balance

In the fund financial statements, GASB Statement 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed up on the use of the resources reported in governmental funds. Fund balance classifications under GASB 54 are nonspendable, restricted, committed, assigned and unassigned.

These classifications reflect not only the nature of funds but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements.

Nonspendable – Comprised of amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted – Component consists of amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation.

Committed – Component consists of amounts that can be used only for the specific purposes determined by a formal action, in the form of ordinances, of the Board, the highest level of decision making authority. Commitments may be changed or lifted only by the board taking the same formal action that imposed the constraint originally.

Assigned – Component consists of amounts that are constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board, County Administrator, or designee as established in the Board’s fund balance policy.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

9. Fund Balance - Continued

Unassigned – Unassigned fund balance is the residual classification of the general fund. This classification represents spendable fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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. The County does not have a formal minimum fund balance policy. However, the Board does target 10% of the General Fund budget to set aside for reserves during the annual Budget Policy meeting.

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 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

A. BUDGETARY INFORMATION - CONTINUED

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 \$15,184,274 representing a 4.23 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, encumber 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.

B. DEFICIT FUND BALANCE

The Solid Waste Enterprise Fund reported deficit fund balance of \$2,255,306 as of September 30, 2012. The deficit is caused by changes in reporting closure costs and long-term care costs for the solid waste landfills of the County. Further description of these costs and methods of funding them are discussed in Note 7.

The Self Insurance Internal Service Fund reported deficit fund balance of \$2,846,449. 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 equity 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.

The Sheriff’s Self-Insurance Fund is reflecting a deficit fund balance of \$1,191,652. 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, 2012.

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED

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, 2012 the County had the following investments:

| <u>Investment Type and Quantity</u> | <u>Par/Principal Value</u> | <u>Fair Value</u> | <u>Maturity</u> |
|--------------------------------------|----------------------------|----------------------|-----------------|
| Repurchase Agreement | \$ 800,825 | \$ 800,825 | 10/1/2013 |
| Florida Local Government Surplus | | | |
| Funds Trust investment pool - Fund A | 38,700,774 | 38,701,680 | On Demand |
| Florida Local Government Surplus | | | |
| Funds Trust investment pool - Fund B | 1,176,429 | 1,116,393 | As Available* |
| Florida Local Government Investment | | | |
| Trust investment pool | 28,414,643 | 28,416,197 | On Demand |
| Florida Local Government Investment | | | |
| Trust day to day fund | 7,592,442 | 7,592,457 | On Demand |
| STI Classic Institutional Cash Mgmt | 5,183,125 | 5,183,125 | On Demand |
| Federal Hom Loan Bank (2) | 2,650,000 | 2,651,431 | 7/23/2027 |
| | 2,045,000 | 2,047,802 | 8/22/2022 |
| Federal National Mortgage Assoc. (6) | 2,624,809 | 2,546,577 | 4/1/2014 |
| | 1,031,059 | 1,014,452 | 4/1/2017 |
| | 1,914,814 | 1,892,781 | 8/25/2037 |
| | 2,162,585 | 2,142,122 | 11/25/2018 |
| | 2,459,389 | 2,405,399 | 9/25/2027 |
| | 989,644 | 1,006,596 | 9/16/2033 |
| Total investments | <u>\$ 97,745,538</u> | <u>\$ 97,517,837</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 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED

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, 2012, Standard & Poor's rated the investment in Florida Local Government Investment Trust investment pool AAAf, Florida Local Government Investment Day to Day AAAM, Florida Local Government Surplus Fund Trust AAAM, and STI Classic Institutional Cash Management AAAM. The Florida Local Government Surplus Fund Trust Fund B investment pool was not rated by any nationally recognized statistical rating agency as of September 2012. As of September 30, 2012 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 Bank and the Federal National Mortgage Association. These investments are 5% and 11% 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, 2012

NOTE 4 – RECEIVABLES / DEFERRED REVENUE

Receivables as of September 30, 2012 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, 2012 |
|-----------------------------|----------------------|----------------------------------|----------------------|---|--|
| General | \$ 421,223 | \$ 3,371,967 | \$ 3,793,190 | \$ - | \$ 3,793,190 |
| County Transportation | 1,212 | 888,008 | 889,220 | - | 889,220 |
| Tourist Development | 1,156,755 | 174,696 | 1,331,451 | - | 1,331,451 |
| Capital Outlay | 1,152 | 832,655 | 833,807 | - | 833,807 |
| Water and Sewer | 2,644,040 | 1,252,154 | 3,896,194 | (210,000) | 3,686,194 |
| Airport | 2,080,954 | 3,845,282 | 5,926,236 | (1,164,311) | 4,761,925 |
| Solid Waste | 717,004 | 41,217 | 758,221 | - | 758,221 |
| Conference Center | 50 | - | 50 | - | 50 |
| Nonmajor and Other Funds | 9,108,586 | 1,618,392 | 10,726,978 | (4,556,622) | 6,170,356 |
| Total | \$ 16,130,976 | \$ 12,024,371 | \$ 28,155,347 | \$ (5,930,933) | \$ 22,224,414 |

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 | \$ 51,963 | \$ 6,182 |
| Rent/Commissions Received in Advance | - | 459,691 |
| Tax Revenue Received in Advance | - | 319,064 |
| Nonmajor Funds | | |
| Grant Revenue | 214,444 | - |
| Federal Forfeitures | 320,509 | - |
| BABS interest | - | 243,074 |
| Development agreement | 104,421 | - |
| Courts Special Revenue | - | 47,115 |
| Total deferred/unearned revenue for governmental funds | \$ 691,337 | \$ 1,075,126 |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|---------------------|-----------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 9,898,076 | \$ 60,000 | \$ - | \$ 9,958,076 |
| Intangibles | 1,146,905 | - | - | 1,146,905 |
| Construction in progress | 4,845,727 | 1,765,739 | (3,727,025) | 2,884,441 |
| Total capital assets, not being depreciated/amortized | <u>15,890,708</u> | <u>1,825,739</u> | <u>(3,727,025)</u> | <u>13,989,422</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings | 70,528,537 | 333,354 | - | 70,861,891 |
| Improvements other than buildings | 29,228,767 | 3,270,926 | - | 32,499,693 |
| Intangibles | 1,673,745 | 56,160 | - | 1,729,905 |
| Machinery and equipment | 52,301,909 | 2,954,071 | (759,513) | 54,496,467 |
| Infrastructure | 134,933,882 | 9,502,130 | - | 144,436,012 |
| Total capital assets being depreciated/amortized | <u>288,666,840</u> | <u>16,116,641</u> | <u>(759,513)</u> | <u>304,023,968</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | (19,411,959) | (1,822,348) | - | (21,234,307) |
| Improvements other than buildings | (7,446,467) | (808,947) | - | (8,255,414) |
| Intangibles | (1,143,706) | (218,455) | - | (1,362,161) |
| Machinery and equipment | (39,283,232) | (4,435,623) | 19,930 | (43,698,925) |
| Infrastructure | (76,016,860) | (2,665,093) | - | (78,681,953) |
| Total accumulated depreciation/amortization | <u>(143,302,224)</u> | <u>(9,950,466)</u> | <u>19,930</u> | <u>(153,232,760)</u> |
| Total capital assets, being depreciated/amortized, net | <u>145,364,616</u> | <u>6,166,175</u> | <u>(739,583)</u> | <u>150,791,208</u> |
| Governmental activities capital assets, net | <u>\$ 161,255,324</u> | <u>\$ 7,991,914</u> | <u>\$ (4,466,608)</u> | <u>\$ 164,780,630</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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 5 – CAPITAL ASSETS - CONTINUED

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| Business-type activities | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 11,317,940 | \$ - | \$ - | \$ 11,317,940 |
| Construction in progress | 12,697,752 | 11,932,258 | (8,033,616) | 16,596,394 |
| Works of art | 87,715 | 11,345 | - | 99,060 |
| Total capital assets, not being depreciated/amortized | <u>24,103,407</u> | <u>11,943,603</u> | <u>(8,033,616)</u> | <u>28,013,394</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings | 79,491,732 | 8,607,122 | 125,146 | 88,224,000 |
| Improvements other than buildings | 308,598 | - | - | 308,598 |
| Intangibles | 887,391 | - | - | 887,391 |
| Machinery and equipment | 20,966,844 | 1,037,400 | (1,000,537) | 21,003,707 |
| Infrastructure | 304,927,645 | 4,415,285 | - | 309,342,930 |
| Total capital assets being depreciated/amortized | <u>406,582,210</u> | <u>14,059,807</u> | <u>(875,391)</u> | <u>419,766,626</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | (14,981,083) | (2,137,360) | - | (17,118,443) |
| Improvements other than buildings | (145,394) | (12,408) | - | (157,802) |
| Intangibles | (481,849) | (155,773) | - | (637,622) |
| Machinery and equipment | (17,510,845) | (1,285,270) | 963,823 | (17,832,292) |
| Infrastructure | (84,334,174) | (9,448,037) | - | (93,782,211) |
| Total accumulated depreciation/amortization | <u>(117,453,345)</u> | <u>(13,038,848)</u> | <u>963,823</u> | <u>(129,528,370)</u> |
| Total capital assets, being depreciated/amortized, net | <u>289,128,865</u> | <u>1,020,959</u> | <u>88,432</u> | <u>290,238,256</u> |
| Business-type activities capital assets, net | <u>\$ 313,232,272</u> | <u>\$ 12,964,562</u> | <u>\$ (7,945,184)</u> | <u>\$ 318,251,650</u> |

Depreciation expense was charged to functions/programs as follows.

| | <u>Depreciation</u> | <u>Amortization</u> |
|---|---------------------|---------------------|
| Governmental activities: | | |
| General government | \$ 1,816,394 | \$ 103,317 |
| Public safety | 3,000,091 | 7,101 |
| Physical environment | 59,737 | - |
| Transportation, including depreciation of general infrastructure assets | 3,724,392 | 9,800 |
| Economic environment | 40,434 | - |
| Human services | 336,765 | - |
| Culture and recreation | 570,634 | - |
| Court related | 119,556 | 98,237 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>64,008</u> | <u>-</u> |
| Total depreciation expense - governmental activities | <u>\$ 9,732,011</u> | <u>\$ 218,455</u> |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 5 – CAPITAL ASSETS - CONTINUED

| | <u>Depreciation</u> | <u>Amortization</u> |
|---|----------------------|---------------------|
| Business-type activities: | | |
| Water and sewer* | \$ 8,250,319 | \$ 118,197 |
| Airport | 3,505,909 | 18,880 |
| Solid waste | 92,057 | - |
| Convention center | 526,267 | 1,987 |
| Other enterprise funds | 456,744 | 16,709 |
| Total depreciation expense - business-type activities | <u>\$ 12,831,296</u> | <u>\$ 155,773</u> |

* \$1,762,335 reported as a Special Item as disclosed in Note 13.

Construction Commitments

Road and Other Infrastructure Improvements

The Board of County Commissioners has entered into contracts to improve roads and other infrastructure at various locations throughout the County. The contracts total \$1,025,927. Cumulative expenditures total \$375,440, with \$650,487 remaining liability outstanding at September 30, 2012.

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 2013 capital budget, total expenditures will approximate \$4,000,000 on contracted projects, plus an additional \$1,000,000 for in-house construction.

Construction at Northwest Florida Regional Airport

The Airport has begun rehabilitation of the public parking facilities at the Northwest Florida Regional Airport. The contract total amount is \$2,350,450 and expenditures to date are \$976,046 leaving a balance of \$1,374,404. The Airport has also entered into contracts to rehabilitate taxiways at Bob Sikes Airport. The total of the contract is \$10,355,308. Expenditures to date total \$9,200,390 leaving a balance of \$1,154,918.

NOTE 6 – COMPENSATED ABSENCES

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

Board of County Commissioners and Supervisor of Elections

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

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 6 – COMPENSATED ABSENCES – CONTINUED

Board of County Commissioners and Supervisor of Elections - Continued

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

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

Compensatory Time

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

Clerk of the Circuit Court

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

- 2 years service - 20% of all sick leave accrued
- 5 years service - 25% of all sick leave accrued
- 10 years service - 30% of all sick leave accrued
- 15 years service - 40% of all sick leave accrued
- 20 years+ service - 50% of all sick leave accrued

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 6 – COMPENSATED ABSENCES - CONTINUED

Sheriff

The Sheriff maintains a policy providing for annual vacation 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 vacation leave for full-time non-exempt employees is calculated as follows:

| Years of Service | Accrual Rate |
|----------------------------|-------------------------------|
| 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 for non-exempt employees is accrued at eight 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.

Vacation leave for exempt employees is accrued at 176 hours annually and sick leave for exempt employees is accrued at 104 hours annually.

An employee who meets eligibility requirements receives up to 12 weeks of leave, paid and /or unpaid in accordance with the federal Family Medical Leave Act of 1993 guidelines.

Tax Collector

The policy of the Tax Collector for Paid Time Off (PTO) is that employees are entitled to accrue leave each pay period based on an employee’s hire date. Below is a breakdown of how leave will be earned:

| Years of Service (based on hire date) | Weeks PTO | # Hours Earned per Pay Period |
|--|-----------|----------------------------------|
| 1 year | 3 weeks | 4.62 |
| 2 - 5 years | 4.4 weeks | 6.77 |
| 6 - 10 years | 5.4 weeks | 8.31 |
| 11 - 15 years | 6 weeks | 9.23 |
| 16 - 20 years | 6.5 weeks | 10.00 |
| 21+ years | 7 weeks | 10.77 |

Upon separation of employment from the Tax Collector, the maximum unused hours paid at termination are based upon years of service. Maximum unused hours paid for employees with 1 – 10 years of service or in DROP are 300 hours and 500 hours for 10 plus years of service.

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 6 – COMPENSATED ABSENCES – CONTINUED – CONTINUED

Property Appraiser - Continued

| | |
|---------------|--------------------|
| 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 annual leave and other compensated absences for all elected officials as of September 30, 2012 follow:

| Elected Official | Current Portion | Long-Term Portion | Totals |
|-------------------------------|---------------------|----------------------|---------------------|
| Board of County Commissioners | \$ 2,585,530 | \$ 2,004,672 | \$ 4,590,202 |
| Clerk of the Circuit Court | 263,587 | 486,903 | 750,490 |
| Sheriff | 1,382,829 | 134,587 | 1,517,416 |
| Tax Collector | 84,080 | 112,115 | 196,195 |
| Property Appraiser | - | 158,467 | 158,467 |
| Supervisor of Elections | 54,965 | 37,778 | 92,743 |
| Totals | <u>\$ 4,370,991</u> | <u>\$ 2,934,522</u> | <u>\$ 7,305,513</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 \$206,934. The estimated liability for landfill closure and post closure care costs has a balance of \$3,579,314 as of September 30, 2012

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2012 is as follows:

| Receivable Fund | Payable Fund | Amount | Purpose |
|-----------------------|-----------------------|-------------------|--------------------------|
| General | Tourist Development | \$ 25,363 | Administrative Fees |
| General | Convention Center | 16,908 | Administrative Fees |
| Tourist Development | General | 2,227 | Unused Revenue |
| Capital Outlay | General | 120,394 | Vessel commissions |
| Capital Outlay | General | 2 | Interest |
| Convention Center | Tourist Development | 425,036 | Allocation of Taxes |
| Nonmajor Governmental | General | 3,574 | Unused Revenue |
| Nonmajor Governmental | General | 5 | Interest |
| Nonmajor Governmental | General | 9,630 | Restricted fees |
| Nonmajor Governmental | General | 29,699 | Restricted fees |
| Nonmajor Governmental | Nonmajor Governmental | 16,898 | Restricted fees |
| Nonmajor Governmental | General | 95,649 | Collected fines and fees |
| Nonmajor Governmental | General | 31,262 | Fees |
| Water and Sewer | General | 2,788 | Rent |
| Nonmajor Enterprise | General | 6 | Interest |
| Internal Services | General | 140 | Fuel and maintenance |
| Internal Services | General | 97 | Juevinle restitution |
| Internal Services | General | 8,286 | Internal Services |
| Total | | <u>\$ 787,964</u> | |

Interfund transfers:

| Transfer In | Transfer Out | Amount | Purpose |
|-----------------------|-----------------------|----------------------|-------------------------------------|
| General | Tourist Development | \$ 657,495 | Reimbursement of attorney costs |
| General | Capital Outlay | 2,309,076 | Allocation of tax revenues |
| General | Nonmajor Governmental | 150,000 | Refunding appropriated funds |
| General | Nonmajor Governmental | 2,165,401 | Allocation of tax revenues |
| General | Nonmajor Governmental | 28,000 | Allocation of racing monies |
| General | Airport | 460,785 | Sheriff Appropriations |
| General | Convention Center | 532,051 | Beach safety support |
| County Transportaion | Nonmajor Governmental | 1,708,681 | Allocation of state revenue sharing |
| Nonmajor Governmental | Tourist Development | 2,760,150 | Debt Service Transfer |
| Nonmajor Governmental | Capital Outlay | 440,731 | Allocation of tax revenues |
| Nonmajor Governmental | Nonmajor Governmental | 704,273 | Debt Service Transfer |
| Nonmajor Governmental | Nonmajor Governmental | 4,000 | Allocation of racing monies |
| Water and Sewer | Tourist Development | 195,500 | Transfer promotional funding |
| Airport | Tourist Development | 100,000 | Transfer promotional funding |
| Nonmajor Enterprise | General | 1,000 | Transfer additional funding |
| Nonmajor Enterprise | Nonmajor Governmental | 33,000 | Allocation of racing monies |
| General | Nonmajor Governmental | 153,589 | Law Enforcement Trust |
| Tourist Development | General | (2,227) | Excess Fees |
| Nonmajor Governmental | General | (92,427) | Federal Law Enforcement Trust |
| Nonmajor Governmental | General | (3,573) | Excess Fees |
| | | <u>\$ 12,305,505</u> | |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

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 \$1,987,545 has been recorded as of September 30, 2012. 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 1 to 18 years.

Okaloosa County leases land and a building to a convenience store company. Capitalized investment in the building is \$132,488. Accumulated depreciation of \$44,715 has been recorded as of September 30, 2012. 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) leases. Capitalized investment in the building is \$546,688. The one year leases may have two (2) one year renewals through 2013. Rental fees total \$2,974 monthly.

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 2038. Monthly rental fees begin at \$833 and increase at each renewal to an amount equal to one hundred two percent of the monthly rent in effect immediately prior. 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 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 \$42,693,580. Accumulated depreciation of \$6,206,769 has been recorded as of September 30, 2012.

Okaloosa County leases land and building to a Company operating an Intermediate Care Facility for the Development Disabled. The one year lease expires June 30, 2012 with an option to purchase or renegotiating lease. The option to purchase was exercised in 2012 and the property sold. Rental fees totaled \$23,383.60 a month.

Okaloosa County leases land on Okaloosa Island to a company to operate a marine life center. The 10 year lease can be renewed for four (4) optional 10 year periods through 2062. Annual rental fees begin at \$75,000 with annual consumer price index increase.

Okaloosa County leases land on Okaloosa Island to a company to operate a Wild Willy's Adventure Island. The 10 year lease can be renewed for four (2) optional 10 year periods through 2042. Annual rental fees begin at \$65,000 with annual consumer price index increase.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 9 – LEASES - CONTINUED

Operating Leases – Lessor - Continued

Okaloosa County leases office space at the Fort Walton Beach Water and Sewer building. The one year lease expires in June 2013 with an optional two (2) year extension. Rental fees total \$22,604 annually.

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> | |
|---------------------------------------|----------------------|
| 2013 | \$ 2,689,853 |
| 2014 | 2,407,260 |
| 2015 | 2,369,695 |
| 2016 | 2,373,812 |
| 2017 | 2,377,952 |
| Thereafter | <u>38,408,609</u> |
| | <u>\$ 50,627,181</u> |

Operating Leases – Lessee

1. Okaloosa County leases the land on which the airport facilities are located from the United States Government under a thirty-year lease agreement expiring in February 2031. The lease was renegotiated in 2008 adding an additional 22.6 acres for the rental car facilities under a twenty-five year lease expiring in September 2032. The land lease agreement contains a built in rent increase of 3% for annual escalation factor. The lease has an option for renewal at the end of the current lease period. The future minimum lease payments total \$9,905,744 over the life time of the lease. Lease expense for fiscal year 2012 was \$357,912.
2. 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 \$12,082,006 over the life time of the lease. Lease expense for fiscal year 2012 was \$351,790.
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 first of three (3) one year renewals was exercised in 2012. Based on assumed increases of 3%, future minimum lease payments total \$2,136,038. Lease expenditure for fiscal year 2012 was \$513,526.
4. Okaloosa County leases eight Volvo G930 Motor Graders used by public works department for the Board through January 2014. The two three (3) year leases are based on monthly payments of \$6,790 at 4.31% interest with a balloon payment of \$480,000 in June 2013 and \$6,249 with a balloon payment of \$483,232 in January 2015. Future lease payments total \$148,052 for the remaining term of the lease. Lease expenditure for fiscal year 2012 was \$149,837.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 9 – LEASES - CONTINUED

Operating Leases – Lessee - Continued

5. Okaloosa County leases 10 Airport fleet vehicles from Enterprise Leasing under a lease agreement expiring 24 months from the date of delivery. The lease rates range from \$297 to \$430 per vehicle per month with future minimum lease payment of \$81,968. Lease expenditure for fiscal year 2012 was \$13,791.
6. 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 \$66,210 through December 2013. Lease expenditure for the fiscal year ended September 30, 2012 was \$53,230.
7. 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 \$8,940 through December 2013. Total lease expenditure for fiscal year ended September 30, 2012 was \$7,152.
8. 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 \$14,760 through December 2015. Total lease expenditure for fiscal year ended September 30, 2012 was \$4,920.
9. The Clerk of Circuit Court leases postal equipment for the Shalimar office under a non-cancelable operating lease effective for 5 years. Monthly payments under the lease are \$90. Future minimum lease payments for the equipment lease totals \$4,320 through September 2016. Total lease expenditure for fiscal year ended September 30, 2012 was \$1,080.
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 2013 of \$31,500. Total lease expenditure for fiscal year ended September 30, 2012 was \$126,000.
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, 2012, the yearly rental is \$234,010 with minimum lease payments for years 2013 through 2025 of \$3,764,360. Total lease expenditure for fiscal year ended September 30, 2012 was \$236,148.

Total lease expenditure/expense for material operating leases in which the County is the lessee for fiscal year ended September 30, 2012 amounted to \$1,815,386. Future minimum lease payments for these leases are as follows:

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 9 – LEASES - CONTINUED

Operating Leases – Lessee - Continued

| <u>Fiscal Year Ended September 30</u> | |
|---------------------------------------|----------------------|
| 2013 | \$ 1,649,844 |
| 2014 | 1,493,001 |
| 2015 | 1,448,126 |
| 2016 | 1,482,736 |
| 2017 | 1,522,297 |
| 2018-2022 | 5,814,123 |
| 2023-2027 | 5,907,829 |
| 2028-2032 | 5,562,470 |
| 2033-2037 | 2,774,779 |
| 2038 | <u>588,693</u> |
| | <u>\$ 28,243,898</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, 2012.

| | <u>Note Payable</u> |
|---|---------------------|
| Long-term debt payable October 1, 2011 | \$ 1,777,289 |
| Increase/Decrease in long-term debt | <u>-</u> |
| Long-term debt payable September 30, 2012 | <u>\$ 1,777,289</u> |

NOTES PAYABLE

| | |
|--|--------------------|
| \$1,033,391 loan advances, 1991-92, due in annual payments (payments have not been made) through 2005, including interest. | \$1,033,391 |
| \$298,000 loan advance, 2003 zero interest, repayable from future toll revenue. No payment date or amount. | 298,000 |
| \$500,000 loan advance, 2005, zero interest, repayable from future toll revenue. No payment date or amount. | <u>445,898</u> |
| Total Notes Payable | <u>\$1,777,289</u> |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government

The following debt issues are outstanding for September 30, 2012.

Governmental Activities:

REVENUE BONDS

\$26,615,000 Sales Tax Revenue Bonds, Series 2009, serial and term bonds with stated interest rates ranging from 3.0 percent to 6.375 percent compounded semi-annually 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.

\$26,305,000

\$3,600,000 Capital improvement Revenue Bond, Series 2011, serial bonds with stated interest rate of 3.72 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$133,000 to \$259,000 from October 1, 2012 through October 1, 2030. General governmental revenues are pledged for the payment of the bonds. Proceeds of the bonds have been used to finance the purchase of the Newman C. Brackin Building to be used for office space. This issue is subject to federal arbitrage regulations.

3,600,000

Total Governmental Activities Revenue Bonds

\$29,905,000

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.

\$9,130,000

\$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

9,280,000

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 10 – LONG-TERM DEBT - CONTINUED

Primary Government - Continued

Business-type Activities - Continued:

REVENUE BONDS - CONTINUED

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. The Bonds are subject to special mandatory redemption on October 1 of each year, commencing October 1, 2010, in inverse order of maturities and by lot within a maturity at the redemption price of par plus accrued interest to the redemption date plus applicable redemption premiums. Fourth Cent Tourist Development Tax monies are pledged for payment of these special obligation revenue bonds. Proceeds from the bonds were used to finance the costs of acquisition and construction of the Okaloosa County Conference Center. This issue is subject to federal arbitrage regulations.

1,685,000

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.

148,667

\$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.

11,925,000

\$65,150,000 Water and Sewer Revenue Bonds, Series 2006, beginning July 1, 2016, 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.

60,875,000

Total Business-type Revenue Bonds

\$ 93,043,667

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

\$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.

\$ 180,950

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Business-type Activities - Continued:

LOANS - STATE OF FLORIDA - CONTINUED

| | |
|--|------------------|
| \$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. | 127,534 |
| \$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. | 484,625 |
| \$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. | 473,195 |
| \$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. | 138,004 |
| \$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. | 6,266,466 |
| Total Loans - State of Florida | <u>7,670,774</u> |

OTHER LOANS

| | |
|---|----------------------|
| \$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 |
| \$819,000 State Infrastructure Bank Loan; annual principal and interest payments of \$132,500 beginning October 1, 2012 through October 1, 2018; The loan finances the purchase of property to provide direct highway access for the Bob Sikes Airport in Crestview; the debt service on the loan is payable from net revenues of the Airport. | 819,000 |
| \$3,000,000 State Infrastructure Bank Loan; annual principal and interest payments of \$351,692 beginning October 1, 2012 through October 1, 2021; The loan finances the construction of infrastructure improvements at the Bob Sikes Airport in Crestview; The project is in progress and remaining funds will be drawn in 2012; The debt service on the loan is payable from the net revenues of the Airport. | 2,766,407 |
| \$15,605,000 Water and Sewer Revenue Note, Series 2012, due in annual installments beginning July 1, 2014 of \$50,000 to \$1,685,000 through July 1, 2026; interest rate of 3.17%. Proceeds from the note will be used to fund several major projects on the five years Capital Improvement Plan and debt service reserves for the 2004 and 2006 Revenue Bonds. This issue is subject to federal arbitrage regulations. | 15,365,000 |
| Total Buisness-type Loans and Notes | <u>\$ 28,621,181</u> |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

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, 2012.

| | Balance Due October 1, 2011 | Increases | Decreases | Balance Due September 30, 2012 | Due Within One Year |
|---|-----------------------------------|---------------------|-----------------------|--------------------------------------|------------------------|
| Governmental Activities: | | | | | |
| Revenue Bonds | | | | | |
| Sales Tax Revenue Bonds, | | | | | |
| Series 2009 | \$ 26,615,000 | \$ - | \$ (310,000) | \$ 26,305,000 | 580,000 |
| Series 2011 | 3,600,000 | - | - | 3,600,000 | 133,000 |
| Less deferred amounts | | | | | |
| For issuance discounts/premiums | (823,385) | - | 71,583 | (751,802) | - |
| Total Revenue Bonds | 29,391,615 | - | (238,417) | 29,153,198 | 713,000 |
| Loans and Notes | | | | | |
| Commercial Paper Loan | 2,740,000 | - | (2,740,000) | - | - |
| Accrued compensated absences | 5,489,771 | 506,485 | (411,994) | 5,584,262 | 3,429,509 |
| Estimated claims payable | 5,710,796 | 2,106,717 | (1,186,013) | 6,631,500 | 2,884,238 |
| Other post employment benefits | 3,920,640 | 492,310 | (213,996) | 4,198,954 | - |
| Total Governmental Activities | \$ 47,252,822 | \$ 3,105,512 | \$ (4,790,420) | \$ 45,567,914 | \$ 7,026,747 |
| Business-type Activities: | | | | | |
| Revenue Bonds | | | | | |
| Airport Revenue Bonds, Series 2003 | \$ 9,405,000 | \$ - | \$ (275,000) | \$ 9,130,000 | \$ 285,000 |
| Airport Taxable Revenue Bonds, Series 2007 | 9,525,000 | - | (245,000) | 9,280,000 | 265,000 |
| Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000 | 3,490,000 | - | (1,805,000) | 1,685,000 | 335,000 |
| Subordinated Revenue Bonds, Series 1985 | 198,694 | - | (50,027) | 148,667 | 55,155 |
| Water and Sewer Revenue, Series 2004 | 15,195,000 | - | (3,270,000) | 11,925,000 | 3,395,000 |
| Water and Sewer Revenue, Series 2006 | 60,875,000 | - | - | 60,875,000 | - |
| Less deferred amounts | | | | | |
| For issuance discounts/premiums | (740,551) | (94,181) | 208,110 | (626,622) | - |
| Total Revenue Bonds | 97,948,143 | (94,181) | (5,436,917) | 92,417,045 | 4,335,155 |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

| | Balance Due October 1, 2011 | Increases | Decreases | Balance Due September 30, 2012 | Due Within One Year |
|---|-----------------------------------|----------------------|-----------------------|--------------------------------------|------------------------|
| Business-type Activities - Continued: | | | | | |
| Loans and Notes | | | | | |
| State of Florida Revolving Loan Fund, December 30, 1994 through June 30, 2014 | 267,834 | - | (86,884) | 180,950 | 89,252 |
| State of Florida Revolving Loan Fund, October 10, 1995 through April 10, 2015 | 167,904 | - | (40,370) | 127,534 | 41,422 |
| State of Florida Revolving Loan Fund, April 1, 2001 through October 1, 2016 | 583,705 | - | (99,080) | 484,625 | 102,102 |
| State of Florida Revolving Loan Fund, September 15, 1999 through March 15, 2017 | 570,759 | - | (97,564) | 473,195 | 100,237 |
| State of Florida Revolving Loan Fund, February 15, 2001 through August 15, 2019 | 155,347 | - | (17,343) | 138,004 | 17,899 |
| State of Florida Revolving Loan Fund, beginning June 15, 2007 through December 15, 2023 | 6,613,250 | - | (346,784) | 6,266,466 | 356,468 |
| Personal Loan | 73,208 | - | (73,208) | - | - |
| Commercial Paper Loan | 2,000,000 | - | - | 2,000,000 | - |
| State Infrastructure Bank Loan | 819,000 | - | - | 819,000 | 107,791 |
| State Infrastructure Bank Loan | 944,018 | 1,822,389 | - | 2,766,407 | 311,139 |
| Water and Sewer Revenue Note, Series 2012 | - | 15,605,000 | (240,000) | 15,365,000 | - |
| Less deferred amounts | | | | | |
| For issuance discounts | (134,665) | (44,170) | 16,588 | (162,247) | - |
| Total Loans and Notes | 12,060,360 | 17,383,219 | (984,645) | 28,458,934 | 1,126,310 |
| Accrued compensated absences | 1,645,105 | 116,168 | (40,022) | 1,721,251 | 941,482 |
| Estimated closure costs payable | 3,786,248 | - | (206,934) | 3,579,314 | 244,796 |
| Other post employment benefits | 249,379 | 105,521 | (90,582) | 264,318 | - |
| Total Business-type Activities | \$ 115,689,235 | \$ 17,512,525 | \$ (6,760,898) | \$ 126,440,862 | \$ 6,647,743 |

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 \$1,830,658 of internal service funds compensated absences, \$5,157,423 of estimated claims, and \$3,602,275 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 10 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Debt service requirements to maturity on long-term debt at September 30, 2012 are as follows.

| Year Ending September 30, | Government | |
|---------------------------|----------------------|----------------------|
| | Revenue Bonds | |
| | Principal | Interest |
| 2013 | 713,000 | 1,577,773 |
| 2014 | 738,000 | 1,554,662 |
| 2015 | 758,000 | 1,530,913 |
| 2016 | 784,000 | 1,506,671 |
| 2017 | 809,000 | 1,472,805 |
| 2018-2022 | 4,438,000 | 6,774,780 |
| 2023-2027 | 5,228,000 | 5,590,848 |
| 2028-2032 | 6,007,000 | 4,023,183 |
| 2033-2037 | 6,120,000 | 2,180,513 |
| 2038-2040 | 4,310,000 | 282,093 |
| | <u>\$ 29,905,000</u> | <u>\$ 26,494,241</u> |

| Year Ending September 30, | Business-type Activities | | | | | |
|------------------------------|--------------------------|----------------------|----------------------|---------------------|------------------------|-------------|
| | Revenue Bonds | | Loans and Notes | | Landfill Closure Costs | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | 4,335,155 | 4,419,237 | 1,126,310 | 765,639 | 244,796 | - |
| 2014 | 4,520,809 | 4,262,085 | 1,159,486 | 782,477 | 244,796 | - |
| 2015 | 4,692,703 | 4,087,726 | 1,337,221 | 749,593 | 244,796 | - |
| 2016 | 2,885,000 | 3,902,055 | 1,377,760 | 710,400 | 244,796 | - |
| 2017 | 2,825,000 | 3,781,994 | 2,218,535 | 669,463 | 244,796 | - |
| 2018-2022 | 14,930,000 | 16,885,570 | 12,758,191 | 2,318,449 | 1,223,980 | - |
| 2023-2027 | 19,205,000 | 12,514,644 | 8,643,678 | 674,108 | 874,648 | - |
| 2028-2032 | 22,900,000 | 7,105,113 | - | - | 256,706 | - |
| 2033-2036 | 16,750,000 | 2,145,000 | - | - | - | - |
| | <u>\$ 93,043,667</u> | <u>\$ 59,103,424</u> | <u>\$ 28,621,181</u> | <u>\$ 6,670,129</u> | <u>\$ 3,579,314</u> | <u>\$ -</u> |

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, 2012, \$33,594,025 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 12 - FUND BALANCES/RESTRICTED BALANCE

A schedule of the governmental fund balances for September 30, 2012 is provided below.

| | Major Funds | | | | | Total |
|----------------------------------|---------------------|-----------------------|----------------------|---------------------|----------------------|----------------------|
| | General Fund | County Transportation | Tourist Development | Capital Outlay | Other | |
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepays | \$ 284,264 | \$ 11,216 | \$ 16,810 | \$ - | \$ 67,512 | \$ 379,802 |
| Inventory | - | - | 549,000 | - | - | 549,000 |
| Restricted for: | | | | | | |
| Tourist Development Projects | - | - | 11,961,355 | - | - | 11,961,355 |
| Beach Restoration Project | - | - | 1,235,563 | - | - | 1,235,563 |
| Florida Boating Improvements | - | - | - | 568,720 | - | 568,720 |
| Emergency and Disaster Relief | - | - | - | - | 304,287 | 304,287 |
| Housing and Urban Development | - | - | - | - | 303,408 | 303,408 |
| E-911 Operations | - | - | - | - | 1,299,844 | 1,299,844 |
| Radio Communications | - | - | - | - | 124,503 | 124,503 |
| Law Enforcement Trust Fund | - | - | - | - | 268,965 | 268,965 |
| Police Academy | - | - | - | - | 107,972 | 107,972 |
| Park Projects | - | - | - | - | 4,675,333 | 4,675,333 |
| Prisoner Benefit Fund | - | - | - | - | 437,580 | 437,580 |
| Judicial Innovations | - | - | - | - | 543,700 | 543,700 |
| Law Library | - | - | - | - | 14,959 | 14,959 |
| Teen Court | - | - | - | - | 85,980 | 85,980 |
| Drug Abuse Trust Fund | - | - | - | - | 60,198 | 60,198 |
| Domestic Violence Trust Fund | - | - | - | - | 256,417 | 256,417 |
| Family Mediation | - | - | - | - | 5,255 | 5,255 |
| Traffic Education | - | - | - | - | 70,878 | 70,878 |
| Public Records | - | - | - | - | 2,212,471 | 2,212,471 |
| Debt Service | - | - | - | - | 194,807 | 194,807 |
| Transportation Projects | - | - | - | - | 11,201,954 | 11,201,954 |
| Committed to: | | | | | | |
| Planning Projects | 26,808 | - | - | - | - | 26,808 |
| Park Development Projects | - | - | - | 71,660 | - | 71,660 |
| Municipal Benefits Service Units | - | - | - | - | 508,239 | 508,239 |
| Assigned to: | | | | | | |
| Capital Projects | - | - | - | 3,058,880 | - | 3,058,880 |
| Transportation Projects | - | 1,080,563 | - | - | - | 1,080,563 |
| Emergency and Disaster Relief | - | - | - | - | 853,036 | 853,036 |
| Unassigned: | | | | | | |
| Unassigned | 8,112,239 | - | (565,810) | - | (64,566) | 7,481,863 |
| Total Fund Balances | \$ 8,423,311 | \$ 1,091,779 | \$ 13,196,918 | \$ 3,699,260 | \$ 23,532,732 | \$ 49,944,000 |

The proprietary fund balance sheet contains the line item "Net Assets Restricted for Other Purposes". Following is a list of the detail balances contained in that line item for September 30, 2012.

| Fund | Amount | Purpose |
|---|----------------------|------------------------------------|
| Airport Enterprise Fund | \$ 6,893,886 | Passenger Facility Charges Program |
| Airport Enterprise Fund | 2,113,087 | Customer Facility Charges Program |
| Convention Center Enterprise Fund | 2,765,752 | Tourist Development Tax |
| Total Net Assets Restricted for Other Purposes | \$ 11,772,725 | |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 13 – SPECIAL ITEMS

Tourist Development

The Board adopted Ordinance No. 07-1 on December 4, 2007, establishing the Okaloosa Beach Restoration Municipal Service Benefit Unit (MSBU), to partially fund its beach restoration within the Okaloosa Island Assessment Area and the Western Destin Assessment Area through a special assessment on real property located within each Assessment Area within the MSBU which would be specially benefited by these projects. In January 2012, the Board felt it in the best interest to defer construction of the beach restoration project from within Okaloosa Island Project Area until a later date, and refund all years special assessments to those properties that have paid the special assessment imposed within the MSBU for the Okaloosa Island Beach Restoration Project and the Western Destin Beach Restoration Project. \$2,007,041 of assessments and interest actually earned upon that money by the County during the time was refunded to owners of the properties by June 1, 2012. The refund resulted in a Special Item of \$2,007,041 reported in the Tourist Development Special Revenue Fund.

Water and Sewer

In April 2012, the County Water and Sewer approved transferring their ownership share of the City of Niceville, City of Valparaiso, Okaloosa County (NVOC) plant and effluent disposal capacity to the City of Niceville. In the agreement, the County relinquishes any and all interest in the NVOC facilities in exchange for the City of Niceville paying the County's portion of the required NVOC plant upgrade mandated by a 2008 Florida Department Environmental Protection Consent Order. Discontinuation of the joint venture resulted in an impairment loss of \$695,981 being recorded in the September 30, 2012 Water and Sewer financial statements.

With County Water and Sewer discontinuation of the NVOC interlocal agreement, the County Water and Sewer no longer has the need for the reclaimed water system used to provide reclaimed water to the Rocky Bayou Country Club; thus, November 2012, the Board approved the transfer of Water and Sewer's 50% ownership in the reclaimed water facilities to the City of Niceville. The transfer resulted in accelerated depreciation of the reclaimed system of \$1,762,335 being recorded as an impairment loss on the Water and Sewer financial statements at September 30, 2012.

NOTE 14 - 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 14 - PENSION PLAN - CONTINUED

Florida Retirement System – Continued

FRS Plan Changes

Effective July 1, 2011, the Florida Legislature passed Senate Bill 2100 that made substantive changes to the Florida Retirement System (FRS). The new Bill requires all FRS Investment and Pension Plan members (except those in Deferred Retirement Option Program, DROP) to now pay a 3% employee contribution, on a pretax basis, beginning on or after July 1, 2011. Cost of living adjustments (COLA) on or after July 1, 2011 are not automatic at 3%, but based on total years of service earned prior to July 1, 2011 to total years of service at retirement, multiplied by 3%.

New members enrolling into FRS for the first time after July 1, 2011 will be subject to additional changes including 1) an increased vesting period from 6 years to 8 years, 2) a change calculation of benefits using Average Final Compensation (AFC) on the highest eight years of compensation as compared to highest five years. In addition, the normal retirement date for Regular, Senior Management Service, Elected Officers', and Special Risk Administrative Support Classes was modified to be age 65, with 8 years of service or 33 years of service regardless of age. Normal retirement for Special Risk Class members now at age 60, with 8 years of service, or 30 years of special risk class service or age 57, with 30 years of combined special risk class service and military service. For those members participating in the DROP program, the Legislature reduced the annual interest rate used for benefits from 6.5% to 1.3%. The funding policy relative to the FRS plan is disclosed below.

Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. Effective July 1, 2011, the Florida Legislature passed Senate Bill 2100 requiring all employee members to contribute 3% to the Plan. Formerly, only employers were required to

contribute to the FRS Plan. The FRS funding policy now provides for monthly employer and employee 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.

In July 2002, the Florida Legislature established a uniform contribution rate system for the FRS, which remained in effect with the passage of Senate Bill 2100. The uniform contribution system covers both the FRS Pension Plan and the FRS Investment Plan. Employers and employees contribute a percentage of the total payroll for each class of FRS membership.

The current actuarially determined contribution rates expressed as a percentage of covered payrolls are for regular employees 3.80%, special risk employees 12.99%, special risk administrative support 4.93%, elected judges 10.58%, elected county officers 10.03%, senior management service class 5.16%, and 3.31% for the Deferred Retirement Option Program (DROP). The County's contributions to the plan for the years ended September 30, 2012, 2011, and 2010, listed below were equal to the required contributions for the year.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 14 - PENSION PLAN - CONTINUED

Florida Retirement System – Continued

Funding Policy - Continued

| <u>Elected Officials</u> | Years Ended September 30, | | |
|-------------------------------|---------------------------|---------------------|---------------------|
| | 2012 | 2011 | 2010 |
| Board of County Commissioners | \$ 2,297,942 | \$ 3,898,716 | \$ 4,348,214 |
| Clerk of the Circuit Court | 206,573 | 401,700 | 453,451 |
| Sheriff | 2,014,554 | 2,887,232 | 3,091,965 |
| Tax Collector | 241,744 | 351,338 | 324,608 |
| Property Appraiser | 92,366 | 161,656 | 192,717 |
| Supervisor of Elections | 40,678 | 72,291 | 78,414 |
| Total Contributions | <u>\$ 4,893,857</u> | <u>\$ 7,772,933</u> | <u>\$ 8,489,369</u> |

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, 2012, the unfunded actuarial liability of the HIS program was \$8.8 billion. The annual required contribution (ARC) calculated in July, 2012, for the fiscal year ending June 30, 2013 is 1.71% of active payroll. For fiscal year ended September 30, 2012, 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 15 - 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) 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). Pursuant to the provision of Section 112.0801, Florida Statutes, employees who retire from the County and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. 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.

Membership

At September 30, 2012, membership consisted of:

| | |
|--|-----|
| Retirees and Beneficiaries Currently Receiving Benefits | 50 |
| Terminated Employees Entitled to Benefits But Not Yet Receiving Them | - |
| Active Employees | 736 |
| Total | 786 |
| Participating Employers | 1 |

Funding Policy

The County contracted Insurance Broker negotiates the premium rates with BCBSFL. The County has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPBE obligation. Rather, 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 2012 was \$494,740. 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 15 - POSTEMPLOYMENT BENEFITS - CONTINUED

Board of County Commissioners - Continued

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 ongoing 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 | \$ 369,583 |
| Interest on Prior Year Net OPEB Obligation | 33,143 |
| Adjustment to Annual Required Contribution | (47,916) |
| Annual OPEB Costs | 354,810 |
| Estimated Employer Contributions made | (304,578) |
| Increase (Decrease) in Net OPEB Obligation | 50,232 |
| Net OPEB Obligation , Beginning of Year | 828,569 |
| Estimated Net OPEB Obligation, End of Year | \$ 878,801 |

The County first had an actuarial valuation performed for the plan as of September 30, 2012 to determine the employer's ARC for the fiscal year ended September 30, 2012. 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 2012 and the prior two (2) years were as follows:

| Fiscal Year Ended | Annual OPEB Costs | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|----------------------|---|------------------------|
| 9/30/2010 | \$ 388,725 | 46.29% | \$ 608,632 |
| 9/30/2011 | \$ 401,963 | 45.28% | \$ 828,569 |
| 9/30/2011 | \$ 354,810 | 85.90% | \$ 878,801 |

Funded Status and Funding Progress

As of September 30, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$3,788,681 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,788,681. 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 15 – POST EMPLOYMENT BENEFITS – CONTINUED

Board of County Commissioners – Continued

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, 2012, 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 6.1% initially, reduced by decrements to an ultimate rate of 4.7% in 2082. The Unfunded Actuarial Liability (UAAL) is being amortized using an open amortization period of 30 level annual payments. The remaining amortization period at September 30, 2012, was 25 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.

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 15 – POST EMPLOYMENT BENEFITS – CONTINUED

Sheriff – Continued

Benefits Provided - Continued

may elect any combination of plans (i.e. only dental, medical/prescription, etc.). Retirees and their dependents that 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, 2012, 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.

Effective June 2011 the OCSO instituted a policy whereby retiring members with thirty years of service with the agency will receive a 50% premium subsidy on their retired employee coverage. This subsidy is limited to five years from their retirement date or until they reach age 65, whichever comes first. 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 26 years. The following shows the components of the Sheriff's net OPEB obligation as of September 30, 2012:

| | |
|--|--------------|
| Annual Required Contribution | \$ 355,059 |
| Interest on Prior Year Net OPEB Obligation | 133,658 |
| Adjustment to Annual Required Contribution | (128,517) |
| Annual OPEB Costs | 360,200 |
| Estimated Employer Contributions made | (117,179) |
| Increase (Decrease) in Net OPEB Obligation | 243,021 |
| Net OPEB Obligation , Beginning of Year | 3,341,450 |
| Estimated Net OPEB Obligation, End of Year | \$ 3,584,471 |

The Sheriff's annual OPEB cost (expense) was \$360,200 for the year ended September 30, 2012. The Sheriff's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 and the prior two (2) years were as follows:

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 15 – POST EMPLOYMENT BENEFITS – CONTINUED

Sheriff – Continued

Annual OPEB Costs and Net OPEB Obligation - Continued

| Fiscal Year Ended | Annual OPEB Costs | Estimated Amount Contributed | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|----------------------|---------------------------------|---|------------------------|
| 9/30/2010 | \$898,155 | \$206,762 | 23.02% | \$3,229,829 |
| 9/30/2011 | \$334,074 | \$222,448 | 66.59% | \$3,341,450 |
| 9/30/2012 | \$360,200 | \$117,179 | 32.53% | \$3,584,471 |

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$2,873,292 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 July 1, 2011, 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 8.5% initially, reduced by decrements to an ultimate rate of 5.5% in 2020. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2012, was 26 years.

NOTE 16 - 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 16 - 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 \$200,000 and \$300,000, 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 \$100,000 (\$50,000 for automobile liability, \$5,000 for physical damage) of each claim or incident. Stop Loss Aggregate insurance had been purchased in prior years to cover losses over \$2,200,000 (\$50,000 for automobile liability, \$1,000 for physical damage); however, after careful review we have elected not to renew the coverage.

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 \$100,000 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.

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 \$350,000 per employee per accident. Excess insurance is purchased to cover losses up to a statutory limit 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 16 - RISK MANAGEMENT - CONTINUED

A. Method of Risk Management

Employee Medical Benefits - Continued

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 unlimited coverage to begin when a specific claim exceeds \$95,000 plus an additional corridor of \$125,000. 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 125% of the expected claims for the current plan year.

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, 2012, the amount of these liabilities was \$1,152,782. 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, 2012. 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.

| Reconciliation of Claims Liabilities for Medical Benefits Okaloosa County Sheriff | As of <u>September 30, 2012</u> | As of <u>September 30, 2011</u> |
|---|------------------------------------|------------------------------------|
| Unpaid claims and adjustment expenses at beginning of year | \$ 654,793 | \$ 650,727 |
| Incurred claims and claim adjustment expenses | | |
| A) Provision for insured events of current fiscal year | 4,583,682 | 2,166,657 |
| B) Increases (decreases) in provision for insured events of prior fiscal years | - | - |
| Total incurred claims and claim adjustment expenses | <u>5,238,475</u> | <u>2,817,384</u> |
| Payments | | |
| A) Claims and claim adjustment expenses attributable to insured events of current fiscal year | 4,085,693 | 2,162,591 |
| B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year | - | - |
| Total payments | <u>4,085,693</u> | <u>2,162,591</u> |
| Unpaid claims and claim adjustment at end of year | <u>\$ 1,152,782</u> | <u>\$ 654,793</u> |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 16 - RISK MANAGEMENT - CONTINUED

A. Method of Risk Management

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.

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, 2012. 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, 2012 were as follows:

| | Current | Long-term | Total |
|-----------------------------------|---------------------|---------------------|---------------------|
| Workers' compensation | \$ 1,348,550 | \$ 1,627,381 | \$ 2,975,931 |
| General liability | 361,699 | 634,388 | 996,087 |
| Auto liability | 12,707 | 11,416 | 24,123 |
| Property | 8,500 | - | 8,500 |
| Total claims liability recognized | <u>\$ 1,731,456</u> | <u>\$ 2,273,185</u> | <u>\$ 4,004,641</u> |

C. Funding of Claims Liabilities

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 16 - RISK MANAGEMENT - CONTINUED

D. Reconciliation of Claims Liabilities

| | As of September 30, 2012 | | | | As of September 30, 2011 | | | |
|---|--------------------------|--------------|----------|--------------|--------------------------|--------------|----------|--------------|
| | Workers' Compensation | Liability | Property | Total | Workers' Compensation | Liability | Property | Total |
| Unpaid claims and adjustment expenses at beginning of year | \$ 2,852,811 | \$ 729,115 | \$ - | \$ 3,581,926 | \$ 2,734,991 | \$ 1,087,394 | \$ - | \$ 3,822,385 |
| Incurred claims and claim adjustment expenses | | | | | | | | |
| A) Provision for insured events of current fiscal year | 1,071,551 | 668,214 | 8,500 | 1,748,265 | 1,301,047 | 265,412 | - | 1,566,459 |
| B) Increases (decreases) in provision for insured events of prior fiscal years | 121,283 | (260,820) | - | (139,537) | (160,853) | (275,479) | 1,000 | (435,332) |
| Total incurred claims and claim adjustment expenses | 1,192,834 | 407,394 | 8,500 | 1,608,728 | 1,140,194 | (10,067) | 1,000 | 1,131,127 |
| Payments | | | | | | | | |
| A) Claims and claim adjustment expenses attributable to insured events of current fiscal year | 254,864 | 19,090 | - | 273,954 | 308,928 | 74,452 | - | 383,380 |
| B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year | 814,850 | 97,209 | - | 912,059 | 713,446 | 273,760 | 1,000 | 988,206 |
| Total payments | 1,069,714 | 116,299 | - | 1,186,013 | 1,022,374 | 348,212 | 1,000 | 1,371,586 |
| Unpaid claims and claim adjustment expenses at end of year | \$ 2,975,931 | \$ 1,020,210 | \$ 8,500 | \$ 4,004,641 | \$ 2,852,811 | \$ 729,115 | \$ - | \$ 3,581,926 |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 17 – 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 \$1,672,435 through September 30, 2012. 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. In November 2012, the Board has approved an amendment to the agreement for the transfer of the reclaimed water facilities by January 2013. The County’s investment in capital assets is carried in the Water and Sewer Enterprise Fund and has been adjusted for the decrease in its expected life as discussed in Note 13.

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 began March 2010. Fees of \$1,951,099 paid by the City during 2012 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> |
|----------------------------------|---------------------|
| 2013 | \$ 48,456 |
| 2014 | 49,910 |
| 2015 | 51,407 |
| 2016 | 52,949 |
| 2017 | 54,537 |
| 2018-2022 | 298,230 |
| 2023-2027 | 345,733 |
| 2028-2032 | 400,805 |
| 2032-2037 | 464,645 |
| 2038-2039 | 205,958 |
| Total | <u>\$ 1,972,630</u> |

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 17 – COMMITMENTS AND CONTINGENCIES - CONTINUED

Eglin Wastewater Treatment Reconfiguration – Phase I

Okaloosa County Water and Sewer entered into an agreement with Eglin Air Force Base (AFB) to plan, design, and construct a lift station and force main to connect Duke Field to the Arbennie Prichett Wastewater Treatment Facility. This contract is for Phase 1A of the Eglin Wastewater Treatment Reconfiguration Project with contract to be modified in the future to include wastewater plants at Eglin Main and Camp Rudder. Phase 1A includes connection fees of \$1,500,000, capacity expansion charges of \$572,800 and is projected to generate annual revenue of \$60,000 to \$70,000 after final build out. The project was under construction as of September 30, 2012.

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, 2012 were \$1,459,065 and will be used for debt service on the Series 2007 taxable airport revenue bonds.

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 County's rent is \$10 per year for the facility located on the College's Niceville, Florida campus. The County funded approximately \$7,000,000 in contributions to the project. The joint use facility was completed and operations began in December 2010.

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 17 – 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 yearend. Okaloosa County has six bond issues and one note falling within the purview of the above directives - \$26,615,000 Sales Tax Revenue Bonds, Series 2009; \$3,600,000 Capital Improvement Revenue Bond, Series 2011; \$13,450,000 Fourth Cent Tourist Development Tax Revenue Bonds, Series 2000; \$10,860,000 Airport Revenue Bonds, Series 2003; \$31,170,000 Water and Sewer Revenue Bonds, Series 2004; \$65,150,000 Water and Sewer Revenue Bond, Series 2006; and \$15,605,000 Water and Sewer Revenue Note Series 2012.

According to the calculations, the Board has no rebate liability with respect to the bonds at September 30, 2012. 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.

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 invoices received in January 2011 and October 2011 by the County for the reconciliation of FY09-10 and FY10-11 allocations totaled \$1,061,187 and \$412,899, respectively. 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. The County has also challenged the FY11-12 reconciliation which resulted in a credit owed of \$506,610. The challenge was necessary to preserve the legal argument. \$1,474,086 has been accrued in the Self Insurance Internal Service Fund as an estimate of amounts potentially owed to the State of Florida.

Medicaid County Billing Retrospective

In accordance with section 409.915, F.S., Okaloosa County must contribute a portion of the cost for State Medicaid for county “resident” Medicaid patients. House Bill 5301 pledged the Agency for Health Care Administration (AHCA) would certify and identify the county costs of unpaid retroactive amounts owed from November 2001 thru April 2012 and allow the County to either pay or petition for hearing. July 2012, AHCA certified open claims of \$839,540 with net payments, credits, and transfers of \$562,436 resulting in a preliminary certification of \$277,104. After final certifications, AHCA certified the County’s portion of the retroactive amounts to be \$265,850. The Board approved the final certification of \$265,850 resulting in reduction of the State Revenue Sharing of \$6,277 per month for 2013 and \$3,139 per month for the following four (4) year period.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 17 – COMMITMENTS AND CONTINGENCIES - CONTINUED

Tourist Development Council

In April 2012, Okaloosa County became aware of a purchase of a yacht related to a promotional campaign by its executive director of the Tourist Development Council via one of the County Tourist Development's advertising agencies. During this time, another County Tourist Development advertising agency disclosed funds for a promotional campaign had been refunded upon the request of the Executive Director and wired by the advertising company into an account which was used by the Executive Director to purchase his personal residence in the amount of \$747,000. The Executive Director resigned and an investigation began by the Okaloosa County's Sheriff's office (OCSO), Federal Bureau of Investigations, and Florida Law Enforcement. An arrest warrant was issued for the Executive. During the investigations, additional unauthorized purchases were discovered both in terms of unauthorized campaigns and other advertising promotions and fraudulent expenditures that personally benefited the Executive Director. The funds disbursed for these purchases were a combination of bed tax funds and funds received by British Petroleum to promote the area after the impacts of the Gulf oil spill on tourism.

In May 2012 the Board made changes to the operating structure of the Tourist Development Department, which previously reported directly to the BCC, to a County Department which reports to the County Administrator and operates under the same policies and procedures as other departments. In addition written task orders were to be prepared and approved for all subsequent payments made to the advertising firms. In June 2012 the BCC terminated the advertising contracts with both firms effective September 30, 2012. In September, 2012 the Board adopted contract payment policies and procedures as part of the Tourist Development Department's operations and procedures manual.

The yacht, titled in the name of Okaloosa County, is currently recorded at its estimated fair market value of \$549,000 and is currently listed for sale at September 30, 2012. Other physical assets held by Okaloosa County are a 2011 Subaru and furniture which are planned to be sold at auction. Okaloosa County Board of County Commissioners is actively seeking recovery of funds paid for the personal residence which is in possession of the U.S. Marshall's Office and is listed for sale. The Board of County Commissioners are attempting to obtain a refund of \$25,000 for an advance payment for a concert performance that did not take place. It is uncertain of the amount of any potential recovery. British Petroleum has confirmed the Company does not want a refund of any illegal purchases made using oil spill dollars and requested they be used for their original purpose of area promotion if recovered. Certain disbursements recorded in the Tourist Development special revenue fund during FY12 and prior periods may be unauthorized, unsupported, or potentially illegal; however the financial position of the fund is recorded in accordance with generally accepted accounting principles.

NOTE 18 – 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. The current agreement was effective October 1, 2011 and ended on September 30, 2012 and is subject to renewal or revision October 2012. The Okaloosa County Board of County Commissioners' contribution to the library cooperative for the year ended September 30,

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 18 – RELATED ORGANIZATION - CONTINUED

Library Cooperative - Continued

2012 was \$535,000. In addition approximately \$119,465 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, 2012. The future commitment to the library cooperative in 2013 is \$513,600.

NOTE 19 – 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, 2012. 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. In October 2012, \$1,575,760 in principal and interest was exercised with the redemption provision.

Beach Restoration Revenue Note

In September 2012, the Tourist Development Council received approval from the Board of County Commissioners to partial fund the Western Destin Beach Restoration Project with proceeds from a non-bank qualified loan. Loan proceeds are not to exceed \$5,000,000. The loan was closed in October 2012.

Florida Association of Counties (FAC) Commercial Paper Loan

November 2012, Okaloosa County approved Resolution No. 12-166 extending the FAC Commercial Paper Loan refinancing for the financing of various capital projects at County airports. The \$2,000,000 was refinanced with one balloon payment of \$2,000,000 due December 5, 2017.

Renovation of Shalimar Annex

Okaloosa County contracted a construction company to begin Phase I of the renovations to the Shalimar Annex for \$166,597. Phase one of the two phase project will cover design, build, and architectural services. The County reserves the right to terminate the contract at the end of Phase I if the county loses the appeal challenge for the Reverter Clause at the Annex. If the County is successful in the challenge, Phase II renovations would begin immediately to be completed in time to accommodate other elected officials expiring leases. The estimated cost of the renovation project is \$6 million.

Gulf Coast Seafood and Tourism Promotional Fund

December 2012, Okaloosa County entered into an agreement contingent upon sufficient funding of a Settlement Trust resulting from the litigation and Deepwater Horizon Economic and Property Damages Trust Agreement with BP Exploration & Production Inc. The County was awarded \$450,000 for the period of December 2012 to November 2013 to fund a scientific study of relative biomass and estimates of species on up to 100 publically known artificial reefs and develop a web-based application for the purpose of educating and communicating the finding of the hydro acoustic survey efforts.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2012

NOTE 19 – SUBSEQUENT EVENTS - CONTINUED

Operational Audit of the Tourist Development Taxes and Funds Received from British Petroleum

In January, 2013 the Florida Auditor General completed an operational audit of Okaloosa County's Commissioners' Oversight of the Tourist Development Council and Use of Tourist Development Taxes and Funds received from British Petroleum. The audit period was from May 1, 2010 to May 31, 2012. The report contains multiple findings involving operational and internal control matters. The Florida Auditor General in March, 2013 began an operational audit of the entire operation of the Okaloosa County, Florida Board of County Commissioners and Okaloosa County, Florida Clerk of the Circuit Court. The audit period will cover the period from October 1, 2011 to February 28, 2013.

Tourist Development Recoveries

In March 2013 the Board of County Commissioners accepted a contract for the sale of the yacht held in the Tourist Development Special Revenue fund. Proceeds recovered after sales commission are expected to be approximately \$412,200. An additional impairment loss of \$136,800 will be recorded during the year ended September 30, 2013. The proceeds will be returned to the Tourist Development Special Revenue Fund.

In March 2013, the 2011 Subaru was sold at auction for approximately \$14,000. The proceeds will be returned to the Tourist Development Special Revenue Fund.

In March 2013, the County authorized delivery of two (2) custom motorcycles which costs \$118,000 paid for with Tourist Development funds. Disposition of the motorcycles is uncertain at the date of this report.

In March 2013, the U.S. Marshall's Office sold the house of the former Executive Director of the Tourist Development Council which was purchased with Tourist Development funds. It is expected the County will recover \$570,000 which will be returned to the Tourist Development Special Revenue Fund.

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Required Supplementary Information

Okaloosa County, Florida
Post Employment Benefits Plans Schedule of Funding Progress
September 30, 2012

Board of County Commissioners

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Liabilities (AAL)⁽¹⁾ | Unfunded Actuarial Liabilities (UAAL)⁽²⁾ | Funded Ratio | Covered Payroll⁽³⁾ | UAAL as a Percentage of Covered Payroll⁽³⁾ |
|---|--|--|--|-------------------------|--|--|
| October 1, 2009 | - | \$ 3,335,096 | \$ 3,335,096 | 0.0% | | |
| October 1, 2010 | - | \$ 3,587,969 | \$ 3,487,969 | 0.0% | | |
| October 1, 2011 | - | \$ 3,788,681 | \$ 3,788,681 | 0.0% | \$ 31,617,251 | 12.0% |

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

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

(3) Medical benefits are not tied to the size of payroll and advised costs as a percentage of payroll does not raise GASB 45 costs.
Approach revised in 2011.

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% |
| July 1, 2009 | - | \$ 3,372,085 | \$ 3,372,085 | 0.0% | \$ 14,770,075 | 22.83% |
| July 1, 2011 | - | \$ 2,873,292 | \$ 2,873,292 | 0.0% | \$ 11,765,499 | 24.42% |

(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.

Natural Disaster Fund

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

State Housing Initiatives Partnership Fund

This fund is used to account for funds received from the State Housing Initiatives Partnership Program for implementing and administrating the local housing assistance plan.

E-911 Operations Fund

This fund is used to account for E911 revenues collected exclusively for costs associated with developing and maintaining E911 systems and networks.

Radio Communications Fund

This fund is used to account for surcharges collected to fund the acquisition of equipment, software, and engineering, administrative, and maintenance services to construct, operate, and maintain a statewide radio system.

Law Enforcement Trust Fund

This fund is used to account for the revenues received as a result of criminal or forfeiture proceedings and used for school resource officer, crime prevention, safe neighborhood, drug abuse education and preventions programs, or for other law enforcement purposes.

Police Academy Fund

This fund is used to account for an additional \$2 assessed by the County for criminal justice education degree programs and training courses.

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.

Prisoner Benefit Fund

This fund is used to account for profits from the detention facility's commissary and expenses involved in the commissary operation.

Additional Court Cost Fund

This fund is used to account for the \$65 additional court costs imposed by the County to fund innovations, legal aid, law library, and teen court operations.

Drug Abuse Trust Fund

This fund is used to account for an additional assessment collected for the purpose of providing assistance for alcohol and other drug abuse treatment or education programs.

Nonmajor Governmental Funds (Continued)

SPECIAL REVENUE FUNDS (Continued)

Domestic Violence Trust Fund

This fund is used to account for the \$85 surcharge imposed on domestic violence offenses and is used to provide additional training to law enforcement personnel in combating domestic violence.

Traffic Education Trust Fund

This fund is used to account for the additional \$5 surcharge imposed on each traffic penalty and is used to fund driver education programs in public and non-public schools.

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.

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.

Sheriff

Federal Law Enforcement Trust Fund

This fund is used to account for revenues received as a result of criminal, administrative, or civil forfeitures proceedings.

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, 2012

| | Natural Disaster Special Revenue Fund | State Housing Initiatives Partnership Special Revenue Fund | E-911 Operation Special Revenue Fund | Radio Communications Special Revenue Fund | Law Enforcement Special Revenue Fund |
|--|--|---|--|--|--|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 46,470 | \$ 65,452 | \$ 345,554 | \$ 107,461 | \$ 116,917 |
| Investments | 664,582 | 428,125 | 1,484,784 | 10,508 | 152,048 |
| Accounts Receivable | - | - | - | - | - |
| Due from Other Funds | - | - | - | - | - |
| Due from Other Elected Officials | - | - | - | 8,529 | - |
| Due from Other Governments | 460,297 | - | - | - | - |
| Prepays | - | - | 11,829 | - | - |
| Total Assets | \$ 1,171,349 | \$ 493,577 | \$ 1,842,167 | \$ 126,498 | \$ 268,965 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 13,226 | \$ - | \$ 402,959 | \$ - | \$ - |
| Contracts Payable | 800 | - | 105,632 | 1,995 | - |
| Other Accrued Liabilities | - | - | 9,457 | - | - |
| Due to Other Funds | - | - | - | - | - |
| Due to Other Governments | - | - | - | - | - |
| Due to Depositors | - | - | - | - | - |
| Deferred Revenue | - | 190,169 | 24,275 | - | - |
| Total Liabilities | 14,026 | 190,169 | 542,323 | 1,995 | - |
| Fund Balances | | | | | |
| Nonspendable | - | - | 11,829 | - | - |
| Restricted | 304,287 | 303,408 | 1,299,844 | 124,503 | 268,965 |
| Committed | - | - | - | - | - |
| Assigned | 853,036 | - | - | - | - |
| Unassigned | - | - | (11,829) | - | - |
| Total Fund Balances | 1,157,323 | 303,408 | 1,299,844 | 124,503 | 268,965 |
| Total Liabilities and Fund Balances | \$ 1,171,349 | \$ 493,577 | \$ 1,842,167 | \$ 126,498 | \$ 268,965 |

Statement A-1

| Police Academy Special Revenue Fund | County Public Health Special Revenue Fund | Municipal Service Benefit Units Special Revenue Fund | Unincorporated County Parks Special Revenue Fund | Prisoner Benefit Special Revenue Fund | Additional Court Costs Special Revenue Fund |
|---|--|---|---|---|---|
| \$ 31,768 | \$ 3,497 | \$ 110,634 | \$ 259,851 | \$ 105,180 | \$ 4,411 |
| 75,545 | 2,822 | 407,598 | 4,451,132 | 381,184 | 603,570 |
| - | 989 | - | 616 | - | - |
| - | - | - | - | - | - |
| 1,962 | 3 | 709 | 2,867 | - | 106,727 |
| - | - | 1,284 | - | - | - |
| - | 51,692 | 3,891 | - | - | 100 |
| <u>\$ 109,275</u> | <u>\$ 59,003</u> | <u>\$ 524,116</u> | <u>\$ 4,714,466</u> | <u>\$ 486,364</u> | <u>\$ 714,808</u> |
| \$ 1,292 | \$ 51,792 | \$ 6,925 | \$ 11,550 | \$ 964 | \$ 41,313 |
| - | 4,265 | 8,952 | 7,790 | 13,984 | 21,254 |
| - | - | - | 19,793 | 6,053 | 7,602 |
| - | - | - | - | - | - |
| 11 | - | - | - | - | - |
| - | - | - | - | 27,783 | - |
| - | - | - | - | - | - |
| <u>1,303</u> | <u>56,057</u> | <u>15,877</u> | <u>39,133</u> | <u>48,784</u> | <u>70,169</u> |
| - | 51,692 | 3,891 | - | - | 100 |
| 107,972 | - | - | 4,675,333 | 437,580 | 644,639 |
| - | - | 508,239 | - | - | - |
| - | - | - | - | - | - |
| - | (48,746) | (3,891) | - | - | (100) |
| <u>107,972</u> | <u>2,946</u> | <u>508,239</u> | <u>4,675,333</u> | <u>437,580</u> | <u>644,639</u> |
| <u>\$ 109,275</u> | <u>\$ 59,003</u> | <u>\$ 524,116</u> | <u>\$ 4,714,466</u> | <u>\$ 486,364</u> | <u>\$ 714,808</u> |

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

| | Drug Abuse Trust Special Revenue Fund | Domestic Violence Trust Special Revenue Fund | Traffic Education Special Revenue Fund | Courts Special Revenue Fund | Public Records Modernization Trust Special Revenue Fund |
|--|---|--|--|--------------------------------|--|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 50,684 | \$ 110,515 | \$ 53,388 | \$ 148,309 | \$ 928,121 |
| Investments | 10,374 | 151,404 | 10,167 | - | - |
| Accounts Receivable | - | - | - | - | - |
| Due from Other Funds | - | - | - | - | 9,630 |
| Due from Other Elected Officials | 1,337 | 1,033 | 7,323 | - | - |
| Due from Other Governments | - | - | - | - | - |
| Prepays | - | - | - | - | - |
| Total Assets | \$ 62,395 | \$ 262,952 | \$ 70,878 | \$ 148,309 | \$ 937,751 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 359 | \$ - | \$ - | \$ 9,123 | \$ - |
| Contracts Payable | 1,143 | - | - | - | - |
| Accrued Liabilities | 695 | 1,280 | - | 50,176 | - |
| Due to Other Funds | - | - | - | 16,898 | - |
| Due to Other Governments | - | - | - | - | - |
| Due to Depositors | - | - | - | 24,997 | - |
| Deferred Revenue | - | - | - | 47,115 | - |
| Total Liabilities | 2,197 | 1,280 | - | 148,309 | - |
| Fund Balances | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 60,198 | 261,672 | 70,878 | - | 937,751 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total Fund Balances | 60,198 | 261,672 | 70,878 | - | 937,751 |
| Total Liabilities and Fund Balances | \$ 62,395 | \$ 262,952 | \$ 70,878 | \$ 148,309 | \$ 937,751 |

Statement A-1

| Public Records Courts Special Revenue Fund | Public Records 10% Fine Special Revenue Fund | Federal Law Enforcement Trust Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Constructions Capital Projects Fund | Total Nonmajor Governmental Funds (Exhibit III-A) |
|--|--|---|-------------------------------|--|---|
| \$ 954,472 | \$ 273,651 | \$ 320,509 | \$ 228,771 | \$ 367,554 | \$ 4,633,169 |
| - | - | - | 209,110 | 10,341,843 | 19,384,796 |
| - | - | - | - | 208,842 | 210,447 |
| 29,699 | 16,898 | - | - | - | 56,227 |
| - | - | - | - | - | 130,490 |
| - | - | - | - | 579,029 | 1,040,610 |
| - | - | - | - | - | 67,512 |
| <u>\$ 984,171</u> | <u>\$ 290,549</u> | <u>\$ 320,509</u> | <u>\$ 437,881</u> | <u>\$ 11,497,268</u> | <u>\$ 25,523,251</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 621 | \$ 540,124 |
| - | - | - | - | 187,772 | 353,587 |
| - | - | - | - | - | 95,056 |
| - | - | - | - | - | 16,898 |
| - | - | - | - | - | 11 |
| - | - | - | - | 2,500 | 55,280 |
| - | - | 320,509 | 243,074 | 104,421 | 929,563 |
| - | - | 320,509 | 243,074 | 295,314 | 1,990,519 |
| - | - | - | - | - | 67,512 |
| 984,171 | 290,549 | - | 194,807 | 11,201,954 | 22,168,511 |
| - | - | - | - | - | 508,239 |
| - | - | - | - | - | 853,036 |
| - | - | - | - | - | (64,566) |
| <u>984,171</u> | <u>290,549</u> | <u>-</u> | <u>194,807</u> | <u>11,201,954</u> | <u>23,532,732</u> |
| <u>\$ 984,171</u> | <u>\$ 290,549</u> | <u>\$ 320,509</u> | <u>\$ 437,881</u> | <u>\$ 11,497,268</u> | <u>\$ 25,523,251</u> |

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2012

| | Natural Disaster Special Revenue Fund | State Housing Initiatives Partnership Special Revenue Fund | E-911 Operation Special Revenue Fund | Radio Communications Special Revenue Fund | Law Enforcement Special Revenue Fund |
|--|--|---|--|--|--|
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and Permits | - | - | - | - | - |
| Intergovernmental | 280,797 | 105,143 | 1,542,151 | - | - |
| Charges for Services | - | - | 3,298 | - | - |
| Fines | - | - | - | 112,089 | 241,934 |
| Miscellaneous | 20,040 | 12,656 | 26,996 | 1,072 | 3,932 |
| Total Revenues | 300,837 | 117,799 | 1,572,445 | 113,161 | 245,866 |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | - | - | 873,926 | 40,833 | - |
| Transportation | - | - | - | - | - |
| Economic Environment | 114,252 | 208,666 | - | - | - |
| Human Services | - | - | - | - | - |
| Culture and Recreation | - | - | - | - | - |
| Court-Related | - | - | - | - | - |
| Capital Outlay | 235,284 | - | 484,262 | - | - |
| Debt Service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Other Debt Service Costs | - | - | - | - | - |
| Total Expenditures | 349,536 | 208,666 | 1,358,188 | 40,833 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (48,699) | (90,867) | 214,257 | 72,328 | 245,866 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | - | - | - | - | - |
| Transfers Out | - | - | - | - | - |
| Transfers Among Constitutional Officers | - | - | - | - | (153,589) |
| Total Other Financing Sources (Uses) | - | - | - | - | (153,589) |
| Net Change in Fund Balances | (48,699) | (90,867) | 214,257 | 72,328 | 92,277 |
| Fund Balances - Beginning | 1,206,022 | 394,275 | 1,085,587 | 52,175 | 176,688 |
| Fund Balances - Ending | \$ 1,157,323 | \$ 303,408 | \$ 1,299,844 | \$ 124,503 | \$ 268,965 |

Statement A-2

| Police Academy Special Revenue Fund | County Public Health Special Revenue Fund | Municipal Service Benefit Units Special Revenue Fund | Unincorporated County Parks Special Revenue Fund | Prisoner Benefit Special Revenue Fund | Additional Court Costs Special Revenue Fund |
|---|--|---|---|---|---|
| \$ - | \$ 802,190 | \$ - | \$ 1,127,815 | \$ - | \$ - |
| - | - | 442,167 | - | - | - |
| - | - | - | - | - | - |
| 28,226 | - | - | 11,381 | 638,909 | 1,433,211 |
| - | - | - | - | - | - |
| 1,224 | 124,288 | 10,676 | 83,289 | 4,786 | 16,432 |
| 29,450 | 926,478 | 452,843 | 1,222,485 | 643,695 | 1,449,643 |
| - | - | - | - | - | - |
| 13,018 | - | - | - | 473,579 | - |
| - | - | 429,588 | - | - | - |
| - | - | - | - | - | - |
| - | 658,956 | - | - | - | - |
| - | - | - | 899,068 | - | - |
| - | - | - | - | - | 833,869 |
| - | 124,848 | - | 64,367 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 13,018 | 783,804 | 429,588 | 963,435 | 473,579 | 833,869 |
| 16,432 | 142,674 | 23,255 | 259,050 | 170,116 | 615,774 |
| - | 4,000 | - | - | - | - |
| - | (150,000) | - | - | - | (704,273) |
| - | - | 708 | 2,865 | - | - |
| - | (146,000) | 708 | 2,865 | - | (704,273) |
| 16,432 | (3,326) | 23,963 | 261,915 | 170,116 | (88,499) |
| 91,540 | 6,272 | 484,276 | 4,413,418 | 267,464 | 733,138 |
| \$ 107,972 | \$ 2,946 | \$ 508,239 | \$ 4,675,333 | \$ 437,580 | \$ 644,639 |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2012

| | Drug Abuse Trust Special Revenue Fund | Domestic Violence Trust Special Revenue Fund | Traffic Education Special Revenue Fund | Courts Special Revenue Fund | Public Records Modernization Trust Special Revenue Fund |
|--|---|--|--|--------------------------------|--|
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and Permits | - | - | - | - | - |
| Intergovernmental | - | - | - | 3,716,346 | - |
| Charges for Services | - | - | - | - | 117,541 |
| Fines | 11,858 | 16,375 | 70,571 | - | - |
| Miscellaneous | 875 | 3,194 | 307 | - | 1,498 |
| Total Revenues | 12,733 | 19,569 | 70,878 | 3,716,346 | 119,039 |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | - | - | - | - | 85,107 |
| Public Safety | - | - | - | - | - |
| Transportation | - | - | - | - | - |
| Economic Environment | - | - | - | - | - |
| Human Services | - | - | - | - | - |
| Culture and Recreation | - | - | - | - | - |
| Court-Related | 33,523 | 14,383 | - | 3,714,907 | - |
| Capital Outlay | - | - | - | 1,439 | 16,003 |
| Debt Service | - | - | - | - | - |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Other Debt Service Costs | - | - | - | - | - |
| Total Expenditures | 33,523 | 14,383 | - | 3,716,346 | 101,110 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (20,790) | 5,186 | 70,878 | - | 17,929 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | - | - | - | - | - |
| Transfers Out | - | - | - | - | - |
| Transfers Among Constitutional Officers | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Net Change in Fund Balances | (20,790) | 5,186 | 70,878 | - | 17,929 |
| Fund Balance - Beginning | 80,988 | 256,486 | - | - | 919,822 |
| Fund Balances - Ending | \$ 60,198 | \$ 261,672 | \$ 70,878 | \$ - | \$ 937,751 |

Statement A-2

| Public Records Courts Special Revenue Fund | Public Records 10% Fine Special Revenue Fund | Federal Law Enforcement Trust Special Revenue Fund | Okaloosa Debt Service Fund | Road and Bridge Constructions Capital Projects Fund | Total Nonmajor Governmental Funds (Exhibit IV-A) |
|--|--|---|-------------------------------|--|--|
| \$ - | \$ - | \$ - | \$ - | \$ 1,867,631 | \$ 3,797,636 |
| - | - | - | - | - | 442,167 |
| - | - | 81,413 | 4,158,256 | 2,423,224 | 12,307,330 |
| 359,974 | 199,421 | - | - | - | 2,791,961 |
| - | - | - | - | - | 452,827 |
| 1,305 | - | - | 487,989 | 465,741 | 1,266,300 |
| <u>361,279</u> | <u>199,421</u> | <u>81,413</u> | <u>4,646,245</u> | <u>4,756,596</u> | <u>21,058,221</u> |
| - | - | - | 190,750 | - | 275,857 |
| - | - | 156,515 | - | - | 1,557,871 |
| - | - | - | - | 804,829 | 1,234,417 |
| - | - | - | - | - | 322,918 |
| - | - | - | - | - | 658,956 |
| - | - | - | - | - | 899,068 |
| 97,194 | - | - | - | - | 4,693,876 |
| 34,006 | - | 17,325 | - | 3,495,141 | 4,472,675 |
| - | - | - | 3,050,000 | - | 3,050,000 |
| - | - | - | 1,587,593 | - | 1,587,593 |
| - | - | - | 19,768 | - | 19,768 |
| <u>131,200</u> | <u>-</u> | <u>173,840</u> | <u>4,848,111</u> | <u>4,299,970</u> | <u>18,772,999</u> |
| <u>230,079</u> | <u>199,421</u> | <u>(92,427)</u> | <u>(201,866)</u> | <u>456,626</u> | <u>2,285,222</u> |
| - | - | - | 3,905,154 | - | 3,909,154 |
| - | - | - | (3,939,082) | - | (4,793,355) |
| - | - | 92,427 | - | - | (57,589) |
| - | - | 92,427 | (33,928) | - | (941,790) |
| 230,079 | 199,421 | - | (235,794) | 456,626 | 1,343,432 |
| 754,092 | 91,128 | - | 430,601 | 10,745,328 | 22,189,300 |
| <u>\$ 984,171</u> | <u>\$ 290,549</u> | <u>\$ -</u> | <u>\$ 194,807</u> | <u>\$ 11,201,954</u> | <u>\$ 23,532,732</u> |

Okaloosa County, Florida
CAPITAL OUTLAY CONSTRUCTION TRUST CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ 3,312 | \$ 3,312 |
| Intergovernmental | 95,000 | 1,083,079 | 1,025,196 | (57,883) |
| Charges for Services | - | 182,279 | 182,279 | - |
| Miscellaneous | 200,000 | 271,270 | 204,680 | (66,590) |
| Total Revenues | 295,000 | 1,536,628 | 1,415,467 | (121,161) |
| Expenditures | | | | |
| Current | | | | |
| General Government | 5,040,275 | 2,518,923 | 232,674 | 2,286,249 |
| Culture and Recreation | 625,701 | 755,458 | 114,673 | 640,785 |
| Capital Outlay | 1,017,500 | 3,277,367 | 2,593,898 | 683,469 |
| Total Expenditures | 6,683,476 | 6,551,748 | 2,941,245 | 3,610,503 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (6,388,476) | (5,015,120) | (1,525,778) | 3,489,342 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (2,959,725) | (2,959,725) | (2,749,807) | (209,918) |
| Total Other Financing Sources (Uses) | (2,959,725) | (2,959,725) | (2,749,807) | (209,918) |
| Net Change in Fund Balance | (9,348,201) | (7,974,845) | (4,275,585) | 3,699,260 |
| Fund Balance - Beginning | 9,348,201 | 7,974,845 | 7,974,845 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 3,699,260 | \$ 3,699,260 |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 316,742 | \$ 280,797 | \$ (35,945) |
| Miscellaneous | - | - | 20,040 | 20,040 |
| Total Revenues | - | 316,742 | 300,837 | (15,905) |
| Expenditures | | | | |
| Current | | | | |
| Economic Environment | - | 21,696 | 114,252 | (92,556) |
| Capital Outlay | - | 340,295 | 235,284 | 105,011 |
| Total Expenditures | - | 361,991 | 349,536 | 12,455 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (45,249) | (48,699) | (3,450) |
| Net Change in Fund Balance | - | (45,249) | (48,699) | (3,450) |
| Fund Balance - Beginning | - | 45,249 | 1,206,022 | 1,160,773 |
| Fund Balance - Ending | \$ - | \$ - | \$ 1,157,323 | \$ 1,157,323 |

Okaloosa County, Florida
STATE HOUSING INITIATIVES PARTNERSHIP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 292,590 | \$ 105,143 | \$ (187,447) |
| Miscellaneous | - | - | 12,656 | 12,656 |
| Total Revenues | - | 292,590 | 117,799 | (174,791) |
| Expenditures | | | | |
| Current | | | | |
| Economic Environment | 400,000 | 686,865 | 208,666 | 478,199 |
| Total Expenditures | 400,000 | 686,865 | 208,666 | 478,199 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (400,000) | (394,275) | (90,867) | 303,408 |
| Net Change in Fund Balance | (400,000) | (394,275) | (90,867) | 303,408 |
| Fund Balances - Beginning | 400,000 | 394,275 | 394,275 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 303,408 | \$ 303,408 |

Okaloosa County, Florida
E-911 OPERATIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|--------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 975,000 | \$ 1,663,331 | \$ 1,542,151 | \$ (121,180) |
| Charges for Services | 3,200 | 3,200 | 3,298 | 98 |
| Miscellaneous | - | 28,573 | 26,996 | (1,577) |
| Total Revenues | 978,200 | 1,695,104 | 1,572,445 | (122,659) |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | 2,058,200 | 2,171,057 | 873,926 | 1,297,131 |
| Capital Outlay | - | 609,634 | 484,262 | 125,372 |
| Total Expenditures | 2,058,200 | 2,780,691 | 1,358,188 | 1,422,503 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,080,000) | (1,085,587) | 214,257 | 1,299,844 |
| Net Change in Fund Balance | (1,080,000) | (1,085,587) | 214,257 | 1,299,844 |
| Fund Balances - Beginning | 1,080,000 | 1,085,587 | 1,085,587 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 1,299,844 | \$ 1,299,844 |

Okaloosa County, Florida
RADIO COMMUNICATIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Fines | \$ 140,000 | \$ 140,000 | \$ 112,089 | \$ (27,911) |
| Miscellaneous | - | - | 1,072 | 1,072 |
| Total Revenues | 140,000 | 140,000 | 113,161 | (26,839) |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | 86,000 | 139,175 | 40,833 | 98,342 |
| Capital Outlay | 54,000 | 53,000 | - | 53,000 |
| Total Expenditures | 140,000 | 192,175 | 40,833 | 151,342 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (52,175) | 72,328 | 124,503 |
| Net Change in Fund Balance | - | (52,175) | 72,328 | 124,503 |
| Fund Balances - Beginning | - | 52,175 | 52,175 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 124,503 | \$ 124,503 |

Okaloosa County, Florida
LAW ENFORCEMENT TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Fines | \$ - | \$ 175,980 | \$ 241,934 | \$ 65,954 |
| Miscellaneous | - | - | 3,932 | 3,932 |
| Total Revenues | - | 175,980 | 245,866 | 69,886 |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | 175,980 | 245,866 | 69,886 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | (25,000) | (352,668) | (153,589) | 199,079 |
| Total Other Financing Sources (Uses) | (25,000) | (352,668) | (153,589) | 199,079 |
| Net Change in Fund Balance | (25,000) | (176,688) | 92,277 | 268,965 |
| Fund Balances - Beginning | 25,000 | 176,688 | 176,688 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 268,965 | \$ 268,965 |

Okaloosa County, Florida
POLICE ACADEMY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|-----------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Charges for Services | \$ 35,000 | \$ 35,000 | \$ 28,226 | \$ (6,774) |
| Miscellaneous | - | - | 1,224 | 1,224 |
| Total Revenues | 35,000 | 35,000 | 29,450 | (5,550) |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | 170,000 | 126,540 | 13,018 | 113,522 |
| Total Expenditures | 170,000 | 126,540 | 13,018 | 113,522 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (135,000) | (91,540) | 16,432 | 107,972 |
| Net Change in Fund Balance | (135,000) | (91,540) | 16,432 | 107,972 |
| Fund Balances - Beginning | 135,000 | 91,540 | 91,540 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 107,972 | \$ 107,972 |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 791,957 | \$ 791,957 | \$ 802,190 | \$ 10,233 |
| Miscellaneous | 3,000 | 131,577 | 124,288 | (7,289) |
| Total Revenues | 794,957 | 923,534 | 926,478 | 2,944 |
| Expenditures | | | | |
| Current | | | | |
| Human Services | 808,957 | 658,957 | 658,956 | 1 |
| Capital Outlay | - | 124,848 | 124,848 | - |
| Total Expenditures | 808,957 | 783,805 | 783,804 | 1 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (14,000) | 139,729 | 142,674 | 2,945 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 4,000 | 4,000 | 4,000 | - |
| Transfers Out | - | (150,000) | (150,000) | - |
| Total Other Financing Sources (Uses) | 4,000 | (146,000) | (146,000) | - |
| Net Change in Fund Balance | (10,000) | (6,271) | (3,326) | 2,945 |
| Fund Balance - Beginning | 10,000 | 6,271 | 6,272 | 1 |
| Fund Balance - Ending | \$ - | \$ - | \$ 2,946 | \$ 2,946 |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Licenses and Permits | \$ 445,617 | \$ 445,617 | \$ 442,167 | (3,450) |
| Miscellaneous | - | - | 10,676 | 10,676 |
| Total Revenues | 445,617 | 445,617 | 452,843 | 7,226 |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 846,599 | 847,031 | 429,588 | 417,443 |
| Capital Outlay | 75,647 | 82,862 | - | 82,862 |
| Total Expenditures | 922,246 | 929,893 | 429,588 | 500,305 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (476,629) | (484,276) | 23,255 | 507,531 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | - | - | 708 | 708 |
| Total Other Financing Sources (Uses) | - | - | 708 | 708 |
| Net Change in Fund Balance | (476,629) | (484,276) | 23,963 | 508,239 |
| Fund Balance - Beginning | 476,629 | 484,276 | 484,276 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 508,239 | \$ 508,239 |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|--------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 1,110,615 | \$ 1,127,052 | \$ 1,127,815 | \$ 763 |
| Charges for Services | 600 | 11,129 | 11,381 | 252 |
| Miscellaneous | 75,000 | 75,000 | 83,289 | 8,289 |
| Total Revenues | 1,186,215 | 1,213,181 | 1,222,485 | 9,304 |
| Expenditures | | | | |
| Current | | | | |
| Culture and Recreation | 4,375,080 | 4,433,163 | 899,068 | 3,534,095 |
| Capital Outlay | 1,161,135 | 1,193,435 | 64,367 | 1,129,068 |
| Total Expenditures | 5,536,215 | 5,626,598 | 963,435 | 4,663,163 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (4,350,000) | (4,413,417) | 259,050 | 4,672,467 |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | - | - | 2,865 | 2,865 |
| Total Other Financing Sources (Uses) | - | - | 2,865 | 2,865 |
| Net Change in Fund Balance | (4,350,000) | (4,413,417) | 261,915 | 4,675,332 |
| Fund Balance - Beginning | 4,350,000 | 4,413,417 | 4,413,418 | 1 |
| Fund Balance - Ending | \$ - | \$ - | \$ 4,675,333 | \$ 4,675,333 |

Okaloosa County, Florida
PRISONER BENEFIT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Charges for Services | \$ 373,600 | \$ 640,104 | \$ 638,909 | \$ (1,195) |
| Miscellaneous | - | - | 4,786 | 4,786 |
| Total Revenues | 373,600 | 640,104 | 643,695 | 3,591 |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | 649,200 | 907,569 | 473,579 | 433,990 |
| Total Expenditures | 649,200 | 907,569 | 473,579 | 433,990 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (275,600) | (267,465) | 170,116 | 437,581 |
| Net Change in Fund Balance | (275,600) | (267,465) | 170,116 | 437,581 |
| Fund Balances - Beginning | 275,600 | 267,465 | 267,464 | (1) |
| Fund Balance - Ending | \$ - | \$ - | \$ 437,580 | \$ 437,580 |

Okaloosa County, Florida
ADDITIONAL COURT COST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|--------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Charges for Services | \$ 1,531,500 | \$ 1,643,500 | \$ 1,433,211 | \$ (210,289) |
| Miscellaneous | - | - | 16,432 | 16,432 |
| Total Revenues | 1,531,500 | 1,643,500 | 1,449,643 | (193,857) |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | 1,552,426 | 1,526,638 | 833,869 | 692,769 |
| Total Expenditures | 1,552,426 | 1,526,638 | 833,869 | 692,769 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (20,926) | 116,862 | 615,774 | 498,912 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (850,000) | (850,000) | (704,273) | (145,727) |
| Total Other Financing Sources (Uses) | (850,000) | (850,000) | (704,273) | (145,727) |
| Net Change in Fund Balance | (870,926) | (733,138) | (88,499) | 644,639 |
| Fund Balances - Beginning | 870,926 | 733,138 | 733,138 | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 644,639 | \$ 644,639 |

Okaloosa County, Florida
DRUG ABUSE TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|----------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Fines | 15,000 | 15,000 | 11,858 | (3,142) |
| Miscellaneous | - | - | 875 | 875 |
| Total Revenues | 15,000 | 15,000 | 12,733 | (2,267) |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | 97,150 | 95,989 | 33,523 | 62,466 |
| Total Expenditures | 97,150 | 95,989 | 33,523 | 62,466 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (82,150) | (80,989) | (20,790) | 60,199 |
| Net Change in Fund Balance | (82,150) | (80,989) | (20,790) | 60,199 |
| Fund Balances - Beginning | 82,150 | 80,989 | 80,988 | (1) |
| Fund Balance - Ending | \$ - | \$ - | \$ 60,198 | \$ 60,198 |

Okaloosa County, Florida
DOMESTIC VIOLENCE TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|-----------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Fines | \$ 25,000 | \$ 25,000 | \$ 16,375 | \$ (8,625) |
| Miscellaneous | - | - | 3,194 | 3,194 |
| Total Revenues | 25,000 | 25,000 | 19,569 | (5,431) |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | 275,255 | 281,485 | 14,383 | 267,102 |
| Total Expenditures | 275,255 | 281,485 | 14,383 | 267,102 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (250,255) | (256,485) | 5,186 | 261,671 |
| Net Change in Fund Balance | (250,255) | (256,485) | 5,186 | 261,671 |
| Fund Balances - Beginning | 250,255 | 256,485 | 256,486 | 1 |
| Fund Balance - Ending | \$ - | \$ - | \$ 261,672 | \$ 261,672 |

Okaloosa County, Florida
TRAFFIC EDUCATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|-----------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Fines | \$ - | \$ 70,000 | \$ 70,571 | \$ 571 |
| Miscellaneous | - | - | 307 | 307 |
| Total Revenues | - | 70,000 | 70,878 | 878 |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | - | 36,540 | - | 36,540 |
| Total Expenditures | - | 36,540 | - | 36,540 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | 33,460 | 70,878 | 37,418 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | - | (33,460) | - | (33,460) |
| Total Other Financing Sources (Uses) | - | (33,460) | - | 33,460 |
| Net Change in Fund Balance | - | - | 70,878 | 70,878 |
| Fund Balances - Beginning | - | - | - | - |
| Fund Balance - Ending | \$ - | \$ - | \$ 70,878 | \$ 70,878 |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------------|------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 3,737,506 | \$ 3,737,506 | \$ 3,716,346 | \$ (21,160) |
| Total Revenues | <u>3,737,506</u> | <u>3,737,506</u> | <u>3,716,346</u> | <u>(21,160)</u> |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | 3,737,506 | 3,736,006 | 3,714,907 | 21,099 |
| Capital Outlay | <u>-</u> | <u>1,500</u> | <u>1,439</u> | <u>61</u> |
| Total Expenditures | <u>3,737,506</u> | <u>3,737,506</u> | <u>3,716,346</u> | <u>21,160</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance - Beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Charges for Services | \$ 100,000 | \$ 100,000 | \$ 117,541 | \$ 17,541 |
| Miscellaneous | 923,000 | 923,000 | 1,498 | (921,502) |
| Total Revenues | 1,023,000 | 1,023,000 | 119,039 | (903,961) |
| Expenditures | | | | |
| Current | | | | |
| General Government | - | 85,200 | 85,107 | 93 |
| Capital Outlay | 1,023,000 | 937,800 | 16,003 | 921,797 |
| Total Expenditures | 1,023,000 | 1,023,000 | 101,110 | 921,890 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | 17,929 | 17,929 |
| Net Change in Fund Balance | - | - | 17,929 | 17,929 |
| Fund Balance - Beginning | - | - | 919,822 | 919,822 |
| Fund Balance - Ending | \$ - | \$ - | \$ 937,751 | \$ 937,751 |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for Services | \$ 300,000 | \$ 300,000 | \$ 359,974 | \$ 59,974 |
| Miscellaneous | 750,000 | 750,000 | 1,305 | (748,695) |
| Total Revenues | 1,050,000 | 1,050,000 | 361,279 | (688,721) |
| Expenditures | | | | |
| Current | | | | |
| Court-Related | - | 97,600 | 97,194 | 406 |
| Capital Outlay | 1,050,000 | 952,400 | 34,006 | 918,394 |
| Total Expenditures | 1,050,000 | 1,050,000 | 131,200 | 918,800 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | 230,079 | 230,079 |
| Net Change in Fund Balance | - | - | 230,079 | 230,079 |
| Fund Balance - Beginning | - | - | 754,092 | 754,092 |
| Fund Balance - Ending | \$ - | \$ - | \$ 984,171 | \$ 984,171 |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Charges for Services | \$ 216,000 | \$ 216,000 | \$ 199,421 | \$ (16,579) |
| Fines | 87,400 | 87,400 | - | (87,400) |
| Total Revenues | 303,400 | 303,400 | 199,421 | (103,979) |
| Expenditures | | | | |
| Current | | | | |
| Capital Outlay | 303,400 | 303,400 | - | 303,400 |
| Total Expenditures | 303,400 | 303,400 | - | 303,400 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | 199,421 | 199,421 |
| Net Change in Fund Balance | - | - | 199,421 | 199,421 |
| Fund Balance - Beginning | - | - | 91,128 | 91,128 |
| Fund Balance - Ending | \$ - | \$ - | \$ 290,549 | \$ 290,549 |

Okaloosa County, Florida
FEDERAL LAW ENFORCEMENT TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|-----------|----------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 81,413 | \$ 81,413 | \$ 81,413 | \$ - |
| Total Revenues | 81,413 | 81,413 | 81,413 | - |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | 156,515 | 156,515 | 156,515 | - |
| Capital Outlay | 17,325 | 17,325 | 17,325 | - |
| Total Expenditures | 173,840 | 173,840 | 173,840 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (92,427) | (92,427) | (92,427) | - |
| Other Financing Sources (Uses) | | | | |
| Transfers Among Constitutional Officers | 92,427 | 92,427 | 92,427 | - |
| Total Other Financing Sources (Uses) | 92,427 | 92,427 | 92,427 | - |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balances - Beginning | - | - | - | - |
| Fund Balance - Ending | \$ - | \$ - | \$ - | \$ - |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|------------------|-------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 4,246,500 | \$ 4,246,500 | \$ 4,158,256 | \$ (88,244) |
| Miscellaneous | 488,148 | 488,148 | 487,989 | (159) |
| Total Revenues | <u>4,734,648</u> | <u>4,734,648</u> | <u>4,646,245</u> | <u>(88,403)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | 395,750 | 395,750 | 190,750 | 205,000 |
| Debt Service | | | | |
| Principal | 710,000 | 3,050,005 | 3,050,000 | 5 |
| Interest | 1,597,212 | 1,587,223 | 1,587,593 | (370) |
| Other Debt Service Costs | 60,335 | 18,476 | 19,768 | (1,292) |
| Total Expenditures | <u>2,763,297</u> | <u>5,051,454</u> | <u>4,848,111</u> | <u>203,343</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,971,351</u> | <u>(316,806)</u> | <u>(201,866)</u> | <u>114,940</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 1,762,731 | 4,050,888 | 3,905,154 | 145,734 |
| Transfers Out | (3,939,082) | (3,939,082) | (3,939,082) | - |
| Total Other Financing Sources (Uses) | <u>(2,176,351)</u> | <u>111,806</u> | <u>(33,928)</u> | <u>145,734</u> |
| Net Change in Fund Balance | (205,000) | (205,000) | (235,794) | (30,794) |
| Fund Balance - Beginning | <u>205,000</u> | <u>205,000</u> | <u>430,601</u> | <u>225,601</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 194,807</u> | <u>\$ 194,807</u> |

Okaloosa County, Florida
ROAD AND BRIDGE CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|--------------------|---------------------|----------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 1,675,000 | \$ 1,675,000 | \$ 1,867,631 | \$ 192,631 |
| Intergovernmental | 1,925,000 | 2,531,751 | 2,423,224 | (108,527) |
| Miscellaneous | 695,238 | 695,238 | 465,741 | (229,497) |
| Total Revenues | <u>4,295,238</u> | <u>4,901,989</u> | <u>4,756,596</u> | <u>(145,393)</u> |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 1,735,000 | 5,537,078 | 804,829 | 4,732,249 |
| Capital Outlay | 9,510,238 | 10,110,238 | 3,495,141 | 6,615,097 |
| Total Expenditures | <u>11,245,238</u> | <u>15,647,316</u> | <u>4,299,970</u> | <u>11,347,346</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(6,950,000)</u> | <u>(10,745,327)</u> | <u>456,626</u> | <u>11,201,953</u> |
| Net Change in Fund Balance | (6,950,000) | (10,745,327) | 456,626 | 11,201,953 |
| Fund Balance - Beginning | <u>6,950,000</u> | <u>10,745,327</u> | <u>10,745,328</u> | <u>1</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,201,954</u> | <u>\$ 11,201,954</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, 2012

| | Business-type Activities | | |
|---|---------------------------------------|----------------------------------|---|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit VIII) |
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 121,412 | \$ 595 | \$ 122,007 |
| Investments | 101,106 | 193 | 101,299 |
| Receivables, Net of Allowance for Uncollectibles | 27,875 | 4,208,393 | 4,236,268 |
| Due from Other Elected Officials | - | 6 | 6 |
| Prepays | - | 210 | 210 |
| | <u>250,393</u> | <u>4,209,397</u> | <u>4,459,790</u> |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Intangible | 83,545 | 30,150 | 113,695 |
| Machinery and Equipment | 322,298 | 4,731,178 | 5,053,476 |
| Less Accumulated Depreciation | (373,632) | (3,529,406) | (3,903,038) |
| Total Capital Assets (Net of Accumulated Depreciation) | <u>32,211</u> | <u>1,231,922</u> | <u>1,264,133</u> |
| Total Noncurrent Assets | <u>32,211</u> | <u>1,231,922</u> | <u>1,264,133</u> |
| Total Assets | <u>\$ 282,604</u> | <u>\$ 5,441,319</u> | <u>\$ 5,723,923</u> |

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR ENTERPRISE FUNDS
September 30, 2012

| | Business-type Activities | | |
|--|---------------------------------------|----------------------------------|---|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit VIII) |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 1,077 | \$ 359,603 | \$ 360,680 |
| Contracts Payable | 351 | 36,036 | 36,387 |
| Accrued Liabilities | | | |
| Compensated Absences | 76,732 | 184,668 | 261,400 |
| Other Accrued Liabilities | 39,221 | 196,609 | 235,830 |
| Due to Other Governments | 10,136 | 238 | 10,374 |
| Deferred Revenue | 14,755 | 30,977 | 45,732 |
| Total Current Liabilities | 142,272 | 808,131 | 950,403 |
| Noncurrent Liabilities | | | |
| Compensated Absences | 53,367 | 117,587 | 170,954 |
| Other Post Employment Benefits | 11,897 | 95,880 | 107,777 |
| Total Noncurrent Liabilities | 65,264 | 213,467 | 278,731 |
| Total Liabilities | 207,536 | 1,021,598 | 1,229,134 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 32,211 | 1,231,922 | 1,264,133 |
| Unrestricted | 42,857 | 3,187,799 | 3,230,656 |
| Total Net Assets | 75,068 | 4,419,721 | 4,494,789 |
| Total Liabilities and Net Assets | \$ 282,604 | \$ 5,441,319 | \$ 5,723,923 |

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2012

| | Business-type Activities | | |
|---|---------------------------------------|----------------------------------|---|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit IX) |
| Operating Revenues | | | |
| Licenses and Permits | \$ 1,277,510 | \$ - | \$ 1,277,510 |
| Charges for Services | 184,386 | 5,827,417 | 6,011,803 |
| Fines | - | 11 | 11 |
| Miscellaneous | 5,137 | 142,970 | 148,107 |
| Total Operating Revenues | <u>1,467,033</u> | <u>5,970,398</u> | <u>7,437,431</u> |
| Operating Expenses | | | |
| Personal Services | 1,043,492 | 4,929,698 | 5,973,190 |
| Contractual Services | 436,633 | 466,739 | 903,372 |
| Supplies | 37,574 | 635,603 | 673,177 |
| Utilities | - | 29,568 | 29,568 |
| Other Operating Expenses | 65,407 | 407,707 | 473,114 |
| Depreciation/Amortization | 17,123 | 456,330 | 473,453 |
| Total Operating Expenses | <u>1,600,229</u> | <u>6,925,645</u> | <u>8,525,874</u> |
| Operating Income (Loss) | <u>(133,196)</u> | <u>(955,247)</u> | <u>(1,088,443)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Taxes | - | 1,528,602 | 1,528,602 |
| Intergovernmental | - | 12,715 | 12,715 |
| Investment Income | 5,053 | 193 | 5,246 |
| Gain/Loss on Disposal of Capital Assets | - | (4,755) | (4,755) |
| Total Nonoperating Revenues (Expenses) | <u>5,053</u> | <u>1,536,755</u> | <u>1,541,808</u> |
| Income (Loss) Before Contributions and Transfers | (128,143) | 581,508 | 453,365 |
| Capital Contributions | - | 2,389 | 2,389 |
| Transfers In | 1,000 | 33,000 | 34,000 |
| Change in Net Assets | <u>(127,143)</u> | <u>616,897</u> | <u>489,754</u> |
| Total Net Assets - Beginning as Restated | <u>202,211</u> | <u>3,802,824</u> | <u>4,005,035</u> |
| Total Net Assets - Ending | <u>\$ 75,068</u> | <u>\$ 4,419,721</u> | <u>\$ 4,494,789</u> |

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2012

| | Business-type Activities | | |
|---|---------------------------------------|----------------------------------|--|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit X) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 1,477,063 | \$ 5,201,882 | \$ 6,678,945 |
| Payments to Suppliers | (49,391) | (985,097) | (1,034,488) |
| Payments to Employees | (1,012,775) | (4,725,086) | (5,737,861) |
| Payments for Interfund Services Used | (508,242) | (727,500) | (1,235,742) |
| Net Cash Provided (Used) by Operating Activities | (93,345) | (1,235,801) | (1,329,146) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Operating Subsidy - Taxes | - | 1,528,921 | 1,528,921 |
| Operating Subsidy - Intergovernmental Revenue | - | 43,289 | 43,289 |
| Transfers In | 1,000 | 33,000 | 34,000 |
| Net Cash Provided (Used) by Non-capital Financing Activities | 1,000 | 1,605,210 | 1,606,210 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | - | (373,903) | (373,903) |
| Proceeds from Disposal of Capital Assets | - | 3,000 | 3,000 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | - | (370,903) | (370,903) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale and Maturities of Investments | 200,000 | 1,015 | 201,015 |
| Interest Income | 4,024 | 467 | 4,491 |
| Purchases of Investments | (51,601) | - | (51,601) |
| Net Cash Provided (Used) by Investing Activities | 152,423 | 1,482 | 153,905 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 60,078 | (12) | 60,066 |
| Cash and Cash Equivalents - Beginning of Year | 61,334 | 607 | 61,941 |
| Cash and Cash Equivalents - End of Year | \$ 121,412 | \$ 595 | \$ 122,007 |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2012

| | Business-type Activities | | |
|--|---------------------------------------|----------------------------------|--|
| | Inspection and Code Enforcement | Emergency Medical Services | Total Nonmajor Enterprise Funds (Exhibit X) |
| Cash and Cash Equivalents at End of Year Consist of: | | | |
| Current assets | \$ 121,412 | \$ 595 | \$ 122,007 |
| Total | <u>\$ 121,412</u> | <u>\$ 595</u> | <u>\$ 122,007</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ (133,196) | \$ (955,247) | \$ (1,088,443) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation/Amortization | 17,123 | 456,330 | 473,453 |
| Decrease (Increase) in Assets | | | |
| Accounts Receivable | 15,150 | (768,516) | (753,366) |
| Prepaid Expenses | - | (150) | (150) |
| Increase (Decrease) in Liabilities | | | |
| Accounts Payable | (5,463) | 42,056 | 36,593 |
| Service Contracts Payable | 351 | (48,992) | (48,641) |
| Due to Other Governments | 4,340 | (4,310) | 30 |
| Compensated Absences Payable | 12,225 | 14,842 | 27,067 |
| Other Accrued Liabilities | 5,005 | 22,819 | 27,824 |
| Deferred Revenue | (9,460) | - | (9,460) |
| Other Post Employment Benefits | 580 | 5,367 | 5,947 |
| Total Adjustments | <u>39,851</u> | <u>(280,554)</u> | <u>(240,703)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (93,345)</u> | <u>\$ (1,235,801)</u> | <u>\$ (1,329,146)</u> |
| Noncash Investing, Capital, and Financing Activities | | | |
| Transfer of Capital Assets to Other Funds | \$ - | \$ (4,434) | \$ (4,434) |
| Loss on Disposal of Assets | \$ - | \$ (932) | \$ (932) |
| Unrealized Gain/(Loss) on Investments | \$ 296 | \$ (434) | \$ (138) |

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INTERNAL SERVICE FUNDS

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

Board of County Commissioners

Self Insurance

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

Garage Service Fund

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

Clerk of the Circuit Court

Compensated Absences Fund

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

Sheriff

Compensated Absences Fund

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

Health Benefits Self Insurance Fund

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

Okaloosa County, Florida
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
September 30, 2012

| | Self Insurance | Garage Services | Governmental Clerk of Court Compensated Absences |
|---|---------------------|---------------------|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 29,940 | \$ 331 | \$ 263,587 |
| Investments | 1,081,998 | 206 | - |
| Receivables, Net of Allowance for Uncollectibles | 75,004 | 6,785 | - |
| Due from Other Funds | - | - | - |
| Due from Other Elected Officials | 97 | 140 | - |
| Due from Other Governments | - | 189,072 | - |
| Inventory | - | 311,933 | - |
| Prepays | 24,869 | - | - |
| Total Current Assets | 1,211,908 | 508,467 | 263,587 |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Land | - | 316,861 | - |
| Buildings | - | 900,466 | - |
| Improvements Other Than Buildings | - | 257,345 | - |
| Machinery and Equipment | 30,372 | 3,324,198 | - |
| Less Accumulated Depreciation | (30,372) | (4,191,094) | - |
| Total Capital Assets (Net of Accumulated Depreciation) | - | 607,776 | - |
| Total Noncurrent Assets | - | 607,776 | - |
| Total Assets | \$ 1,211,908 | \$ 1,116,243 | \$ 263,587 |

Statement C-1

| Activities | | |
|------------------------------------|--|---|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | Total Internal Service Funds (Exhibit VIII) |
| \$ 1,374,543 | \$ 3,156,891 | \$ 4,825,292 |
| - | - | 1,082,204 |
| - | - | 81,789 |
| 8,286 | - | 8,286 |
| - | - | 237 |
| - | 388,710 | 577,782 |
| - | - | 311,933 |
| - | - | 24,869 |
| <u>1,382,829</u> | <u>3,545,601</u> | <u>6,912,392</u> |
| - | - | 316,861 |
| - | - | 900,466 |
| - | - | 257,345 |
| - | - | 3,354,570 |
| - | - | (4,221,466) |
| - | - | 607,776 |
| - | - | 607,776 |
| <u>\$ 1,382,829</u> | <u>\$ 3,545,601</u> | <u>\$ 7,520,168</u> |

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
September 30, 2012

| | Self Insurance | Garage Services | Governmental Clerk of Court Compensated Absences |
|--|---------------------|---------------------|---|
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 8,520 | \$ 407,909 | \$ - |
| Contracts Payable | 205 | 4,859 | - |
| Accrued Liabilities | | | |
| Compensated Absences | 12,436 | 83,737 | 263,587 |
| Claims and Judgments | 1,731,456 | - | - |
| Other Accrued Liabilities | 7,126 | 41,824 | - |
| Deferred Revenue | 9,303 | - | - |
| Total Current Liabilities | 1,769,046 | 538,329 | 263,587 |
| Noncurrent Liabilities | | | |
| Compensated Absences | 13,688 | 74,381 | - |
| Claims and Judgments | 2,273,185 | - | - |
| Other Post Employment Benefits | 2,438 | 15,366 | - |
| Total Noncurrent Liabilities | 2,289,311 | 89,747 | - |
| Total Liabilities | 4,058,357 | 628,076 | 263,587 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | - | 607,776 | - |
| Unrestricted | (2,846,449) | (119,609) | - |
| Total Net Assets | (2,846,449) | 488,167 | - |
| Total Liabilities and Net Assets | \$ 1,211,908 | \$ 1,116,243 | \$ 263,587 |

Statement C-1

| Activities | | |
|------------------------------------|--|---|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | Total Internal Service Funds (Exhibit VIII) |
| \$ - | \$ - | \$ 416,429 |
| - | - | 5,064 |
| 1,382,829 | - | 1,742,589 |
| - | 1,152,782 | 2,884,238 |
| - | - | 48,950 |
| - | - | 9,303 |
| <u>1,382,829</u> | <u>1,152,782</u> | <u>5,106,573</u> |
| - | - | 88,069 |
| - | - | 2,273,185 |
| - | 3,584,471 | 3,602,275 |
| <u>-</u> | <u>3,584,471</u> | <u>5,963,529</u> |
| <u>1,382,829</u> | <u>4,737,253</u> | <u>11,070,102</u> |
| - | - | 607,776 |
| - | (1,191,652) | (4,157,710) |
| <u>-</u> | <u>(1,191,652)</u> | <u>(3,549,934)</u> |
| <u>\$ 1,382,829</u> | <u>\$ 3,545,601</u> | <u>\$ 7,520,168</u> |

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2012

| | Self Insurance | Garage Services | Governmental Clerk of Court Compensated Absences |
|---|-------------------|------------------|---|
| Operating Revenues | | | |
| Charges for Services | \$ 12,178,391 | \$ 4,988,045 | \$ 98,160 |
| Fines | - | 67 | - |
| Miscellaneous | 1,192,830 | 8,772 | - |
| Total Operating Revenues | 13,371,221 | 4,996,884 | 98,160 |
| Operating Expenses | | | |
| Personal Services | 180,571 | 1,073,084 | 98,160 |
| Contractual Services | 103,183 | - | - |
| Supplies | 2,640 | 4,011,842 | - |
| Insurance Premiums and Claims | 13,313,850 | - | - |
| Utilities | - | 3,510 | - |
| Other Operating Expenses | 3,823 | 297,749 | - |
| Depreciation/Amortization | 146 | 63,862 | - |
| Total Operating Expenses | 13,604,213 | 5,450,047 | 98,160 |
| Operating Income (Loss) | (232,992) | (453,163) | - |
| Nonoperating Revenues (Expenses) | | | |
| Investment Income | 24,021 | (5,521) | - |
| Gain/Loss on Disposal of Capital Assets | (15,274) | 232,283 | - |
| Total Nonoperating Revenues (Expenses) | 8,747 | 226,762 | - |
| Income (Loss) Before Contributions and Transfers | (224,245) | (226,401) | - |
| Capital Contributions | - | 36,128 | - |
| Change in Net Assets | (224,245) | (190,273) | - |
| Total Net Assets - Beginning | (2,622,204) | 678,440 | - |
| Total Net Assets - Ending | \$ (2,846,449) | \$ 488,167 | \$ - |

| Activities | | |
|------------------------------------|--|---|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | Total Internal Service Funds (Exhibit IX) |
| \$ - | \$ 3,307,205 | \$ 20,571,801 |
| - | - | 67 |
| - | - | 1,201,602 |
| - | 3,307,205 | 21,773,470 |
| - | 243,021 | 1,594,836 |
| - | 297,445 | 400,628 |
| - | - | 4,014,482 |
| - | 3,190,097 | 16,503,947 |
| - | - | 3,510 |
| - | - | 301,572 |
| - | - | 64,008 |
| - | 3,730,563 | 22,882,983 |
| - | (423,358) | (1,109,513) |
| - | 3,165 | 21,665 |
| - | - | 217,009 |
| - | 3,165 | 238,674 |
| - | (420,193) | (870,839) |
| - | - | 36,128 |
| - | (420,193) | (834,711) |
| - | (771,459) | (2,715,223) |
| \$ - | \$ (1,191,652) | \$ (3,549,934) |

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2012

| | Governmental | | |
|---|------------------|------------------|---|
| | Self Insurance | Garage Services | Clerk of Court Compensated Absences |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 10,851,916 | \$ 1,479,605 | \$ - |
| Receipts from Interfund Services Provided | 2,451,652 | 3,440,895 | - |
| Payments to Suppliers | (12,630,639) | (4,065,456) | - |
| Payments to Employees | (189,113) | (1,044,837) | (98,160) |
| Payments for Interfund Services Used | (28,876) | (69,577) | - |
| Net Cash Provided (Used) by Operating Activities | <u>454,940</u> | <u>(259,370)</u> | <u>(98,160)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Interest Expense | - | (5,305) | - |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>-</u> | <u>(5,305)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | (15,274) | - | - |
| Proceeds from Disposal of Capital Assets | - | 233,433 | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(15,274)</u> | <u>233,433</u> | <u>-</u> |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale and Maturities of Investments | 280,000 | 1,131 | - |
| Interest Income | 26,113 | - | - |
| Purchases of Investments | (1,113,194) | - | - |
| Net Cash Provided (Used) by Investing Activities | <u>(807,081)</u> | <u>1,131</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (367,415) | (30,111) | (98,160) |
| Cash and Cash Equivalents - Beginning of Year | <u>397,355</u> | <u>30,442</u> | <u>361,747</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 29,940</u> | <u>\$ 331</u> | <u>\$ 263,587</u> |
| Cash and Cash Equivalents at End of Year Consist of: | | | |
| Current assets | <u>\$ 29,940</u> | <u>\$ 331</u> | <u>\$ 263,587</u> |
| Total | <u>\$ 29,940</u> | <u>\$ 331</u> | <u>\$ 263,587</u> |

Statement C-3

| Activities | | |
|------------------------------------|--|---|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | Total Internal Service Funds (Exhibit X) |
| \$ - | \$ - | \$ 12,331,521 |
| - | 2,918,768 | 8,811,315 |
| - | (2,989,553) | (19,685,648) |
| - | - | (1,332,110) |
| - | - | (98,453) |
| - | (70,785) | 26,625 |
| - | - | (5,305) |
| - | - | (5,305) |
| - | - | (15,274) |
| - | - | 233,433 |
| - | - | 218,159 |
| - | - | 281,131 |
| - | 3,165 | 29,278 |
| - | - | (1,113,194) |
| - | 3,165 | (802,785) |
| - | (67,620) | (563,306) |
| 1,374,543 | 3,224,511 | 5,388,598 |
| <u>\$ 1,374,543</u> | <u>\$ 3,156,891</u> | <u>\$ 4,825,292</u> |
| <u>\$ 1,374,543</u> | <u>\$ 3,156,891</u> | <u>\$ 4,825,292</u> |
| <u>\$ 1,374,543</u> | <u>\$ 3,156,891</u> | <u>\$ 4,825,292</u> |

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2012

| | Governmental | | |
|--|-------------------|---------------------|---|
| | Self Insurance | Garage Services | Clerk of Court Compensated Absences |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ (232,992) | \$ (453,163) | \$ - |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation/Amortization | 146 | 63,862 | - |
| Decrease (Increase) in Assets | | | |
| Accounts Receivable | (66,786) | (4,294) | - |
| Due from Other Funds | (97) | 267 | - |
| Due from Other Governments | - | (72,357) | - |
| Inventories | - | (56,168) | - |
| Prepaid Expenses | 369,015 | - | - |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities - Continued | | | |
| Increase (Decrease) in Liabilities | | | |
| Accounts Payable | 2,021 | 291,158 | - |
| Service Contracts Payable | (29,377) | (37,486) | - |
| Compensated Absences Payable | (9,312) | 1,603 | (98,160) |
| Claims and Judgments Payable | 422,715 | - | - |
| Other Accrued Liabilities | 232 | 6,338 | - |
| Deferred Revenue | (770) | - | - |
| Other Post Employment Benefits | 145 | 870 | - |
| Total Adjustments | <u>687,932</u> | <u>193,793</u> | <u>(98,160)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 454,940</u> | <u>\$ (259,370)</u> | <u>\$ (98,160)</u> |
| Noncash Investing, Capital, and Financing Activities: | | | |
| Transfer of Capital Assets From Other Funds | \$ - | \$ 36,128 | \$ - |
| Loss on Disposal of Capital Assets | \$ - | \$ (1,150) | \$ - |
| Unrealized Gain/(Loss) on Investments | \$ 1,861 | \$ (462) | \$ - |

Statement C-3

| Activities | | | Total |
|------------------------------------|--|--|--|
| Sheriff Compensated Absences | Sheriff Health Benefits Self Insurance | | Internal Service Funds (Exhibit X) |
| \$ - | \$ (423,358) | | \$ (1,109,513) |
| - | - | | 64,008 |
| - | - | | (71,080) |
| (8,286) | - | | (8,116) |
| - | (388,437) | | (460,794) |
| - | - | | (56,168) |
| - | - | | 369,015 |
| - | - | | 293,179 |
| - | - | | (66,863) |
| 8,286 | - | | (97,583) |
| - | 497,989 | | 920,704 |
| - | - | | 6,570 |
| - | - | | (770) |
| - | 243,021 | | 244,036 |
| - | 352,573 | | 1,136,138 |
| <u>\$ -</u> | <u>\$ (70,785)</u> | | <u>\$ 26,625</u> |
| \$ - | \$ - | | \$ 36,128 |
| \$ - | \$ - | | \$ (1,150) |
| \$ - | \$ - | | \$ 1,399 |

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.

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, 2012

| | Fine and Forfeiture | Jury and Witness | Tax Deed | Support | Registry of Court | State Trust | Bridgeway Center Inc. Trust |
|----------------------------|---------------------------|------------------------|-------------------|------------------|-------------------------|-------------------|-----------------------------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 656,311 | \$ 33,330 | \$ 240,724 | \$ 69,633 | \$ 2,808,050 | \$ 369,588 | \$ 1,932 |
| Accounts Receivable | - | - | - | 3,995 | - | - | - |
| Total Assets | <u>\$ 656,311</u> | <u>\$ 33,330</u> | <u>\$ 240,724</u> | <u>\$ 73,628</u> | <u>\$ 2,808,050</u> | <u>\$ 369,588</u> | <u>\$ 1,932</u> |
| LIABILITIES | | | | | | | |
| Liabilities | | | | | | | |
| Due to Other Governments | \$ 656,311 | \$ - | \$ - | \$ 438 | \$ - | \$ 369,588 | \$ - |
| Due to Depositors | - | 33,330 | 240,724 | 73,190 | 2,808,050 | - | 1,932 |
| Taxes Collected in Advance | - | - | - | - | - | - | - |
| Total Liabilities | <u>656,311</u> | <u>33,330</u> | <u>240,724</u> | <u>73,628</u> | <u>2,808,050</u> | <u>369,588</u> | <u>1,932</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, 2012

| | Escrow Trust | Juvenile Trust | Foreclosure Escrow Trust | Cash Bond Trust | Suspense (Levies) | Disbursements | Total Agency Funds (Exhibit XI) |
|----------------------------|-------------------|-------------------|--------------------------------|--------------------|----------------------|---------------------|--|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 168,549 | \$ 710 | \$ 577,120 | \$ 139,253 | \$ 6,303 | \$ 1,026,943 | \$ 6,098,446 |
| Accounts Receivable | - | - | - | - | - | 19,465 | 23,460 |
| Total Assets | <u>\$ 168,549</u> | <u>\$ 710</u> | <u>\$ 577,120</u> | <u>\$ 139,253</u> | <u>\$ 6,303</u> | <u>\$ 1,046,408</u> | <u>\$ 6,121,906</u> |
| LIABILITIES | | | | | | | |
| Liabilities | | | | | | | |
| Due to Other Governments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 29,162 | \$ 1,055,499 |
| Due to Depositors | 168,549 | 710 | 577,120 | 139,253 | 6,303 | 46,894 | 4,096,055 |
| Taxes Collected in Advance | - | - | - | - | - | 970,352 | 970,352 |
| Total Liabilities | <u>168,549</u> | <u>710</u> | <u>577,120</u> | <u>139,253</u> | <u>6,303</u> | <u>1,046,408</u> | <u>6,121,906</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, 2012

| | Balances October 1, 2011 | Additions | Deletions | Balances September 30, 2012 |
|--|--------------------------------|----------------------|----------------------|-----------------------------------|
| FINE AND FORFEITURE AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 667,417 | \$ 10,599,144 | \$ 10,610,250 | \$ 656,311 |
| Accounts Receivable | 2,099 | 2,422 | 4,521 | - |
| Total Assets | <u>\$ 669,516</u> | <u>\$ 10,601,566</u> | <u>\$ 10,614,771</u> | <u>\$ 656,311</u> |
| LIABILITIES | | | | |
| Due to Other Governments | <u>\$ 669,516</u> | <u>\$ 8,662,290</u> | <u>\$ 8,675,495</u> | <u>\$ 656,311</u> |
| JURY AND WITNESS AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 34,852</u> | <u>\$ 27,786</u> | <u>\$ 29,308</u> | <u>\$ 33,330</u> |
| LIABILITIES | | | | |
| Due to Depositors | <u>\$ 34,852</u> | <u>\$ 27,786</u> | <u>\$ 29,308</u> | <u>\$ 33,330</u> |
| TAX DEED AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 159,414</u> | <u>\$ 674,166</u> | <u>\$ 592,856</u> | <u>\$ 240,724</u> |
| LIABILITIES | | | | |
| Due to Depositors | <u>\$ 159,414</u> | <u>\$ 674,166</u> | <u>\$ 592,856</u> | <u>\$ 240,724</u> |
| SUPPORT AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 66,303 | \$ 4,167,243 | \$ 4,163,913 | \$ 69,633 |
| Accounts Receivable | 4,415 | 16,432 | 16,852 | 3,995 |
| Total Assets | <u>\$ 70,718</u> | <u>\$ 4,183,675</u> | <u>\$ 4,180,765</u> | <u>\$ 73,628</u> |
| LIABILITIES | | | | |
| Due to Other Governments | \$ 460 | \$ 5,655 | \$ 5,677 | \$ 438 |
| Due to Depositors | 70,258 | 4,158,913 | 4,155,981 | 73,190 |
| Total Liabilities | <u>\$ 70,718</u> | <u>\$ 4,164,568</u> | <u>\$ 4,161,658</u> | <u>\$ 73,628</u> |
| REGISTRY OF COURT AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$ 2,761,890</u> | <u>\$ 4,494,142</u> | <u>\$ 4,447,982</u> | <u>\$ 2,808,050</u> |
| LIABILITIES | | | | |
| Due to Depositors | <u>\$ 2,761,890</u> | <u>\$ 4,494,142</u> | <u>\$ 4,447,982</u> | <u>\$ 2,808,050</u> |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2012

| | Balances October 1, 2011 | Additions | Deletions | Balances September 30, 2012 |
|---|--------------------------------|---------------|---------------|-----------------------------------|
| STATE TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 354,776 | \$ 17,931,944 | \$ 17,917,132 | \$ 369,588 |
| LIABILITIES | | | | |
| Due to Other Governments | \$ 354,776 | \$ 17,931,944 | \$ 17,917,132 | \$ 369,588 |
| BRIDGEWAY CENTER, INC. TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 431 | \$ 3,737 | \$ 2,236 | \$ 1,932 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 431 | \$ 3,737 | \$ 2,236 | \$ 1,932 |
| ESCROW AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 164,986 | \$ 463,499 | \$ 459,936 | \$ 168,549 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 164,986 | \$ 463,499 | \$ 459,936 | \$ 168,549 |
| JUVENILE TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 667 | \$ 14,800 | \$ 14,757 | \$ 710 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 667 | \$ 14,800 | \$ 14,757 | \$ 710 |
| FORECLOSURE ESCROW AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 323,495 | \$ 5,103,495 | \$ 4,849,870 | \$ 577,120 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 323,495 | \$ 5,085,425 | \$ 4,831,800 | \$ 577,120 |
| CASH BOND TRUST AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 145,403 | \$ 640,214 | \$ 646,364 | \$ 139,253 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 145,403 | \$ 640,214 | \$ 646,364 | \$ 139,253 |

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2012

| | Balances October 1, 2011 | Additions | Deletions | Balances September 30, 2012 |
|--------------------------------------|--------------------------------|-----------------------|-----------------------|-----------------------------------|
| SUSPENSE (LEVIES) AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 8,037 | \$ 4,457 | \$ 6,191 | \$ 6,303 |
| LIABILITIES | | | | |
| Due to Depositors | \$ 8,037 | \$ 4,457 | \$ 6,191 | \$ 6,303 |
| DISBURSEMENTS AGENCY FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,156,607 | \$ 225,036,098 | \$ 225,165,762 | \$ 1,026,943 |
| Accounts Receivable | 8,407 | 19,465 | 8,407 | 19,465 |
| Total Assets | <u>\$ 1,165,014</u> | <u>\$ 225,055,563</u> | <u>\$ 225,174,169</u> | <u>\$ 1,046,408</u> |
| LIABILITIES | | | | |
| Due to Other Governments | \$ 22,980 | \$ 47,687,735 | \$ 47,681,553 | \$ 29,162 |
| Due to Depositors | 147,563 | 46,894 | 147,563 | 46,894 |
| Taxes Collected in Advance | 994,471 | 2,680,604 | 2,704,723 | 970,352 |
| Total Liabilities | <u>\$ 1,165,014</u> | <u>\$ 50,415,233</u> | <u>\$ 50,533,839</u> | <u>\$ 1,046,408</u> |
| TOTAL - ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 5,844,278 | \$ 269,160,725 | \$ 268,906,557 | \$ 6,098,446 |
| Accounts Receivable | 14,921 | 38,319 | 29,780 | 23,460 |
| Total Assets | <u>\$ 5,859,199</u> | <u>\$ 269,199,044</u> | <u>\$ 268,936,337</u> | <u>\$ 6,121,906</u> |
| LIABILITIES | | | | |
| Due to Other Governments | \$ 1,047,732 | \$ 74,287,624 | \$ 74,279,857 | \$ 1,055,499 |
| Due to Depositors | 3,816,996 | 15,614,033 | 15,334,974 | 4,096,055 |
| Taxes Collected in Advance | 994,471 | 2,680,604 | 2,704,723 | 970,352 |
| Total Liabilities | <u>\$ 5,859,199</u> | <u>\$ 92,582,261</u> | <u>\$ 92,319,554</u> | <u>\$ 6,121,906</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

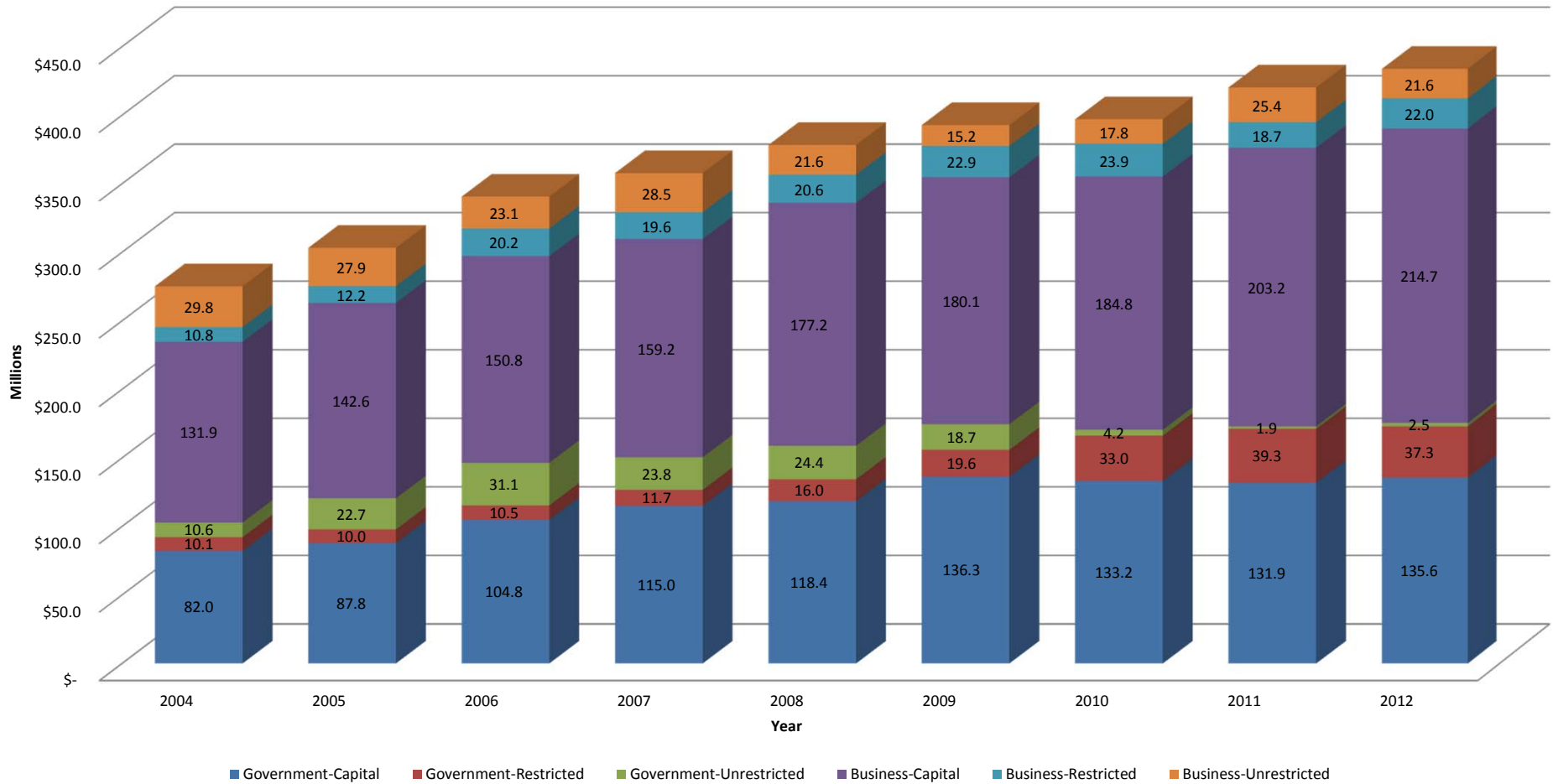
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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 | | | | | | | | |
|--|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| GOVERNMENTAL ACTIVITIES: | | | | | | | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | \$82,040 | \$87,817 | \$104,807 | \$114,990 | \$118,399 | \$136,255 | \$133,206 | \$131,864 | \$135,627 |
| RESTRICTED: | | | | | | | | | |
| DEBT SERVICE | \$1,359 | \$1,165 | \$810 | \$491 | \$467 | \$485 | \$1,174 | \$431 | \$994 |
| OTHER PURPOSES | \$8,730 | \$8,793 | \$9,707 | \$11,190 | \$15,537 | \$19,153 | \$31,866 | \$38,864 | \$36,326 |
| UNRESTRICTED | \$10,634 | \$22,725 | \$31,083 | \$23,766 | \$24,418 | \$18,709 | \$4,244 | \$1,865 | \$2,534 |
| TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS | \$102,763 | \$120,500 | \$146,407 | \$150,437 | \$158,821 | \$174,602 | \$170,490 | \$173,024 | \$175,481 |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | \$131,884 | \$142,566 | \$150,847 | \$159,248 | \$177,168 | \$180,105 | \$184,811 | \$203,224 | \$214,734 |
| RESTRICTED: | | | | | | | | | |
| DEBT SERVICE | \$2,307 | \$3,409 | \$10,075 | \$8,388 | \$10,068 | \$12,650 | \$13,654 | \$7,579 | \$10,262 |
| OTHER PURPOSES | \$8,509 | \$8,818 | \$10,092 | \$11,167 | \$10,570 | \$10,262 | \$10,249 | \$11,090 | \$11,773 |
| UNRESTRICTED | \$29,752 | \$27,942 | \$23,140 | \$28,517 | \$21,632 | \$15,200 | \$17,827 | \$25,367 | \$21,613 |
| TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS | \$172,452 | \$182,735 | \$194,154 | \$207,320 | \$219,438 | \$218,217 | \$226,541 | \$247,260 | \$258,382 |
| PRIMARY GOVERNMENT | | | | | | | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | \$213,924 | \$230,383 | \$255,654 | \$274,238 | \$295,567 | \$316,360 | \$318,017 | \$335,088 | \$350,361 |
| RESTRICTED: | | | | | | | | | |
| DEBT SERVICE | \$3,666 | \$4,574 | \$10,885 | \$8,879 | \$10,535 | \$13,135 | \$14,828 | \$8,010 | \$11,256 |
| OTHER PURPOSES | \$17,239 | \$17,611 | \$19,799 | \$22,357 | \$26,107 | \$29,415 | \$42,115 | \$49,954 | \$48,099 |
| UNRESTRICTED | \$40,386 | \$50,667 | \$54,223 | \$52,283 | \$46,050 | \$33,909 | \$22,071 | \$27,232 | \$24,147 |
| TOTAL PRIMARY GOVERNMENT NET ASSETS | \$275,215 | \$303,235 | \$340,561 | \$357,757 | \$378,259 | \$392,819 | \$397,031 | \$420,284 | \$433,863 |

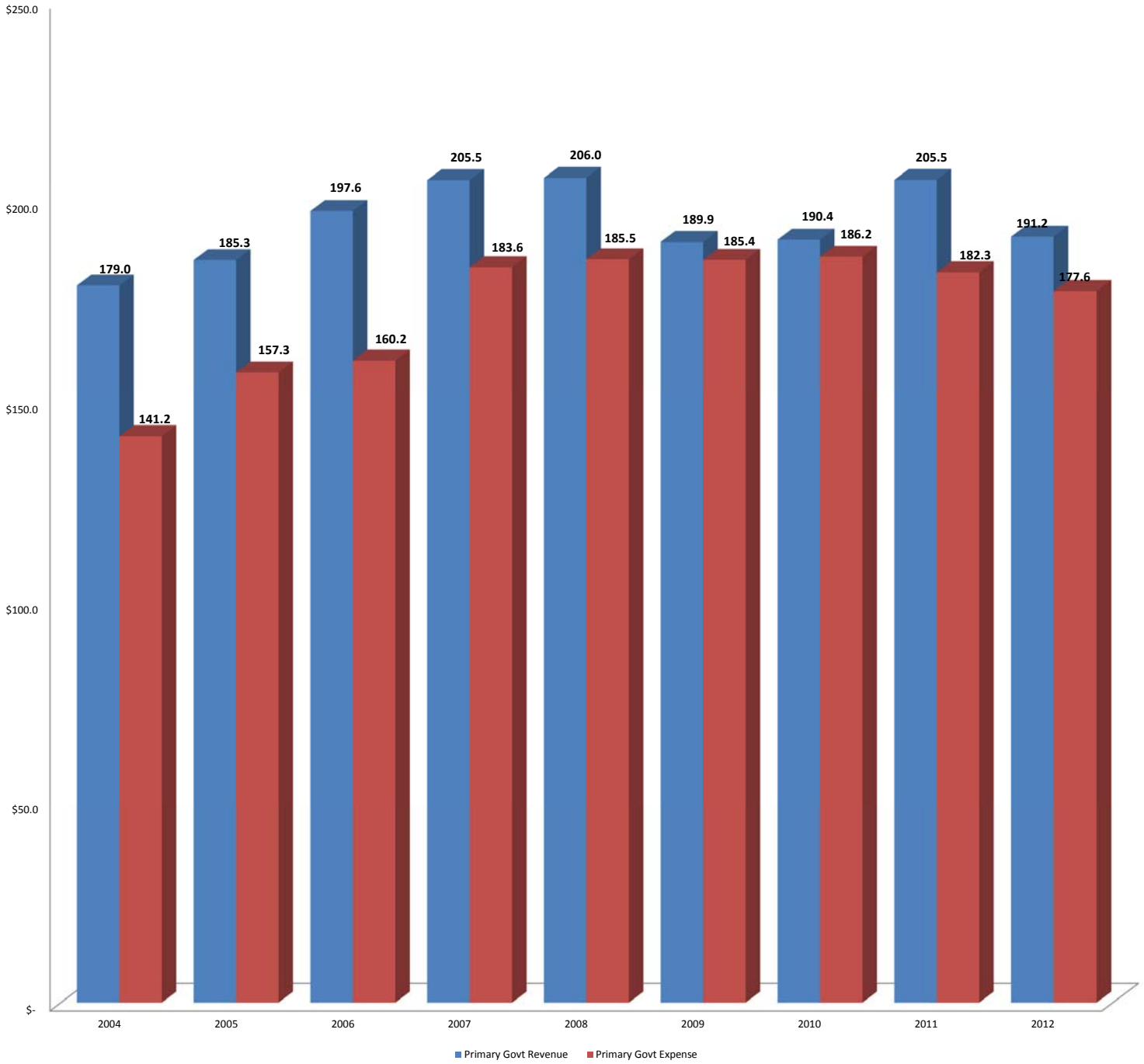
Net Assets by Category Last Nine Fiscal Years



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

| (amounts in thousands) | FISCAL YEAR | | | | | | | | |
|---|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| EXPENSES | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | | | | | |
| GENERAL GOVERNMENT | \$23,079 | \$25,088 | \$27,579 | \$31,202 | \$34,777 | \$31,008 | \$32,146 | \$31,726 | \$30,552 |
| PUBLIC SAFETY | 35,416 | 38,476 | 41,752 | 47,315 | 49,963 | 53,499 | 47,995 | 45,335 | 46,360 |
| PHYSICAL ENVIRONMENT | 558 | 599 | 928 | 897 | 1,138 | 867 | 2,594 | 2,148 | 933 |
| TRANSPORTATION | 13,935 | 14,955 | 16,736 | 16,809 | 17,229 | 18,901 | 18,922 | 17,728 | 16,245 |
| ECONOMIC ENVIRONMENT | 12,240 | 14,182 | 7,966 | 6,581 | 6,471 | 7,456 | 8,980 | 9,290 | 5,563 |
| HUMAN SERVICES | 3,997 | 4,061 | 4,651 | 4,851 | 4,964 | 5,110 | 4,672 | 4,454 | 4,352 |
| CULTURE AND RECREATION | 2,870 | 3,426 | 3,695 | 8,496 | 5,069 | 4,500 | 5,031 | 4,007 | 5,902 |
| COURT-RELATED | 6,849 | 7,593 | 8,256 | 11,661 | 9,088 | 8,082 | 7,390 | 7,118 | 6,634 |
| INTEREST AND FISCAL CHARGES | 191 | 185 | 302 | 264 | 181 | 116 | 1,138 | 1,531 | 1,692 |
| TOTAL GOVERNMENTAL EXPENSES | \$99,135 | \$108,565 | \$111,865 | \$128,076 | \$128,880 | \$129,539 | \$128,868 | \$123,337 | \$118,233 |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | | |
| WATER AND SEWER | \$19,179 | \$19,391 | \$20,892 | \$25,078 | \$25,057 | \$24,067 | \$25,752 | \$27,124 | \$26,149 |
| AIRPORT | 3,871 | 8,632 | 6,832 | 7,649 | 8,363 | 9,804 | 10,575 | 12,527 | 12,928 |
| SOLID WASTE | 8,378 | 9,069 | 8,577 | 9,517 | 9,757 | 8,404 | 7,757 | 6,874 | 7,438 |
| INSPECTIONS | 1,915 | 2,206 | 2,398 | 2,207 | 1,582 | 1,245 | 7,561 | 1,149 | 1,600 |
| EMERGENCY MEDICAL SERVICES | 5,318 | 5,704 | 5,872 | 6,770 | 7,326 | 7,504 | 1,241 | 7,495 | 6,933 |
| CONFERENCE CENTER | 3,418 | 3,725 | 3,811 | 4,258 | 4,556 | 4,817 | 4,424 | 3,754 | 4,301 |
| TOTAL BUSINESS-TYPE EXPENSES | \$42,079 | \$48,727 | \$48,382 | \$55,479 | \$56,641 | \$55,841 | \$57,310 | \$58,923 | \$59,349 |
| TOTAL PRIMARY GOVERNMENT EXPENSES | \$141,214 | \$157,292 | \$160,247 | \$183,555 | \$185,521 | \$185,380 | \$186,178 | \$182,260 | \$177,582 |
| PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES: | | | | | | | | | |
| CHARGES FOR SERVICES | | | | | | | | | |
| GENERAL GOVERNMENTAL | \$9,020 | \$11,708 | \$11,757 | \$12,503 | \$11,996 | \$10,590 | \$10,488 | \$11,002 | \$12,364 |
| OTHER | 11,888 | 13,213 | 15,818 | 14,433 | 17,218 | 17,359 | 12,287 | 15,752 | 13,332 |
| OPERATING GRANTS AND CONTRIBUTIONS | 18,505 | 22,627 | 13,854 | 10,986 | 6,167 | 10,843 | 9,867 | 7,675 | 8,354 |
| CAPITAL GRANTS AND CONTRIBUTIONS | 789 | 2,271 | 3,323 | 526 | 579 | 7,611 | 4,287 | 2,611 | 6,240 |
| TOTAL GOVERNMENT PROGRAM REVENUE | \$40,202 | \$49,819 | \$44,752 | \$38,448 | \$35,960 | \$46,403 | \$36,929 | \$37,040 | \$40,290 |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | | |
| CHARGES FOR SERVICES | | | | | | | | | |
| WATER & SEWER | \$21,179 | \$21,206 | \$22,387 | \$22,403 | \$24,207 | \$22,662 | \$24,107 | \$25,686 | \$26,025 |
| OTHER | 18,210 | 21,791 | 21,915 | 23,750 | 25,857 | 25,613 | 26,086 | 27,742 | 28,186 |
| OPERATING GRANTS AND CONTRIBUTIONS | 340 | 980 | 868 | 1,081 | 771 | 584 | 797 | 548 | 338 |
| CAPITAL GRANTS AND CONTRIBUTIONS | 25,018 | 8,897 | 5,716 | 9,927 | 9,204 | 6,226 | 9,027 | 18,035 | 10,292 |
| TOTAL BUSINESS-TYPE PROGRAM REVENUE | \$64,747 | \$52,874 | \$50,886 | \$57,161 | \$60,039 | \$55,085 | \$60,017 | \$72,011 | \$64,841 |
| TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES | \$104,949 | \$102,693 | \$95,638 | \$95,609 | \$95,999 | \$101,488 | \$96,946 | \$109,051 | \$105,131 |
| NET (EXPENSE)/REVENUE | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES | (\$58,933) | (\$58,746) | (\$67,113) | (\$89,628) | (\$92,920) | (\$83,136) | (\$91,939) | (\$86,297) | (\$77,943) |
| BUSINESS-TYPE ACTIVITIES | \$22,668 | \$4,147 | \$2,504 | \$1,682 | \$3,398 | (\$756) | \$2,707 | \$13,088 | \$5,492 |
| TOTAL PRIMARY GOVERNMENT NET EXPENSE | (\$36,265) | (\$54,599) | (\$64,609) | (\$87,946) | (\$89,522) | (\$83,892) | (\$89,232) | (\$73,209) | (\$72,451) |
| GENERAL REVENUES | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | | | | | |
| TAXES | \$48,617 | \$54,145 | \$66,042 | \$73,868 | \$76,704 | \$68,952 | \$64,567 | \$61,192 | \$58,759 |
| STATE SHARED REVENUE | 17,317 | 18,586 | 19,823 | 19,004 | 17,573 | 16,130 | 15,801 | 16,880 | 17,041 |
| GRANT AND CONTRIBUTIONS NOT RESTRICTED | 100 | 1,137 | 2,591 | 782 | 2,033 | 256 | 1,725 | 6,622 | 360 |
| OTHER | 1,771 | 2,615 | 4,563 | 4,725 | 3,710 | 3,783 | 5,734 | 4,137 | 4,241 |
| TOTAL GOVERNMENTAL ACTIVITIES | \$67,805 | \$76,483 | \$93,019 | \$98,379 | \$100,020 | \$89,121 | \$87,827 | \$88,831 | \$80,401 |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | | |
| TAXES | \$5,479 | \$5,638 | \$6,497 | \$6,746 | \$6,869 | \$5,825 | \$4,830 | \$6,810 | \$6,780 |
| STATE SHARED REVENUE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GRANT AND CONTRIBUTIONS NOT RESTRICTED | 0 | 8 | 674 | (300) | 96 | 25 | 0 | 0 | 0 |
| OTHER | 739 | 498 | 1,745 | 5,037 | 3,039 | (6,594) | 786 | 823 | (1,151) |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$6,218 | \$6,144 | \$8,916 | \$11,483 | \$10,004 | (\$744) | \$5,616 | \$7,633 | \$5,629 |
| CHANGES IN NET ASSETS | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES | \$8,872 | \$17,737 | \$25,906 | \$8,751 | \$7,100 | \$5,985 | (\$4,112) | \$2,534 | \$2,458 |
| BUSINESS-TYPE ACTIVITIES | \$28,886 | \$10,291 | \$11,420 | \$13,165 | \$13,402 | (\$1,500) | \$8,323 | \$20,721 | \$11,121 |
| TOTAL PRIMARY GOVERNMENT | \$37,758 | \$28,028 | \$37,326 | \$21,916 | \$20,502 | \$4,485 | \$4,211 | \$23,255 | \$13,579 |

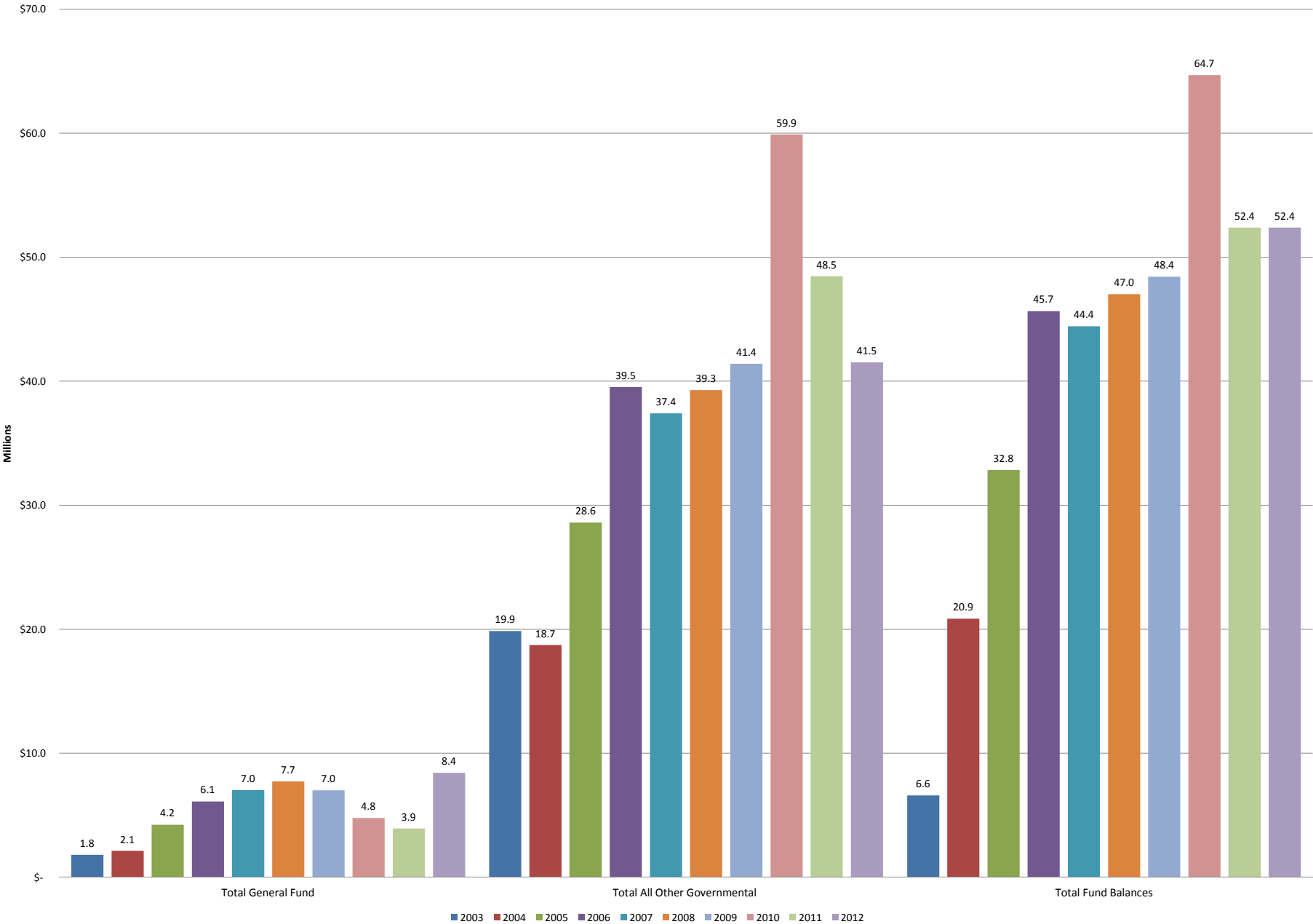
Changes in Net Assets - Primary Government Last Nine Fiscal Years



FUND BALANCES - GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS

| | FISCAL YEAR | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | PRE-GASB 54 | | | | | | | |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| (modified accrual basis of accounting) | | | | | | | | |
| GENERAL FUND | | | | | | | | |
| RESERVED | \$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 | 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 | 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 | 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 | 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 | 12,191,043 | 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 | 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 | \$21,676,317 | \$20,854,441 | \$32,848,289 | \$45,650,204 | \$44,436,226 | \$47,020,981 | \$48,418,289 | \$64,680,827 |
| | POST-GASB 54 | | | | | | | |
| | 2011 | 2012 | | | | | | |
| GENERAL FUND | | | | | | | | |
| NONSPENDABLE | \$347,376 | \$284,264 | | | | | | |
| RESTRICTED | - | - | | | | | | |
| COMMITTED | 26,833 | 26,808 | | | | | | |
| ASSIGNED | - | - | | | | | | |
| UNASSIGNED | 3,562,434 | 8,112,239 | | | | | | |
| TOTAL GENERAL FUND | 3,936,643 | 8,423,311 | | | | | | |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | | | | |
| NONSPENDABLE | 1,064,068 | 644,538 | | | | | | |
| RESTRICTED | 38,051,645 | 35,934,149 | | | | | | |
| COMMITTED | 542,977 | 579,899 | | | | | | |
| ASSIGNED | 9,861,148 | 4,992,479 | | | | | | |
| UNASSIGNED | (1,064,068) | (630,376) | | | | | | |
| TOTAL ALL OTHER GOVERNMENTAL FUNDS | 48,455,770 | 41,520,689 | | | | | | |
| TOTAL FUND BALANCES | \$52,392,413 | \$49,944,000 | | | | | | |

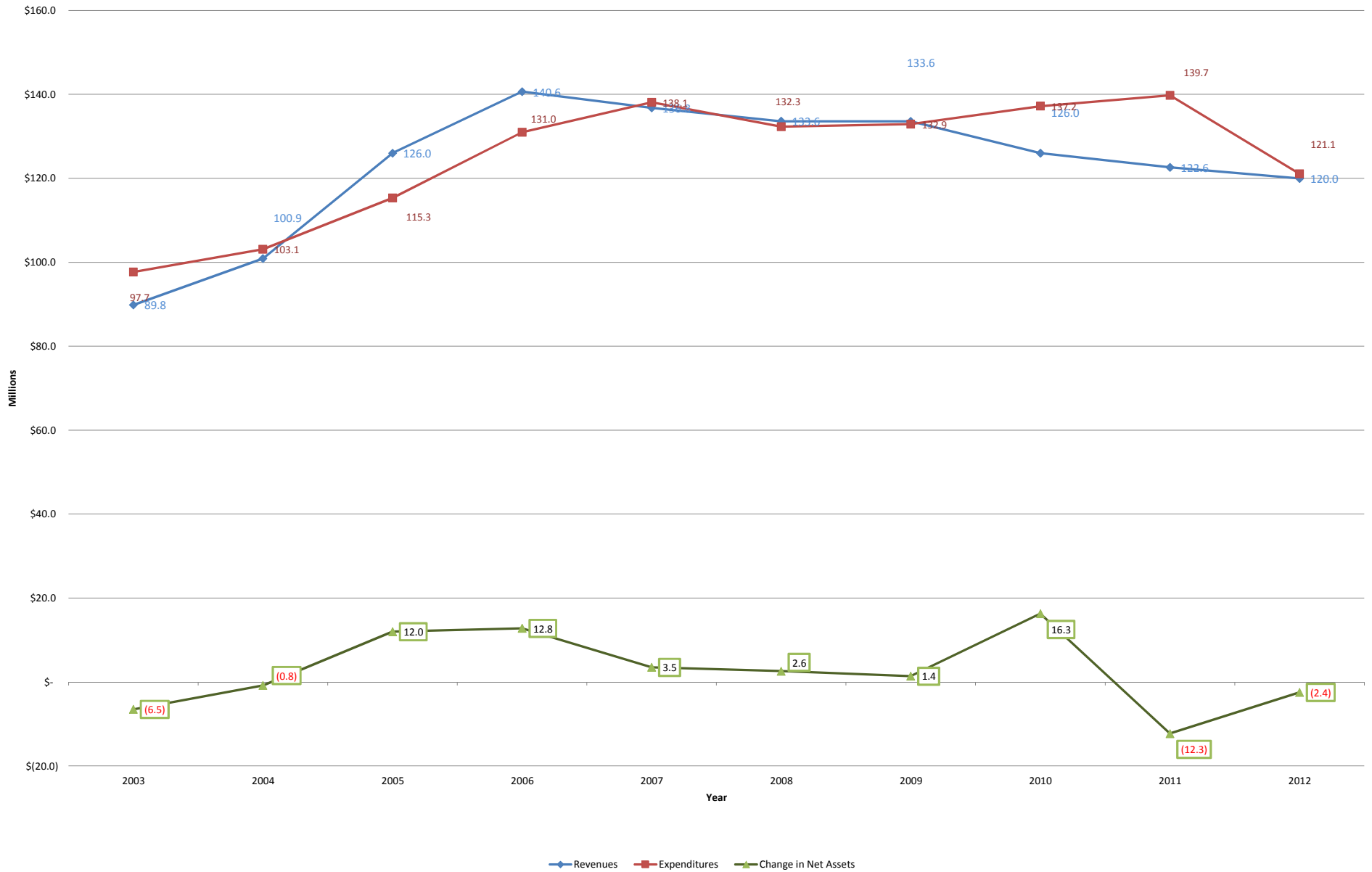
Fund Balances - Governmental Funds Last Ten Fiscal Years



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

| | FISCAL YEAR | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| REVENUES | | | | | | | | | | |
| TAXES | \$44,079,158 | \$48,610,746 | \$54,145,087 | \$66,042,747 | \$73,867,055 | \$73,373,458 | \$72,281,816 | \$64,566,859 | \$61,193,262 | \$58,759,403 |
| LICENSES & PERMITS | \$211,365 | \$307,090 | \$313,921 | \$284,662 | \$214,234 | \$9,100 | \$1,380,759 | \$1,327,905 | \$1,325,765 | \$1,335,069 |
| INTERGOVERNMENTAL | \$25,736,508 | \$29,948,522 | \$44,050,979 | \$42,539,492 | \$31,531,631 | \$30,009,477 | \$35,475,825 | \$36,535,915 | \$33,113,485 | \$34,752,396 |
| CHARGES FOR SERVICES | \$16,763,572 | \$19,859,820 | \$23,363,924 | \$24,735,690 | \$23,289,780 | \$22,131,456 | \$20,050,104 | \$16,832,903 | \$16,703,982 | \$18,066,625 |
| FINES & FORFEITURES | \$340,185 | \$253,841 | \$493,912 | \$719,436 | \$2,522,536 | \$1,611,445 | \$311,933 | \$263,008 | \$366,891 | \$465,016 |
| MISCELLANEOUS | \$2,698,607 | \$1,908,070 | \$3,603,462 | \$6,305,145 | \$5,359,597 | \$6,452,039 | \$4,053,181 | \$6,474,468 | \$9,896,129 | \$6,602,495 |
| TOTAL REVENUES | \$89,829,395 | \$100,888,089 | \$125,971,285 | \$140,627,172 | \$136,784,833 | \$133,586,975 | \$133,553,618 | \$126,001,058 | \$122,599,514 | \$119,981,004 |
| EXPENDITURES | | | | | | | | | | |
| GENERAL GOVERNMENT SERVICES | \$21,570,112 | \$22,138,458 | \$24,124,802 | \$26,533,691 | \$29,818,265 | \$33,527,359 | \$31,564,827 | \$30,831,739 | \$29,385,011 | \$28,153,161 |
| PUBLIC SAFETY | \$30,967,864 | \$33,702,978 | \$36,640,308 | \$39,715,240 | \$45,003,091 | \$47,406,613 | \$48,819,375 | \$44,472,469 | \$43,923,618 | \$43,331,001 |
| PHYSICAL ENVIRONMENT | \$984,816 | \$539,630 | \$582,092 | \$769,308 | \$869,499 | \$952,412 | \$822,003 | \$2,267,404 | \$2,190,121 | \$1,012,021 |
| TRANSPORTATION | \$10,585,261 | \$10,757,562 | \$11,595,450 | \$13,126,158 | \$12,859,021 | \$13,124,250 | \$14,177,430 | \$14,276,604 | \$13,049,151 | \$12,403,808 |
| ECONOMIC ENVIRONMENT | \$5,465,572 | \$12,205,205 | \$14,145,616 | \$7,793,104 | \$6,387,789 | \$6,297,322 | \$7,415,472 | \$9,052,837 | \$9,158,215 | \$5,077,420 |
| HUMAN SERVICES | \$3,385,124 | \$3,736,433 | \$3,806,130 | \$4,372,186 | \$4,538,445 | \$4,654,542 | \$4,803,243 | \$4,323,033 | \$4,111,405 | \$4,020,503 |
| CULTURE AND RECREATION | \$2,116,443 | \$2,464,105 | \$3,003,389 | \$3,355,917 | \$8,137,562 | \$4,494,534 | \$3,887,890 | \$4,452,522 | \$3,419,210 | \$5,330,917 |
| COURT RELATED | \$6,633,646 | \$6,733,490 | \$7,489,743 | \$7,947,657 | \$11,448,620 | \$8,752,790 | \$8,114,665 | \$7,102,441 | \$6,824,745 | \$6,795,357 |
| CAPITAL OUTLAY | \$14,274,768 | \$9,943,885 | \$13,283,171 | \$26,494,998 | \$16,993,757 | \$11,226,400 | \$12,625,889 | \$18,693,921 | \$25,526,067 | \$10,304,163 |
| PRINCIPAL RETIREMENT | \$1,683,484 | \$809,166 | \$629,345 | \$818,774 | \$1,934,681 | \$1,737,530 | \$587,575 | \$587,505 | \$582,411 | \$3,050,000 |
| INTEREST | \$29,792 | \$46,392 | \$36,382 | \$48,794 | \$66,319 | \$85,381 | \$45,532 | \$435,901 | \$1,479,158 | \$1,587,593 |
| OTHER CHARGES | \$1,587 | \$1,500 | \$1,000 | \$2,000 | \$23,699 | \$24,187 | \$22,836 | \$692,498 | \$96,448 | \$19,768 |
| TOTAL EXPENDITURES | \$97,698,469 | \$103,078,804 | \$115,337,428 | \$130,977,827 | \$138,080,748 | \$132,283,320 | \$132,886,737 | \$137,188,874 | \$139,745,560 | \$121,085,712 |
| EXCESS OF REVENUES OVER(UNDER) EXPENDITURES | (\$7,869,074) | (\$2,190,715) | \$10,633,857 | \$9,649,345 | (\$1,295,915) | \$1,303,655 | \$666,881 | (\$11,187,816) | (\$17,146,046) | (\$1,104,708) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| SPECIAL ITEM | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$2,007,041) |
| TRANSFERS IN | \$5,021,377 | \$6,648,881 | \$7,706,649 | \$7,908,387 | \$9,898,053 | \$9,066,308 | \$8,965,209 | \$7,963,351 | \$11,551,302 | \$11,920,643 |
| TRANSFERS OUT | (\$4,478,111) | (\$6,223,181) | (\$6,796,666) | (\$7,305,817) | (\$8,895,030) | (\$7,782,208) | (\$8,234,782) | (\$6,876,756) | (\$10,293,670) | (\$11,257,307) |
| BUDGET TRANSFERS AMOUNG | | | | | | | | | | |
| CONSTITUTIONAL OFFICERS | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| PROCEEDS FROM CAPITAL LEASES | \$0 | \$0 | \$450,009 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| EXCESS FEES DUE TO OTHER GOVERNMENTS | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| PROCEED FROM LONG-TERM-DEBT | \$834,257 | \$943,138 | \$0 | \$2,550,000 | \$3,800,000 | \$0 | \$0 | \$26,363,759 | \$3,600,000 | \$0 |
| TOTAL OTHER FINANCING SOURCES(USES) | \$1,377,523 | \$1,368,838 | \$1,359,992 | \$3,152,570 | \$4,803,023 | \$1,284,100 | \$730,427 | \$27,450,354 | \$4,857,632 | (\$1,343,705) |
| NET CHANGE IN FUND BALANCES | (\$6,491,551) | (\$821,877) | \$11,993,849 | \$12,801,915 | \$3,507,108 | \$2,587,755 | \$1,397,308 | \$16,262,538 | (\$12,288,414) | (\$2,448,413) |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | 1.79% | 0.84% | 0.58% | 0.67% | 1.49% | 1.42% | 0.50% | 1.27% | 1.57% | 4.00% |

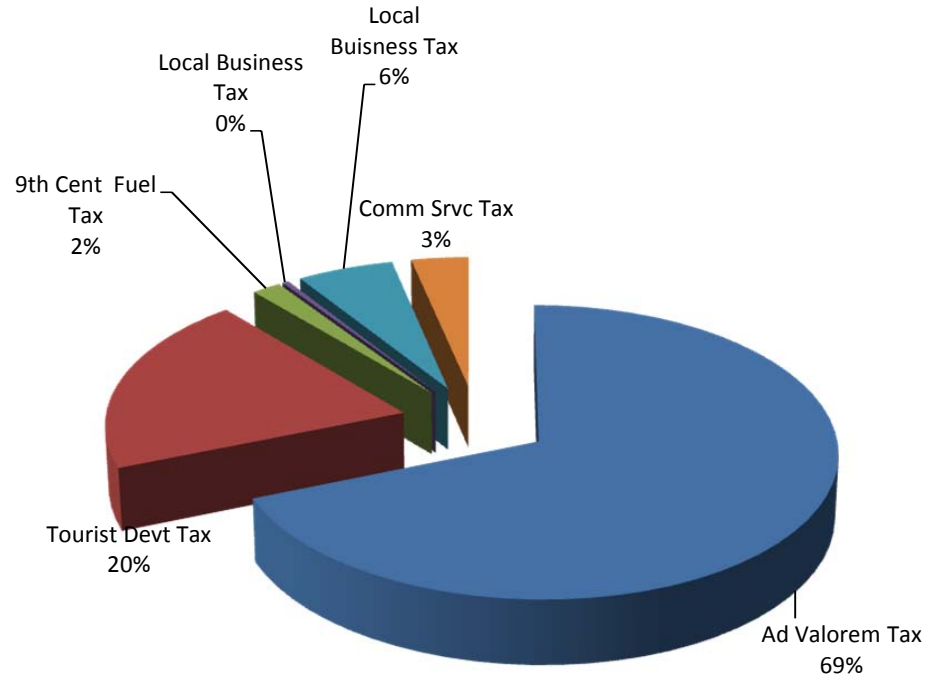
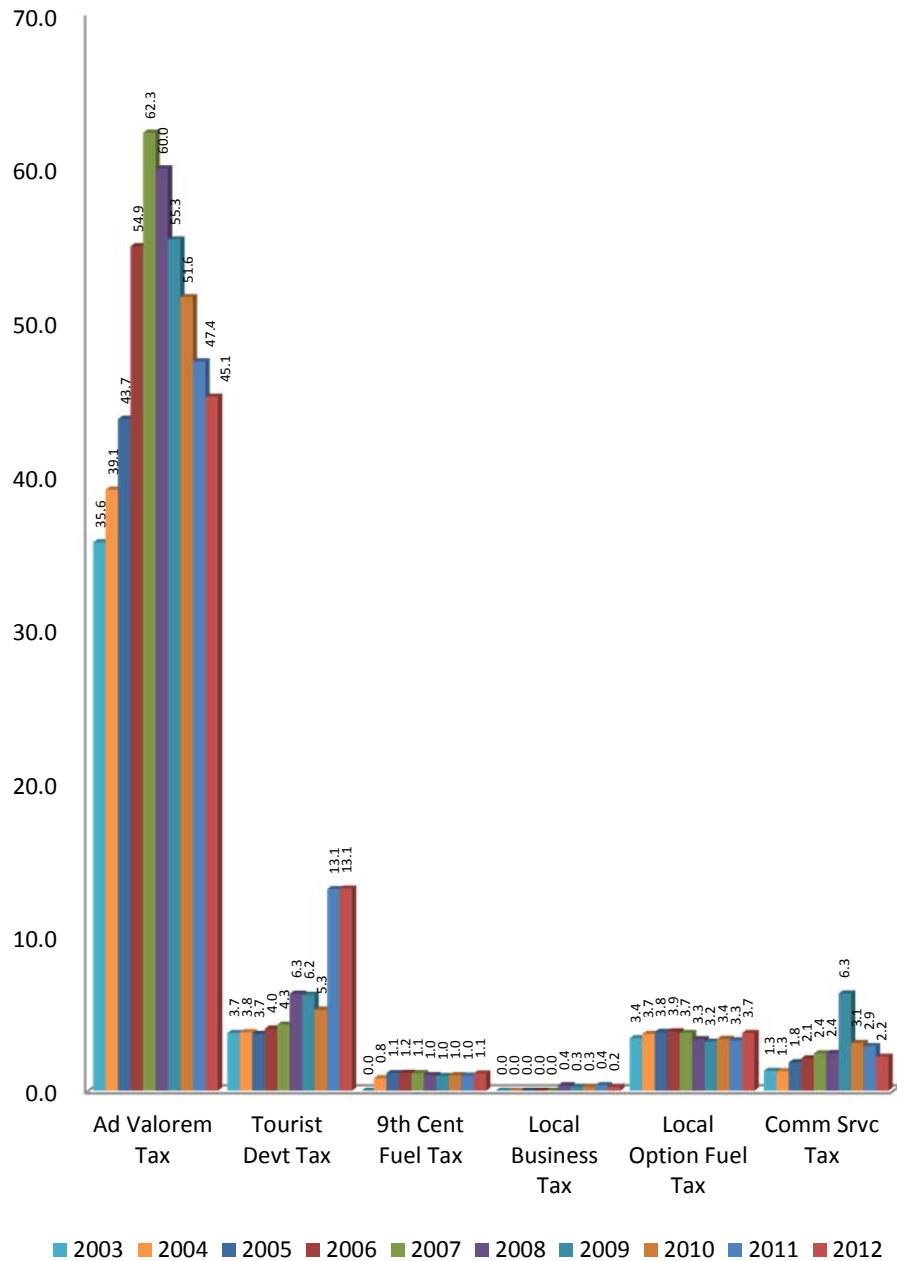
Changes in Fund Balances - Governmental Funds Last Ten Fiscal Years



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 |
|-------------|----------------|-------------------------|-------------------------|--------------------|-----------------------|---------------------------|--------------|
| 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 |
| 2011 | \$47,413,163 | \$13,092,667 | \$977,680 | \$363,365 | \$3,262,337 | \$2,894,338 | \$68,003,550 |
| 2012 | \$45,105,639 | \$13,128,501 | \$1,119,335 | \$241,449 | \$3,735,262 | \$2,208,919 | \$65,539,105 |

Governmental Tax Revenues by Source Fiscal Year 2012 (\$65,539,105)



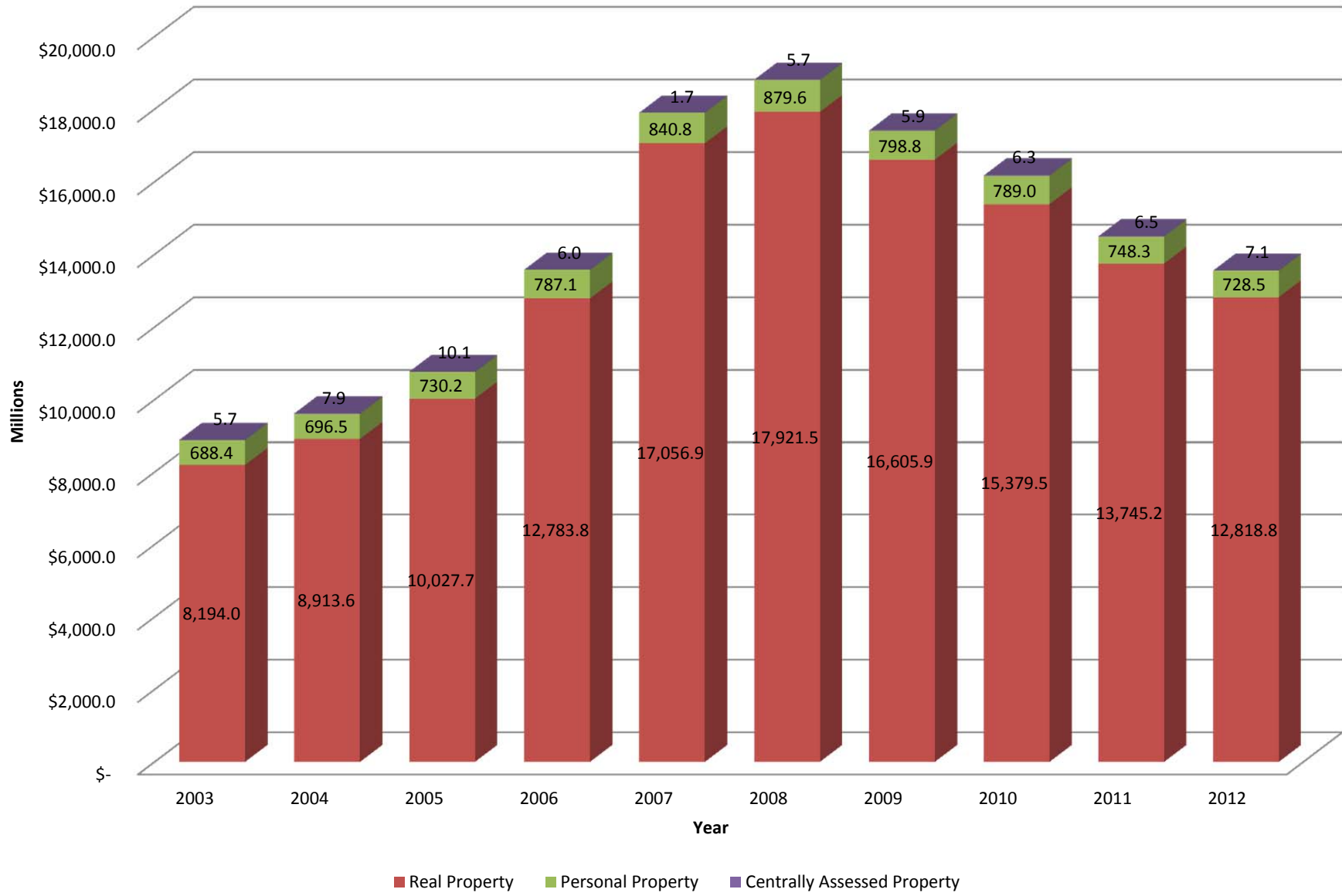
TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY - LAST TEN FISCAL YEARS

| 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 | | | | |
| 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% |
| 2011 | 13,745,152,717 | 748,267,784 | 6,451,134 | 14,499,871,635 | 11.0039 | 17,058,672,512 | 85.00% |
| 2012 | 12,818,828,620 | 728,508,866 | 7,148,799 | 13,554,486,285 | 11.2389 | 15,946,454,453 | 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

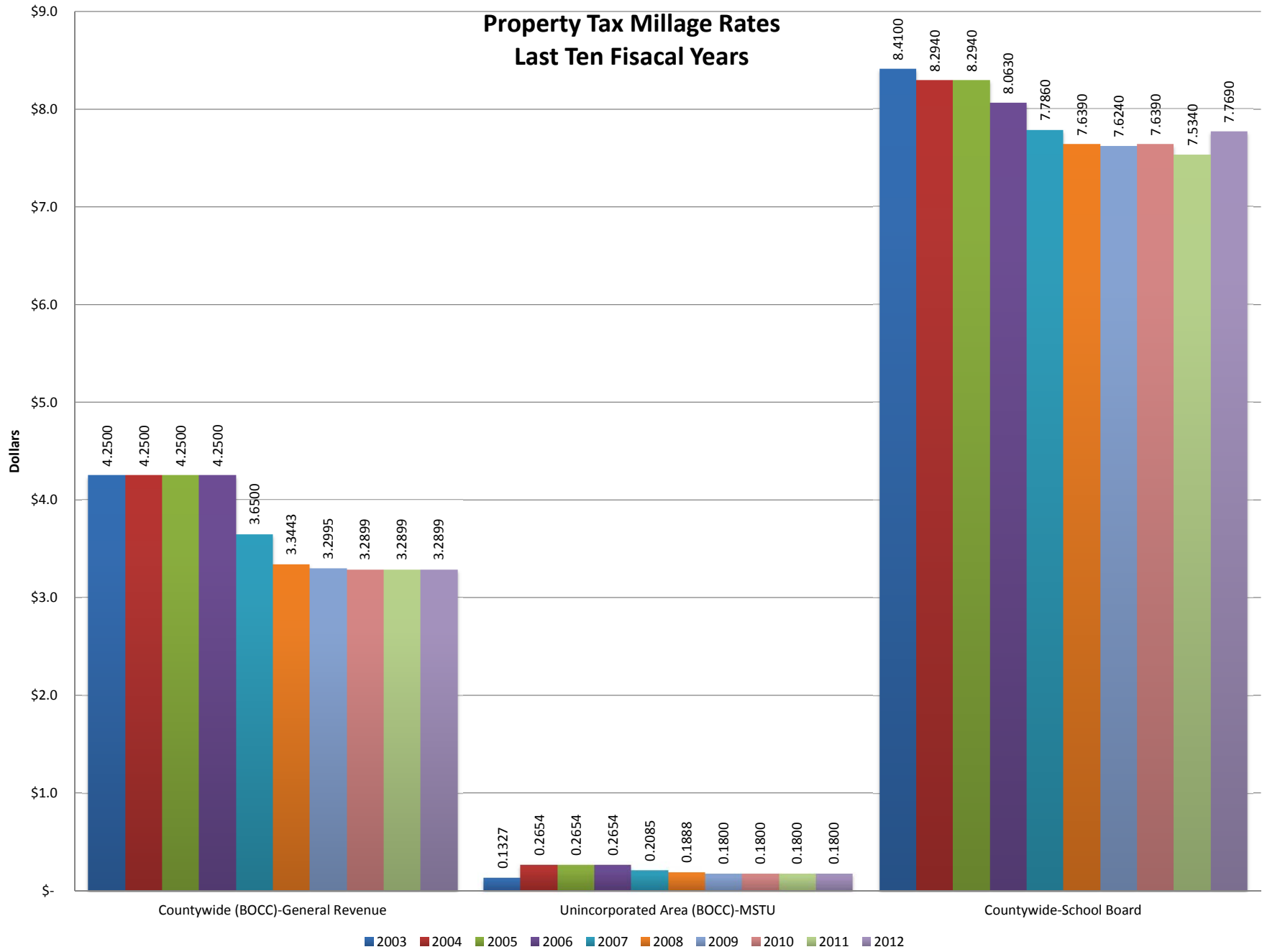


PROPERTY TAX MILLAGE RATES FOR DIRECT AND OVERLAPPING GOVERNMENTS - LAST TEN FISCAL YEARS

| | FISCAL YEAR | | | | | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| COUNTYWIDE (BOCC) | | | | | | | | | | |
| GENERAL REVENUE | 4.2500 | 4.2500 | 4.2500 | 4.2500 | 3.6500 | 3.3443 | 3.2995 | 3.2899 | 3.2899 | 3.2899 |
| UNINCORPORATED AREA (BOCC) | | | | | | | | | | |
| MUNICIPAL SERVICE TAXING UNIT (MSTU) | 0.1327 | 0.2654 | 0.2654 | 0.2654 | 0.2085 | 0.1888 | 0.1800 | 0.1800 | 0.1800 | 0.1800 |
| COUNTYWIDE (OTHER) | | | | | | | | | | |
| SCHOOL BOARD | 8.4100 | 8.2940 | 8.2940 | 8.0630 | 7.7860 | 7.6390 | 7.6240 | 7.6390 | 7.5340 | 7.7690 |
| TOTAL MILLAGES | 12.7927 | 12.8094 | 12.8094 | 12.5784 | 11.6445 | 11.1721 | 11.1035 | 11.1089 | 11.0039 | 11.2389 |
| MUNICIPALITIES | | | | | | | | | | |
| CINCO BAYOU | 2.3000 | 2.3000 | 2.3000 | 2.3000 | 2.3000 | 2.0639 | 2.0639 | 2.0639 | 2.1000 | 2.3000 |
| CRESTVIEW | 6.9990 | 6.9000 | 6.9000 | 6.9990 | 6.4989 | 5.8466 | 5.8466 | 5.8466 | 5.8466 | 5.5966 |
| DESTIN | 1.8000 | 1.8000 | 1.8000 | 1.8000 | 1.5000 | 1.4550 | 1.4550 | 1.4550 | 1.4550 | 1.4550 |
| FORT WALTON BEACH | 4.9700 | 4.9700 | 4.9700 | 4.9700 | 4.6400 | 4.1986 | 4.1986 | 4.1986 | 4.5383 | 4.5383 |
| LAUREL HILL | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 5.0000 | 4.8400 | 3.5000 | 3.5000 | 3.5000 |
| MARY ESTHER | 3.5000 | 3.5000 | 3.5000 | 3.5000 | 3.4000 | 3.0125 | 2.6996 | 2.6996 | 2.6435 | 2.6435 |
| NICEVILLE | 3.3000 | 3.3000 | 3.5000 | 3.5000 | 3.5000 | 3.2669 | 3.2000 | 3.4500 | 3.6301 | 3.6500 |
| SHALIMAR | 2.8000 | 2.8000 | 2.7000 | 2.4000 | 2.2000 | 2.0000 | 2.0000 | 2.0000 | 2.0000 | 2.0000 |
| VALPARAISO | 3.9900 | 3.9900 | 3.9900 | 3.9900 | 3.1200 | 2.8754 | 3.7500 | | 3.9330 | 4.0644 |
| SPECIAL DISTRICTS | | | | | | | | | | |
| NW FLORIDA WATER MANAGEMENT | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0450 | 0.0450 | 0.0450 | 0.0450 | 0.0400 |
| LAKE PIPPIN MSBU | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| DESTIN FIRE | 0.8600 | 0.8600 | 0.8600 | 0.8300 | 0.7700 | 0.8004 | 0.9009 | 1.0000 | 1.0000 | 1.0000 |
| EAST NICEVILLE FIRE | 1.0000 | 1.0000 | 1.0000 | 2.0000 | 2.0000 | 1.9200 | 2.0000 | 2.3500 | 2.3500 | 2.3700 |
| 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 | 1.8500 | 1.8500 | 1.8750 | 2.0700 | 1.8000 | 1.6819 | 1.7827 | 2.0500 | 2.2500 | 2.3500 |
| OCEAN CITY-WRIGHT FIRE | 1.8000 | 1.8000 | 1.8000 | 1.8300 | 1.7800 | 1.6460 | 1.8144 | 1.8144 | 2.0000 | 2.0000 |
| OKALOOSA ISLAND FIRE | 2.9500 | 2.9950 | 2.6461 | 2.4305 | 1.9855 | 2.0250 | 1.9998 | 2.1900 | 2.7949 | 2.9950 |
| SYLVANIA HEIGHTS | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| ALMARANTE FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| BAKER FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| BLACKMAN FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| DORCAS FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| HOLT FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |
| NORTH OKALOOSA FIRE | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT | FLAT |

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Property Tax Millage Rates Last Ten Fiscal Years

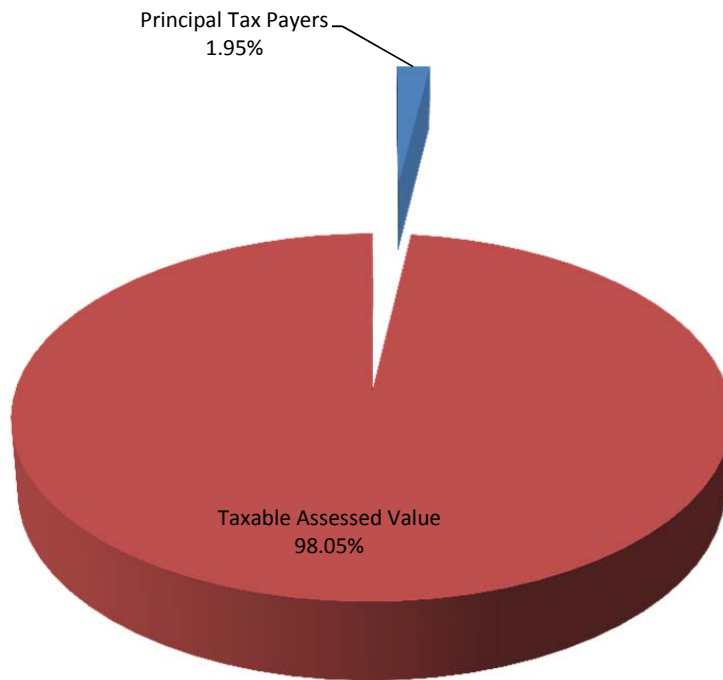


PRINCIPAL PROPERTY TAX PAYERS - LAST FISCAL YEAR COMPARED TO THE FISCAL YEAR NINE YEARS EARLIER

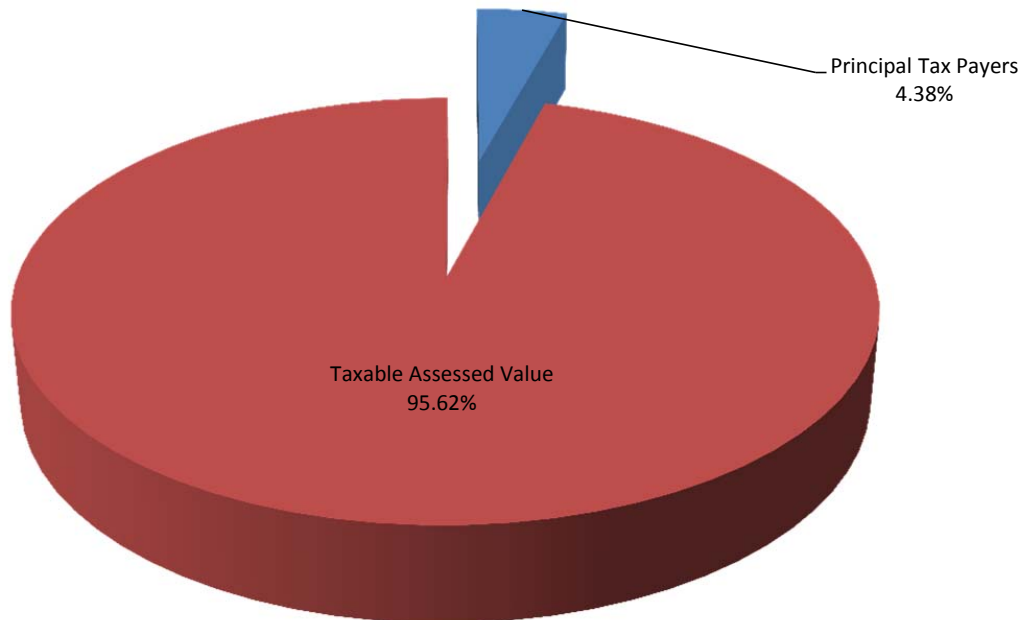
| TAXPAYER | 2012 | | 2003 | |
|---------------------------------------|------------------------------|--|------------------------------|--|
| | TAXABLE ASSESSED VALUE | PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE | TAXABLE ASSESSED VALUE | PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE |
| FLORIDA GAS TRANSMISSION CO | \$76,022,588 | 0.56% | | |
| GULF POWER COMPANY | \$75,038,501 | 0.55% | \$93,886,280 | 1.06% |
| CHOCTAWHATCHEE ELECTRIC CO | \$30,962,013 | 0.23% | \$17,898,462 | 0.20% |
| EMBARQ CORP | \$23,411,896 | 0.17% | | |
| FT WALTON DEFENSE HOUSING LTD | \$14,708,950 | 0.11% | | |
| FORT WALTON BEACH MEDICAL | \$13,375,327 | 0.10% | \$30,127,399 | 0.34% |
| L-3 COMMUNICATIONS CRESTVIEW | \$9,491,478 | 0.07% | | |
| COXCOM INC | \$7,901,291 | 0.06% | | |
| L-3 COMMUNICATIONS INTEGRATED | \$6,806,242 | 0.05% | | |
| POWERSOUTH ENERGY COOPERATIVE | \$6,489,041 | 0.05% | | |
| SPRINT FLORIDA INC | | | \$98,419,800 | 1.11% |
| SANTA ROSA MALL LLC | | | \$37,277,267 | 0.42% |
| WAL-MART STORES, INC | | | \$34,537,732 | 0.39% |
| FLORIDA GAS TRANS CO | | | \$25,779,428 | 0.29% |
| VALPARAISO REALTY | | | \$19,983,636 | 0.22% |
| TOLBERT ENTERPRISES | | | \$17,907,429 | 0.20% |
| FRENCH QUARTER II LLC | | | \$13,529,716 | 0.15% |
| TOTAL PRINCIPAL TAXPAYER VALUE | \$264,207,327 | 1.95% | \$389,347,149 | 4.38% |
| TOTAL TAXABLE ASSESSED VALUE | \$13,554,486,285 | 100.0% | \$8,888,172,157 | 100.0% |

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Principal Property Tax Payers Current Year 2012



Principal Property Tax Payers Year 2003

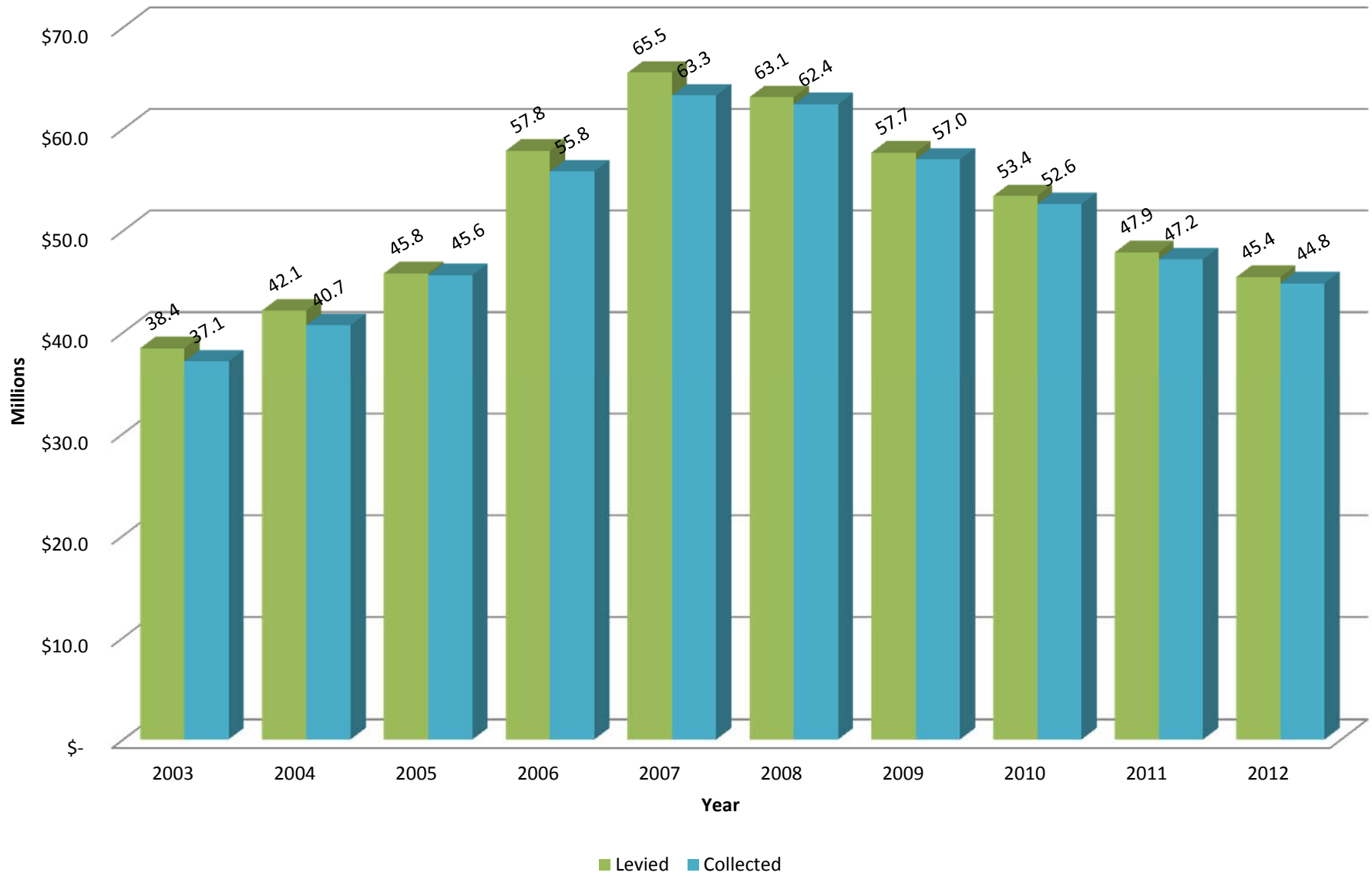


PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS

| 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 |
| 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% |
| 2011 | \$47,862,708 | \$46,941,453 | 98.1% | \$235,856 | \$47,177,309 | 98.6% |
| 2012 | \$45,434,311 | \$44,537,852 | 98.0% | \$283,894 | \$44,821,746 | 98.7% |

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 | | | |
| 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 |
| 2011 | \$0 | \$30,215,000 | \$0 | \$2,740,000 | \$84,700,701 | \$22,693,018 | \$0 | \$3,490,000 | \$0 | \$143,838,719 | 1.92% | \$732 |
| 2012 | \$0 | \$29,905,000 | \$0 | \$0 | \$95,984,441 | \$23,995,407 | \$0 | \$1,685,000 | \$0 | \$151,569,848 | 2.03% | \$771 |

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

(2) Includes Sales Tax Revenue Bonds, Series 2009 and Capital Improvement Revenue Bond, Series 2011

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

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

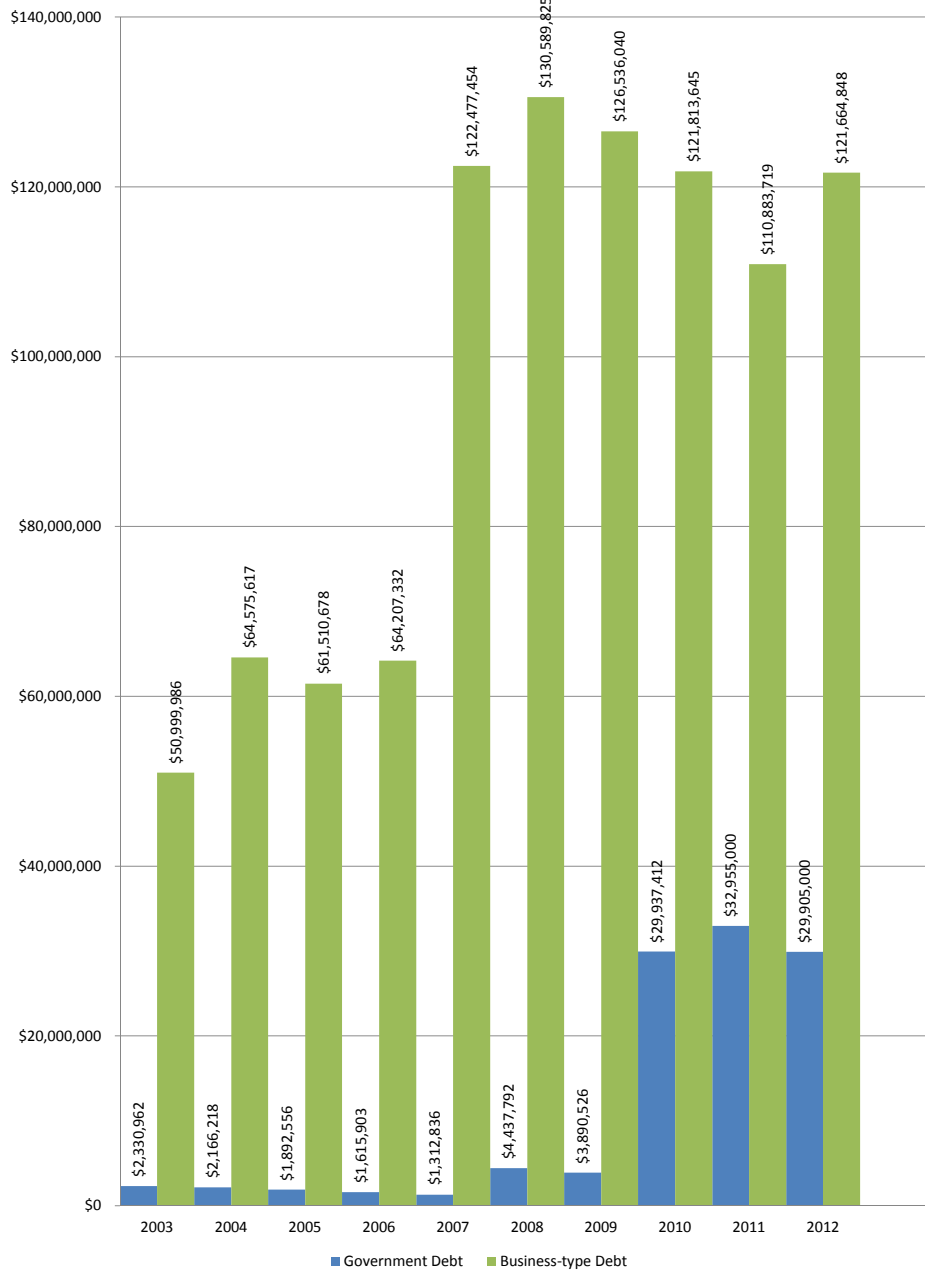
(5) Includes State Pollution Control Bonds, Subordinated Revenue, 1985, Refunding, Revenue, 2004, 2006, State Revolving, and 2012 Revenue Note

(6) Includes Revenue Bonds 2003 and 2007, Florida Local Government Finance Commission Pooled Paper Loan, and State Infrastructure Bank Loans

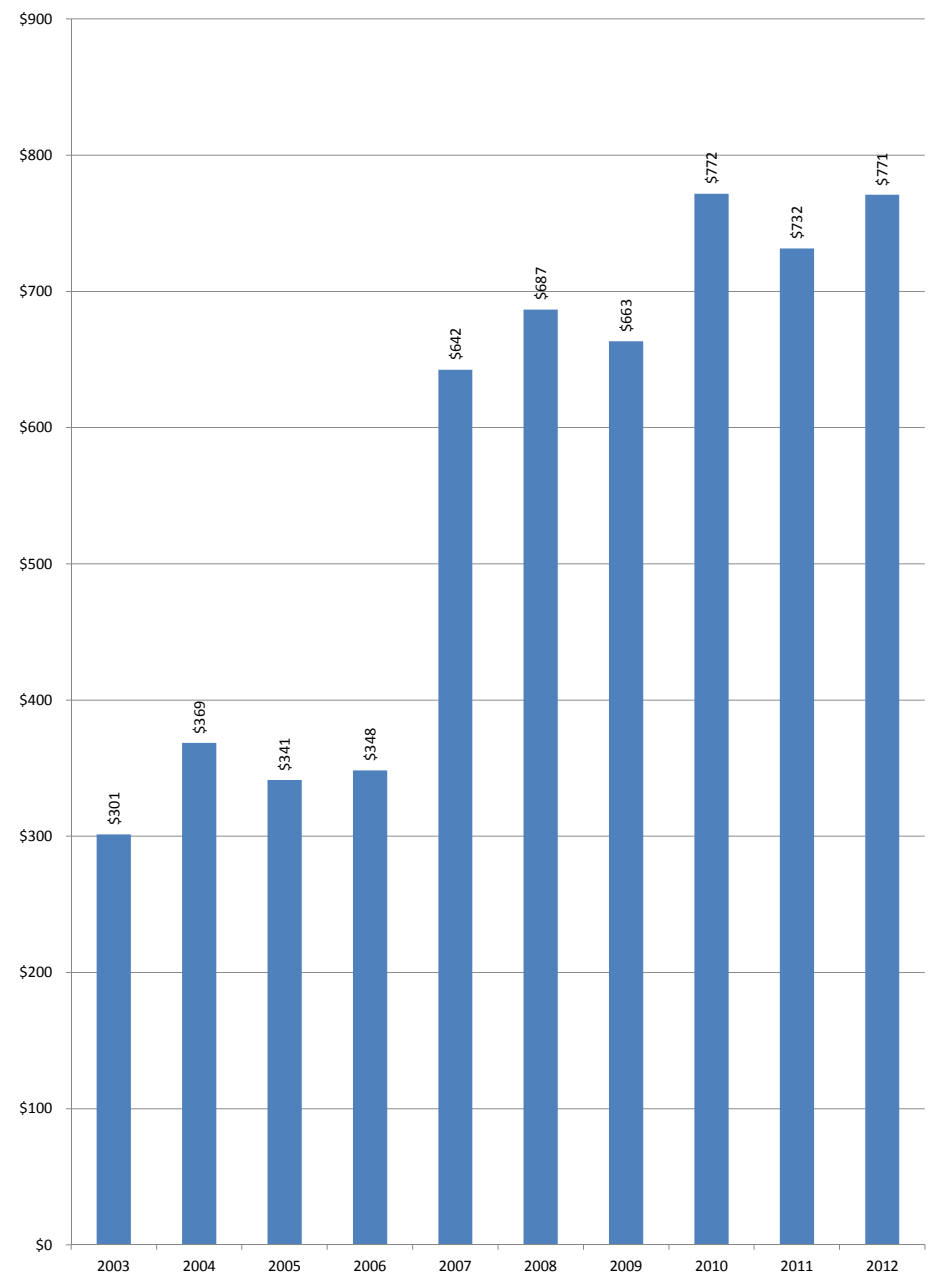
(7) Includes Capital Improvement Bonds, 1991

(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 AND NOTES (PRINCIPAL + INTEREST) | | | | | | | TOTAL | COVERAGE |
|----------------|----------------------------|--------------------------|---------------------------------|--|-----------|-------------|-------------|-------------|-------------|-----------|--------------|----------|
| | | | | 1985 | 1992 | 1993 | 1998 | 2004 | 2006 | 2012 | | |
| 2003 | \$20,347,258 | \$12,630,511 | \$7,716,747 | \$72,087 | \$334,790 | \$2,033,675 | \$845,202 | \$0 | \$0 | \$0 | \$3,285,754 | 2.35 |
| 2004 | \$21,830,902 | \$13,870,719 | \$7,960,183 | \$68,677 | \$332,293 | \$7,293,005 | \$7,333,152 | \$2,902,268 | \$0 | \$0 | \$17,929,395 | 0.44 |
| 2005 | \$21,917,622 | \$14,246,469 | \$7,671,153 | \$68,680 | \$337,060 | \$0 | \$0 | \$3,390,070 | \$0 | \$0 | \$3,795,810 | 2.02 |
| 2006 | \$23,719,695 | \$15,272,060 | \$8,447,635 | \$68,680 | \$331,924 | \$0 | \$0 | \$3,422,370 | \$0 | \$0 | \$3,822,974 | 2.21 |
| 2007 | \$26,745,817 | \$15,974,674 | \$10,771,143 | \$68,677 | \$194,186 | \$0 | \$0 | \$2,967,970 | \$1,171,405 | \$0 | \$4,402,238 | 2.45 |
| 2008 | \$24,694,611 | \$16,827,092 | \$7,867,519 | \$67,831 | \$0 | \$0 | \$0 | \$2,964,695 | \$1,900,194 | \$0 | \$4,932,720 | 1.59 |
| 2009 | \$23,481,347 | \$16,371,638 | \$7,109,709 | \$67,743 | \$0 | \$0 | \$0 | \$2,976,286 | \$509,283 | \$0 | \$3,553,312 | 2.00 |
| 2010 | \$24,831,872 | \$15,267,581 | \$9,564,291 | \$67,648 | \$0 | \$0 | \$0 | \$801,210 | \$5,171,437 | \$0 | \$6,040,295 | 1.58 |
| 2011 | \$25,895,709 | \$16,650,924 | \$9,244,785 | \$67,542 | \$0 | \$0 | \$0 | \$982,850 | \$4,989,988 | \$0 | \$6,040,380 | 1.53 |
| 2012 | \$26,581,965 | \$15,571,980 | \$11,009,985 | \$67,426 | \$0 | \$0 | \$0 | \$3,728,770 | \$0 | \$533,531 | \$4,329,727 | 2.54 |

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 |
| 2011 | \$9,602,757 | \$7,893,609 | \$1,709,148 | \$797,950 | \$887,675 | \$1,685,625 | 1.01 |
| 2012 | \$9,502,093 | \$8,056,047 | \$1,446,046 | \$795,575 | \$892,975 | \$1,688,550 | 0.86 |

PLEDGED-REVENUE BOND COVERAGE

| FISCAL YEAR | Gross Operating Revenue | Direct Operat Expense | Net Revenue Avail -Debt Serv | CONFERENCE CENTER REVENUE BONDS (PRINCIPAL + INTEREST) | | | COVERAGE |
|----------------|----------------------------|--------------------------|---------------------------------|---|-------------|----------|----------|
| | | | | 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 | |
| 2011 | \$6,062,145 | \$2,597,664 | \$3,464,481 | \$8,929,631 | \$8,929,631 | 0.39 | |
| 2012 | \$6,110,432 | \$3,509,121 | \$2,601,311 | \$1,903,563 | \$1,903,563 | 1.37 | |

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 | \$72,290,000 | 100% | \$72,290,000 |

(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

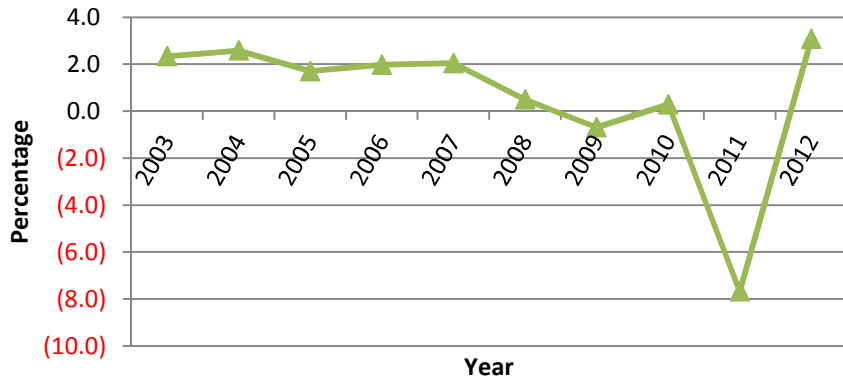
DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN YEARS

| YEAR | POPULATION | PERCENT +/- | PERSONAL INCOME IN THOUSANDS | PERCENT +/- | PER CAPITA PERSONAL INCOME | PERCENT +/- | UNEMPLOYMENT RATE |
|------|------------|----------------|------------------------------------|----------------|----------------------------------|----------------|----------------------|
| 2003 | 181,102 | 2.3% | \$5,775,574 | 7.1% | \$32,511 | 6.3% | 3.83% |
| 2004 | 185,778 | 2.6% | \$6,229,248 | 7.9% | \$34,132 | 5.0% | 3.47% |
| 2005 | 188,939 | 1.7% | \$6,660,556 | 6.9% | \$36,190 | 6.0% | 2.80% |
| 2006 | 192,672 | 2.0% | \$7,144,102 | 7.3% | \$38,812 | 7.2% | 2.40% |
| 2007 | 196,617 | 2.0% | \$7,436,986 | 4.1% | \$40,711 | 4.9% | 2.55% |
| 2008 | 197,597 | 0.5% | \$7,607,688 | 2.3% | \$41,858 | 2.8% | 5.10% |
| 2009 | 196,234 | -0.7% | \$7,186,037 | -5.5% | \$39,668 | -5.2% | 7.40% |
| 2010 | 196,800 | 0.3% | \$7,417,181 | 3.2% | \$41,024 | 3.4% | 8.20% |
| 2011 | 181,679 | -7.7% | \$7,736,120 (1) | 4.3% | \$42,788 (1) | 4.3% | 8.20% |
| 2012 | 187,280 | 3.1% | \$8,115,190 (1) | 4.9% | \$44,885 (1) | 4.9% | 5.90% |

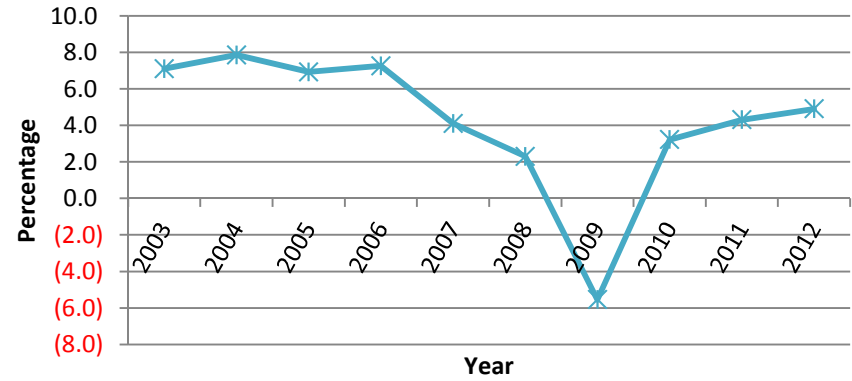
(1) Estimated income figures based upon average percent in prior years.

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

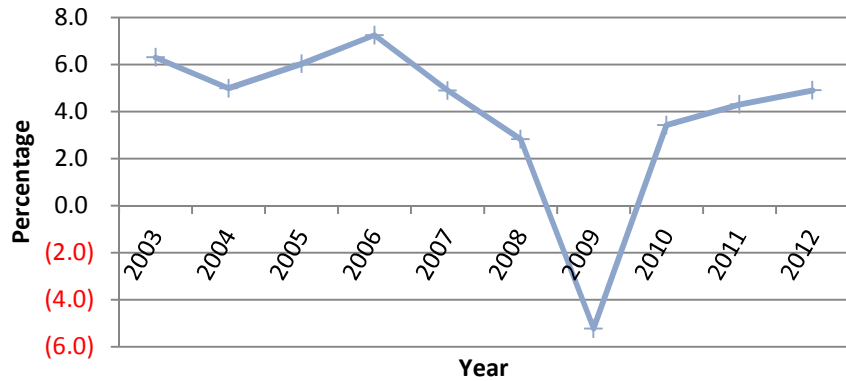
**Population
Last Ten Fiscal Years**



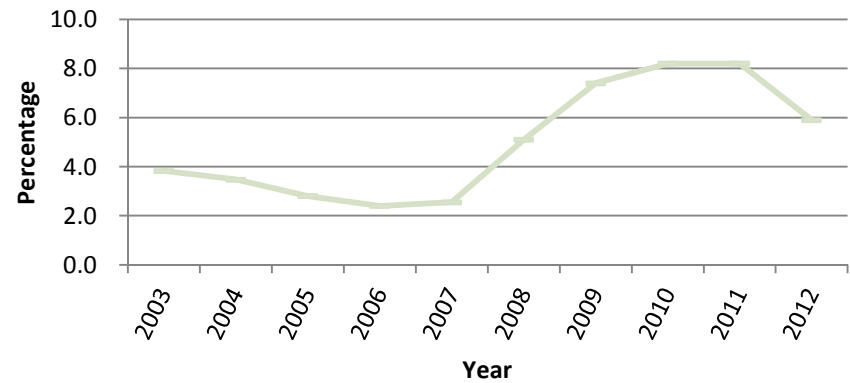
**Personal Income
Last Ten Fiscal Years**



**Per Capita Income
Last Ten Fiscal Years**



**Unemployment Rate
Last Ten Fiscal Years**

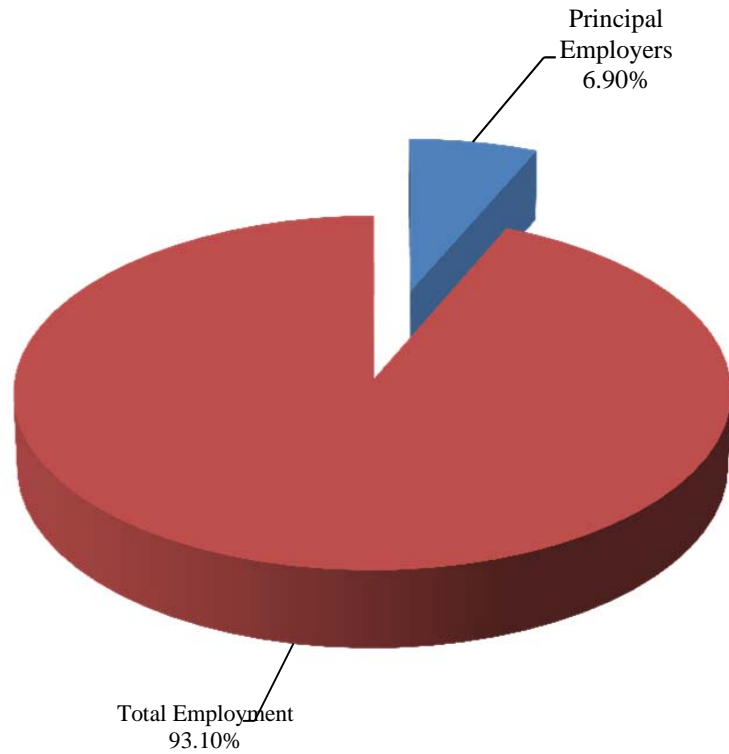


PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO

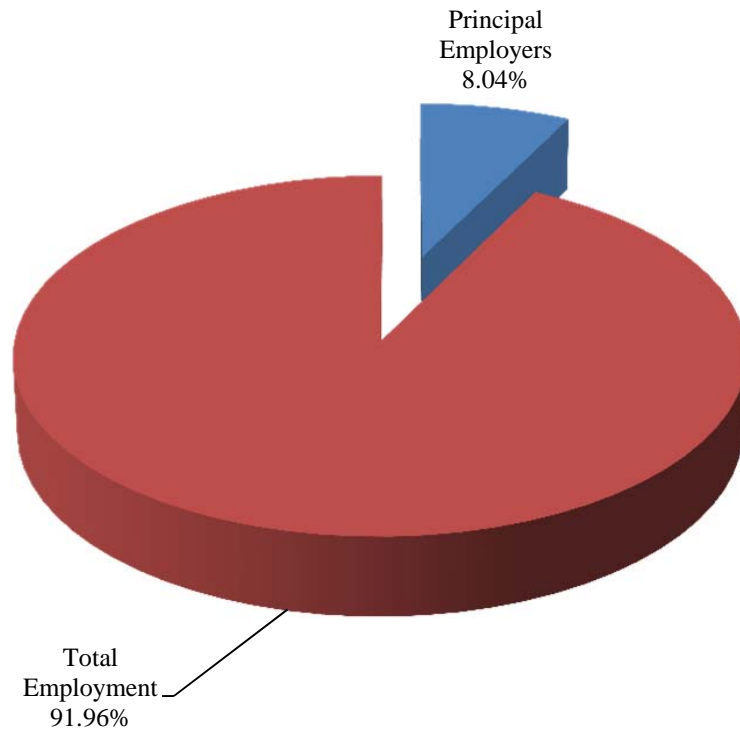
| EMPLOYER | 2012 | | 2003 | |
|-------------------------------------|-----------|--------------------------------------|-----------|--------------------------------------|
| | EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT |
| FT WALTON BEACH MEDICAL CENTER | 1,097 | 1.12% | 974 | 1.17% |
| L-3/CRESTVIEW AEROSPACE CORP | 956 | 0.98% | 386 | 0.47% |
| LOCKHEED MARTIN | 827 | 0.85% | | |
| INDYNE, INC | 800 | 0.82% | | |
| NORTH OKALOOSA MEDICAL CENTER | 698 | | 569 | 0.69% |
| JACOBS TEAS | 566 | 0.58% | | |
| NATIONAL ELECTRONICS WARRANTY (NEW) | 466 | 0.48% | | |
| RESORTQUEST | 463 | 0.47% | | |
| DRS TRAINING & CONTROL SYSTEMS | 439 | 0.45% | | |
| BAE SYSTEMS TECHNICAL SERVICES | 435 | 0.44% | 800 | 0.97% |
| ABBOT RESORTS/RESORT QUEST | | | 1,200 | 1.45% |
| TYBRIN CORPORATION | | 0.00% | 825 | 1.00% |
| METRIC SYSTEMS CORPORATION | | | 620 | 0.75% |
| SVERDRUP TECHNOLOGY | | | 520 | 0.63% |
| MANUFACTURING TECHNOLOGY | | | 400 | 0.48% |
| WHITE-WILSON MEDICAL CENTER | | | 375 | 0.45% |
| TOTAL | 6,747 | 6.90% | 6,669 | 8.04% |
| TOTAL COUNTY EMPLOYMENT | 97,841 | | 82,897 | |

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

**Principal Employers
Current Year
2012**



**Principal Employers
Nine Years Ago
2003**

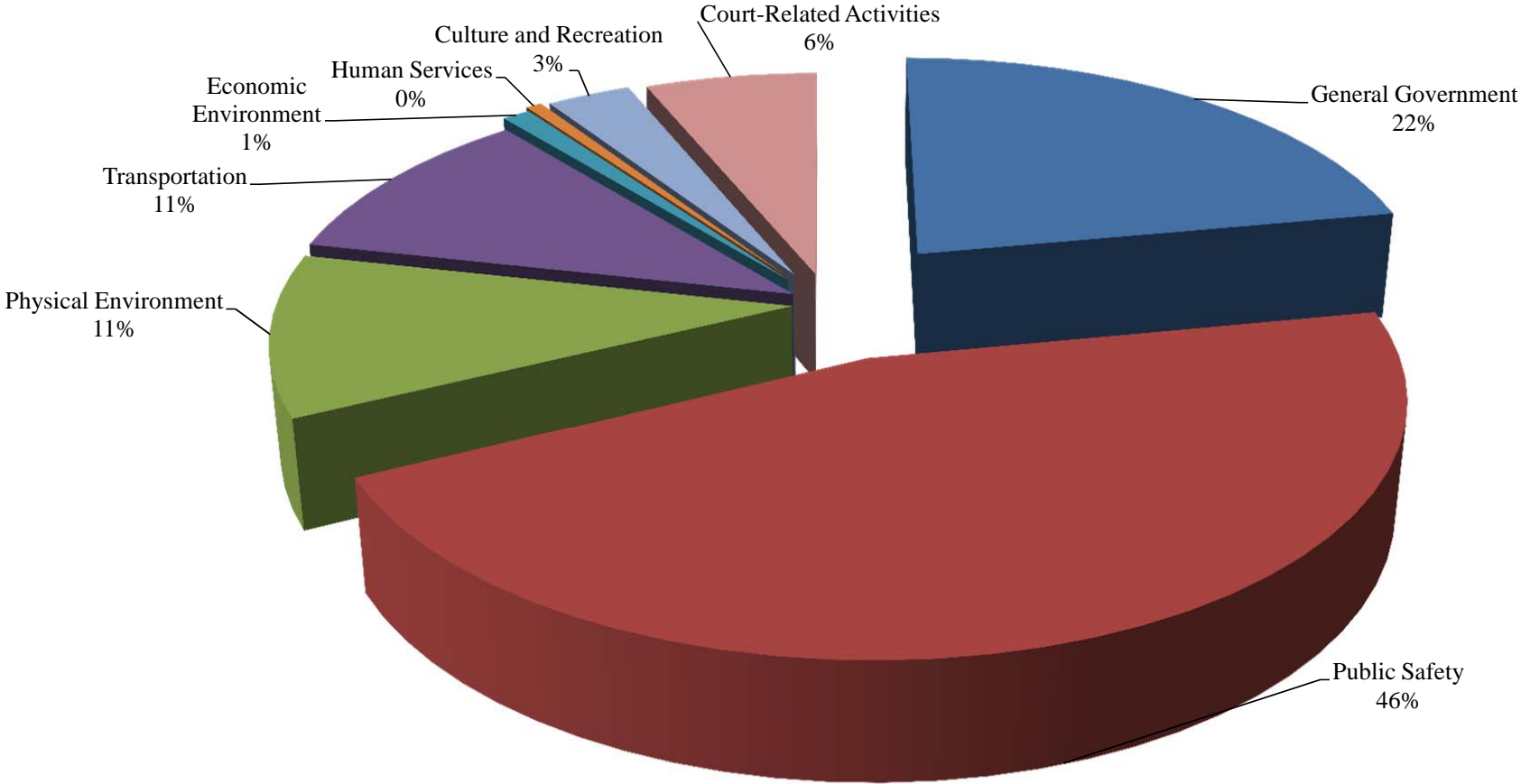


FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION - LAST TEN YEARS

| FUNCTION | FULL-TIME EQUIVALENT EMPLOYEES AS OF OCTOBER 1 | | | | | | | | | |
|--------------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| GENERAL GOVERNMENT | 279 | 280 | 285 | 249 | 305 | 299 | 308 | 316 | 313 | 303 |
| PUBLIC SAFETY | 520 | 534 | 543 | 625 | 609 | 661 | 641 | 635 | 657 | 629 |
| PHYSICAL ENVIRONMENT | 160 | 161 | 163 | 161 | 169 | 169 | 157 | 161 | 156 | 147 |
| TRANSPORTATION | 161 | 163 | 172 | 177 | 158 | 175 | 168 | 166 | 154 | 146 |
| ECONOMIC ENVIRONMENT | 12 | 13 | 13 | 16 | 13 | 14 | 18 | 17 | 18 | 14 |
| HUMAN SERVICES | 9 | 9 | 9 | 13 | 11 | 13 | 9 | 8 | 8 | 8 |
| CULTURE AND RECREATION | 30 | 31 | 35 | 38 | 41 | 43 | 42 | 43 | 42 | 42 |
| COURT-RELATED ACTIVITIES | 94 | 92 | 87 | 128 | 102 | 109 | 78 | 82 | 82 | 86 |
| TOTAL | 1,265 | 1,283 | 1,307 | 1,407 | 1,408 | 1,483 | 1,420 | 1,427 | 1,430 | 1,375 |

SOURCE: BUDGET OFFICE

FTE by Function Fiscal Year 2012



OPERATING INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

| FUNCTION/PROGRAM | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| TRANSIT | | | | | | | | | | |
| TOTAL ROUTE MILES | 114 | 129 | 129 | 182 | 163 | 163 | 163 | 163 | 168 | 168 |
| PASSENGERS | 96,795 | 92,181 | 71,193 | 138,491 | 169,389 | 211,330 | 171,967 | 162,820 | 175,595 | 179,946 |
| LIBRARY | | | | | | | | | | |
| CIRCULATION | 508,292 | 519,496 | 542,039 | 572,074 | 608,803 | 679,720 | 750,643 | 751,432 | 713,416 | 699,532 |
| REGISTERED BORROWERS | 80,311 | 78,646 | 88,793 | 98,100 | 100,335 | 92,629 | 96,474 | 94,493 | 77,616 | 72,730 |
| PUBLIC WORKS | | | | | | | | | | |
| ASPHALT OVERLAY (SQUARE YARDS) | 204,342 | 143,386 | 82,564 | 48,700 | 71,832 | 126,312 | 52,000 | 61,778 | 58,809 | 24,547 |
| BRIDGES REPAIRED/REPLACED | 6 | 11 | 27 | 11 | 14 | 6 | 12 | 14 | 8 | 7 |
| WATER | | | | | | | | | | |
| NEW CONNECTIONS | 568 | 575 | 554 | 594 | 404 | 128 | 496 | 134 | 320 | 757 |
| WATER MAINS REPAIRS | 1,743 | 1,943 | 2,419 | 990 | 1,344 | 425 | 476 | 52 | 74 | 55 |
| ANNUAL WATER UNITS BILLED | 405,109 | 426,503 | 428,058 | 428,601 | 429,081 | 430,692 | 429,412 | 434,148 | 437,682 | 442,834 |
| SEWER | | | | | | | | | | |
| ANNUAL SEWER UNITS BILLED | 483,058 | 393,856 | 400,975 | 403,138 | 403,631 | 406,807 | 398,541 | 399,660 | 402,977 | 407,625 |
| AIRPORTS | | | | | | | | | | |
| ENPLANEMENTS | 355,367 | 388,958 | 407,052 | 365,045 | 396,045 | 400,105 | 332,556 | 369,230 | 448,870 | 385,428 |
| DEPLANEMENTS | 347,520 | 382,688 | 401,747 | 366,111 | 393,800 | 400,866 | 332,325 | 364,118 | 451,692 | 387,829 |
| GROWTH MANAGEMENT | | | | | | | | | | |
| DEVELOPMENT PERMITS ISSUED | 2,365 | 2,446 | 2,524 | 2,031 | 1,536 | 975 | 771 | 817 | 986 | 821 |
| HOME OCCUPATIONS | 608 | 671 | 795 | 635 | 547 | 405 | 347 | 359 | 369 | 383 |
| REFUSE COLLECTION | | | | | | | | | | |
| TRANSFER STATION TONNAGE | 126,228 | 128,953 | 144,253 | 148,694 | 173,655 | 168,224 | 141,633 | 128,360 | 109,099 | 121,443 |
| RECYCLING TONNAGE | 5,647 | 5,512 | 5,422 | 5,889 | 4,823 | 4,181 | 5,286 | 5,898 | 6,584 | 8,139 |
| PUBLIC SAFETY | | | | | | | | | | |
| EMERGENCY CALLS (EMS) | 15,834 | 21,256 | 27,507 | 34,908 | 35,184 | 41,446 | 21,018 | 21,997 | 23,782 | 23,591 |
| SYSTEM CALLS (9-1-1) | 64,870 | 90,854 | 97,576 | 110,851 | 106,684 | 100,547 | 102,199 | 111,065 | 117,530 | 129,530 |

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

CAPITAL INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

| FUNCTION/PROGRAM | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| PARKS AND RECREATION | | | | | | | | | | |
| COUNTY PARKS | 17 | 17 | 17 | 16 | 17 | 18 | 19 | 18 | 18 | 18 |
| UNINCORPORATED PARKS | 33 | 34 | 35 | 34 | 34 | 32 | 31 | 32 | 33 | 34 |
| TRANSIT | | | | | | | | | | |
| BUSES/PASSENGER VAN | 14 | 15 | 15 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| LIBRARY | | | | | | | | | | |
| COLLECTION | 255,619 | 249,753 | 267,011 | 272,936 | 286,500 | 295,721 | 309,859 | 312,747 | 321,797 | 311,899 |
| PUBLIC WORKS | | | | | | | | | | |
| PAVED ROADS MAINTAINED (MILES) | 568 | 568 | 568 | 640 | 621 | 652 | 703 | 652 | 652 | 666 |
| DIRT ROADS MAINTAINED (MILES) | 290 | 291 | 291 | 238 | 264 | 280 | 122 | 207 | 207 | 201 |
| COLD MIX ROADS MAINTAINED (MILES) | ---- | ---- | ---- | ---- | ---- | ---- | 74 | 74 | 74 | 74 |
| TRAFFIC SIGNALS | 7 | 7 | 7 | 7 | 8 | 9 | 11 | 11 | 13 | 13 |
| WATER | | | | | | | | | | |
| WATER MAINS (MILES) | 412 | 415 | 437 | 445 | 447 | 448 | 455 | 455 | 422 | 767 |
| FIRE HYDRANTS | 1,718 | 1,808 | 1,903 | 2,004 | 2,109 | 2,220 | 2,267 | 2,267 | 4,038 | 5,519 |
| MAXIMUM DAILY CAPACITY (THOUSANDS OF GALLONS) | 18,330 | 18,330 | 18,730 | 18,300 | 18,300 | 17,300 | 17,300 | 17,200 | 15,800 | 15,800 |
| SEWER | | | | | | | | | | |
| SANITARY SEWERS (MILES) | 396 | 396 | 396 | 398 | 398 | 399 | 400 | 400 | 340 | 558 |
| MAXIMUM DAILY TREATMENT CAPACITY (THOUSANDS OF GALLONS) | 9,006 | 9,006 | 9,006 | 9,006 | 9,006 | 9,006 | 12,506 | 13,206 | 13,206 | 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, 2012

| 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 Education</u> | | | | |
| School Breakfast Program | 10.553 | 01-0303 | 2,569 | - |
| National School Lunch Program | 10.555 | 01-0303 | 3,547 | - |
| Passed through <u>Florida Department of Financial Services</u> | | | | |
| Schools and Roads - Grants to States | 10.665 | N/A | 1 | - |
| Total U.S. Department of Agriculture | | | 6,117 | - |
| <u>U. S. Department of Defense</u> | | | | |
| Direct Program | | | | |
| <u>Department of the Army</u> | | | | |
| Planning Assistance to States Section 22 | 12.110 | N/A | 101,500 | |
| <u>Defense Human Resources Activity</u> | | | | |
| Electronic Absentee Systems for Elections Ease Grants | 12.217 | H98210-12-1-0007 | 803,149 | |
| Electronic Absentee Systems for Elections Ease Grants | 12.217 | H98210-12-1-0013 | 121,266 | |
| <u>Office of Economic Adjustment</u> | | | | |
| Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies | 12.610 | EN06107-00-12 | 251,733 | |
| Total U. S. Department of Defense | | | 1,277,648 | - |
| <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 | 77,772 | - |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 10DB-K4-01-56-01-K26 | 468,853 | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 11DB-L4-01-56-01-N36 | 297,103 | |
| Total U.S. Department of Housing and Urban Development | | | 843,728 | - |
| <u>U.S. Department of the Interior</u> | | | | |
| Direct Program | | | | |
| Payments in Lieu of Taxes | 15.226 | N/A | 8,877 | - |

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2012

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures | |
|--|------------------------|-----------------------------|--------------------|-----------------------------------|
| | | | Expenditures | Disbursements to Subrecipients |
| Indirect Program | | | | |
| Passed through <u>Florida Fish and Wildlife</u> | | | | |
| <u>Consevation Commission</u> | | | | |
| Sport Fish Restoration Program | 15.605 | FWC-11223 | 60,000 | |
| Total U.S. Department of the Interior | | | 68,877 | - |
| <u>U.S. Department of Justice</u> | | | | |
| Direct Programs | | | | |
| State Criminal Alien Assistance Program (SCAAP) | | | | |
| Bulletproof Vest Partnership Program | 16.606 | 2010-AP-BX-0906 | 24,252 | - |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 2,264 | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 76 | |
| Project Safe Neighborhoods Supervised Visitation, Save Havens for Children | 16.609 | 2012-PSNN-OKAL-1-D4-002 | 4,056 | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.527 | 2011-CW-AX-K021 | 990 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2010-DJ-BX-1140 | 15,001 | |
| Indirect Programs | | | | |
| Passed through <u>Florida Department of Law Enforcement</u> | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2012-JAGC-OKAL-3-C4-057 | 30,000 | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2012-JAGC-OKAL-5-C4-207 | 25,000 | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2012-JAGC-OKAL-4-C4-138 | 15,000 | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2011-JAGC-OKAL-6-C4-098 | 7,260 | |
| Passed through <u>Florida Coalition Against Domestic Violence</u> | | | | |
| Violence Against Women Formula Grants | 16.588 | 12-8019-LE | 64,168 | - |
| Violence Against Women Formula Grants | 16.588 | 13-8019-LE | 24,389 | |
| Total U.S. Department of Justice | | | 212,456 | - |
| <u>U.S. Department of Transportation</u> | | | | |
| Direct Programs | | | | |
| <u>Federal Aviation Administration</u> | | | | |
| Design of the Terminal Addition/Design & Rehab Taxiway at NWFRA | Matching | AOY61,42318119401 | 6,842 | - |
| Airport Improvement Program | 20.106 | 312-0020-016-2012 | 145,284 | - |
| Airport Improvement Program | 20.106 | 312-0081-022-2009 | 100,749 | - |
| Airport Improvement Program | 20.106 | 312-0014-022-2010 | 2,992,627 | |
| Airport Improvement Program | 20.106 | 312-0081-024-2012 | 1,347,269 | - |
| Airport Improvement Program | 20.106 | 312-0081-023-2010 | 276,787 | - |
| Terminal Expansion Phase II-A- Construct Second Level Cone | Matching | APT92, 4181939401 | 202,686 | - |

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2012

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures | |
|--|------------------------|-----------------------------|--------------------|-----------------------------------|
| | | | Expenditures | Disbursements to Subrecipients |
| <u>Federal Transit Administration</u> | | | | |
| Federal Transit Formula Grants | 20.507 | FL 90-X583-00 | 104 | |
| Federal Transit Formula Grants | 20.507 | FL 90-X642-00 | 141,897 | |
| Federal Transit Formula Grants | 20.507 | FL 90-X680-00 | 350,897 | 136,311 |
| Federal Transit Formula Grants | 20.507 | FL 90-X715-00 | 379,709 | 581,816 |
| Federal Transit Formula Grants | 20.507 | FL 96-X014-00 | 120,326 | - |
| Federal Transit Formula Grants | 20.507 | FL 90-X716-00 | 166,083 | 40,953 |
| Federal Transit Formula Grants | 20.507 | FL 90-X761-00 | 1,841 | |
| <u>U.S. Department of Transportation -Cont'd</u> | | | | |
| <u>Indirect Programs</u> | | | | |
| Passed through <u>Florida Department of Transportation</u> | | | | |
| Highway Planning and Construction | 20.205 | ANZ38, FY 10 | 213,300 | - |
| Highway Planning and Construction | 20.205 | APX43, 220239,4-88-01 | 367,312 | - |
| Highway Planning and Construction | 20.205 | AOV73 | 342,345 | - |
| Highway Planning and Construction | 20.205 | AQ486, 421997-2-38-01 | 215,607 | - |
| "ARRA" Highway Planning and Construction | 20.205 | AQC63 | 1,822,389 | - |
| Highway Planning and Construction | 20.205 | AQC72, 428115-1-38-01 | 14,562 | |
| | | | | |
| Formula Grants for Other than Urbanized Areas | 20.509 | AOI-19,421365184 | 368 | 73,755 |
| Formula Grants for Other than Urbanized Areas | 20.509 | AQD91,721365-2-84-31 | 460 | 135,462 |
| Total U.S. Department of Transportation | | | 8,999,916 | 968,297 |
| Sub-Total Florida Matching | | | 209,528 | - |
| <u>Election Assistance Commission</u> | | | | |
| <u>Indirect Programs</u> | | | | |
| Passed through <u>Florida Department of State</u> | | | | |
| Help America Vote Act Requirement Payments | 90.401 | N/A | 7,597 | - |
| Help America Vote Act Requirement Payments | 90.401 | N/A | 1,070 | - |
| Help America Vote Act Requirement Payments | 90.401 | N/A | 23,078 | - |
| Help America Vote Act Requirement Payments | 90.401 | N/A | 22,951 | |
| Total Election Assistance Commission | | | 54,696 | - |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| <u>Indirect Programs</u> | | | | |
| Passed through <u>Florida Department of Revenue</u> | | | | |
| Child Support Enforcement | 93.563 | CSS46 | 14,817 | - |
| Child Support Enforcement | 93.563 | CD346 | 638,090 | |
| Child Support Enforcement | 93.563 | N/A | 8,362 | - |
| | | | | |
| Passed through <u>Florida Department of State</u> | 93.617 | N/A | 4,196 | - |
| | | | | |
| Passed through the <u>Florida Department of Transportation</u> | 93.778 | BDN10,41604318201 | - | 253,533 |

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2012

| 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 the Florida Department of</u> | | | | |
| <u>Children and Families</u> | | | | |
| Block Grants for Community Mental Health Services | 93.958 | | 2,631 | |
| Matching | | | 31,195 | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | 4,340 | |
| Matching | | | 5,400 | |
| Total U.S. Department of Health and Human Services | | | <u>672,436</u> | <u>253,533</u> |
| Sub-Total Florida Matching | | | 36,595 | |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Indirect Programs | | | | |
| <u>Passed through Florida Department of</u> | | | | |
| <u>Community Affairs</u> | | | | |
| Disaster Grants-Public Assistance-Ivan | 97.036 | 06-PA-@G-01-56-01-507 | (25,047) | - |
| Disaster Grants-Public Assistance-2009 N. Florida Flooding | 97.036 | 09-SS-E8-01-56-02-502 | 176,463 | - |
| Disaster Grants-2009 N. Florida Flooding | Matching | 09-SS-E8-01-56-02-502 | 29,411 | - |
| Homeland Security Grant Program | 97.067 | 11-CC-A6-01-56-01-321 | 396 | - |
| Homeland Security Grant Program | 97.067 | 11-DS-29-01-56-01-255 | 227,183 | - |
| Homeland Security Grant Program | 97.067 | 11-CI-A6-01-56-01-554 | 1,998 | - |
| Homeland Security Grant Program | 97.067 | 10-DS-39-01-56-01-388 | 53,191 | - |
| <u>Passed Through Florida Department of</u> | | | | |
| <u>Emergency Management</u> | | | | |
| Disaster Grants-Public Assistance-Issac-4084-DR-FL | 97.036 | 13-IS-3S-01-56-02-523 | 85,689 | - |
| Disaster Grants-Public Assistance-Issac-4084-DR-FL | Matching | 13-IS-3S-01-56-02-523 | 14,281 | - |
| Emergency Management Performance Grants | 97.042 | 12-FG-R3-01-56-01-113 | 75,476 | - |
| Emergency Management Performance Grants | 97.042 | 13-FG-86-01-56-01-113 | 13,314 | - |
| Homeland Security Grant Program | 97.067 | 12-DS-9Z-01-56-01-267 | 82,579 | - |
| Homeland Security Grant Program | 97.067 | 12-DS-B8-01-56-01-240 | 2,523 | - |
| Homeland Security Grant Program | 97.067 | 12-DS-20-01-56-01-355 | 4,500 | - |
| <u>Passed Through Florida Department of</u> | | | | |
| <u>Law Enforcement Agency</u> | | | | |
| Homeland Security Grant Program | 97.067 | 2008-LETP-OKAL-4-S3-057 | 120,011 | - |
| Homeland Security Grant Program | 97.067 | 2010-SHSP-OKAL-1-V3-075 | 57,547 | - |
| Homeland Security Grant Program | 97.067 | 2012-SHSP-OKAL-1-B9-014 | 8,447 | - |
| Homeland Security Grant Program | 97.067 | 2010-SHSP-OKAL-3-V3-076 | 46,191 | - |
| Homeland Security Grant Program | 97.067 | 2010-SHSP-OKAL-2-V3-074 | 3,085 | - |
| Total U.S. Department of Homeland Security | | | <u>933,546</u> | - |
| Sub-Total Florida Matching | | | 43,692 | - |
| TOTAL FEDERAL AWARDS | | | <u>13,069,420</u> | <u>1,221,830</u> |
| Total Florida Matching Funds | | | 289,815 | - |
| STATE FINANCIAL ASSISTANCE | | | | |
| <u>Executive Office of the Governor</u> | | | | |
| Direct Program | | | | |
| <u>Florida Department of Economic Opportunity</u> | | | | |
| Economic Development Transportation Fund | 31.002 | OT11-028, EDTF ID # 11-00010 | 961,364 | |

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2012

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA CSFA Number | Contract or Grant Number | Total Expenditures | |
|--|------------------------|-----------------------------|--------------------|-----------------------------------|
| | | | Expenditures | Disbursements to Subrecipients |
| Florida Division of Emergency Management | | | | |
| EMPA Base Grant | 31.063 | 13-BG-83-01-56-01-046 | 16,989 | |
| Indirect Programs | | | | |
| Passed through <u>Enterprise Florida, Inc.</u> | | | | |
| Enterprise Florida, Inc. | 31.003 | DIG 10-04 | 240,476 | - |
| Military Base Protection | 31.044 | DIG 08-04 | 35,000 | 8,500 |
| Total Executive Office of the Governor | | | 1,253,829 | 8,500 |
| <u>Florida Department of Environmental Protection</u> | | | | |
| Direct Programs | | | | |
| Cooperative Collection Center Grant - Calhoun | 37.007 | SO558 | 17,000 | - |
| Cooperative Collection Center Grant - Franklin | 37.007 | SO559 | 7,367 | - |
| Cooperative Collection Center Grant - Gadsden | 37.007 | SO560 | 3,200 | - |
| Cooperative Collection Center Grant - Gulf | 37.007 | SO561 | 16,500 | - |
| Cooperative Collection Center Grant - Holmes | 37.007 | SO562 | 14,648 | - |
| Cooperative Collection Center Grant - Jackson | 37.007 | SO563 | 12,283 | - |
| Cooperative Collection Center Grant - Liberty | 37.007 | SO564 | 11,824 | - |
| Cooperative Collection Center Grant - Santa Rosa | 37.007 | SO565 | 22,070 | - |
| Cooperative Collection Center Grant - Walton | 37.007 | SO566 | 29,461 | - |
| Cooperative Collection Center Grant - Jackson | 37.007 | SO619 | 8,742 | - |
| Cooperative Collection Center Grant - Santa Rosa | 37.007 | SO619 | 3,903 | - |
| Cooperative Collection Center Grant - Walton | 37.007 | SO619 | 1,689 | - |
| Cooperative Collection Center Grant - Washington | 37.007 | SO619 | 8,101 | - |
| Cooperative Collection Center Grant - Franklin | 37.007 | SO619 | 8,176 | - |
| Cooperative Collection Center Grant - Gadsden | 37.007 | SO619 | 10,606 | - |
| Total Florida Department of Environmental Protection | | | 175,570 | - |
| <u>Florida Department of Agriculture and Consumer Services</u> | | | | |
| Mosquito Control | 42.003 | 16065 | 28,980 | - |
| Mosquito Control | 42.003 | 17242 | 457 | |
| New Agricultural Center/City of Crestview | | | | |
| Multi-Purpose Facility | N/A | 13227 | 662,773 | |
| Total Florida Department of Agriculture and Consumer Services | | | 692,210 | - |
| <u>Florida Department of Community Affairs</u> | | | | |
| Growth Management Projects | 52.023 | 11-CP-03-01-56-01-196 | 1,248 | |
| Total Florida Department of Community Affairs | | | 1,248 | - |
| <u>Florida Department of Emergency Management</u> | | | | |
| Emergency Management Programs | 52.008 | 12-BG-05-01-56-01-046 | 95,026 | |
| Growth Management Projects | 52.023 | 12-CP-03-01-56-01-206 | 12,071 | |
| Total Florida Department of Emergency Management | | | 107,097 | - |
| <u>Florida Housing Finance Corporation</u> | | | | |
| State Housing Initiatives Partnership (SHIP) | 52.901 | 2010/2013 | - | 105,143 |

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2012

| 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 Transportation</u> | | | | |
| Commission for the Transportation of Disadvantaged Trip and Equipment Grant | 55.001 | AQB62 | - | 268,028 |
| Commission for the Transportation of Disadvantaged Trip and Equipment Grant | 55.001 | AQO08, 43202718401/4320818 | - | 90,065 |
| Aviation Development Grant | 55.004 | APY60,41819319401 | 80,647 | - |
| Aviation Development Grant | 55.004 | AOK17,41818139401 | 177,756 | - |
| Aviation Development Grant | 55.004 | AQ522,42037519401 | 2,281,375 | - |
| Aviation Development Grant | 55.004 | AQ497,42390719401 | 9,553 | - |
| Aviation Development Grant | 55.004 | AQG05, 42230319401 | 313,156 | - |
| Aviation Development Grant | 55.004 | AQJ13, 422303119401 | 9,452 | - |
| Commuter Assistance/Rideshare Grant | 55.007 | AQH83,420315-2-84-01 | 9,974 | - |
| Public Transit Block Grant Program | 55.010 | AQH65, 422253-1-84-01 | 19,397 | 411,684 |
| Transit Corridor Program | 55.013 | AOJ56,42027518401 | 368 | 260,274 |
| Transit Corridor Program | 55.013 | AQH66, 422256-1-84-01 | - | 37,029 |
| Resurface Ramp on behalf of EDTF | 55.032 | 432505-1-58-01 | 20,889 | - |
| Total Florida Department of Transportation | | | 2,922,567 | 1,067,080 |
| <u>Florida Department of Children and Families</u> | | | | |
| Baker Act | 60.053 | AH105 | 104,033 | - |
| Substance Abuse Treatment and Aftercare Adult Community Mental Health - Community Support Services | 60.033 | Ah105 | 26,662 | - |
| Total Florida Department of Children and Families | | | 130,695 | - |
| <u>Florida Department of Health</u> | | | | |
| County Grant Awards | 64.005 | C0046 | 12,825 | - |
| Total Florida Department of Health | | | 12,825 | - |
| <u>Florida Department of Management Services</u> | | | | |
| Wireless 911 Emergency Telephone System | 72.001 | | 9,327 | - |
| E911 State Grant Program | 72.002 | S3-10-11-24 | 386,931 | - |
| E911 State Grant Program | 72.002 | S4-11-07-33 | 90,286 | - |
| | | | 486,544 | - |
| Total Florida Matching Funds | | | 289,815 | - |
| TOTAL STATE FINANCIAL ASSISTANCE | | | 5,782,585 | 1,180,723 |
| TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE | | | 19,141,820 | 2,402,553 |

Okaloosa County, Florida
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2012

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, 2012

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, 2011</u> | <u>Current Year Earned Amount</u> | <u>Cumulative Earned Amount at September 30, 2012</u> | <u>Current Year Expenditures</u> | <u>Unliquidated Passenger Facility Charges</u> | |
|---|---|---|---|--|--|----------------------------------|
| | | | | | <u>at September 30, 2011</u> | <u>at September 30, 2012</u> |
| \$ 39,922,121 | \$ 16,161,477 | \$ 1,558,812 | \$ 17,720,289 | \$ 1,718,742 | \$ 7,254,022 | \$ 7,094,092 |

To the Honorable Chairman and Members of the
Board of County Commissioners and Other Elected Officials
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, 2012, which collectively comprise Okaloosa County, Florida's basic financial statements and have issued our report thereon dated March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Okaloosa County, Florida, is responsible for establishing and maintaining effective 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 the Okaloosa County, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2 to be material weaknesses.

To the Honorable Chairman and Members of the
Board of County Commissioners and Other Elected Officials
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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

We noted certain matters that we reported to management of Okaloosa County, Florida, in a separate letter dated March 22, 2013.

The Board of County Commissioners' and Clerk of the Circuit Court's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board of County Commissioners' and Clerk of the Circuit Court's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Okaloosa County Board of County Commissioners and other elected officials, 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.

Warren Averett, LLC
March 22, 2013

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

www.warrenaverett.com

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 Florida Department of Financial Services' *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, 2012. 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, 2012.

To the Honorable Chairman and Members of the
Board of County Commissioners and Other Elected Officials
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 and other elected officials, 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 22, 2013

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2012

1. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards and State Projects

Internal control over major programs:

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

| | CFDA # | Expenditures |
|--|--------|--------------|
| Electronic Absentee Systems for Elections (EASE) grants FVAP | 12.217 | \$ 924,415 |
| Eglin Air Force Base-Joint Land Use Study (JLUS) | 12.610 | \$ 251,733 |

U.S. Department of Transportation

| | CFDA # | Expenditures |
|--|--------|--------------|
| Highway Planning and Construction ARRA | 20.205 | \$ 2,975,515 |

U.S. Department of Health & Human Services

| | CFDA # | Expenditures |
|---------------------------|--------|--------------|
| Child Support Enforcement | 95.563 | \$ 661,269 |

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2012

1. Summary of Auditor's Results

Identification of major federal programs (continued):

U.S. Department of Homeland Security

| | <u>CFDA #</u> | <u>Expenditures</u> |
|--|---------------|---------------------|
| Disaster Assistance-2009 N. Florida Flooding-FEMA-1831-DR-FL | 97.036 | \$ 280,797 |

Identification of major state projects:

Florida Executive Office of the Governor

| | <u>CFSA#</u> | <u>Expenditures</u> |
|--|--------------|---------------------|
| Office of Tourism, Trade, and Economic Development | 31.003 | \$ 240,476 |

Florida Department of Transportation

| | <u>CFSA#</u> | <u>Expenditures</u> |
|-----------------------------|--------------|---------------------|
| Aviation Development Grants | 55.004 | \$ 2,871,939 |

Florida Department of Agriculture and Consumer Services

| | <u>CFSA#</u> | <u>Expenditures</u> |
|---------------------|--------------|---------------------|
| Agricultural Center | N/A | \$ 662,773 |

Florida Department of Management Services

| | <u>CFSA#</u> | <u>Expenditures</u> |
|--------------------|--------------|---------------------|
| Technology Program | 72.002 | \$ 477,217 |

- The threshold for distinguishing Type A and B programs was \$300,000 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 2012-1 Advertising expenditures/expenses (Board of County Commissioners)

Criteria – Internal controls over payments for advertising services rendered should provide that invoices are approved, that evidence of receipt of material or services is verified by someone other than the person placing the order, that fees charged are consistent with written agreements and invoices are supported by details of agency costs, such as vendor invoices, tear sheets, payroll charge, etc., routines are in affect to prevent duplicate payments and footings and extensions are correct.

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2012

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

Finding 2012-1 Advertising expenditures/expenses (Board of County Commissioners) (Continued)

Condition – Payments made by the Okaloosa County Board of County Commissioners in FY 12 and previous years to two advertising firms engaged by the Tourist Development Council including advertising expenditures/expenses of the Tourist Development special revenue fund and Conference Center enterprise activity were inadequately supported at the time the invoices were approved and paid. The TDC Executive Director directed acquisition of services/campaigns for both operations and there was no independent verification of services received. In addition in FY 12 payments made to the advertising and marketing agency used in the Airport Enterprise activity were also inadequately supported at the time invoices were approved and paid.

The advertising firm used in the Airport Enterprise activity subsequently provided additional documentation, at our request, for the payments selected for testing. No evidence of unauthorized transactions or fraud was found based on transactions sampled during our post audit review of the support provided by the advertising firm. However our test represented a sample of the population of advertising transactions. There is however an inconsistency between the markup charged by the advertising agency and the amount set out in the related contract. The dispute over the appropriate markup amount has not been resolved at the issuance of this report.

The results of payments made to the two advertising firms engaged in the Tourist Development Council activities can be found in the Florida Auditor General operational audit dated January, 2013. In summary the audit disclosed fraud known to the BCC, as well as expenditures that did not serve a public purpose, that were questionable, not necessary, not reasonable and not in accordance with contract terms. We tested 50 Tourist Development special revenue fund disbursements totaling approximately \$3.3 million during the audit of FY 12 and found 40 of those expenditures that totaled \$3 million were inadequately supported at the time of the disbursement request. We tested 15 Conference Center disbursements totaling approximately \$944,000 during the audit of FY 12 and found 12 of those expenses that totaled \$757,000 were inadequately supported at the time of disbursement request.

Cause – The advertng contracts provided that the agencies should provide certain support for various campaigns and promotional activities. Board of County Commissioners personnel did not include adequate support in the disbursement requests and the TDC Director both directed acquisition of services/campaigns and verified the receipt of services. As a result Clerk of Courts BCC finance function personnel were not able to adequately pre-audit the accounts payable disbursement requests to ensure the invoices submitted for payment were in accordance with the terms of the contracts.

Effect – The Okaloosa County Board of County Commissioners expended tourist development taxes and BP oil spill awards on services that had not been provided to Okaloosa County, Florida and campaigns not approved by the Board of County Commissioners. In some instances the resources were used by the former Tourist Development Council Executive Director for personal benefit or gain. When payments are made without adequate supporting documents, or in accordance with contract terms, it puts that County at increased risk that expenditures do not serve an authorized public purpose, are unallowable uses of restricted resources, and are not necessary and reasonable costs associated with an existing advertising project or marketing campaign approved by the Board of County Commissioners.

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2012

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

Finding 2012-1 Advertising expenditures/expenses (Board of County Commissioners) (Continued)

Recommendation – Internal controls over advertising disbursements in all facets of BCC operations should be reviewed and modified based on the criteria set forth above. Further the BCC should obtain all supporting documents from the airport advertising agency and any invoices not tested by the Florida Auditor General in the Tourist Development special revenue fund and conference center enterprise fund for FY 10, 11 and 12 to ensure expenditures were appropriate and fees charged in accordance with contract terms. Advertising expenditures are an area of great risk to many organizations due to the magnitude of dollars involved and reasonableness of third party costs for media buys and other services. The advertising industry’s pre-pay environment presents another challenge particularly to a government entity. Additional advertising audit and risk management training may be beneficial to those employees responsible for the verification of services received.

Views of responsible officials and planned corrective action:

The BCC in September of 2012 substantially amended the Operations and Procedures Manual of the Tourist Development Department. These amendments require all expenditure approvals are consistent with authority levels of various positions and require no invoice will be processed through the Clerk of the Court’s BCC finance function without an executed task order or purchase order approved by the appropriate County officials. Further no invoice will be approved unless the actual invoice from the vendor accompanies the invoice reflecting the acquisition of the goods or services. The County has been reviewing numerous expenditures which were inappropriate or which were made with limited documentation. Efforts have been instituted by the County to seek reimbursement for several of these expenditures. County personnel will include post audit review of all advertising invoices of the airport enterprise activity in this effort. Further additional changes made in the purchasing and disbursement process extend to all County departments’ including the airport enterprise activity to ensure future disbursements are appropriately supported and contain documentation to allow effective pre audit by the Clerk of Court’s BCC finance function.

Finding 2012-2 Advertising Contract Payments (Clerk of the Circuit Court)

Criteria – Florida Statue provides the authority for the Clerk of the Circuit Court to provide accounting services to all Board of County Commissioners Departments. The accounting services for the BCC are performed by the Clerk’s BCC finance function. This includes processing accounts payable and pre audit of Board of County Commissioners disbursement transactions. Prepayment audits are intended to ensure that payments are made in accordance with the terms of the applicable agreements, are for the correct amount, payee, and coded correctly in the accounting system, and contain proper support and approvals.

Condition – Payments made by the Okaloosa County Board of County Commissioners in FY 12 and previous years to two advertising firms engaged by the Tourist Development Council including advertising expenditures/expenses of the Tourist Development special revenue fund and Conference Center enterprise activity were inadequately supported at the time the invoices were approved and paid. The TDC Executive Director directed acquisition of services/campaigns for both operations and there was no independent verification of services received. In addition in FY 12 payments made to the advertising and marketing agency used in the Airport Enterprise activity were also inadequately supported at the time invoices were approved and paid.

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2012

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

Finding 2012-2 Advertising Contract Payments (Clerk of the Circuit Court) (Continued)

Condition (continued)

The advertising firm used in the Airport Enterprise activity subsequently provided additional documentation, at our request, for the payments selected for testing. No evidence of unauthorized transactions or fraud was found based on transactions sampled during our post audit review of the support provided by the advertising firm. However our test represented a sample of the population of advertising transactions. There is however an inconsistency between the markup charged by the advertising agency and the amount set out in the related contract. The dispute over the appropriate markup amount has not been resolved at the issuance of this report.

The results of payments made to the two advertising firms engaged in the Tourist Development Council activities can be found in the Florida Auditor General operational audit dated January, 2013. In summary the audit disclosed fraud known to the BCC, as well as expenditures that did not serve a public purpose, that were questionable, not necessary, not reasonable and not in accordance with contract terms. We tested 50 Tourist Development special revenue fund disbursements totaling approximately \$3.3 million during the audit of FY 12 and found 40 of those expenditures that totaled \$3 million were inadequately supported at the time of the disbursement request. We tested 15 Conference Center disbursements totaling approximately \$944,000 during the audit of FY 12 and found 12 of those expenses that totaled \$757,000 were inadequately supported at the time of disbursement request.

Cause – The advertng contracts provided that the agencies should provide certain support for various campaigns and promotional activities. BCC personnel did not include adequate support in the disbursement request. As a result Clerk’s BCC finance personnel were not able to adequately pre-audit the accounts payable disbursement requests to ensure the invoices submitted for payment were in accordance with the terms of the contracts.

Effect – The Okaloosa County Board of County Commissioners expended tourist development taxes and BP oil spill awards on services that had not been provided to Okaloosa County, Florida and campaigns not approved by the Board of County Commissioners. In some instances the resources were used by the former Tourist Development Council Executive Director for personal benefit or gain. When payments are made without adequate supporting documents, or in accordance with contract terms, it puts that County at increased risk that expenditures do not serve an authorized public purpose, are unallowable uses of restricted resources, and are not necessary and reasonable costs associated with an existing advertising project or marketing campaign approved by the Board of County Commissioners.

Recommendation – The Clerk’s BCC finance function personnel should review its disbursement procedures and strengthen controls to reduce its susceptibility to improper payments. Specifically prepayment audit and monitoring of contract provisions to ensure disbursement requests are in accordance with contract terms and supported by adequate documentation. Advertising expenditures are an area of great risk to many organizations due to the magnitude of dollars involved and reasonableness of third party costs for media buys and other services. The advertising industry’s pre-pay environment presents another challenge particularly to a government entity. Additional advertising audit and risk management training may be beneficial to those employees responsible for the preaudit of these types of transactions.

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2012

Views of Responsible Officials and Planned Corrective Action: The Clerk's BCC finance function personnel at the direction of senior management has taken action to strengthen controls over disbursement transactions to reduce its susceptibility to improper payments. Clerk BCC finance function personnel have changed the preaudit function in such a way, that in tandem with the amended Operations and Procedures manual of the TDC, will ensure disbursement payments processed for payment are in compliance with contractual provisions and contain appropriate documentation. The difference between the stated percentage in the Airport Enterprise advertising contract and the amount invoiced by the vendor has been not been paid after implementation of the corrective action plan and noted as disputed in accordance with contract provisions.

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.

To the Honorable Chairman and Members of the
Board of County Commissioners and Other Elected Officials
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, 2012 and have issued our report thereon dated March 22, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550 Rules of the Florida Auditor General. 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 in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Florida Auditor General and Compliance with Requirements Applicable to the Passenger Facility Charge Program and Schedule of Finding and Questioned Costs. Disclosures in those reports and schedule that are dated March 22, 2013, 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. There were no significant findings and recommendations made in the preceding annual financial audit report.
- 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. Our comments and recommendations are reported under the heading "Current Year Recommendations".
- Section 10.544(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of 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, noncompliance and other matters is contained in the schedule of findings and questioned costs as items 2012-1 and 2012-2.
- 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. Our comments and recommendations are reported under the heading "Current Year Recommendations".

To the Honorable Chairman and Members of the
Board of County Commissioners and Other Elected Officials
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, 2011, 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, 2012, 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, 2012. 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.

CURRENT YEAR RECOMMENDATIONS

BOARD OF COUNTY COMMISSIONERS

2012-MC-01: US AIRWAYS PREPAID GIFT CARDS

Observation

In March of 2012 US Airways announced a nonstop flight from Washington DC to the Northwest Florida Regional Airport main terminal. The Northwest Florida Regional Airport spent approximately \$150,000 in FY 12 promoting the direct flight. \$100,000 of the funds expended was transferred from the Tourist Development Council to promote area tourism in connection with the direct flight. The \$100,000 was expended on television and radio spots as well as display ads and banners on social media sites per support obtained. An additional \$17,500 of airport enterprise operation revenue was expended on 50 US Airways gift cards valued at \$350 each. As of September 30, 2012 two gift cards had not been distributed and were held at the Airport; the remaining had been distributed per a spreadsheet maintained by airport personnel. Several cards were distributed to television stations as part of the promotional campaign. Certain cards were distributed to various local non-profit agencies for use in fundraisers such as golf tournaments and other fundraising events. However there were no written criteria to document the criteria for distribution of the cards and how the entities that received them would use the cards to promote the advertising campaign.

Recommendation

We recommend the Airport not engage in advertising campaigns that involve gift card giveaways or allocation of resources to private entities due to the discretionary nature of such activities. If such campaigns are contemplated as necessary in future marketing efforts due to the nature of the airline carrier industry, we would suggest a written assessment documenting the campaign; the target market group and criteria for distribution of resources to ensure the purpose and scope of the campaign are satisfied.

BOARD OF COUNTY COMMISSIONERS (continued)

2012-MC-01: US AIRWAYS PREPAID GIFT CARDS (continued)

Management's Response and Corrective Action Plan

Senior management will not engage in future advertising campaigns that involve gift cards. If circumstances change an assessment documenting the campaign, target market group and criteria for distribution of resources will be documented and approved by the Board of County Commissioners prior to the campaign.

2012-MC-02: P CARD APPROVALS

Observation

P Card purchases made by the deputy directors at the airport, administrative manager and the chief of airport police were not approved by the Airport's Director during the year ended September 30, 2012. The Florida Auditor General also reported in their operational audit that the former TDC Executive Director p-card expenditures were not approved by senior management of the BCC or a BCC representative prior to payment.

Recommendation

We recommend the P card purchases of the deputy directors, administrative manager and the chief of airport police be approved by the Airport Director or acting Director or their designee. Further p-card purchases of the Executive Director/Department Heads of the various BCC functions should be approved by the County Administrator. The County Administrator's p-card purchases should be approved by the Chairman of the BCC.

Management's Response and Corrective Action Plan

Enhanced controls around P-Card approvals are documented in the Purchasing Policies to be approved by Board of County Commissioners at their meeting scheduled on April 2, 2013. The revised policy calls for all department head P-Card transactions to be reviewed and approved by the County Administrator. The County Administrators expenditures shall require review and approval by the Chairman of the Board of County Commissioners.

2012-MC-03: AIRPORT LEASE SCHEDULE

Observation

A new lease executed by the BCC and its lessee TSA, was not updated in the master lease schedule maintained by airport personnel. The master lease schedule was intended to be a tool to ensure the Airport was actively monitoring lease terms and billing arrangements after the discovery of under billed amounts to Miracle Strip Aviation brought to the attention of management during the external audit of the year ended September 30, 2010. Rent was properly charged to TSA under the terms of the lease agreement during the year ended September 30, 2012.

Recommendation

The master lease schedule should be reviewed each month by the Airports Properties Specialist and updated for new leases as well renewals and cancellations of existing leases. Changes in billing amounts should then be communicated to the Financial Services Specialist responsible for billing customers at the airport. Billing amounts and the master lease schedule should be cross-checked by the Properties Specialist each month to achieve effective monitoring. The schedule should also be reviewed to ensure leases nearing expiration or renewal are being actively negotiated.

Management's Response and Corrective Action Plan

The master lease schedule is currently being updated. The Airports Properties and Lease Specialist will be responsible for monitoring the master lease schedule and notifying the Airports Financial Services Specialist of any changes in billing amounts for the billing of customers at the airport with oversight from the Airports Administrative and Finance Manager. The Airports Properties and Lease Specialist will also be responsible for reviewing and ensuring leases nearing the expiration or renewal dates are being actively negotiated.

BOARD OF COUNTY COMMISSIONERS (continued)

2012-MC-04: YEAR END CLOSE

Observation

Due to transition in finance personnel at the water and sewer department the accounting records and support necessary to make all year end closing entries was not finalized until mid-January of 2013. The year-end process was hampered by lack of documented closing procedures and listing of reports necessary to make certain entries. The original schedule calls for the water and sewer books to be closed and available for audit by the end of November.

Recommendation

We recommend the permanent finance manager at the Water and Sewer department work with Clerk's BCC finance function personnel to document year end procedures and reports needed. In addition a timeline that considers the constraints and needs of both parties should be agreed to.

Management's Response and Corrective Action Plan

Management at Water and Sewer will work with Clerk of the Courts personnel to document comprehensive year end procedures and reports necessary to expedite the year end close process. A new Water and Sewer Financial Manager will begin April 9, 2013. One of the top goals for this position will be to coordinate with Clerk of the Court staff the requirements associated with the year-end process and ensure a schedule is created and met to facilitate the process.

2012-MC-05: SEGREGATION OF DUTIES

Observation

The water and sewer department has consolidated the duties of their IT supervisor and Customer Service Manager. As a result, the position has the ability to record and approve certain transactions in the billing system and has access to make changes to IT system end user rights and system master files.

Recommendation

We recommend the positions be separated. If that is not possible we would recommend logs of IT modifications and access changes to the billing system is reviewed by someone independent of the supervisor. Due to the specialization of the IT function it might be beneficial to have an IT specialist employed in another area of BCC operations or the Clerk's function to perform these reviews.

Management's Response and Corrective Action Plan

Senior management agrees with the recommendation and is implementing the necessary changes. Staff is in the process of hiring a Utilities Administrative Manager and eliminating the IT/Customer Service Supervisor. The Utilities Administrative Manager will have four direct reports: IT Supervisor, SCADA Supervisor, and two Customer Service Leads; therefore, the IT Supervisor will be segregated from the Customer Service division, and one senior manager will be over all of these divisions.

2012-MC-06: CONTRACT COMPLIANCE

Observation

During our testing of BCC transactions for the year ended September 30, 2012 we noted the following:

- One of the contracts tested did not contain the required contract/lease payment approval form required to be completed by the department head and approved by the contracts and grants manager.
- A verbal contract modification had been negotiated with a cleaning company by airport personnel but the modification was not evidenced in writing or approved by the BCC. The modification was subsequently approved by the BCC in November 2012.

BOARD OF COUNTY COMMISSIONERS (continued)

2012-MC-06: CONTRACT COMPLIANCE (continued)

Recommendation

BCC Department Heads/Directors should strengthen its disbursement request procedures to ensure contract provisions are monitored and the disbursement packages submitted for payment contain proper support to allow for effective pre audit by Clerk's BCC finance function personnel.

Management's Response and Corrective Action Plan

Enhanced controls around disbursements are documented in the Purchasing Policy changes to be adopted by the Board of County Commissioners at their meeting scheduled for April 2, 2013. Further requirements concerning the review of all documentation are included in the revisions including a review of all Contract and Lease payment forms by the Purchasing Director.

2012-MC-07: ANTI-FRAUD PROGRAM

Observation

The BCC maintains a strong ethical culture and positive environment to deter fraud and promote ethical behavior. None the less as the BCC is well aware based on recent events, fraud can occur in any entity and the Board would benefit by formally reviewing its fraud prevention, detection and reaction programs on an annual basis. Formalized fraud prevention programs can have a dramatic impact on the bottom line, both in terms of fraud prevention and the more difficult to calculate reputational damage.

Recommendation

The Board and senior management would strengthen its anti-fraud program with the adoption of the following:

- Periodic documented fraud risk assessments
- A written fraud response plan
- Training for Board's office employees on warning signs of fraud and what to do if they suspect fraud is occurring

The Association of Certified Fraud Examiners has a fraud risk assessment tool that could be used by senior management to accomplish these recommendations.

Management's Response and Corrective Action Plan

Senior management and the Board of County Commissioners will review and consider the amendment of its current code of conduct and whistleblower polies to include a written fraud response plan that addresses investigation protocols and guidance on reporting known or suspected fraud to the appropriate authorities. The Board of County Commissioners are in the process of selecting an internal auditor based on an Request for Proposal process. Annual fraud risk assessment and fraud controls monitoring will be part the internal auditor's scope of work.

2012-MC-8: ENTERPRISE RISK MANAGEMENT

Observation

The BCC has not formally documented management's identification of strategic, operational and financial risks and the related monitoring of the risks identified. Like many organizations, the BCC assesses risk routinely but the risk assessment process is not documented or formalized.

Recommendation

Documenting enterprise risk assessments will provide additional assurances that key business processes have appropriate control activities in place. The assessment and documentation will help management identify control gaps, strengthen existing controls, and remove redundancies where applicable. The risk assessment process involves:

- Determining the objectives/goals of significant business processes
- Identifying what can go wrong (risks)
- Prioritizing what can go wrong (risk ranking)

BOARD OF COUNTY COMMISSIONERS (continued)

2012-MC-8: ENTERPRISE RISK MANAGEMENT (continued)

Recommendation (continued)

Once the risk assessment process is completed, related control activities must be evaluated based on the priority of the greatest risks and tested.

Management's Response and Corrective Action Plan

The Board is in the process of selecting an internal auditor based on a Request for Proposal process. The first scope of work is a control risk assessment and risk ranking so the BCC can direct the internal auditor to review process that have the greatest risk.

CLERK OF THE CIRCUIT COURT

2012-MC-01: Pre-audit of disbursement transactions of the Board of County Commissioners

Observation

Florida Statue provides the authority for the Clerk of the Circuit Court to provide accounting services to all Board of County Commissioners Departments. The accounting services for the BCC are performed by the Clerk's BCC finance function. This includes processing accounts payable and pre audit of Board of County Commissioners disbursement transactions. Prepayment audits are intended to ensure that payments are made in accordance with the terms of the applicable agreements, are for the correct amount, payee, and coded correctly in the accounting system, and contain proper support and approvals.

During our testing of BCC disbursements/ transactions for the year ended September 30, 2012 we noted the following:

- One of the contracts tested did not contain the required contract/lease payment approval form required to be completed by the BCC department head and approved by the Clerk BCC finance contracts and grants manager.
- A verbal contract modification had been negotiated with a cleaning company by airport personnel but the modification was not evidenced in writing or approved by the BCC. The modification was subsequently approved by the BCC in November 2012 but the rate paid to the cleaning company did not match contract terms from January 2013 until the time the modification was approved.

Recommendation

The Clerk's BCC finance function should review its disbursement procedures and strengthen controls to reduce its susceptibility to improper payments. Specifically prepayment audit and monitoring of contract provisions to ensure disbursement requests are in accordance with contract terms and supported by adequate documentation. Due to known issues with contracts we would recommend a retrospective review of all BCC contract provisions to current billing amounts by the Clerk's BCC finance function.

Management's Response and Corrective Action Plan

The Clerk's BCC finance function has already taken action to strengthen controls over disbursement transactions to reduce its susceptibility to improper payments. Clerk BCC finance personnel at the direction of senior management have changed the preaudit function in such a way that will ensure disbursement payments processed for payment are in compliance with contractual provisions and contain appropriate documentation and approvals. All contract billing disbursements are being evaluated against contractual provisions and Clerk BCC finance personnel have identified several BCC contracts that according to BCC management require revision.

CLERK OF THE CIRCUIT COURT (continued)

2012-MC-02: Electronic Fund Transfers

Observation

Internal controls over electronic funds transfers could be improved. The Florida Auditor General's Operational audit dated January 2013 disclosed the following:

- Clerk's BCC finance senior management employee's that could initiate BCC electronic wire transfers can also record general journal entries into the BCC Pentamation accounting software.
- Certain members of Clerk's BCC finance senior management can both initiate and approve an electronic funds transfer. Further the funds transfer agreement with the financial institution could be strengthened to restrict locations of transfers and dollar restrictions for repetitive and non-repetitive EFT's.

No EFT's that were tested by the Florida Auditor General were made for unauthorized purposes.

Recommendation

We recommend the following:

- Initiation and approval (release) of electronic wire transfers should be segregated between two employees. Best practices suggest a tiered-level approval should be implemented so that wire transfers above a certain threshold are reviewed, approved and released by additional authorizers who have been granted authority to release payments over that threshold.
- While software limitations do not allow restriction of posting of journal entries in the Pentamation accounting software; posting logs of entries should be reviewed and monitored by someone that does not have access to record transactions in the accounting system, such as the Clerk's internal auditor. Journal entries should be reviewed/tested for accuracy, completeness, supporting documentation and appropriate account coding.
- The Clerk's BCC finance senior management should review the current funds transfer agreement with the financial institution and determine restrictions that can strengthen internal control around EFT's that would not impact the ability of the BCC and the Clerk's BCC finance function to effectively conduct business transactions.

Management's Response and Corrective Action Plan

The Clerk's BCC finance function has documented updated policies and procedures for Electronic Funds Transfers as part of its accounting policies and procedures manual. The Clerk's BCC finance function has also modified its funds transfer agreement with the financial institution. Changes made will be reviewed with these recommendations to determine if additional enhancements to the policy are warranted.

2012-MC-03: Information Technology Controls

Observation

Access control around the Clerk's BCC finance function relating to the IT system could be improved. The Florida Auditor General Operational Audit dated January, 2013 disclosed the following:

- Employee access privileges to County resources (accounting, payroll system data, and vendor master file) were not routinely reviewed to determine whether the access and privileges of the end users were appropriate given an employee's job responsibilities.
- All accounting personnel in the Clerk's BCC finance function can record general journal entries due to limitations with the software.

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

- Certain assigned end user system rights in Pentamation relating to personnel processing payroll and disbursements resulted in inadequate segregation of duties over these transaction cycles. Compensating controls were not documented by the Clerk's BCC finance function.

CLERK OF THE CIRCUIT COURT (continued)

2012-MC-03: Information Technology Controls (continued)

Recommendation

We recommend the following:

- Routine review of end user IT system rights should be reviewed on a periodic basis and also as accounting personnel changes take place (hiring, termination, promotion, change of job responsibilities).
- As noted in the EFT recommendation, someone independent of the accounting system should review general journal entries as a compensating control due to software system limitations
- If the access rights in Pentamation cannot be modified in the payroll and disbursement transaction cycles due to impacts on work flow or software limitations, the Clerk's BCC finance function should institute the following compensating controls.
 - A system report of all changes to the Employee Master file should be generated for review. A supervisory-level employee who does not have access to modify the employee master file should review this report and match changes to personnel action forms.
 - A supervisory level employee independent of the accounts payable and disbursement process should review a systems report outlining vendor master file changes and trace to purchasing department's authorization of new or terminated vendors.

Management's Response and Corrective Action Plan

The Clerk's BCC finance function has reviewed the controls in place for all of the users of the financial software system and updated those controls, where possible and where needed. The Clerk's BCC finance function will document policies and procedures in place for processing and monitoring transactions and identifying compensating controls where limited personnel or software design prohibit adequate separation of duties. The Clerk's BCC finance function will continue to review and modify these controls on, at least, an annual basis.

2012-MC-04: ANTI-FRAUD PROGRAM

Observation

The Clerk's Office maintains a strong ethical culture and positive environment to deter fraud and promote ethical behavior. None the less, fraud can occur in any entity and the Clerk's Office would benefit by formally reviewing its fraud prevention, detection and reaction programs on an annual basis. Formalized fraud prevention programs can have a dramatic impact on the bottom line, both in terms of fraud prevention and the more difficult to calculate reputational damage.

Recommendation

The Clerk and senior management would strengthen its anti-fraud program with the adoption of the following:

- Periodic documented fraud risk assessments
- A written fraud response plan
- Training for Clerk's office employees on warning signs of fraud and what to do if they suspect fraud is occurring

The Association of Certified Fraud Examiners has a fraud risk assessment tool that could be used by senior management to accomplish these recommendations.

Management Response and Corrective Action Plan

Management has and will continue to review its fraud prevention, detection and reaction process on an annual basis. However that review will be formally documented along with annual fraud risk assessment and training for all Clerk employees.

CLERK OF THE CIRCUIT COURT (continued)

2012-MC-05: ENTERPRISE RISK MANAGEMENT

Observation

The Clerk of Court has not formally documented management's identification of strategic, operational and financial risks and the related monitoring of the risks identified. Like many organizations, the Clerk of Court assesses risk routinely but the risk assessment process is not documented or formalized.

Recommendation

Documenting enterprise risk assessments will provide additional assurances that key business processes have appropriate control activities in place. The assessment and documentation will help management identify control gaps, strengthen existing controls, and remove redundancies where applicable. The risk assessment process involves:

- Determining the objectives/goals of significant business processes
- Identifying what can go wrong (risks)
- Prioritizing what can go wrong (risk ranking)

Once the risk assessment process is completed, related control activities must be evaluated based on the priority of the greatest risks and tested.

Management's Response and Corrective Action Plan

The Clerk will continue to review and implement a formalized control risk assessment for its judicial and fine collection. The Clerk BCC Finance function will collaborate with the Board of County Commissioners to continue to review and establish a formalized control risk assessment for the BCC operations.

**SHERIFF, TAX COLLECTOR, PROPERTY APPRAISER,
AND SUPERVISOR OF ELECTIONS**

2012-MC-01: ANTI-FRAUD PROGRAM

Observation

Each elected official's office maintains a strong ethical culture and positive environment to deter fraud and promote ethical behavior. None the less, fraud can occur in any entity and each elected official's office would benefit by formally reviewing its fraud prevention, detection and reaction programs on an annual basis. Formalized fraud prevention programs can have a dramatic impact on the bottom line, both in terms of fraud prevention and the more difficult to calculate reputational damage.

Recommendation

The Selected official and senior management would strengthen its anti-fraud program with the adoption of the following:

- Periodic documented fraud risk assessments
- A written fraud response plan
- Training for office employees on warning signs of fraud and what to do if they suspect fraud is occurring

The Association of Certified Fraud Examiners has a fraud risk assessment tool that could be used by senior management to accomplish these recommendations.

Management's Response and Corrective Action Plan

Senior management has and will continue to review its fraud prevention, detection and reaction process on an annual basis. However that review will be formally documented along with annual fraud risk assessment and training for the elected official's employees.

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

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

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

Warren Averett, LLC
March 22, 2013

FINANCIAL STATEMENTS
AND
AUDIT REPORTS

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