

OKALOOSA COUNTY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2017



Prepared by
Okaloosa County Clerk & Comptroller
JD Peacock II, Clerk
Gary J. Stanford, Director of Treasury & Board Services

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Comprehensive
Annual
Financial
Report

Okaloosa County, Florida

For the year ended
September 30, 2017

Prepared by
Clerk of Circuit Court
JD Peacock II Clerk
Gary J. Stanford
Director of Treasury and
Board Services

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INTRODUCTORY SECTION

**OKALOOSA COUNTY, FLORIDA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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Okaloosa County Sheriff	
Okaloosa County Supervisor of Elections	
Okaloosa County Tax Collector	
Okaloosa County Property Appraiser	

April 27, 2018

To the Citizens of Okaloosa County:

The Comprehensive Annual Financial Report of Okaloosa County, Florida for the fiscal year ended September 30, 2017, is respectfully submitted. This report was prepared by the Finance Department under the supervision of the Clerk of Court & Comptroller. 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 three major sections: the Introductory, the Financial, and the Statistical.

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

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

The County's financial statements have been audited by the certified public accountants of the firm of Warren Averett CPAs and Advisors. 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, 2017, 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 unmodified opinion that the County's financial statements for the fiscal year ended September 30, 2017, are fairly presented in conformity with GAAP. The report of independent accountants is presented as the first component of the financial section of this report.

Okaloosa County is a non-charter county established under the Constitution and the Laws of the State of Florida. This Comprehensive Annual Financial Report (CAFR) includes the funds of the primary government (the Board of County Commissioners, the Clerk of Court & Comptroller, the Property Appraiser, the Sheriff, the Supervisor of Elections and the Tax Collector).

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, however no organizations met this criteria. 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 2017 population was 195,488, 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 Okaloosa County. The effect of the industry on the local spending economy is well above \$2.5 billion income produced



annually with the employment of over 32,000 in tourism related businesses. The Business Sales for Okaloosa County from Tourism totals over \$4.5 billion dollars. The Tourism industry generates over \$500 million in tax revenues per-year. 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. More than 5.0 million visitors came to the Emerald Coast in 2016/2017.

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 120,850 in 2017 and the 2017 unemployment rate at 3.4 percent. This compares favorably to the state's annual average rate of 4.4 percent and the national average of 4.7 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.

Property valuation continued to increase this year, building upon the slight increase last year, after declining for several years prior to that. The increase continues to provide the County the opportunity to maintain one of the state's lowest millage rates while also striving to maintain a relatively high level of service to County residents. Property tax values increased 4.7 percent. New construction activity in 2017 increased over the prior year to a value of \$213.6 million.

MAJOR FUNCTIONAL INITIATIVES

General Government Initiatives At the very end of last fiscal year, the County moved into the new Administrative Facility and began utilizing its needed governmental building space for a number of governmental functions, including holding BCC meetings. The Courthouse, in the County seat, began its construction immediately after this time and anticipates completion in the summer of 2018. About \$54,500,000 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 and facilities, like the Emergency Operations Center. Emergency



Medical Services continues to review their function to enhance, if possible, this much needed service. The County Corrections Department and County Jail continues to deal with population increases, while trying their best to mitigate those increases. The Jail facility continues to study future impact. The Sheriff's operations were active and involved in many of these public safety initiatives throughout the year. The Sheriff enhanced public safety services in a variety of areas this year, both operationally and capital.

The County funded approximately \$64,600,000 of Public Safety initiatives, or approximately 28% of total expenditures, in 2017.

Physical Environment Initiatives Physical environment initiatives primarily relate to water/wastewater improvements, solid waste and stormwater. County Water & Sewer is finalizing



their meter replacement program and completing the expansion of Arbennie Wastewater Facility and diverting flow to this newly expanded facility. Another significant project in the water area was the construction on Bob Sikes Industrial Park Tank. Solid Waste continues their remediation and monitoring all of its closed landfill facilities. Contracts for solid waste service are competitively procured and negotiated in order to maintain cost effective and sufficient, while also being efficient, fees for these services. Stormwater assessments are levied in order to meet the growing needs of certain deteriorating infrastructure, while attempting to determine some long-term

resolution. About \$34,500,000 was spent in the area of Physical Environment initiatives, or approximately 15% of total expenditures, for 2017.



Transportation Initiatives Transportation needs continue to be an area of vital importance to the citizens and elected officials of the County. Maintenance and enhancement of existing roadways and bridges is a high priority, but the limitation for significant improvement generally is hampered by limited resources. A major renovation and repair project is for Fairchild Road in the north part of the County was ongoing in 2017. The Local Option Gas Tax and the Constitutional State Shared Gas Tax continue to be utilized to begin or set aside for future construction on many major projects and other maintenance, especially related to the PJ Adams roadway. The area of mass transit operations and capital acquisitions continues to be addressed with significant amounts of grant-funded projects. The Northwest Florida Regional Airport, along with the General Aviation Airports in Destin and in Crestview at Bob Sikes, continued to enhance all facets of the aviation activity with significant growth throughout the year. The US Department of Transportation and

FL Department of Transportation funded projects at Fort Walton/Destin Regional Airport and Destin Airport related to Aircraft Rescue and Fire Fighting Facility and the Destin Control Tower. About \$25,750,000, or approximately 11% of total spent, was spent on transportation expenditures in 2017.



Economic Environment Initiatives The economy of the County, as mentioned previously, relates mainly to tourism and the military, although there are other growing aspects being emphasized and explored. The Tourist Development Council continues to emphasize tourism marketing in order to attract record visitors traveling to Okaloosa County throughout all seasons of the year, although summer continues to be the most significant time. 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. Community Redevelopment agencies in several cities within the County utilize portions of Ad Valorem Tax dollars to enhance economic development in those designated areas. About \$10,000,000 or approximately 4% was spent in the area of economic environment in 2017.



Human Service Initiatives The funding for human service activities in the County include mosquito control, animal welfare, health care, Medicaid, elder services, day care service, mental health services and court-related child protection services expenditures. These activities, particularly state aid for Medicare and Medicaid, account for well over half of the dollars spent in this particular functional category. A portion of the operation of the Okaloosa County Health Department is another human service initiative in the County. Over \$4,500,000 or approximately 2% was spent in the area of Human Service activity in 2017.

Culture/Recreation Initiatives The Culture and certainly all of the Recreation activities are an important element of funding in this diverse County ranging from the beautiful beaches to parks throughout the County, especially in the rural areas of north county. Improvements, like Artificial Reefs in the Gulf of Mexico, and other parks, like Silver Oak Park in the north end continue to utilize these resources. Maintenance on all parks is an increasing and ongoing expenditure every year and the rotation of funding and priority throughout the County for all parks is a focus each year. Tourist Development continues utilizing bed tax to study beach renourishment to review and analyze the beach areas needing possible renourishment for the future. The Council has set aside budgeted reserves for potential future needs and significant beach and restoration projects. A penny of each dollar of Tourist Development Tax continues to be collected to provide funding. 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 and their support of the other Municipal



libraries, as a part of that cooperative, continue to provide library services during the year. About \$7,650,000 or approximately 3% 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, due to somewhat limited resources in a number of areas. Facility and space needs continue to be a high priority for the immediate future. Future financial planning includes building up reserves, possibly establishing a budget reserve policy, looking for additional available funding sources and reviewing future bonding for major capital projects.



The County began the major Courthouse demolition and construction project during the current year and anticipates completing this construction project in a relatively short timeframe since court operations have been displaced during this period. The primary focus of some of these projects is to plan for their future needs and to construct more efficient space for their occupants and citizenry.

The County will continue to monitor road and stormwater needs consistent with the availability of funds. One tax increment area was established around Interstate 10 in order to alleviate congestion in the countywide transportation system and enhance the flow of traffic throughout the County.

Quality of life issues will continue to be reviewed in the area of culture and recreation. Receipts from the tourist development tax will continue to provide funding for area beautification and beach maintenance and to promote tourism in the area.

RELEVANT FINANCIAL POLICIES

The County is in the third year of implementation for GASB Statement No 68 “*Accounting and Financial Reporting for Pensions*” and GASB Statement No 71 “*Pension Transition for Contributions Made Subsequent to the Measurement Date*” to recognize its unfunded portion of the statewide plan as a liability. The County provides pension benefits for all employees through a statewide plan managed by the Florida Department of Management Services, Division of Retirement. The statewide plan is a contributory plan. While a liability has been recorded in accordance with GASB requirements, the County currently has no obligation in connection with employee pension benefits offered through this plan beyond its monthly payments to the Division of Retirement.

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 Position 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 unmodified 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, 2016.

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
Director of Treasury & Board Services
Okaloosa County Clerk



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Okaloosa County
Florida**

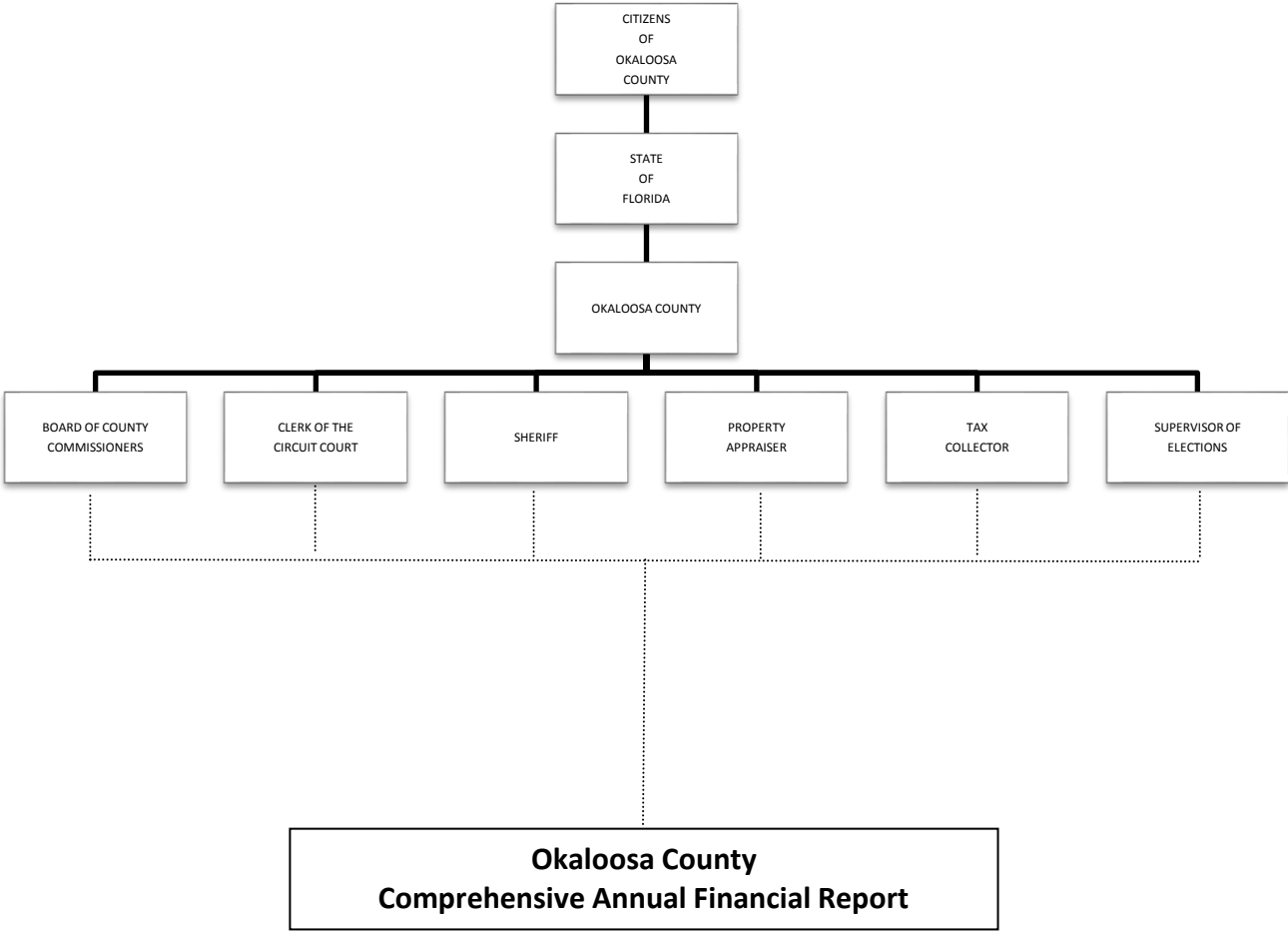
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

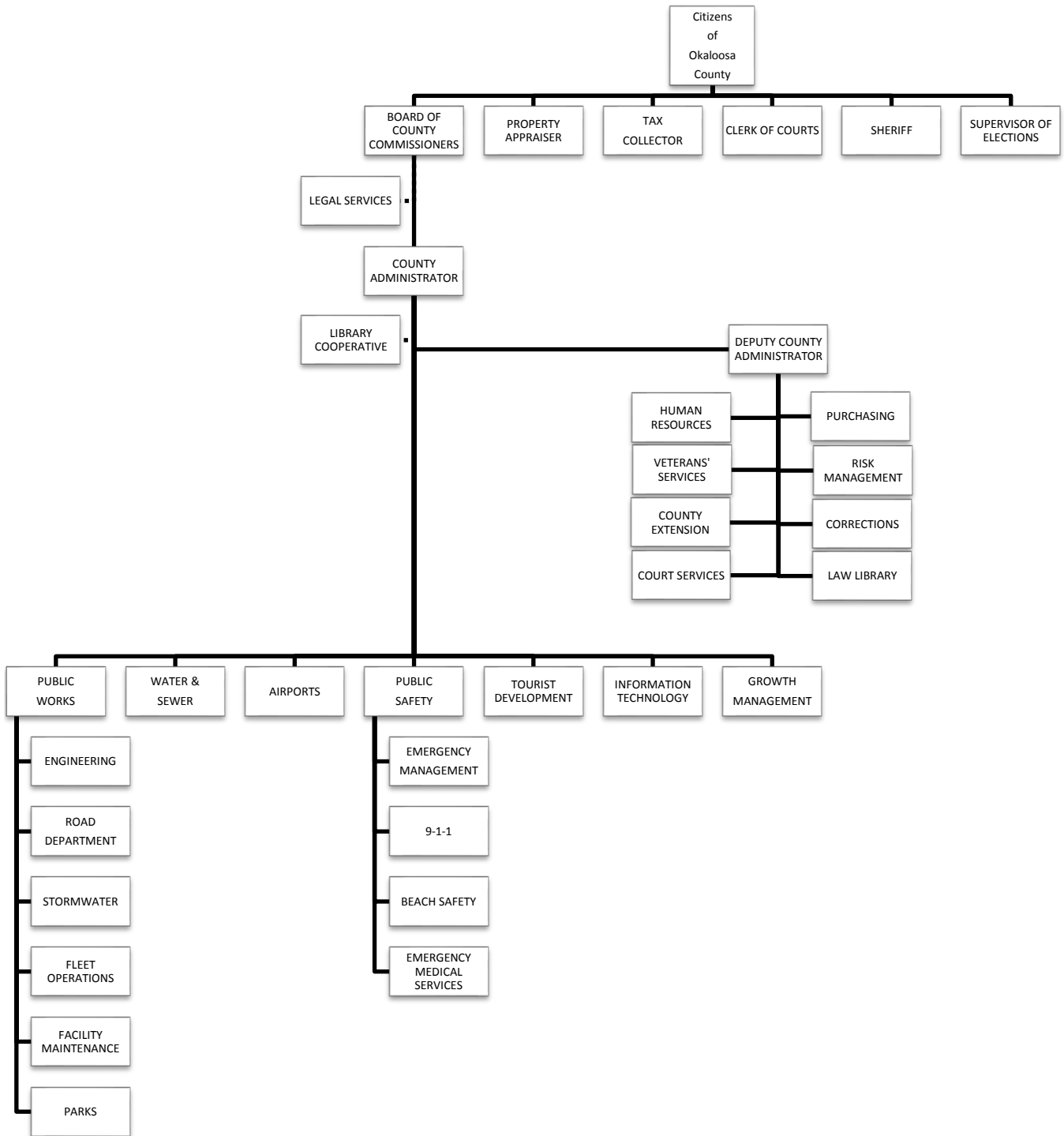
Christopher P. Morill

Executive Director/CEO

OKALOOSA COUNTY, FLORIDA
REPORTING ORGANIZATION



OKALOOSA COUNTY COMMISSIONERS
 OKALOOSA COUNTY, FLORIDA
 ORGANIZATION CHART



**OKALOOSA COUNTY, FLORIDA
COUNTY OFFICIALS
AS OF SEPTEMBER 30, 2017**

COUNTY COMMISSIONERS

Graham W. Fountain	District I*
Carolyn Ketchel	District II
Nathaniel Boyles	District III
Trey Goodwin	District IV
Kelly Windes	District V

OTHER ELECTED OFFICIALS

JD Peacock II	Clerk of Court
Larry R Ashley	Sheriff
Ben Anderson	Tax Collector
Mack Busbee	Property Appraiser**
Paul Lux	Supervisor of Elections

OTHER OFFICIALS

John Hofstad	County Administrator
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* Graham W. Fountain elected November 2016 replacing Wayne Harris

** Timothy "Pete" Smith's term ended December 31, 2016 and Mack Busbee's term began January 1, 2017

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Okaloosa County, Florida, (hereinafter referred to as "County") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2017, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Tourist Development Special Revenue Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, schedule of the County's proportionate share of net pension liability, and schedule of County contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, as listed in the table of contents, 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. Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 the County. 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 the County.

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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, are 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

Okaloosa County, Florida Management Discussion and Analysis

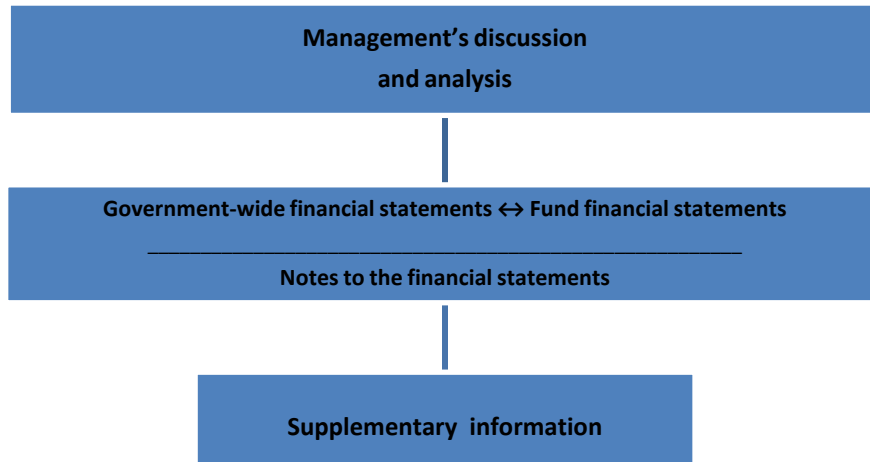
This discussion and analysis of Okaloosa County's (the County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2017. This analysis, in conjunction with additional 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 2017 the County's assets and deferred outflows exceeded its liabilities and deferred inflows, resulting in net position of \$463,028. Governmental and business-type assets exceeded its liabilities by \$168,843 and \$294,185, respectively.
- The County's total net position increased \$13,091, or 2.9 percent, in comparison to the prior year.
- The County had **(\$14,811)** of unrestricted net position (deficit) at the close of this year compared to **(\$6,772)** last year.
- Total revenues increased \$5,357, or 2.5 percent, from \$218,236 to \$223,593.
- Total expenses increased \$14,911, or 7.6 percent, from \$195,591 to \$210,502.
- The County's governmental activities reported total net position of \$168,843, which is a decrease of \$2,111, or 1.2 percent, in comparison to the prior year. A deficit unrestricted net position of **(\$51,610)** exists in the governmental activities.
- The County's business-type activities reported total net position of \$294,185, which is an increase of \$15,202, or 5.4 percent, in comparison to prior year. Approximately 12.5 percent of the total, or \$36,799, 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 position* presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 and emergency medical service.

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, net position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted

for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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

Governmental Fund Financial Statements

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

Three of the County's governmental funds, the General Fund, Tourist Development Special Revenue Fund and Capital Outlay Construction Trust Capital Projects 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 Enterprise Fund, Airport Enterprise Fund and Emergency Medical Services Enterprise Fund 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 position may serve as the most useful indicator of a government's financial position, although a number of significant estimates or long-term projections now impact that net position. At September 30, 2017, the County's total net position or total assets less liabilities, was \$463,028. A significant portion of the County's net position, 84.4 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 position represented by "net investment in capital assets" 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 net investment in capital assets balance of \$390,979 increased \$10,260 or 2.7 percent, in comparison to the prior year.

Another portion of the County's net position is restricted net position which represent assets that are subject to constraints such as by debt covenants, grantors, laws or regulations. The restricted net position balance of \$86,860 (18.8 percent of total net position) increased \$10,870 or 14.3 percent, in comparison to prior year, due to increased funds related to capital projects and economic development.

Unrestricted net position is net position that is available to meet the County's ongoing obligations to residents, creditors, and enterprise fund customers. The County has an overall net unrestricted deficit of **(\$14,811)** primarily as a result of recording its proportionate share of the pension liability of the State of Florida's retirement system. These liabilities are actuarially determined and provided by the State of Florida Retirement System (FRS). The Governmental Activities overall net position decreased by \$2,111, however the majority of the decrease related to the County's proportionate share of the pension expense as determined by FRS. The unrestricted net deficit in the Governmental Activities increased by \$8,343 over the prior year due to an increase in pension liabilities. Net Position in the County's Business-type activities increased \$15,202 due to increased charges for services and capital contributions. Unrestricted Net Position of \$36,799 is available in the County's Business-type activities to meet ongoing obligations to its customers.

The following is a condensed summary of net position for the primary government for fiscal years 2017 and 2016:

Okaloosa County, Florida
Summary of Net Position
September 30, 2017 and 2016
In Thousands of Dollars

	Governmental		Business-type		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 109,568	\$ 109,628	\$ 93,898	\$ 94,630	\$ 203,466	\$ 204,258
Capital Assets	207,925	197,621	327,482	315,634	535,407	513,255
Total Assets	\$ 317,493	\$ 307,249	\$ 421,380	\$ 410,264	\$ 738,873	\$ 717,513
Total Deferred Outflows	\$ 34,140	\$ 28,320	\$ 13,604	\$ 12,186	\$ 47,744	\$ 40,506
Current and Other Liabilities	\$ 22,470	\$ 14,353	\$ 15,908	\$ 17,253	\$ 38,378	\$ 31,606
Noncurrent Liabilities	155,766	148,886	122,434	124,696	278,200	273,582
Total Liabilities	\$ 178,236	\$ 163,239	\$ 138,342	\$ 141,949	\$ 316,578	\$ 305,188
Total Deferred Inflows	\$ 4,554	\$ 1,376	\$ 2,457	\$ 1,518	\$ 7,011	\$ 2,894
Net Position						
Net Investment in Capital Assets	\$ 153,520	\$ 156,262	\$ 237,459	\$ 224,457	\$ 390,979	\$ 380,719
Restricted for:						
Debt Service	435	-	5,150	5,837	5,585	5,837
Capital Projects	4,377	610	-	-	4,377	610
Public Safety	3,604	3,329	-	-	3,604	3,329
Transportation	9,590	10,396	14,777	12,194	24,367	22,590
Eco Environment	44,425	38,306	-	-	44,425	38,306
Culture Recreation	3,492	3,909	-	-	3,492	3,909
Court-Related	1,010	1,409	-	-	1,010	1,409
Unrestricted	(51,610)	(43,267)	36,799	36,495	(14,811)	(6,772)
Total Net Position	\$ 168,843	\$ 170,954	\$ 294,185	\$ 278,983	\$ 463,028	\$ 449,937

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, 2017 and 2016						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 26,126	\$ 25,462	\$ 64,962	\$ 62,439	\$ 91,088	\$ 87,901
Operating Grants and Contributions	10,769	8,959	892	455	11,661	9,414
Capital Grants and Contributions	1,047	984	9,059	11,697	10,106	12,681
General Revenues:						
Taxes	82,104	77,192	2	1,122	82,106	78,314
State Shared Revenue	22,969	24,644	-	-	22,969	24,644
Grant and Contributions not Restricted Specific Programs	-	3	-	-	-	3
Other	4,365	3,516	1,298	1,764	5,663	5,280
Total Revenues	147,380	140,759	76,213	77,477	223,593	218,236
Expenses:						
Program Activities:						
General Government	33,618	33,975	-	-	33,618	33,975
Public Safety	59,792	52,621	-	-	59,792	52,621
Physical Environment	1,861	1,376	-	-	1,861	1,376
Transportation	17,753	17,224	-	-	17,753	17,224
Economic Environment	10,705	8,502	-	-	10,705	8,502
Human Services	5,312	4,931	-	-	5,312	4,931
Culture and Recreation	9,461	8,238	-	-	9,461	8,238
Court-Related	9,119	8,147	-	-	9,119	8,147
Interest and Fiscal Charges	2,595	2,470	-	-	2,595	2,470
Business-type Activities:						
Water and Sewer	-	-	26,832	26,004	26,832	26,004
Airport	-	-	13,134	13,966	13,134	13,966
Solid Waste	-	-	9,053	7,913	9,053	7,913
Inspections	-	-	1,975	1,671	1,975	1,671
Emergency Medical	-	-	9,292	8,553	9,292	8,553
Total Expenses	150,216	137,484	60,286	58,107	210,502	195,591
Inc/(Dec) in Net Position						
Before Transfers	(2,836)	3,275	15,927	19,370	13,091	22,645
Transfers	725	12	(725)	(12)	-	-
Inc/(Dec) in Net Position	(2,111)	3,287	15,202	19,358	13,091	22,645
Net Position October 1	170,954	167,667	278,983	259,625	449,937	427,292
Net Position September 30	\$ 168,843	\$ 170,954	\$ 294,185	\$ 278,983	\$ 463,028	\$ 449,937

Revenues increased by \$6,621 or 4.7 percent in Governmental activities, due to increases in several different sources of revenue, but particularly in the County's Ad Valorem Tax revenue collection which was attributable to increases in property valuation and because ad valorem taxes were not allocated to the Emergency Medical Services Enterprise Fund in FY17. Revenues in business-type activity decreased by \$1,264 or 1.6 percent from the prior year, mainly due to Ad

Valorem Tax revenue not being allocated to the Emergency Medical Services Enterprise Fund. Expenses increased by \$12,732 or 9.3 percent in Governmental activities, due primarily to increased expenditure activity related to Public Safety for the Sheriff's operation and the impact of the increase in the net pension liability allocated from Florida Retirement System(FRS). The discount rate used in the actuarial computations relating to the FRS plan decreased from 7.6% to 7.1% resulting in a significant increase in pension expense recognized in FY17. Expenses increased \$2,179 or 3.7 percent also in business-type expenses due mainly to increases in Solid Waste activities and Emergency Medical Services activities along with the impact of FRS as described above. Overall net position increased by 2.9 percent, from \$449,937 in 2016 to \$463,028 in 2017.

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.

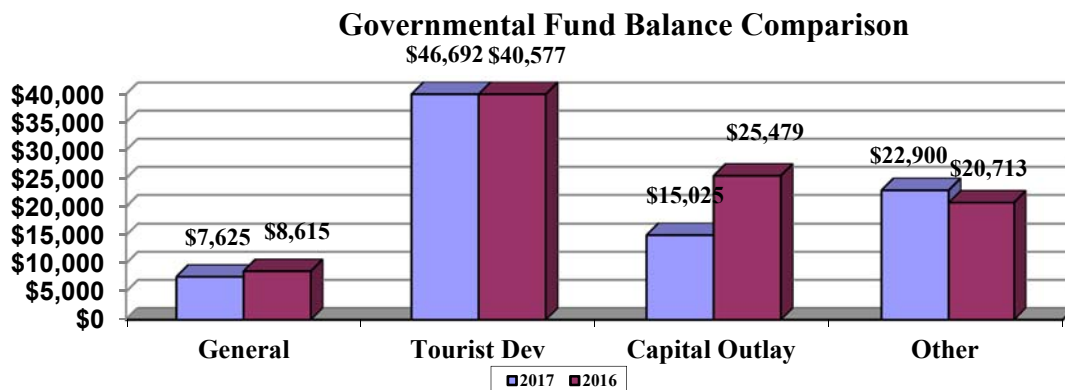
As of September 30, 2017, the County governmental funds reported combined fund balances of \$92,241, a decrease of \$3,144 over the prior year balances, due mainly to continued increases in the Tourist Development Special Revenue Fund along with increasing Capital Projects activity related to construction of the new Courthouse and road improvements.

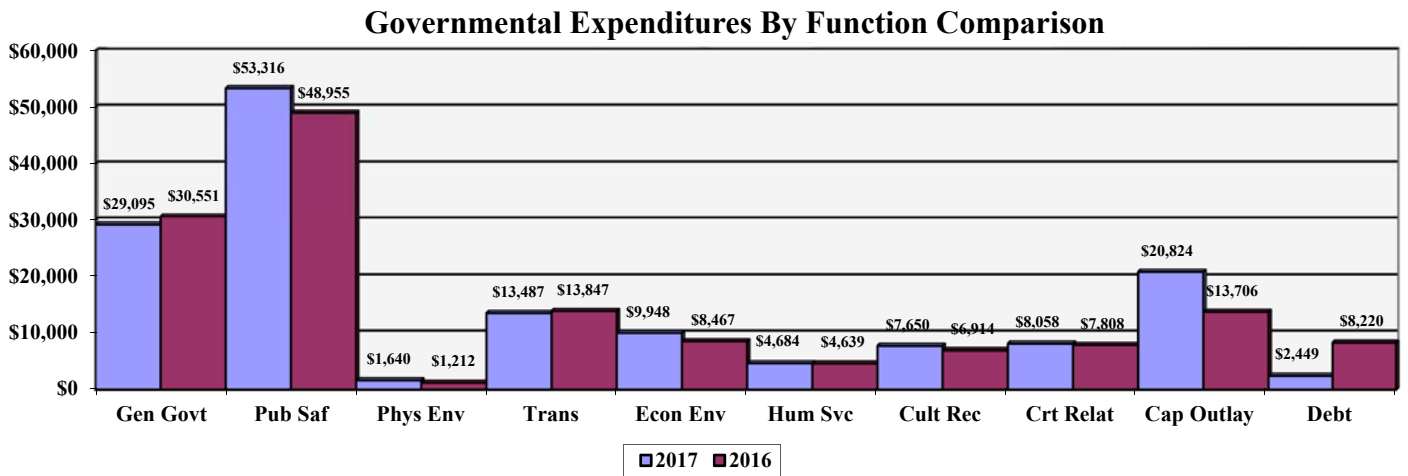
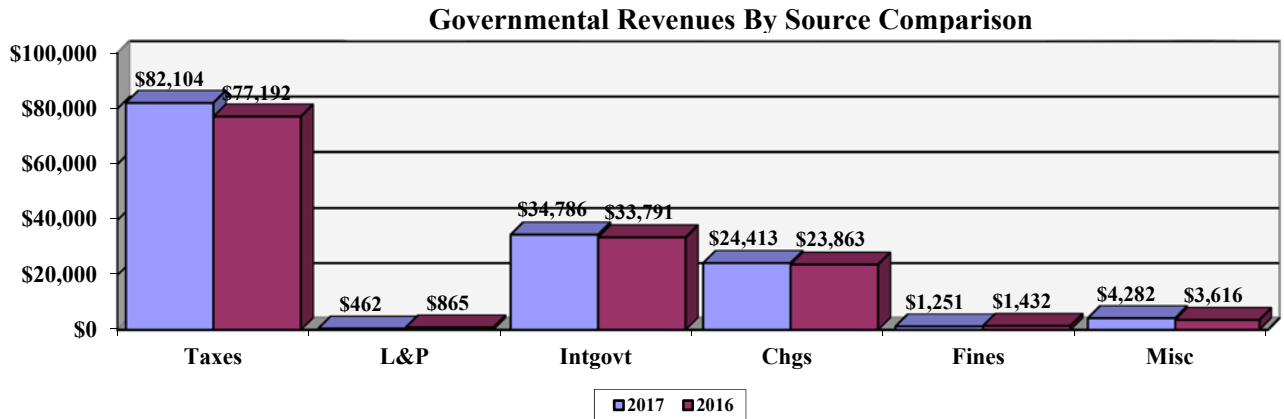
The General Fund is the chief operating fund of the County. At September 30, 2017, total fund balance in the general fund was \$7,625 of which \$6,212 was unassigned. The general fund expenditures for the fiscal year exceeded revenues by \$991. The decrease in fiscal year 2017 fund balance was mainly due to additional funding for much needed public safety activity along with a significant impact relating to health care costs for inmates held at the County jail.

The Tourist Development Trust Fund is a special revenue fund that is used to account for the revenues and expenditures collected on short-term rentals in Okaloosa County. The Tourist Development Trust Fund balance increased over the prior year by \$6,115. The increase in fund balance is primarily due to increased revenue from bed taxes exceeding expenditures.

The Capital Outlay Construction Fund is the construction fund that is used to account for the major governmental capital improvements. The Capital Outlay fund balance decreased over the prior year by \$10,454 due primarily to capital outlay expenditures related to the construction of the North End Courthouse.

The following is a chart of all Governmental Fund Balances for the fiscal years 2017 and 2016.





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, 2017, total net position amounted to \$294,185 as compared to \$278,983 at September 30, 2016. Net Position 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 position by \$15,203. Major components of this increase are as follows:

- The Water and Sewer Fund increased its net position by \$9,466. Net operating income was \$10,342 during the year which was 5% less than last year due to one-time miscellaneous reimbursements that were received from Eglin AFB in 2016. The change in net position over all was very comparable between FY 16 and FY 17 at \$9,084 and \$9,466, respectively. The overall increase in net position in FY 17 over the prior year relates primarily to additional capacity expansion charges earned in FY 17 as a result of construction activity.

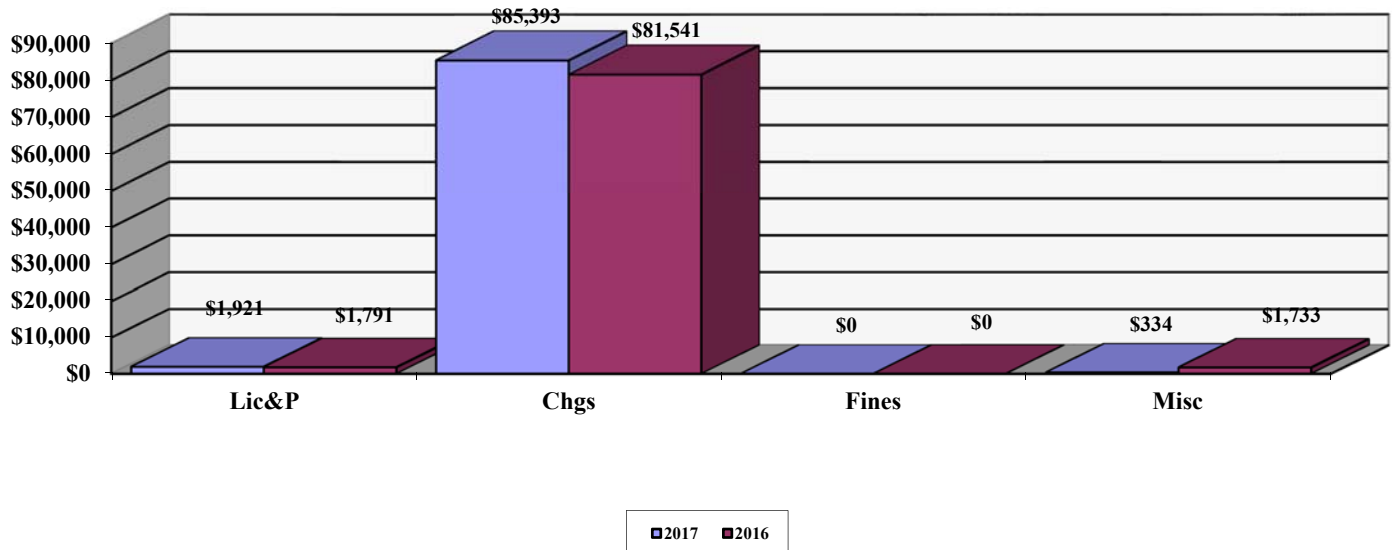
- The Airport Fund increased its net position by \$6,470. The Airport added a new airline carrier which resulted in additional operating revenue of \$1,850 or 18% over the prior year. Passenger and customer facility charges increased 23% over the prior year while capital grants decreased 56% all of which contributed to the overall change in net position.
- The Emergency Medical Services Fund decreased its net position by \$1,665. The most significant factor in this decrease was the change in allocation of Ad Valorem tax revenue and increased personnel costs.

The net operating income of the enterprise funds for fiscal years 2017 and 2016, is as follows:

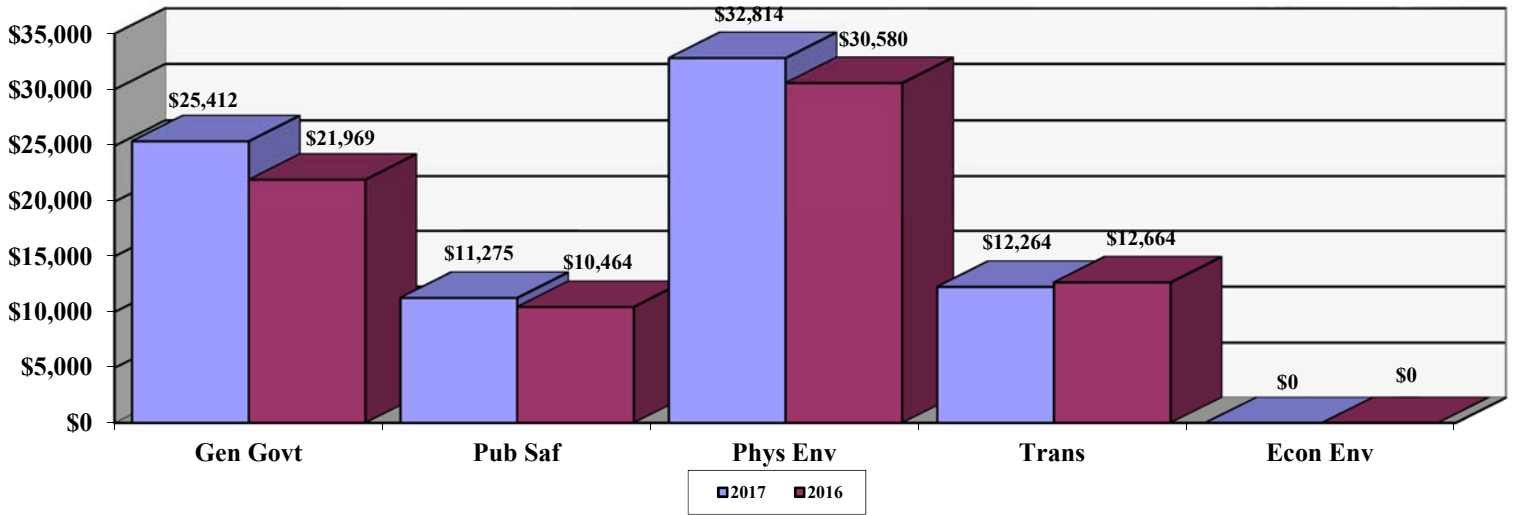
Enterprise Net Operating Income (Loss)

	2017	2016
Water and Sewer	\$ 10,342	\$ 10,895
Airport	(470)	(2,774)
Solid Waste	396	823
Inspections	208	357
Emergency Medical Services	(1,745)	293
Tax Collector Building Maintenance	47	43
	<u>\$ 8,778</u>	<u>\$ 9,637</u>

Proprietary Fund Operating Revenue by Source Comparison



Proprietary Fund Operating Expense by Program Comparison



Budgetary Highlights

A Budget to actual statement is provided for the General Fund, along with each of the other major special revenue funds as part of the basic financial statements. A budget column for both the original budget adopted for fiscal year 2017 as well as the final budget is presented.

Differences between the original budget and final amended budget are as follows:

- The County added budgeted revenue of approximately \$13,818 of which \$12,209 related to intergovernmental revenue as a result of anticipated state and federal grants related to public safety, housing assistance and mass transit funds.
- The County added budget expenditures of approximately \$13,439 most significantly in the areas of transportation and capital outlay related to the anticipated grant activity.
- The County reduced budgeted financing sources by approximately \$731 related to transfers out to funds and constitutional officers.

Actual results, when compared to the final budget, are as follows:

- A variance of \$7,373 of actual revenues under anticipated budget amounts as the grant revenue anticipated was both not earned and unavailable in the current year based on the timing of both qualifying expenditures and the availability of funds received.
- A variance of \$16,822 of actual expenditures under anticipated budget amounts due to the timing of grant related expenditures and various capital projects that were not complete as of the end of the fiscal year.
- A variance of \$438 of actual other financing sources due to transfers.

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, 2017 amounts to \$535,409 (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 \$10,304 or 5.2 percent increase, which was mainly due to the Courthouse project, ongoing building activity and expansion for governmental facilities and road improvements completed. The business-type activities capital assets increased amounting to \$11,850 or 3.8 percent, mainly due to major Water & Sewer and Airport capital project activities currently underway.

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

Okaloosa County, Florida
 Capital Assets
 September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 11,835	\$ 11,804	\$ 14,765	\$ 14,765	\$ 26,600	\$ 26,569
Buildings	109,673	109,449	87,529	73,475	197,202	182,924
Improvements other than buildings	37,958	36,798	277	277	38,235	37,075
Intangibles	3,425	3,354	939	933	4,364	4,287
Mach/Equipment	56,944	54,485	21,927	20,964	78,871	75,449
Const in Progress	14,773	4,748	22,486	21,259	37,259	26,007
Infrastructure	158,971	154,473	352,658	346,415	511,629	500,888
Art	29	29	70	70	99	99
Total Capital Assets	393,608	375,140	500,651	478,158	894,259	853,298
Accum Deprec	(185,683)	(177,519)	(173,167)	(162,524)	(358,850)	(340,043)
Total	\$ 207,925	\$ 197,621	\$ 327,484	\$ 315,634	\$ 535,409	\$ 513,255

Additional information on Okaloosa County's capital assets can be found in notes to the financial statements (Note 6).

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 \$162,076. Of this amount, \$67,918 comprises governmental activities bonds payable while the remaining \$86,234 in revenue bonds and \$7,924 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, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital Lease	208	416	-	-	208	416
Revenue Bonds	63,369	63,890	86,234	90,211	149,603	154,101
Revolv & Comm Loan	4,341	4,491	7,924	8,398	12,265	12,889
Total	\$ 67,918	\$ 68,797	\$ 94,158	\$ 98,609	\$ 162,076	\$ 167,406

Additional information on Okaloosa County's long-term debt can be found in notes to the financial statements (Note 11).

Okaloosa County, Florida, Debt Ratings at September 30, 2017

<u>Type of Debt Issue:</u>	<u>S & P</u>	<u>Fitch/Moody's</u>
2009 Sales Tax Rev Bonds	AA	AA-
Cap Imprv Rev Bonds, Ser 2011	Not rated	Not rated
2014 Sales Tax Rev Bonds	AA	AA-
2016 Sales Tax Rev Bonds	AA	AA-
W&S Rev Bonds 2015	Not Rated	AA-/Aa3
Taxable Airport Rev Bond 2007	AA	Not Rated
Taxabl Airport Ref Bonds 2014	Not Rated	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 89,550 in 2016 to 92,613 in 2017, an increase of 3.4 percent. Stable labor force coupled with somewhat improving economic times led to the County's unemployment rate falling to 3.4 percent in 2017 compared to 4.0 percent for 2016. The County's unemployment rate still remains extremely favorable compared to the state and national rates of 4.2 and 4.4 percent, respectively for 2017.
- The assessed value of real property located in the County after exemptions increased from \$14.250 billion in 2016 to \$14.889 billion, while the total assessed value of the County increased from \$15.034 billion to \$15.682 billion in 2017. This represented an increase of \$.648 billion or 4.3 percent in property valuation.
- Okaloosa County has a diversified property tax base. The ten largest property tax payers in the County represent approximately only 3.2 percent of the total ad valorem property tax levy.
- During 2017, total value of new residential construction in the County was valued at \$139 million and total value of new non-residential construction was valued at \$35 million for a total of \$174 million in new construction. The total construction figure for 2017 represented a (\$12) million decrease from the 2016 total.

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.

Okaloosa County, Florida
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		Total
	Government Activities	Business-type Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 9,109,342	\$ 4,469,468	\$ 13,578,810
Investments	77,985,630	43,291,696	121,277,326
Receivables, Net of Allowance for Uncollectibles	431,312	9,608,866	10,040,178
Internal Balances	(653,512)	653,512	-
Due from (to) Fiduciary Funds	152,805	-	152,805
Due from Other Governments	11,136,905	3,249,169	14,386,074
Inventories	239,131	1,811,231	2,050,362
Prepaid Expenses	518,497	74,226	592,723
Restricted Assets			
Customer Deposits	-	1,401,679	1,401,679
Other Deposits	-	1,065,512	1,065,512
Investments	10,647,925	28,273,052	38,920,977
Total Current Assets	109,568,035	93,898,411	203,466,446
Capital Assets			
Land	11,834,505	14,765,162	26,599,667
Buildings	109,673,498	87,529,140	197,202,638
Improvements Other Than Buildings	37,957,556	276,776	38,234,332
Intangibles	3,424,936	938,505	4,363,441
Machinery and Equipment	56,944,381	21,926,872	78,871,253
Construction in Progress	14,772,726	22,486,104	37,258,830
Infrastructure	158,970,787	352,658,504	511,629,291
Works of Art	29,195	69,865	99,060
Accumulated Depreciation	(185,682,802)	(173,169,039)	(358,851,841)
Total Noncurrent Assets	207,924,782	327,481,889	535,406,671
Total Assets	\$ 317,492,817	\$ 421,380,300	\$ 738,873,117
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 34,140,357	\$ 10,940,683	\$ 45,081,040
Deferred Charges on Refunding	-	2,662,901	2,662,901
Total Deferred Outflows of Resources	\$ 34,140,357	\$ 13,603,584	\$ 47,743,941

Continued...

Okaloosa County, Florida
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		Total
	Government Activities	Business-type Activities	
LIABILITIES			
Current Liabilities			
Accounts Payable and			
Other Accrued Liabilities	\$ 10,426,543	\$ 6,458,401	\$ 16,884,944
Due to Other Governments	675,910	78,871	754,781
Unearned Revenue	1,694,809	1,333,614	3,028,423
Due to Depositors	171,150	-	171,150
Liabilities Payable from			
Restricted Assets			
Costumer Deposits	-	1,404,679	1,404,679
Interest Payable	1,517,253	1,177,985	2,695,238
Loans and Revenue			
Bonds Payable	-	430,066	430,066
Current Portion of			
Long-term Obligations			
Compensated Absences	3,220,090	998,127	4,218,217
Closure Costs Payable	-	361,126	361,126
Claims and Judgments	1,905,436	-	1,905,436
Leases Payable	208,146	-	208,146
Notes Payable	800,921	-	800,921
Revenue Bonds Payable	1,850,000	3,665,000	5,515,000
Total Current Liabilities	<u>22,470,258</u>	<u>15,907,869</u>	<u>38,378,127</u>
Noncurrent Liabilities			
Noncurrent Portion of			
Long-term Obligations			
Compensated Absences	3,282,292	843,129	4,125,421
Closure Costs Payable	-	3,340,266	3,340,266
Claims and Judgments	3,999,284	-	3,999,284
Notes Payable	3,539,835	3,500,000	7,039,835
Loans and Bonds Payable,			
Net of Unamortized Loan Costs	61,518,537	86,563,247	148,081,784
Other Post Employment Benefits	5,890,659	515,110	6,405,769
Net Pension Liability	77,535,873	27,672,036	105,207,909
Total Noncurrent Liabilities	<u>155,766,480</u>	<u>122,433,788</u>	<u>278,200,268</u>
Total Liabilities	<u>\$ 178,236,738</u>	<u>\$ 138,341,657</u>	<u>\$ 316,578,395</u>

Continued...

Okaloosa County, Florida
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		Total
	Government Activities	Business-type Activities	
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 4,553,366	\$ 2,457,099	\$ 7,010,465
Total Deferred Inflows of Resources	<u>\$ 4,553,366</u>	<u>\$ 2,457,099</u>	<u>\$ 7,010,465</u>
NET POSITION			
Net Investment in Capital Assets	153,519,796	237,458,766	390,978,562
Restricted for			
Debt Service	435,115	5,149,703	5,584,818
Capital Projects	4,377,050	-	4,377,050
Public Safety	3,604,924	-	3,604,924
Transporation	9,589,642	14,777,617	24,367,259
Economic Environment	44,424,591	-	44,424,591
Culture and Recreation	3,491,858	-	3,491,858
Court-Related	1,010,312	-	1,010,312
Unrestricted (Deficit)	<u>(51,610,218)</u>	<u>36,799,042</u>	<u>(14,811,176)</u>
Total Net Position (Deficit)	<u>\$ 168,843,070</u>	<u>\$ 294,185,128</u>	<u>\$ 463,028,198</u>

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

Okaloosa County, Florida
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2017

	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	\$ 33,617,841	\$ 22,251,626	\$ 1,473,063	\$ -	\$ (9,893,152)
Public Safety	59,791,818	1,395,807	2,087,130	-	(56,308,881)
Physical Environment	1,860,610	-	-	-	(1,860,610)
Transportation	17,753,295	244,128	4,902,874	918,439	(11,687,854)
Economic Environment	10,705,206	1,951,146	2,087,130	-	(6,666,930)
Human Services	5,312,437	-	-	-	(5,312,437)
Culture and Recreation	9,460,823	283,511	58,280	128,684	(8,990,348)
Court-Related	9,119,068	-	160,891	-	(8,958,177)
Interest and Fiscal Charges	2,595,486	-	-	-	(2,595,486)
 Total Governmental Activities	150,216,584	26,126,218	10,769,368	1,047,123	(112,273,875)
 Business-type Activities					
Water & Sewer	26,832,121	34,063,103	8,139	1,354,952	8,594,073
Airport	13,134,385	11,714,520	628,785	7,704,489	6,913,409
Emergency Medical Services	9,292,499	7,555,252	17,790	-	(1,719,457)
Other Programs	11,027,558	11,628,725	237,835	-	839,002
 Total Business- type Activities	60,286,563	64,961,600	892,549	9,059,441	14,627,027
 Total Primary Government	\$ 210,503,147	\$ 91,087,818	\$ 11,661,917	\$ 10,106,564	\$ (97,646,848)

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

Okaloosa County, Florida
STATEMENT OF ACTIVITIES (CONTINUED)
For the Fiscal Year Ended September 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Changes in Net Position			
Net (Expenses) Revenue (From Exhibit II-A)	\$ (112,273,875)	\$ 14,627,027	\$ (97,646,848)
Unrestricted General Revenues			
Taxes			
Ad Valorem Tax	54,095,029	1,804	54,096,833
Tourist Development Tax	19,534,275	-	19,534,275
Local Option Fuel Tax	5,420,025	-	5,420,025
Communication Services Tax	1,700,212	-	1,700,212
Ninth-Cent Voted Fuel Tax	1,049,857	-	1,049,857
Local Business Tax	304,577	-	304,577
State Revenue Sharing			
Miscellaneous Revenue	4,991,671	-	4,991,671
Local Government Sales Tax	15,450,133	-	15,450,133
Gas Tax	2,527,208	-	2,527,208
Investment Earnings	1,130,349	670,947	1,801,296
Miscellaneous	3,234,318	627,186	3,861,504
Transfers - Internal Activities	725,465	(725,465)	-
Total Unrestricted-General Revenues and Transfers	110,163,119	574,472	110,737,591
Change in Net Position	(2,110,756)	15,201,499	13,090,743
Net Position - Beginning	170,953,826	278,983,629	449,937,455
Net Position - Ending	<u>\$ 168,843,070</u>	<u>\$ 294,185,128</u>	<u>\$ 463,028,198</u>

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

Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	General Fund	Tourist Development Special Revenue Fund
ASSETS		
Cash and Cash Equivalents	\$ 2,267,793	\$ 58,476
Investments	4,606,318	46,218,686
Accounts Receivable	187,607	542
Due from Other Funds	256,913	78,401
Due from Other Elected Officials	1,365,124	-
Due from Other Governments	4,644,418	3,718,942
Prepays	301,695	8,125
	<u>13,629,868</u>	<u>50,083,172</u>
Total Assets	\$ 13,629,868	\$ 50,083,172
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 661,788	\$ 92,453
Contracts Payable	1,466,128	3,169,523
Other Accrued Liabilities	1,458,383	49,249
Due to Other Funds	248,410	-
Due to Other Elected Officials	1,473,432	-
Due to Other Governments	201,332	14,152
Due to Depositors	14,768	-
Unearned Revenue	481,082	65,923
	<u>6,005,323</u>	<u>3,391,300</u>
Total Liabilities	6,005,323	3,391,300
Fund Balances		
Nonspendable	301,695	8,125
Spendable		
Restricted	-	46,691,872
Committed	35,829	-
Assigned	1,074,730	-
Unassigned	6,212,291	(8,125)
	<u>7,624,545</u>	<u>46,691,872</u>
Total Fund Balances	7,624,545	46,691,872
Total Liabilities and Fund Balances	\$ 13,629,868	\$ 50,083,172

Exhibit III-A

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,363,519	\$ 2,296,235	\$ 5,986,023
15,624,549	20,520,046	86,969,599
-	1,007	189,156
167	39,602	375,083
128,684	101,792	1,595,600
-	2,644,999	11,008,359
-	200,681	510,501
\$ 17,116,919	\$ 25,804,362	\$ 106,634,321
\$ 211,327	\$ 307,531	\$ 1,273,099
1,880,544	641,049	7,157,244
-	194,838	1,702,470
-	16,346	264,756
-	64	1,473,496
-	460,426	675,910
-	156,382	171,150
-	1,128,204	1,675,209
2,091,871	2,904,840	14,393,334
-	200,681	510,501
15,024,975	18,450,570	80,167,417
73	525,364	561,266
-	3,923,588	4,998,318
-	(200,681)	6,003,485
15,025,048	22,899,522	92,240,987
\$ 17,116,919	\$ 25,804,362	\$ 106,634,321

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 POSITION
September 30, 2017

Fund balances - total governmental funds (Exhibit III-A) \$ 92,240,987

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The difference does not include the net capital assets of the Internal Service fund accounted for separately.

Those assets consist of:

Governmental nondepreciable/amortizable asset	27,466,470	
Governmental depreciable/amortizable assets	361,458,776	
Less accumulated depreciation/amortization	<u>(181,651,615)</u>	
		207,273,631

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 position. Internal service fund net position are: (8,321,076)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and not reported in governmental funds. The difference does not include the internal service fund which is included above.

Deferred outflows of resources - Pensions	33,346,306	
Deferred inflows of resources - Pensions	<u>(4,368,445)</u>	
		28,977,861

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. The difference does not include the compensated absences or OPEB liabilities of the Internal Service funds accounted for separately. All liabilities, both current and long-term are reported in the statement of net position.

Balances changed at September 30, 2017 are:

Accrued interest on bonds	(1,517,253)	
Revenue bonds payable	(63,368,537)	
Notes payable	(4,340,756)	
Capital leases	(208,146)	
Compensated absences	(5,162,096)	
Other Post Employment Benefits	(1,199,877)	
Net Pension Liability, proportionate share	<u>(75,531,668)</u>	
Total long-term liabilities		(151,328,333)

Net position of governmental activities (Exhibit I) \$ 168,843,070

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

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	<u>General Fund</u>	<u>Tourist Development Special Revenue Fund</u>
Revenues		
Taxes	\$ 53,372,776	\$ 19,534,276
Licenses and Permits	16,500	-
Intergovernmental	20,981,094	270,000
Charges for Services	17,463,222	688,822
Fines	16,972	-
Miscellaneous	2,443,505	460,150
	<hr/>	<hr/>
Total Revenues	94,294,069	20,953,248
	<hr/>	<hr/>
Expenditures		
Current		
General Government	28,767,955	-
Public Safety	51,395,605	-
Physical Environment	425,003	-
Transportation	3,688,987	210,000
Economic Environment	1,701,971	6,757,097
Human Services	4,082,783	-
Culture and Recreation	1,715,941	4,731,690
Court-Related	2,576,933	-
Capital Outlay	3,787,684	679,425
Debt Service		
Principal	636,899	-
Interest	79,714	-
Other Debt Service Costs	-	-
	<hr/>	<hr/>
Total Expenditures	98,859,475	12,378,212
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,565,406)	8,575,036
	<hr/>	<hr/>

Exhibit IV-A

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 213	\$ 9,196,710	\$ 82,103,975
-	445,639	462,139
128,684	13,405,725	34,785,503
72,331	6,188,405	24,412,780
-	1,234,326	1,251,298
322,578	1,055,986	4,282,219
<u>523,806</u>	<u>31,526,791</u>	<u>147,297,914</u>
-	327,051	29,095,006
-	1,919,976	53,315,581
-	1,215,116	1,640,119
-	9,588,064	13,487,051
-	1,489,045	9,948,113
-	601,661	4,684,444
211,771	990,310	7,649,712
-	5,480,827	8,057,760
10,635,999	5,720,966	20,824,074
-	154,000	790,899
-	1,575,012	1,654,726
-	3,622	3,622
<u>10,847,770</u>	<u>29,065,650</u>	<u>151,151,107</u>
<u>(10,323,964)</u>	<u>2,461,141</u>	<u>(3,853,193)</u>

Continued...

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	<u>General Fund</u>	<u>Tourist Development Special Revenue Fund</u>
Other Financing Sources (Uses)		
Transfers In	3,929,638	-
Transfers Out	(355,000)	(2,460,161)
Transfers Among Constitutional Officers	(122)	-
	<u>3,574,516</u>	<u>(2,460,161)</u>
Total Other Financing Sources (Uses)		
	(990,890)	6,114,875
Net Change in Fund Balances		
Fund Balances - Beginning	<u>8,615,435</u>	<u>40,576,997</u>
Fund Balances - Ending	<u>\$ 7,624,545</u>	<u>\$ 46,691,872</u>

Exhibit IV-A

<u>Capital Outlay Construction Trust Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
100,000	3,890,574	7,920,212
(230,342)	(4,165,443)	(7,210,946)
<u>-</u>	<u>122</u>	<u>-</u>
(130,342)	(274,747)	709,266
(10,454,306)	2,186,394	(3,143,927)
<u>25,479,354</u>	<u>20,713,128</u>	<u>95,384,914</u>
<u>\$ 15,025,048</u>	<u>\$ 22,899,522</u>	<u>\$ 92,240,987</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, 2017

Net change in fund balances - total governmental funds (Exhibit IV-A)	\$	(3,143,927)
<p>Amounts reported for governmental activities in the statement of activities are different because: Governmental funds do not report capital assets on the Balance Sheet; however, they are reported in the government-wide financial statements. Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is depreciated or amortized over the estimated useful lives of the assets.</p>		
Expenditures for capital assets		20,824,074
Less current year depreciation/amortization		<u>(10,491,383)</u>
		10,332,691
<p>Governmental funds do not report capital assets on the Balance Sheet; however, they are reported in the government-wide financial statements. Accordingly, proceeds received from disposals of capital asset are shown as income in the governmental financial statements and a gain or loss is reported in the Statement of Activities. In addition, capital asset reassignments are reported as transfers in the Statement of Activities.</p>		
		25,852
<p>The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of premiums or discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In addition, long-term debt reassignments are reported as transfers on the Statement of Activities.</p>		
Debt principal payments		790,899
Amortization of premiums/discounts		376,977
Changed in accrued interest on long-term debt		<u>(1,314,115)</u>
		(146,239)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>		
Compensated Absences		(505,364)
Other Post Employment Benefits		(165,994)
Other accrued long term liabilities		<u>(278,529)</u>
		(949,887)
<p>Governmental funds report County pension contributions as expenditures. In the statement of activities, the cost of the pension benefits earned net of contributions is reported as pension expense.</p>		
Difference between pension contribution and net pension expense		(5,407,170)
<p>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.</p>		
		<u>(2,822,076)</u>
Change in net position of governmental activities (Exhibit II-B)	\$	<u><u>(2,110,756)</u></u>

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

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 53,398,510	\$ 53,498,510	\$ 53,372,776	\$ (125,734)
Licenses and Permits	17,600	17,600	16,500	(1,100)
Intergovernmental	16,830,901	29,039,431	20,981,094	(8,058,337)
Charges for Services	15,458,160	16,695,505	17,463,222	767,717
Fines	4,500	4,513	16,972	12,459
Miscellaneous	2,139,428	2,411,586	2,443,505	31,919
Total Revenues	87,849,099	101,667,145	94,294,069	(7,373,076)
Expenditures				
Current				
General Government	30,937,146	31,054,459	28,767,955	2,286,504
Public Safety	57,085,489	59,674,773	51,395,605	8,279,168
Physical Environment	530,907	554,037	425,003	129,034
Transportation	93,456	5,590,420	3,688,987	1,901,433
Economic Environment	1,695,756	1,695,756	1,701,971	(6,215)
Human Services	4,120,906	4,191,010	4,082,783	108,227
Culture and Recreation	1,761,801	2,090,382	1,715,941	374,441
Court-Related	2,513,190	3,135,610	2,576,933	558,677
Capital Outlay	3,296,259	7,487,264	3,787,684	3,699,580
Debt Service				
Principal	208,146	208,146	636,899	(428,753)
Interest	-	-	79,714	(79,714)
Total Expenditures	102,243,056	115,681,857	98,859,475	16,822,382
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,393,957)	(14,014,712)	(4,565,406)	9,449,306
Other Financing Sources (Uses)				
Transfers In	3,136,811	4,020,276	3,929,638	(90,638)
Transfers Out	(355,000)	(355,000)	(355,000)	-
Transfers Among Constitutional Officers	1,086,146	(528,697)	(122)	528,575
Total Other Financing Sources (Uses)	3,867,957	3,136,579	3,574,516	437,937
Net Change in Fund Balance	(10,526,000)	(10,878,133)	(990,890)	9,887,243
Fund Balance - Beginning	10,526,000	10,878,133	8,615,435	(2,262,698)
Fund Balance - Ending	\$ -	\$ -	\$ 7,624,545	\$ 7,624,545

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

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TOURIST DEVELOPMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 19,600,000	\$ 19,600,000	\$ 19,534,276	\$ (65,724)
Intergovernmental	-	1,969,370	270,000	(1,699,370)
Charges for Services	810,750	810,750	688,822	(121,928)
Miscellaneous	178,500	178,500	460,150	281,650
Total Revenues	20,589,250	22,558,620	20,953,248	(1,605,372)
Expenditures				
Current				
Transportation	-	210,000	210,000	-
Economic Environment	11,713,082	13,849,092	6,757,097	7,091,995
Culture and Recreation	38,126,053	42,271,056	4,731,690	37,539,366
Capital Outlay	2,522,000	4,222,144	679,425	3,542,719
Total Expenditures	52,361,135	60,552,292	12,378,212	48,174,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,771,885)	(37,993,672)	8,575,036	46,568,708
Other Financing Sources (Uses)				
Transfers Out	(2,288,315)	(2,458,315)	(2,460,161)	(1,846)
Transfers Among Constitutional Officers	(125,000)	(125,000)	-	125,000
Total Other Financing Sources (Uses)	(2,413,315)	(2,583,315)	(2,460,161)	123,154
Net Change in Fund Balance	(34,185,200)	(40,576,987)	6,114,875	46,691,862
Fund Balance - Beginning	34,185,200	40,576,987	40,576,997	10
Fund Balance - Ending	\$ -	\$ -	\$ 46,691,872	\$ 46,691,872

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

Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 495,703	\$ 3,600,685	\$ 156,676
Investments	29,911,685	8,622,927	1,230,618
Receivables, Net of Allowance for Uncollectible	3,056,314	1,432,579	4,108,090
Due from Other Funds	-	50,000	-
Due from Other Elected Officials	-	-	-
Due from Other Governments	1,339,803	1,868,320	2
Inventory	1,725,978	85,253	-
Prepays	65,890	3,271	2,030
Restricted Assets			
Cash and Cash Equivalents	-	-	-
Customer Deposits	1,378,421	-	-
Other Deposits	1,065,512	-	-
Investments	10,910,517	17,362,535	-
Total Restricted Assets	13,354,450	17,362,535	-
Total Current Assets	49,949,823	33,025,570	5,497,416
Capital Assets			
Land	8,180,380	6,451,481	-
Buildings	6,195,250	81,218,527	-
Improvements Other Than Buildings	-	-	-
Intangibles	765,530	100,400	30,150
Machinery and Equipment	11,182,697	1,948,595	5,142,279
Construction in Progress	20,959,834	1,526,270	-
Infrastructure	265,585,450	87,073,054	-
Works of Art	-	69,865	-
Less Accumulated Depreciation/Amortization	(121,959,799)	(45,797,338)	(2,796,855)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	190,909,342	132,590,854	2,375,574
Total Noncurrent Assets	190,909,342	132,590,854	2,375,574
Total Assets	\$ 240,859,165	\$ 165,616,424	\$ 7,872,990

Exhibit VII

Activities		Governmental Activities -- Internal Service Funds	
Other Enterprise Funds	Total Enterprise Funds	Other Enterprise Funds	Total Enterprise Funds
\$ 216,404	\$ 4,469,468	\$ 3,123,319	
3,526,466	43,291,696	1,663,956	
1,011,883	9,608,866	242,156	
605,000	655,000	131,204	
-	-	999	
41,044	3,249,169	128,546	
-	1,811,231	239,131	
3,035	74,226	7,996	
-	-	-	
-	-	-	
23,258	1,401,679	-	
-	1,065,512	-	
-	28,273,052	-	
23,258	30,740,243	-	
5,427,090	93,899,899	5,537,307	
133,301	14,765,162	316,861	
115,363	87,529,140	900,466	
276,776	276,776	257,345	
42,425	938,505	-	
3,653,301	21,926,872	3,207,666	
-	22,486,104	-	
-	352,658,504	-	
-	69,865	-	
(2,615,047)	(173,169,039)	(4,031,187)	
1,606,119	327,481,889	651,151	
1,606,119	327,481,889	651,151	
\$ 7,033,209	\$ 421,381,788	\$ 6,188,458	

Continued...

Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 4,150,500	\$ 1,616,424	\$ 4,299,887
Deferred Charges on Refunding	2,662,901	-	-
Total Deferred Outflows of Resources	\$ 6,813,401	\$ 1,616,424	\$ 4,299,887
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,202,385	\$ 257,131	\$ 103,856
Contracts Payable	2,062,456	1,174,302	151,360
Accrued Liabilities			
Compensated Absences	503,359	107,239	214,740
Closure Costs Payable	-	-	-
Claims and Judgments	-	-	-
Other Accrued Liabilities	149,751	37,311	172,672
Due to Other Funds	-	584	-
Due to Other Elected Officials	-	162	742
Due to Other Governments	8,529	24,317	12,285
Notes Payable	-	-	-
Unearned Revenue	1,241,246	68,299	10,935
Current Liabilities Payable from Restricted Assets			
Customer Deposits Payable	1,378,421	3,000	-
Interest Payable	801,229	376,756	-
Loan - State of Florida	430,066	-	-
Revenue Bonds Payable	2,785,000	880,000	-
Total Current Liabilities Payable from Restricted Assets	5,394,716	1,259,756	-
Total Current Liabilities	10,562,442	2,929,101	666,590

Exhibit VII

Activities			Governmental Activities -- Internal Service Funds
Other Enterprise Funds	Total Enterprise Funds		
\$ 873,872	\$ 10,940,683	\$ 794,051	
-	2,662,901	-	
<u>\$ 873,872</u>	<u>\$ 13,603,584</u>	<u>\$ 794,051</u>	
\$ 34,943	\$ 1,598,315	\$ 100,788	
1,071,761	4,459,879	162,898	
172,789	998,127	1,261,258	
361,126	361,126	-	
-	-	1,905,436	
40,473	400,207	30,044	
-	584	865,000	
-	904	341	
33,740	78,871	-	
-	-	-	
13,134	1,333,614	19,600	
23,258	1,404,679	-	
-	1,177,985	-	
-	430,066	-	
-	3,665,000	-	
<u>23,258</u>	<u>6,677,730</u>	<u>-</u>	
<u>1,751,224</u>	<u>15,909,357</u>	<u>4,345,365</u>	

Continued...

Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Noncurrent Liabilities			
Compensated Absences	485,734	91,039	120,392
Closure Costs Payable	-	-	-
Claims and Judgments	-	-	-
Notes Payable			
(Net of Unamortized Discounts)	-	3,500,000	-
Loan- State of Florida			
(Net of Unamortized Discounts)	3,994,268	-	-
Revenue Bonds Payable			
(Net of Unamortized Discounts and Premiums)	68,250,656	14,318,323	-
Other Post Employment Benefits	211,067	57,410	200,884
Net Pension Liability	10,429,233	4,198,032	10,854,376
Total Noncurrent Liabilities	<u>83,370,958</u>	<u>22,164,804</u>	<u>11,175,652</u>
Total Liabilities	<u>\$ 93,933,400</u>	<u>\$ 25,093,905</u>	<u>\$ 11,842,242</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 919,876	\$ 328,448	\$ 1,000,991
Total Deferred Inflows of Resources	<u>\$ 919,876</u>	<u>\$ 328,448</u>	<u>\$ 1,000,991</u>
NET POSITION			
Net Investment in Capital Assets	\$ 119,214,276	\$ 114,262,798	\$ 2,375,574
Restricted for Debt Service	4,194,809	954,894	-
Restricted for Other Purposes	-	14,777,617	-
Unrestricted (Deficit)	29,410,205	11,815,186	(3,045,930)
Total Net Postion (Deficit)	<u>\$ 152,819,290</u>	<u>\$ 141,810,495</u>	<u>\$ (670,356)</u>
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	<u>\$ 247,672,566</u>	<u>\$ 167,232,848</u>	<u>\$ 12,172,877</u>

Exhibit VII

Activities		Governmental Activities -- Internal Service Funds
Other Enterprise Funds	Total Enterprise Funds	
145,964	843,129	79,028
3,340,266	3,340,266	-
-	-	3,999,284
-	3,500,000	-
-	3,994,268	-
-	82,568,979	-
45,749	515,110	4,690,782
2,190,395	27,672,036	2,004,205
<u>5,722,374</u>	<u>122,433,788</u>	<u>10,773,299</u>
<u>\$ 7,473,598</u>	<u>\$ 138,343,145</u>	<u>\$ 15,118,664</u>
<u>\$ 207,784</u>	<u>\$ 2,457,099</u>	<u>\$ 184,921</u>
<u>\$ 207,784</u>	<u>\$ 2,457,099</u>	<u>\$ 184,921</u>
\$ 1,606,118	\$ 237,458,766	\$ 651,150
-	5,149,703	-
-	14,777,617	-
(1,380,419)	36,799,042	(8,972,226)
<u>\$ 225,699</u>	<u>\$ 294,185,128</u>	<u>\$ (8,321,076)</u>
<u>\$ 7,907,081</u>	<u>\$ 434,985,372</u>	<u>\$ 6,982,509</u>

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

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Operating Revenues			
Licenses and Permits	\$ -	\$ -	\$ -
Charges for Services	34,063,103	11,714,520	7,555,252
Miscellaneous	39,873	78,791	-
Total Operating Revenues	34,102,976	11,793,311	7,555,252
Operating Expenses			
Personal services	7,277,335	2,385,280	6,789,977
Contractual Services	3,283,212	2,152,828	533,331
Supplies	888,388	628,259	696,319
Insurance Premiums and Claims	-	-	-
Utilities	1,983,340	871,812	39,259
Other Operating Expenses	3,375,350	1,953,349	657,873
Depreciation/Amortization	6,953,659	4,272,176	583,740
Total Operating Expenses	23,761,284	12,263,704	9,300,499
Operating Income (Loss)	10,341,692	(470,393)	(1,745,247)
Nonoperating Revenues (Expenses)			
Taxes	-	-	1,804
Intergovernmental	8,139	628,785	17,790
Investment Income (Loss)	388,924	220,522	19,253
Other Non-Operating Revenue	442,941	15,500	-
Interest Expenses	(3,231,392)	(803,112)	-
Other Debt Services Costs	150,540	(69,418)	-
Gain/(Loss) on Disposal of Capital Assets	10,015	1,849	8,000
Total nonoperating Revenues (Expenses)	(2,230,833)	(5,874)	46,847
Income (Loss) Before Contributions and Transfers	8,110,859	(476,267)	(1,698,400)

Exhibit VIII

Activities		Governmental Activities -- Internal Service Funds	
Other Enterprise Funds	Total Enterprise Funds		
\$ 1,921,205	\$ 1,921,205	\$ -	
9,707,520	63,040,395	22,352,267	
50,081	168,745	165,200	
<u>11,678,806</u>	<u>65,130,345</u>	<u>22,517,467</u>	
2,155,243	18,607,835	1,825,532	
7,974,751	13,944,122	580,146	
110,415	2,323,381	3,172,271	
-	-	19,423,540	
14,467	2,908,878	3,327	
490,450	6,477,022	340,518	
282,232	12,091,807	67,004	
<u>11,027,558</u>	<u>56,353,045</u>	<u>25,412,338</u>	
<u>651,248</u>	<u>8,777,300</u>	<u>(2,894,871)</u>	
-	1,804	-	
237,835	892,549	-	
42,248	670,947	9,319	
-	458,441	-	
-	(4,034,504)	-	
-	81,122	-	
<u>-</u>	<u>19,864</u>	<u>47,277</u>	
<u>280,083</u>	<u>(1,909,777)</u>	<u>56,596</u>	
<u>931,331</u>	<u>6,867,523</u>	<u>(2,838,275)</u>	

Continued...

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Passenger and Customer			
Facility Charges	-	4,420,826	-
Capital Contributions	1,354,952	3,283,663	-
Special Item - Loss on Joint Venture	-	-	-
Transfers In	-	-	33,000
Transfers Out	-	(758,465)	-
	9,465,811	6,469,757	(1,665,400)
Change in Net Position	143,353,479	135,340,738	995,044
Total Net Position (Deficit) - Beginning	\$ 152,819,290	\$ 141,810,495	\$ (670,356)
Total Net Position (Deficit) - Ending			

Exhibit VIII

Activities	Governmental Activities -- Internal Service Funds	
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
-	4,420,826	-
-	4,638,615	-
-	-	-
-	33,000	170,000
-	(758,465)	(153,801)
931,331	15,201,499	(2,822,076)
(705,632)	278,983,629	(5,499,000)
<u>\$ 225,699</u>	<u>\$ 294,185,128</u>	<u>\$ (8,321,076)</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, 2017

	Business-type Activities		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 31,984,296	\$ 13,114,965	\$ 8,203,815
Receipts from Interfund Services Provided	-	-	-
Payments to Suppliers	(9,540,619)	(6,456,298)	(1,802,661)
Payments to Employees	(6,217,485)	(2,262,589)	(5,985,144)
Payments for Other Revenues	442,942	15,500	-
Net Cash Provided (Used) by Operating Activities	<u>16,669,134</u>	<u>4,411,578</u>	<u>416,010</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Subsidy - Taxes	-	-	1,804
Operating Subsidy - Intergovernmental Revenue	8,139	628,785	17,790
Transfers In	-	-	33,000
Transfers Out	-	(758,465)	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>8,139</u>	<u>(129,680)</u>	<u>52,594</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(16,729,162)	(6,186,602)	(978,233)
Passenger and Customer Facility Charges	-	4,420,826	-
Proceeds from Disposal of Capital Assets	346,034	5,506	8,000
Contribution to Other Government	-	-	-
Net Borrowing (Repayments)			
Proceeds from Debt	-	-	-
Principal Paid on Capital Debt	(3,178,763)	(886,238)	-
Interest Paid on Capital Debt	(3,711,089)	(822,081)	-
Other Debt Service Costs	150,540	-	-
Taxes	-	-	-
Tap Fees in Excess of Cost	-	-	-
Capital Contributions	1,354,952	3,283,662	-
Net cash provided (used) by capital and related financing activities	<u>(21,767,488)</u>	<u>(184,927)</u>	<u>(970,233)</u>

Exhibit IV

<u>- Enterprise Funds</u>			Governmental Activities -- Internal Service Funds
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>		
\$ 10,706,026	\$ 64,009,102	\$ 19,664,562	
-	-	5,231,793	
(8,848,279)	(26,647,857)	(23,358,366)	
(1,957,949)	(16,423,167)	(1,570,554)	
-	458,442	-	
<u>(100,202)</u>	<u>21,396,520</u>	<u>(32,565)</u>	
-	1,804	-	
237,835	892,549	-	
-	33,000	170,000	
-	(758,465)	(153,801)	
<u>237,835</u>	<u>168,888</u>	<u>16,199</u>	
(385,490)	(24,279,487)	(12,281)	
-	4,420,826	-	
-	359,540	47,277	
-	-	-	
-	-	-	
-	(4,065,001)	-	
-	(4,533,170)	-	
-	150,540	-	
-	-	-	
-	-	-	
-	4,638,614	-	
<u>(385,490)</u>	<u>(23,308,138)</u>	<u>34,996</u>	

Continued...

Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type Activities		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	4,018,556	-	583,367
Interest Income	495,884	324,908	20,864
Purchases of Investments	-	(4,459,718)	-
Net Cash Provided (Used) by Investing Activities	<u>4,514,440</u>	<u>(4,134,810)</u>	<u>604,231</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(575,775)	(37,839)	102,602
Cash and Cash Equivalents - Beginning of Year - As Restated	<u>3,515,411</u>	<u>3,638,524</u>	<u>54,074</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,939,636</u>	<u>\$ 3,600,685</u>	<u>\$ 156,676</u>
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 495,703	\$ 3,600,685	\$ 156,676
Restricted assets	2,443,933	-	-
Total	<u>\$ 2,939,636</u>	<u>\$ 3,600,685</u>	<u>\$ 156,676</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 10,341,692	\$ (470,393)	\$ (1,745,247)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	6,953,659	4,272,176	583,740
Other revenue	442,942	15,500	-
Decrease (Increase) in Assets			
Accounts Receivable	(214,470)	353,509	637,628
Due from Other Elected Officials	-	-	-
Due from Other Governments	(1,247,991)	1,077,240	(2)
Due from Other Funds	-	(50,000)	-
Inventories	37,815	9,469	-
Prepaid Expenses	24,797	(424)	4,440
Deferred Outflows	(365,260)	(168,717)	(724,498)

Exhibit IV

<u>- Enterprise Funds</u>			Governmental Activities -- Internal Service Funds
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>		
271,563	4,873,486		1,569
46,391	888,047		9,612
-	(4,459,718)		(131,518)
<u>317,954</u>	<u>1,301,815</u>		<u>(120,337)</u>
70,097	(440,915)		(101,707)
<u>169,565</u>	<u>7,377,574</u>		<u>3,225,026</u>
<u>\$ 239,662</u>	<u>\$ 6,936,659</u>		<u>\$ 3,123,319</u>
\$ 216,404	\$ 4,469,468	\$ 3,123,319	
23,258	2,467,191	-	
<u>\$ 239,662</u>	<u>\$ 6,936,659</u>	<u>\$ 3,123,319</u>	
\$ 651,248	\$ 8,777,300	\$ (2,894,871)	
282,232	12,091,807	67,004	
-	458,442	-	
(325,662)	451,005	154,176	
-	-	(519)	
(39,868)	(210,621)	403,721	
(605,000)	(655,000)	(34,846)	
-	47,284	14,884	
(2,740)	26,073	(568)	
(158,794)	(1,417,269)	(133,982)	

Continued...

Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type Activities		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities - Continued			
Increase (Decrease) in Liabilities			
Accounts Payable	681,695	150,242	79,678
Service Contracts Payable	(735,149)	(900,237)	73,676
Due to Other Funds	4	586	-
Due to Other Elected Officials	(140)	118	591
Due to Other Governments	(19,352)	(109,806)	(34,261)
Compensated Absences Payable	84,659	(20,306)	75,164
Closure Cost Payable	-	-	-
Claims and Judgments Payable	-	-	-
Other Accrued Liabilities	2,447	(25,266)	7,137
Deposits	22,576	3,000	-
Unearned Revenue	(678,795)	(62,093)	10,935
Other Post Employment Benefits	31,124	7,838	33,660
Net Pension Liability	941,142	237,029	1,017,828
Deferred Inflows	365,739	92,113	395,541
Total Adjustments	<u>6,327,442</u>	<u>4,881,971</u>	<u>2,161,257</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 16,669,134</u>	<u>\$ 4,411,578</u>	<u>\$ 416,010</u>

SUPPLEMENTAL DISCLOSURES OF NON CASH TRANSACTIONS:

Amortization of Loan Costs and Refunding Losses	\$ 304,651	\$ -	\$ -
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Exhibit IV

<u>- Enterprise Funds</u>			Governmental Activities -- Internal Service Funds
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>		
(23,992)	887,623		2,857
81,714	(1,479,996)		125,463
-	590		(155,000)
-	569		239
11,710	(151,709)		(8,704)
36,237	175,754		(17,099)
(324,888)	(324,888)		-
-	-		1,930,738
3,357	(12,325)		(3,410)
(2,250)	23,326		-
(663)	(730,616)		11,525
7,378	80,000		244,451
223,085	2,419,084		188,229
86,694	940,087		73,147
<u>(751,450)</u>	<u>12,619,220</u>		<u>2,862,306</u>
<u>\$ (100,202)</u>	<u>\$ 21,396,520</u>		<u>\$ (32,565)</u>
\$ -	\$ 304,651		\$ -

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

Okaloosa County, Florida
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 6,206,460
Investments	1,590,000
Accounts Receivable	11,598
Due from Other Funds	140
Due from Other Elected Officials	2,800
Due from Other Governments	375,138
Total Assets	8,186,136
LIABILITIES	
Due to Other Funds	\$ 31,087
Due to Other Elected Officials	124,658
Due to Other Governments	839,683
Due to Depositors	5,181,482
Taxes Collected in Advance for Other Governments	2,009,226
Total Liabilities	8,186,136
NET POSITION	\$ -

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Okaloosa County, Florida (hereinafter referred to as the 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 (the Board), 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 (collectively referred to as the County's Constitutional Officers) are elected by the citizenry at-large and function independently of the Board. However, the Board funds a portion of, or in certain instances, all of, the operating budgets of the County's Constitutional Officers. These financial statements include the operating activities of the Board and the County's Constitutional Officers.

In evaluating the County as a reporting entity, management has considered all potential component units for which the County may or may not be financially accountable and, as such, be included within the County's financial statements. Management utilized criteria set forth in GASB No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB No. 61, the County (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the County. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Board evaluated the Emerald Coast Bridge Authority (the Authority) in accordance with GASB No. 61. The Authority has been dormant for several years. The Board does not believe it is financially accountable with respect to the Authority or that financial burden relationship exists based on an evaluation of GASB No. 61. As such, the Authority is not included as part of the County's reporting entity.

B. Government-Wide and Fund Financial Statements

1. Government-Wide Statements

The government-wide financial statements include the statement of net position 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.

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements - Continued

1. Government-Wide Statements - Continued

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 detailed 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.

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 position. 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

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 - Continued

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.

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*

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

4. Proprietary Fund Financial Statements - Continued

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.

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.

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, 12-21, 13-19, 13-20, 14-08, 16-13 and 16-20.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

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

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.

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.

Emergency Medical Services Enterprise 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.

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, Deferred Outflows/Inflows of Resources, and Net Position or Fund 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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

1. Deposits and Investments - Continued

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.

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.

The Day to Day fund is a "2a-7 like" fund. The fund is carried at amortized cost, which includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for amortization of discount or premium over the period from purchase to maturity. Thus, the value in the fund approximates fair value. A "2a-7 like" fund is not registered with the SEC as an investment company but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. The Day to Day fund is reported at fair value, determined by the fair value per share of the pool's underlying portfolio.

Unlike the Day to Day fund, the Short-Term Bond fund is accounted for as a fluctuating Net Asset Value (NAV) pool, not a "2a-7 like" money market fund. Accounting valuations reflect estimates of the market value of the securities rather than their amortized cost. Securities listed on generally recognized securities exchanges are valued at the last sales price as reported by such exchanges on the date of valuation. If no sale has been reported, the securities are valued at the average of the bid and ask price for the date of valuation. If neither a sale nor bid and ask price have been reported, then the most recent sales price is used. Securities not listed on generally recognized securities exchanges are valued at the most recent published bid quotation if market quotations are available. Other investments are valued based on quotations obtained from one or more recognized broker/dealers regularly dealing in such securities.

The fair value of investments of both the Short-Term Bond Fund and Day to Day Fund is determined on a daily basis.

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

1. Deposits and Investments - Continued

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.

The County maintains a cash and investment management pool in which each fund participates on a dollar equivalent and daily transaction basis. The County’s cash and investment management pool is considered to be cash equivalent for reporting purposes because it is an internally managed fund, which allows individual funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty. The County’s cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, certificates of deposit, and pooled investments of the Local Government Surplus Trust Fund. Interest income (which includes unrealized gains and losses) is distributed monthly based on balance at date of distribution.

2. Interfund 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 non-spendable fund balance 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.”

3. Accounts Receivable

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

4. Property Taxes

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 2017 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, 2017
Levy Date	November 1, 2017
Due Date	November 1, 2017
Delinquent Date	April 1, 2018

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

4. Property Taxes - Continued

Discounts of 1% for each month taxes are paid prior to March 2018 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.

5. 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 net realizable value in the proprietary funds. The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used to account for the prepaid items. Under the consumption method, prepaid items are recorded as expenditures during the period in which they are used.

6. Restricted Assets

Certain proceeds of the 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.

7. 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 position of the 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 acquisition 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance – Continued

7. Capital Assets - Continued

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

8. 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.

9. 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 obligations 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.

10. Self-insurance Claims

Liabilities for reported claims and incurred but not reported claims (IBNR) are estimated based on an actuarial review of claims pending and historical experience.

11. Landfill Closure and Post Closure Care Payable

The County recognizes municipal solid waste landfill closure and post closure care costs under the State of Florida’s Solid Waste Management Act of 1988, regulations of the Federal Environmental Protection agency and the GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs*. The County is required to place a final cover on closed landfills and to provide long-term care for up to thirty years after final cover. These obligations for closure and post closure are recognized in the Solid Waste Fund over the active life of the landfill, based on landfill capacity used to date.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Balance – Continued

12. Net Pension Liability

The government-wide and proprietary fund financial statements net pension liability represents the County's proportionate share of the net pension liability of the cost-sharing pension plan in which it participates. The County participates in the Florida Retirement System (FRS) and the Health Insurance Subsidy Program (HIS) which are administered by the Florida Division of Retirement. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, pension expense, additions to/deduction, and information about the fiduciary's net position have been determined on the same basis as they are reported by the cost-sharing plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The government-wide financial statements include the liability of all plan participants for the Board and the County's Constitutional Officers.

13. Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts 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. Unamortized losses on bonds are presented as deferred outflows.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period the debt is issued. 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.

14. Deferred Outflows/Inflows of Resources

In addition to assets, deferred outflows of resources represent a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. The Board has \$2,662,901 of deferred outflows on Water and Sewer, Series 2015 bonds, and \$45,081,040 of deferred outflows for pension as of September 30, 2017. Amortization expense of the deferred outflow related to the Water and Sewer, Series 2015 bonds totaled \$304,651 for the year ended September 30, 2017, and is included in interest expense on the Statements of Revenues, Expenses and Changes in Net Position.

In addition to liabilities, deferred inflows of resources represent an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Board has \$7,010,465 of deferred inflows for pension as of September 30, 2017.

No other such material items were applicable to the County as of September 30, 2017.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance – Continued

15. 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 upon 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. Intent is expressed by (a) the Board of County Commissioners or (b) a body (for example: a budget or finance committee) or official to which the County has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in those funds are at a minimum, intended to be used for the purposes of that fund. The Board has delegated to the County Administrator and Finance Officer in accordance with the County’s fund balance policy.

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.

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. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned. 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance – Continued

16. 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.

17. Net Position

The net positions of proprietary funds, governmental activities and business-type activities are made up of three components. Net Investment in Capital Assets which represents net capital assets less related long-term liabilities; unspent debt proceeds will increase this amount. The Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The restricted component represents assets that are legally restricted. They include reserve funds, special revenues restricted by statute or ordinance, bond proceeds, and other sources restricted for capital or improvements. The unrestricted component of net position is the balance not included in the determination of net investment in capital assets or the restricted component of net position.

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, 2017

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 \$75,147,290 representing a 25.26% 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/NET POSITION

The Solid Waste Enterprise Fund reported deficit net position of \$175,971 as of September 30, 2017. 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 8.

The Emergency Medical Service Enterprise Fund reported a deficit net position of \$670,356 as of September 30, 2017. This is primarily a result of forgoing the ad valorem taxes in 2017 and increase the enterprise fund’s fee structure. This deficit will be cured by increased fees in the provision of services or allocations of ad valorem taxes may need to be considered.

The Self Insurance Internal Service Fund reported deficit net position of \$3,718,585. 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 Garage Services Internal Service Fund reported a deficit net position of \$1,523,560. Vehicle maintenance and centralized distribution of gasoline and special fuel are funded by monthly billing of services. This funding method results in a deficit fund equity which will be charged back to the other funds so that service fund revenues and expenses will be equal.

The Sheriff’s Self-Insurance Fund is reflecting a deficit net position of \$3,078,931. This is the result of the implementation of GASB 45 which requires the net OPEB obligation (OPEB) to be recorded at September 30, 2017.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2017, the County’s carrying value of cash and cash equivalents totaled \$22,252,461, which is presented as \$16,046,001 in the statement of net position and \$6,206,460 in the statement of fiduciary net position.

The County maintains a cash and investment management pool in which each fund participates on a dollar equivalent and daily transaction basis. The County’s cash and investment management pool is considered to be cash equivalent for reporting purposes because it is an internally managed fund, which allows individual funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty. The County’s cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, certificates of deposit, and pooled investments of the Local Government Surplus Trust Fund. Interest income (which includes unrealized gains and losses) is distributed monthly based on balance at date of distribution.

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

At September 30, 2017, the carrying amount of the County’s cash deposits totaled \$17,801,832 and cash in money market funds totaled \$4,450,629.

Investments

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 Director of Treasury & Board Services. Although the policies allow investments in many types of instruments, the Clerk 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 third party custody and safekeeping.

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Investments - Continued

Credit risk. As of September 30, 2017, Standard & Poor’s rated the investment in Florida Local Government Investment Trust investment pool AAAf, Florida Local Government Investment Day to Day AAAM, and Florida Local Government Surplus Fund Trust AAAM. As of September 30, 2017, 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. As of September 30, 2017, 13.92% of the County’s investments are in the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Government National Mortgage Association. These investments are 3.33%, 2.63%, 7.64% and 0.33% respectively, of the County’s total investments.

Custodial credit risk. Federated Money Market, 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.

The County had the following investment types by issuer and effective duration presented in terms of years:

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>	<u>Credit Rating</u>	<u>Percentage of Portfolio</u>
Long Term Investments:				
United States Treasury Securities	\$ 22,527,679	0.740	AAA	13.92%
Total long term investments	<u>22,527,679</u>			<u>13.92%</u>
Total Fair Value	<u>\$ 22,527,679</u>			<u>13.92%</u>
Portfolio Weighted Average Duration		0.740		

NOTE 4 – FAIR VALUE OF INVESTMENTS

The County measures and records its investments using fair value measurements guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follow:

Level 1 – Quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.

Level 3 – Unobservable inputs for an asset.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 4 – FAIR VALUE OF INVESTMENTS - CONTINUED

Okaloosa County has the following recurring fair value measurements as of September 30, 2017:

- Day-to-Day Fund – FLGIT – Maximum of 75% of the total portfolio. Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds held by FLGIT are deemed to be actively traded.
- Short-Term Bond Fund- FLGIT – Maximum of 75% of the total investment portfolio. Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds held by FLGIT are deemed to be actively traded.
- US Treasuries/Agencies/Instrumentalities – Maximum of 50% of the total investment portfolio. Valued at market prices for similar assets in active markets.

At September 30, 2017, Okaloosa County had the following recurring fair value measurements:

	Fair Value	Level 1	Level 2	Level 3
Federal Home Loan Bank	\$ 5,380,830	\$ -	\$ 5,380,830	\$ -
Federal Home Loan Mortgage Corporation	4,248,091	-	4,248,091	-
Federal National Mortgage Assocation	12,360,013	-	12,360,013	-
Governmental National Mortgage Association	538,745	-	538,745	-
	<u>22,527,679</u>	<u>\$ -</u>	<u>\$ 22,527,679</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Florida Local Government Investment Trust - Day-to-Day Fund	7,714,372			
Florida Local Government Investment Trust - Investment Pool	<u>39,598,746</u>			
Total investments measured at fair value	69,840,797			
Total investments measured at amortized cost	<u>91,947,506</u>			
Total investments at September 30, 2017	<u>\$ 161,788,303</u>			

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 5 – RECEIVABLES / UNEARNED AND UNAVAILABLE REVENUE

Receivables as of September 30, 2017 for the government’s individual major funds and nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Funds	Accounts Receivable	Due From Other Governments	Total Receivables	Less: Allowance for Doubtful Accounts	Net Total Receivables Sept. 30, 2017
General	\$ 187,607	\$ 4,644,418	\$ 4,832,025	\$ -	\$ 4,832,025
Tourist Development	542	3,718,942	3,719,484	-	3,719,484
Water and Sewer	3,334,769	1,339,803	4,674,572	(278,455)	4,396,117
Airport	1,840,680	1,868,320	3,709,000	(408,101)	3,300,899
Emergency Medical Services	8,552,350	2	8,552,352	(4,444,260)	4,108,092
Nonmajor and Other Funds	1,266,644	3,189,727	4,456,371	-	4,456,371
Total	\$ 15,182,592	\$ 14,761,212	\$ 29,943,804	\$ (5,130,816)	\$ 24,812,988

Governmental funds report unavailable revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources received, but not yet earned. Unearned / unavailable revenues as of September 30, 2017 for the government’s individual major funds and nonmajor internal service, and fiduciary funds in the aggregate are as follows:

<u>Funds</u>	<u>Unearned</u>
General	\$ 481,082
Tourist Development	65,923
Water and Sewer	1,241,246
Airport	68,299
Emergency Medical Services	10,935
Nonmajor and Other Funds	1,160,938
Total	\$ 3,028,423

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers and Adjustments	Ending Balance
Governmental Activities					
Capital assets, not being depreciated/amortized:					
Land	\$ 11,803,905	\$ 30,600	\$ -	\$ -	\$ 11,834,505
Intangibles	1,146,905	-	-	-	1,146,905
Construction in progress	4,748,405	14,235,020	-	(4,210,699)	14,772,726
Works of art	29,195	-	-	-	29,195
Total capital assets not being depreciated/amortized	<u>17,728,410</u>	<u>14,265,620</u>	<u>-</u>	<u>(4,210,699)</u>	<u>27,783,331</u>
Capital assets, being depreciated/amortized:					
Buildings	109,449,162	224,336	-	-	109,673,498
Improvement other than buildings	36,797,863	1,159,693	-	-	37,957,556
Intangibles	2,206,755	71,276	-	-	2,278,031
Machinery and equipment	54,485,226	4,990,233	(3,530,558)	999,480	56,944,381
Infrastructure	154,472,778	4,498,009	-	-	158,970,787
Total capital assets being depreciated/amortized	<u>357,411,784</u>	<u>10,943,547</u>	<u>(3,530,558)</u>	<u>999,480</u>	<u>365,824,253</u>
Less accumulated depreciation/amortization for:					
Buildings	(35,320,882)	(2,868,682)	-	-	(38,189,564)
Improvement other than buildings	(11,999,341)	(999,450)	-	-	(12,998,791)
Intangibles	(1,880,912)	(95,562)	-	-	(1,976,474)
Machinery and equipment	(41,279,263)	(4,372,098)	3,380,038	(985,220)	(43,256,543)
Infrastructure	(87,038,835)	(2,222,595)	-	-	(89,261,430)
Total accumulated depreciated/amortized	<u>(177,519,233)</u>	<u>(10,558,387)</u>	<u>3,380,038</u>	<u>(985,220)</u>	<u>(185,682,802)</u>
Total capital assets, being depreciated/amortized, net	<u>179,892,551</u>	<u>385,160</u>	<u>(150,520)</u>	<u>14,260</u>	<u>180,141,451</u>
Governmental Activities capital assets, net	<u>\$ 197,620,961</u>	<u>\$ 14,650,780</u>	<u>\$ (150,520)</u>	<u>\$ (4,196,439)</u>	<u>\$ 207,924,782</u>

Depreciation expense was charged to functions/programs as follows:

	Depreciation	Amortization
Governmental Activities		
General government	\$ 2,395,681	\$ 63,276
Public safety	2,707,409	-
Physical environment	130,756	-
Transportation, incl. depreciation of general infrastructure assets	3,278,211	959
Economic environmental	39,221	-
Human services	269,056	-
Culture and recreation	1,270,747	1,960
Court related	304,740	29,367
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>67,004</u>	<u>-</u>
Total depreciation expense - governmental activities	<u>\$ 10,462,825</u>	<u>\$ 95,562</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 6 – CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Transfers and Adjustments	Ending Balance
Business-type Activities					
Capital assets, not being depreciated/amortized:					
Land	\$ 14,765,162	\$ -	\$ -	\$ -	\$ 14,765,162
Construction in progress	21,258,934	19,886,076	-	(18,658,906)	22,486,104
Works of art	69,865	-	-	-	69,865
Total capital assets not being depreciated/amortized	<u>36,093,961</u>	<u>19,886,076</u>	<u>-</u>	<u>(18,658,906)</u>	<u>37,321,131</u>
Capital assets, being depreciated/amortized:					
Buildings	73,475,227	-	-	14,053,913	87,529,140
Improvement other than buildings	276,776	-	-	-	276,776
Intangibles	932,505	6,000	-	-	938,505
Machinery and equipment	20,964,448	2,521,858	(559,956)	(999,478)	21,926,872
Infrastructure	346,414,997	1,865,550	-	4,377,957	352,658,504
Total capital assets being depreciated/amortized	<u>442,063,953</u>	<u>4,393,408</u>	<u>(559,956)</u>	<u>17,432,392</u>	<u>463,329,797</u>
Less accumulated depreciation/amortization for:					
Buildings	(20,099,524)	(2,011,522)	-	-	(22,111,046)
Improvement other than buildings	(182,991)	(9,226)	-	-	(192,217)
Intangibles	(856,094)	(22,315)	-	-	(878,409)
Machinery and equipment	(14,606,693)	(1,653,723)	553,915	892,880	(14,813,621)
Infrastructure	(126,778,725)	(8,395,021)	-	-	(135,173,746)
Total accumulated depreciated/amortized	<u>(162,524,027)</u>	<u>(12,091,807)</u>	<u>553,915</u>	<u>892,880</u>	<u>(173,169,039)</u>
Total capital assets, being depreciated/amortized, net	<u>279,539,926</u>	<u>(7,698,399)</u>	<u>(6,041)</u>	<u>18,325,272</u>	<u>290,160,758</u>
Business-type Activities capital assets, net	<u>\$ 315,633,887</u>	<u>\$ 12,187,677</u>	<u>\$ (6,041)</u>	<u>\$ (333,634)</u>	<u>\$ 327,481,889</u>

Depreciation expense was charged to enterprise funds as follows:

	Depreciation	Amortization
Business-type Activities		
Water and sewer	\$ 6,931,644	\$ 22,015
Airport	4,271,876	300
Emergency Management Services	583,740	-
Other enterprise funds	282,232	-
Total depreciation expense - business-type activities	<u>\$ 12,069,492</u>	<u>\$ 22,315</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

6 – CAPITAL ASSETS – CONTINUED

Construction Commitments

Crestview Courthouse Remodel

The Board initially entered into a contract to design and remodel the Crestview Courthouse. After consideration, the Board direction changed to full redevelopment of the parcel with estimated costs of \$26 million. The contract in place at September 30, 2017 totals \$21,477,995. Cumulative expenditures total \$9,341,277, with \$12,136,718 remaining liability outstanding at September 30, 2017.

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 2018 capital budget, total expenditures will approximate \$7,462,551 on projects, which include \$4,300,000 for year 2 of a three-year mass meter change out program, and \$3,162,551 for diversion, and multiple smaller projects.

NOTE 7 – 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.

	<u>Years of Service</u>	<u>40 hours/ week</u>	<u>45 hours/ week</u>	<u>24 hours on/ 48 hours off</u>
<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		
Maximum 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 7 – COMPENSATED ABSENCES - CONTINUED

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 for annual and sick leave was changed June 1, 2015 to Paid Time Off (PTO). An employee can now accumulate and carry forward 1,000 hours of PTO from year to year. Any PTO in excess of 1,000 hours will be forfeited after the first pay period of the calendar year. PTO is accrued based on the schedule below. Upon retirement or termination, the employee may be paid up to a maximum of the following schedule.

<u>Years of Service</u>	<u>Hours Earned per Pay Period (26)</u>	<u>Years of Service</u>	<u>Balance Paid Upon Separation</u>
0 – 1	6.25	2 – 5	20% of PTO
2 – 5	7.00	6 – 10	25% of PTO
6 – 10	7.75	11 – 15	30% of PTO
11 – 15	8.50	16 – 20	40% of PTO
16 – 20	9.25	21+	50% of PTO
21+	10.00		

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:

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

Sick leave 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. Certain employees are also eligible to bank over time hours for future leave up to 120 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 7 – COMPENSATED ABSENCES - CONTINUED

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

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

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

The total amounts of accumulated annual leave and other compensated absences for all elected officials as of September 30, 2017 are as follows:

Elected Official	Current Portion	Long -Term Portion	Totals
Board of County Commissioners	\$ 2,692,691	\$ 2,058,032	\$ 4,750,723
Clerk of the Circuit Court	156,173	270,509	426,682
Sheriff	1,155,821	1,501,239	2,657,060
Tax Collector	97,523	172,334	269,857
Property Appraiser	53,433	66,525	119,958
Supervisor of Elections	62,574	56,784	119,358
Totals	<u>\$ 4,218,215</u>	<u>\$ 4,125,423</u>	<u>\$ 8,343,638</u>

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 8 - LANDFILL 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 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, which is at 100% capacity as of September 30, 2017. The 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 \$324,888. The estimated liability for post closure care costs has a balance of \$3,701,392 as of September 30, 2017.

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2017 is as follows:

	Receivable from Other Funds	Payable to Other Funds
Major Fund		
General Fund	\$ 256,913	\$ 248,410
Tourist Development	78,401	-
Capital Outlay	167	-
Airport Enterprise Fund	50,000	584
Non-major Funds		
Special Revenue Funds	39,602	16,346
Internal Service Funds	131,204	865,000
Solid Waste Fund	325,000	-
Inspection and Code Enforcement Fund	280,000	-
Fiduciary Funds	140	31,087
	\$ 1,161,427	\$ 1,161,427

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 9 – INTERFUND BALANCES AND ACTIVITY - CONTINUED

The composition of interfund balances related to Elected Officials as of September 30, 2017 is as follows:

	Receivable from Other Elected Official	Payable to Other Elected Official
Major Fund		
General Fund	\$ 1,365,124	\$ 1,473,432
Capital Outlay Construction Trust Fund	128,684	-
Airport Enterprise Fund	-	162
Emergency Medical Services	-	742
Non-major Funds		
Special Revenue Funds	101,792	64
Internal Service Funds	999	341
Fiduciary Funds	2,800	124,658
	<u>\$ 1,599,399</u>	<u>\$ 1,599,399</u>

Interfund receivables at the fund and elected official level result primarily from revenue accrued in certain funds that are transferred to other funds. Interfund receivables and payables at the fund level also include short term cash advances.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 9 – INTERFUND BALANCES AND ACTIVITY - CONTINUED

Interfund transfers activity for the year ended September 30, 2017 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund		
General	\$ 3,929,638	\$ 355,000
Tourist Development	-	2,460,161
Capital Outlay	100,000	230,342
Airport Enterprise	-	758,465
Emergency Medical Services Enterprise	33,000	-
Non-major Funds		
Governmental	3,890,574	4,165,443
Internal Service	170,000	153,801
	<u>\$ 8,123,212</u>	<u>\$ 8,123,212</u>

NOTE 10 - LEASES

Operating Leases – Lessor

The Board of County Commissioners (Okaloosa County) leases three 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 \$2,798,621 has been recorded as of September 30, 2017. 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. In 2016, one of the leases was renegotiated to have incremental increases from 2% to 3.5% for five (5) year periods 2039. The second renegotiated lease contains a contingent rent fee of 15% of gross revenue if that amount is greater than the set rent amount. To date, the contingent rent option has not been needed. The remaining terms of the leases range from 1 to 23 years.

The Board of County Commissioners (Okaloosa County) leases land and a building to a convenience store company. Capitalized investment in the building is \$132,488. Accumulated depreciation of \$61,276 has been recorded as of September 30, 2017. 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. In 2010, the lease was assigned and the lease term extended through June 2015. The first of four five year renewals executed in 2015; the optional lease term remaining is through 2039.

The Board of County Commissioners (Okaloosa County) leases space in a building to six (6) lessees. Capitalized investment in the building is \$546,688. In 2014, new leases were negotiated for one (1) year with two (2) one-year renewals through 2017. During 2017 there were 4 tenants for a portion of the year. Leases for two of the four expired and were not renewed, the other two ran through December 2017 and were not renewed.

The Board of County Commissioners (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. Annual rental fees began at \$10,000 with a 15% increase at each renewal. There is no capitalized investment related to this lease.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 10 – LEASES - CONTINUED

Operating Leases – Lessor - Continued

The Board of County Commissioners (Okaloosa County) has entered into operating leases with various lessees and concessionaires for lease of space and facilities at the Destin-Fort Walton Beach Airport, the Bob Sikes Airport and the Destin Executive Airport. Lease periods vary with expiration dates through 2049.

The Board of County Commissioners (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.

The Board of County Commissioners (Okaloosa County) leases land on Okaloosa Island to a company to operate 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.

The Board of County Commissioners (Okaloosa County) leases office space at the Fort Walton Beach Water and Sewer building. Capitalized investment in these assets is \$2,995,873. Accumulated depreciation of \$1,835,177 has been recorded as of September 30, 2017. The one-year lease expires in June 2016 with optional three (3) one (1) year extensions. Rental fees total \$18,563 annually.

The Tax Collector leases space in its Niceville building to third parties under lease agreements with varying terms. Lease income earned during the year ending September 30, 2017 was \$109,429. Future minimum rents to be earned under the terms of the lease agreements are \$66,195.

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

Fiscal Year Ended September 30,	
2018	\$ 10,182,790
2019	10,048,498
2020	9,878,060
2021	9,040,625
2022	6,808,669
Thereafter	<u>38,327,724</u>
	<u>\$ 84,286,366</u>

Operating Leases – Lessee

The Board of County Commissioners (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, subsequently Amendment 1 extends the term until December 9, 2038. 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 \$12,255,344 over the life time of the lease. Lease expense for fiscal year 2017 was \$414,918.

The Board of County Commissioners (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 \$9,625,967 over the life time of the lease. Lease expense for fiscal year 2017 was \$388,405.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 10 – LEASES – CONTINUED

Operating Leases – Lessee - Continued

The Board of County Commissioners (Okaloosa County) leases eight Volvo G930 Motor Graders used by public works department for the Board through January 2017. The two three (3) year leases are based on monthly payments of \$5,326 with a balloon payment of \$595,868 in October 2016 and \$595,868 in January 2017. The final payment under the lease was issued in March 2017. Lease expenditure for fiscal year 2017 was \$15,977.

The Board of County Commissioners (Okaloosa County) leases 10 Airport fleet vehicles from Enterprise Leasing under a lease agreement initially expiring in December 2014. The leases were renegotiated to closed-end walkaway leases in August 2014, subsequently amended for a duration terminating December 31, 2018. The lease amendments included a reduction in vehicles from ten (10) to seven (7) at a rate of \$2,877 per month. Lease expenditure for fiscal year 2017 was \$38,019.

The Board of County Commissioners (Okaloosa County) leases cardiac monitors from Phillips Medical Capital LLC under a lease agreement which expires March 2019. The three (3) year lease are based on monthly payments of \$8,505. Future lease payment total \$153,090 for the remaining term of the lease. Lease expenditure for fiscal year 2017 was \$102,060.

The Board of County Commissioners leases four (4) 670G motor graders from John Deere Financial provided by Beard Equipment for the Public Works Department for 48 months beginning May 2017. The monthly lease payment is \$7,795 with a purchase option price of \$624,708. The future minimum lease payments total \$327,410. Lease expense for fiscal year 2017 was \$46,773.

The Clerk leases copier equipment under a non-cancelable operating lease effective for four years. Monthly payments under the lease are \$4,414 thru 10/30/16. The new contract monthly payment will be \$4,014 effective 11/1/16. Future minimum lease payments for the equipment lease total \$12,042 through December 2017. Lease expenditure for the fiscal year ended September 30, 2017 were \$48,568.

The Clerk leases postal equipment for the Crestview office under an operating lease effective for five years. Monthly payments under the lease were \$395. Future minimum lease payments for the equipment lease totals \$7,110 through March 2019. Total lease expenditure for fiscal year ended September 30, 2017 was \$4,740.

The Clerk of the Circuit Court entered a new lease January 30, 2015 for postal equipment for the Fort Walton Beach office under an operating lease effective for five years. Monthly payments under the lease are \$376. Future minimum lease payments for the equipment leases total \$10,152 through December 2019. Total lease expenditure for fiscal year ending September 30, 2017 were \$4,512.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 10 – LEASES – CONTINUED

Operating Leases – Lessee - Continued

Total lease expenditure/expense for material operating leases in which the County is the lessee for fiscal year ended September 30, 2017 amounted to \$1,063,972. Future minimum lease payments for these leases are as follows:

Fiscal Year Ended September 30,	
2018	\$ 1,040,438
2019	995,741
2020	960,245
2021	934,189
2022	909,835
2023-2027	4,906,610
2028-2032	5,562,470
2033-2037	6,309,718
2038	771,870
	<u>\$ 22,391,116</u>

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Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT

Primary Government

The following debt issues are outstanding for September 30, 2017:

Governmental Activities:

REVENUE BONDS

<p>\$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 were used to finance the construction of a new judicial center complex in the County. This issue is subject to federal arbitrage regulations.</p>	\$23,220,000	
<p>\$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.</p>	2,883,000	
<p>\$22,165,000 Sales Tax Revenue Bonds, Series 2014, serial and term bonds with stated interest rates ranging from 3.0 percent to 5.0 percent compounded semi-annually through October 1, 2034; issued in dominations of \$5,000 maturity value due in annual installments of \$760,000 to \$1,720,000 from October 1, 2016 through October 1, 2034 and interest only payments October 1, 2015 - September 30, 2016. Sales tax revenues were pledged for payment of the bonds. Proceeds of the bonds will be used to finance the construction of Crestview courthouse, Administration building and refunding the Sales Tax Revenue Bond Anticipation Note, Series 2014. The issue is subject to federal arbitrage regulations.</p>	21,405,000	
<p>\$12,960,000 Sales Tax Revenue Bonds, Series 2016, serial and term bonds with stated interest rates ranging from 3.0 percent to 5.0 percent compounded semi-annually through October 1, 2046; issued in dominations of \$5,000 maturity value due in annual installments of \$235,000 to \$715,000 from October 1, 2017 through October 1, 2046. Sales tax revenues were used for payment of the bonds. Proceeds of the bonds will be used to finance the acquisition and construction of improvements to County facilities, including additional improvements to the Crestview courthouse. The issue is subject to federal arbitrage regulations.</p>	12,960,000	
<p>Total Governmental Activities Revenue Bonds</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">\$ 60,468,000</td> </tr> </table>	\$ 60,468,000
\$ 60,468,000		

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Governmental Activities - Continued

LOANS AND NOTES

\$5,000,000 Private Bank Loan from Hancock Bank with fixed interest rate of 1.79 percent compounded semi-annually through October 1, 2020; principal due in annual installments of \$591,000 and \$664,000 from October 1, 2013 to October 1, 2020. The loan finances the County's portion of a joint beach renourishment project with the City of Destin and is payable from a special assessment levied for beach renourishment as well as Tourist Development taxes. 2,586,000

\$2,300,000 Private Bank Loan from Summit Bank with fixed rate of interest of 4.25% through February 25, 2025; principal and interest of \$17,372 due beginning March 26, 2015, with a final balloon payment of \$953,676 due at maturity. Collateral for loan is specific revenue within the Tax Collector's annual budget earmarked for loan repayment, until loan is paid in full. Proceeds used for the purchase of a building to serve customers in Niceville, Florida. 1,476,227

In October 2017, the Clerk received notice from the Florida Department of Revenue, Child Support Enforcement Program that its contractor, Maximus, had completed an analysis of allowable indirect costs rate for 2016 and determined the rate that was being used by the Clerk was too high resulting in overpayments by the Department of Revenue to the Clerk. The indirect cost rate being used also created overpayments in 2017. The Clerk agreed to repay the estimated amount of \$278,529 for 2016 and set up monthly installments to repay this amount. The balance estimated for 2017 is under review. 278,529

Total Governmental Activities Loans and Notes \$ 4,340,756

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Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Business-type Activities:

REVENUE BONDS

Airport

\$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.

\$ 7,800,000

\$8,920,000 Taxable Airport Revenue Refunding Bonds, Series 2014, due in annual installments of \$360,000 to \$740,000 through October 1, 2028; interest rate of 3.15 percent per annum. Proceeds from the bond were used to refund Airport Revenue Revenue Bonds, Series 2003 and Commercial Paper Loan. This issue is not subject to federal arbitrage regulations.

7,550,000

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.

\$67,595,000 Water and Sewer Revenue Bonds, Series 2015, due in annual installments of \$760,000 to \$3,940,000 through July 1, 2036; interest ranging from 2.00 percent to 3.75 percent per annum. Proceeds from the bond were used to refund Water and Sewer Revenue Bonds, Series 2004; Water and Sewer Revenue Bonds, Series 2006; and Water and Sewer Revenue Note, Series 2012, as well as constructing additions to the water and sewer system. This issue is subject to federal arbitrage regulations.

62,380,000

Total Business-type Revenue Bonds

\$ 77,730,000

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

\$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.

42,586

\$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.

4,381,748

Total Loans - State of Florida

4,424,334

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Business-type Activities - Continued:

OTHER LOANS

\$3,500,000 Commercial Paper Loan from the Florida Local Government Finance Commission Pooled Commercial Paper Loan Program; interest and fee payments are made monthly beginning October 1, 2015; the entire principal balance of the loan is due on March 1, 2020. The loan finances construction of the Destin Air Traffic Control Tower and the Foy Shaw Access Road at Bob Sikes Airport and is payable from net revenues of the Airport.

	3,500,000
Total Business-type Loans and Notes	\$ 7,924,334

CAPITAL LEASES

The County has entered into a lease agreement for financing the acquisition of election equipment for the Supervisor of Elections. The lease agreement qualifies as capital lease for accounting purposes as a result of the transfer of title or bargain purchase option and therefore have been recorded at the present value of the future minimum lease payments as of the inception date in the General Fund.

The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Election equipment	\$ 570,100
Accumulated depreciation	(170,359)
Assets acquired by lease, net	\$ 399,742

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, 2017:

	Balance Due October 1, 2016	Increases	Decreases	Balance Due September 30, 2017	Due Within One Year
Governmental Activities:					
Revenue Bonds					
Sales Tax Revenue Bonds,					
Series 2009	\$ 23,220,000	\$ -	\$ -	\$ 23,220,000	\$ 675,000
Series 2011	3,037,000	-	(154,000)	2,883,000	160,000
Series 2014	21,405,000	-	-	21,405,000	780,000
Series 2016	12,960,000	-	-	12,960,000	235,000
Less deferred amounts					
For issuance discounts/premiums	3,277,514	12,364	(389,341)	2,900,537	-
Total Revenue Bonds	63,899,514	12,364	(543,341)	63,368,537	1,850,000
Loans and Notes					
Private bank note	2,586,000	-		2,586,000	629,000
Private bank note, 2015	1,904,980	-	(428,753)	1,476,227	147,525
Other Payable	-	278,529		278,529	24,396
Total Notes	4,490,980	278,529	(428,753)	4,340,756	800,921

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

	Balance Due			Balance Due	
	October			September	Due Within
	1, 2016	Increases	Decreases	30, 2017	One Year
Governmental Activities - Continued:					
Capital leases	416,292	\$ -	\$ (208,146)	\$ 208,146	\$ 208,146
Accrued compensated absences	6,014,116	2,362,401	(1,874,135)	6,502,382	3,220,090
Estimated claims payable	3,973,982	2,436,693	(505,955)	5,904,720	1,905,436
Other post employment benefits	5,480,214	582,664	(172,219)	5,890,659	-
Net Pension Liability	69,358,388	13,712,047	(5,534,562)	77,535,873	-
Total Governmental Activities	\$ 153,633,486	\$ 19,384,698	\$ (9,267,111)	\$ 163,751,073	\$ 7,984,593
Business-type Activities:					
Revenue Bonds					
Airport Taxable Revenue Bonds,					
Series 2007	\$ 8,130,000	\$ -	\$ (330,000)	\$ 7,800,000	\$ 350,000
Series 2014	8,060,000	-	(510,000)	7,550,000	530,000
Water and Sewer Revenue,					
Series 2015	65,085,000	-	(2,705,000)	62,380,000	2,785,000
Less deferred amounts		-	-		-
For issuance discounts/premiums	8,936,360	23,180	(455,561)	8,503,979	-
Total Revenue Bonds	90,211,360	23,180	(4,000,561)	86,233,979	3,665,000
Loans and Notes					
State of Florida Revolving Loan					
Fund, September 15, 1999 through					
March 15, 2017	55,465	-	(55,465)	-	-
State of Florida Revolving Loan					
Fund, February 15, 2001 through					
August 15, 2019	62,892	-	(20,306)	42,586	20,957
State of Florida Revolving Loan					
Fund, beginning June 15, 2007					
through December 15, 2023	4,779,740	-	(397,992)	4,381,748	409,109
State Infrastructure Bank Loan	-	-	-	-	-
State Infrastructure Bank Loan	-	-	-	-	-
Airport Commercial Paper Loan	3,500,000	-	-	3,500,000	-
Total Loans and Notes	8,398,097	-	(473,763)	7,924,334	430,066
Accrued compensated absences	1,665,503	1,092,121	(916,367)	1,841,257	998,125
Estimated closure costs payable	4,026,280	3,221	(328,110)	3,701,391	361,126
Other post employment benefits	435,110	157,372	(77,372)	515,110	-
Net Pension Liability	25,252,952	4,056,333	(1,637,250)	27,672,035	-
Total Business-type Activities	\$ 129,989,302	\$ 5,332,227	\$ (7,433,423)	\$ 127,888,106	\$ 5,454,317

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, \$1,381,650 of internal service funds compensated absences, \$5,904,720 of estimated claims, \$4,690,782 of other post-employment benefits, and \$2,004,205 of net pension liability are included in the above amounts.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Compensated absences, other post-employment benefits and net pension liability are liquidated by the general and other governmental funds incurring the expenditure. Claims liabilities are liquidated in the internal service fund.

Debt service requirements to maturity on long-term debt at September 30, 2017 are as follows:

Year Ending September 30,	Governmental Activities			
	Revenue Bonds		Loans, Notes, and Leases	
	Principal	Interest	Principal	Interest
2018	1,850,000	2,950,597	984,671	123,115
2019	1,911,000	2,874,022	772,551	106,209
2020	1,977,000	2,792,819	789,127	89,062
2021	2,049,000	2,701,519	807,360	71,051
2022	2,136,000	2,601,736	807,360	71,051
2023-2027	12,123,000	11,301,009	938,175	163,537
2028-2032	14,792,000	7,841,990	-	-
2033-2037	13,380,000	4,085,056	-	-
2038-2042	6,995,000	1,456,428	-	-
2043-2047	3,255,000	422,375	-	-
	<u>\$ 60,468,000</u>	<u>\$ 39,027,551</u>	<u>\$ 5,099,244</u>	<u>\$ 624,025</u>

Year Ending September 30,	Business-type Activities					
	Revenue Bonds		Loans and Notes		Landfill Closure Costs	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	3,665,000	3,787,065	430,066	121,691	361,126	-
2019	3,820,000	3,635,296	442,166	109,596	361,126	-
2020	3,995,000	3,447,893	3,932,285	96,323	361,126	-
2021	4,195,000	3,248,438	444,362	83,514	361,126	-
2022	4,395,000	3,039,010	456,777	71,099	361,126	-
2023-2027	23,775,000	11,650,200	2,218,680	156,762	1,805,630	-
2028-2032	19,215,000	6,085,726	-	-	90,131	-
2033-2037	14,670,000	1,681,750	-	-	-	-
	<u>\$ 77,730,000</u>	<u>\$ 36,575,378</u>	<u>\$ 7,924,336</u>	<u>\$ 638,985</u>	<u>\$ 3,701,391</u>	<u>\$ -</u>

NOTE 12 - 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, 2017, \$16,829,025 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, 2017

NOTE 13 - FUND BALANCES/RESTRICTED BALANCE

A schedule of the governmental fund balances for September 30, 2017 is provided below:

	Major Funds				Total
	General Fund	Tourist Development	Capital Outlay	Other	
Fund Balances:					
Nonspendable:					
Prepays	\$ 301,695	\$ 8,125	\$ -	\$ 200,681	\$ 510,501
Restricted for:					
Tourist Development BP Projects	-	7,303	-	-	7,303
Tourist Development 1st Cent	-	16,700,890	-	-	16,700,890
Tourist Development 2nd Cent	-	2,268,179	-	-	2,268,179
Tourist Development 3rd Cent	-	5,559,376	-	-	5,559,376
Tourist Development 4th Cent	-	17,234,320	-	-	17,234,320
Tourist Development 5th Cent	-	4,921,804	-	-	4,921,804
Florida Boating Improvements	-	-	491,215	-	491,215
Capital Projects	-	-	14,533,760	-	14,533,760
Emergency and Disaster Relief	-	-	-	936,795	936,795
Housing and Urban Development	-	-	-	318,719	318,719
E-911 Operations	-	-	-	1,024,922	1,024,922
Radio Communications	-	-	-	115,833	115,833
Law Enforcement Trust Fund	-	-	-	215,489	215,489
Police Academy	-	-	-	48,601	48,601
Park Projects	-	-	-	3,491,858	3,491,858
Prisoner Benefit Fund	-	-	-	1,009,242	1,009,242
Judicial Innovations	-	-	-	460,751	460,751
Drug Abuse Trust Fund	-	-	-	74,129	74,129
Domestic Violence Trust Fund	-	-	-	5,409	5,409
Traffic Education	-	-	-	174,504	174,504
Public Records	-	-	-	549,561	549,561
Debt Service	-	-	-	435,115	435,115
Transportation Projects	-	-	-	9,589,642	9,589,642
Committed to:					
Planning Projects	35,829	-	73	-	35,902
Park Development Projects	-	-	-	-	-
Municipal Benefits Service Units	-	-	-	525,364	525,364
Assigned to:					
FY 2018 Budget Appropriations	1,074,730	-	-	-	1,074,730
Transportation Projects	-	-	-	3,857,271	3,857,271
Emergency and Disaster Relief	-	-	-	66,131	66,131
Health Department	-	-	-	186	186
Unassigned:					
Unassigned	6,212,291	(8,125)	-	(200,681)	6,003,485
Total Fund Balances	\$ 7,624,545	\$ 46,691,872	\$ 15,025,048	\$ 22,899,522	\$ 92,240,987

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 13 - FUND BALANCES/RESTRICTED BALANCE - CONTINUED

The proprietary fund balance sheet contains the line item “Net Position Restricted for Other Purposes”. Following is a list of the detail balances contained in that line item for September 30, 2017.

Fund	Amount	Purpose
Airport Enterprise Fund	\$ 9,965,183	Passenger Facility Charges Program
Airport Enterprise Fund	4,812,434	Customer Facility Charges Program
Total Net Position Restricted for Other Purposes	<u>\$ 14,777,617</u>	

NOTE 14 – ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2017, is as follows:

	Amount
Governmental Funds	
General Fund	\$ 1,115,912
Tourist Development	804,946
Capital Outlay	2,012,812
Other Governmental	353,302
Total	<u>\$ 4,286,972</u>

Encumbrances at year end do not constitute expenditures or liabilities; therefore, they are not reflected in the financial statements.

NOTE 15 - PENSION PLAN

The County participates in the Florida Retirement System (FRS) which is a cost sharing multiple employer contributory retirement system administered by the State of Florida (State). The FRS was established in 1970 by Chapter 121, Florida Statutes. In 2002 the FRS was amended to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. Chapter 112, Florida Statutes established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any state- administered retirement system in paying the cost of health insurance.

The State of Florida Retirement System issues a publicly available stand-alone financial report (CAFR) which includes financial statements and required supplementary information. Also available are the pension systems actuarial reports to support the schedules of employer allocations and schedules of pension amounts by employer. These reports are available on the division’s website at <http://www.dms.myflorida.com> or by email at rep@dms.myflorida.com . The CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

State of Florida Department of Management Services
Division of Retirement
Research and Education Section
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free 877-377-1737

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

There are six classes of membership applicable to the County. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

- ***Regular Class, Senior Management Service Class, and Elected Officers' Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.
- ***Special Risk Class and Special Risk Administrative Support Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.
- **The Deferred Retirement Option Program (DROP)** is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months.

FRS Membership and Plan Benefits - The FRS Pension Plan provides retirement and disability benefits, death benefits and survivor's benefits. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are established by State Statutes. Retirement benefits are based on a formula comprised of age, average compensation, length of FRS service, and membership class. Average compensation is computed as the average of an individual's five highest years of earnings for employees hired before July 1, 2011 or eight highest years of earnings for employees hired on or after July 1, 2011. The amount of benefit payments is also affected by the retirement income option chosen by the plan participant.

Pension plan participants may choose to receive benefit in retirement under one of four options which will include a 3% cost-of-living adjustment each July (adjustments are only applicable for FRS service earned prior to July 1, 2011).

If a pension plan participant leaves FRS-covered employment, the pension plan benefit is frozen until the employee returns to FRS-covered employment or begins receiving early or normal retirement benefit.

HIS Membership and Plan Benefits - The HIS membership is available to all members within the FRS and defined contribution Investment Plan. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month, pursuant to section Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirements systems must provide proof of eligible health insurance coverage, which can include Medicare.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

Contribution Requirements -The County is required to contribute at an actuarially determined rate; these rates are a percent of annual covered payroll. Employees are required to contribute 3% of their annual salary, while members participating in DROP are not required to make the 3% contribution. The County's contractually required contribution rate includes the HIS contribution, .06% administrative and educational fee and any applicable unfunded actuarial liability "UAL" rates. The HIS required contribution rate is 1.66% for the 2016 and 2017 FRS plan years. This contribution when combined with the employee contribution is expected to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Descriptions and contribution rates in effect during the period ended September 30, 2017 and two preceding FRS fiscal years are as follows:

	September 30, 2017	June 30, 2017	June 30, 2016	June 30, 2015
Regular Class	7.92%	7.52%	7.26%	7.37%
Senior Management	22.71%	21.77%	21.43%	21.14%
Elected Officials	45.50%	42.47%	42.27%	43.23%
Deferred Retirement Option Program	13.26%	12.99%	12.88%	12.28%
Special Risk Regular	23.27%	22.57%	22.04%	19.82%
Special Risk Administrative Support	34.63%	28.06%	32.95%	42.07%

For the years ending September 30, 2017, 2016, 2015, the County contributed \$9,467,107, \$8,820,596 and \$8,063,625 respectively, equal to 100% of the required contributions for each year.

The Florida Legislature has the authority for establishing or amending retirement legislation and related bills of significance to members of the Florida Retirement System (FRS). Passed bills are presented to the Governor and approved before they may be enacted into law.

Net pension liability, deferred outflows/inflows of resources and pension expense related to the County defined benefit pension plan - At September 30, 2017, the County reported a liability of \$105,207,908 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's long-term share of contributions to the FRS relative to the contributions of all participating governments. At June 30, 2017, the County's change in proportion was an increase from its proportion measured as of June 30, 2016. The following table presents the information on the County's proportionate share of the FRS and HIS:

	FRS	HIS	County Total
Proportionate share of Net Pension Liability at June 30, 2017	\$ 83,966,718	\$ 21,241,191	\$ 105,207,909
County's proportion at June 30, 2017	0.00283869579	0.00198655761	
County's proportion at June 30, 2016	0.00283557756	0.00197456901	
Change in proportion during current year	<u>0.00000311823</u>	<u>0.00001198860</u>	

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

For the fiscal year ended September 30, 2017, the County recognized pension expense of \$7,171,812.

At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS		County Total Deferred Outflow (Deferred Inflow)
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	
Differences between expected and actual experience	\$ 7,706,124	\$ 465,132	\$ -	\$ 44,228	\$ 7,196,764
Changes in assumptions	28,218,745	-	2,985,781	1,836,748	29,367,778
Net difference between projected and actual earnings on pension plan investments	-	2,080,905	11,780	-	(2,069,125)
Changes in proportion and differences between County contributions and proportionate share of contributions	3,174,736	2,298,002	550,809	285,450	1,142,093
County contributions subsequent to the measurement date	2,145,651	-	287,414	-	2,433,065
	<u>\$ 41,245,256</u>	<u>\$ 4,844,039</u>	<u>\$ 3,835,784</u>	<u>\$ 2,166,426</u>	<u>\$ 38,070,575</u>

\$2,433,065 reported as deferred outflows related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Reporting year Ending June 30,	FRS		HIS		County Total Deferred Outflow (Deferred Inflow)
2018	\$ 4,519,151		\$ 390,885		\$ 4,910,036
2019	11,742,399		388,656		12,131,055
2020	8,259,136		387,586		8,646,722
2021	1,816,722		301,290		2,118,012
2022	5,757,761		144,737		5,902,498
Thereafter	2,160,397		(231,210)		1,929,187
Totals	<u>\$ 34,255,566</u>		<u>\$ 1,381,944</u>		<u>\$ 35,637,510</u>

The total FRS pension liability in the June 30, 2017 actuarial valuation was determined based on the discount rate using the following actuarial assumptions, applied to all periods included in the measurement. The total pension liability is calculated using the Individual Entry Age Normal cost allocation method, which differs from the Ultimate Entry Age Normal cost allocation method used in the funding valuation for the system.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

FRS actuarial methods and assumptions are:

Actuarial cost allocation method	Individual Entry Age Cost
Amortization method	Level Percentage of Pay, Closed
Equivalent single amortization period	30 years
Asset valuation method	Fair market value
Actuarial Assumptions:	
Discount rate	7.10%
Long Term expected rate of return, net of investment expense, including inflation	7.10%
Municipal bond rate	N/A
Inflation	2.60%
Salary increases including inflation	3.25%
Cost of living adjustment	3.00%

Mortality rates were based on Generational RP-2000 with projections scale

HIS actuarial methods and assumptions are:

Actuarial Assumptions:	
Discount rate	7.65%
Long Term expected rate of return, net of investment expense, including inflation	N/A
Municipal bond rate	2.85%
Inflation	2.60%
Salary increases including inflation	3.25%

Mortality rates were based on Generational RP-2000 with projections scale

The Actuarial assumptions that determined the total pension liability as of June 30, 2017 were based on the results of an actuarial experience study for the period of July 1, 2008 – June 30, 2013.

The discount rate used for calculating the total FRS pension liability was 7.10%, The FRS plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long term expected rate of return. The discount rate used for calculating the total HIS pension liability is equal to the single rate that results in the same actuarial present value as would be calculated by using two different discount rates for the discount at the long-term expected rate of return for benefit payments prior to the projected depletion of the fiduciary net pension (trust assets) and the discount at a municipal bond rate for benefit payments after the projected depletion date. The HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

The long term expected rate of return on Pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation ⁽¹⁾	Annual Arithmetic Return	Compound Annual (Geometric)	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate (property)	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
	100.0%			
Assumed Inflation - Mean			2.6%	1.9%

⁽¹⁾ As outlined in the Plan's investment policy

Sensitivity of the County's proportionate share of the pension liability to changes in the discount rate is calculated using discount rate for the respective plans, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
6.10%	7.10%	8.10%	2.58%	3.58%	4.58%
\$151,974,686	\$83,966,718	\$27,504,521	\$24,239,012	\$21,241,191	\$18,744,172

Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS financial report.

NOTE 16 - 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 and Tax Collector 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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS – CONTINUED

Board of County Commissioners - Continued

Plan Description - Continued

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, 2017, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	28
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	-
Active Employees	722
Total	750
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 OPEB 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 2017 was \$405,019. The County contributes the remainder to cover the costs of providing the benefits to the retirees via the insured plan. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The County annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS – CONTINUED

Board of County Commissioners - Continued

Annual OPEB Costs and Net OPEB Obligation - Continued

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	\$	524,461
Interest on Prior Year Net OPEB Obligation		60,015
Adjustment to Annual Required Contribution		(86,767)
Annual OPEB Costs		515,709
Estimated Employer Contributions made		(263,491)
Increase (Decrease) in Net OPEB Obligation		252,218
Net OPEB Obligation , Beginning of Year		1,500,385
Estimated Net OPEB Obligation, End of Year	\$	1,752,603

The County had an actuarial valuation performed for the plan as of September 30, 2016 to determine the employer's ARC for the fiscal year ended September 30, 2017. The County's annual OPEB cost (expense) of \$515,709 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 2017 and the prior two (2) years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2015	\$450,001	68.30%	\$1,253,195	\$ 31,944,218	14.45%
9/30/2016	\$499,378	50.50%	\$1,500,385	\$ 32,818,887	14.06%
9/30/2017	\$515,709	51.09%	\$1,752,603	\$ 33,517,532	14.59%

Funded Status and Funding Progress

As of September 30, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$4,795,778 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,795,778. 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, 2017

NOTE 16 - POSTEMPLOYMENT 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, 2017, 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 4.5% initially, increased by increments to an ultimate rate of 5.2% in 2026. The assumed inflation rate is 2.6% compounded annually. 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, 2017, was 20 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 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS – CONTINUED

Sheriff - Continued

Membership

At September 30, 2017, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	41
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	-
Active Employees	388
Total	429
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 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 25 years. The following shows the components of the Sheriff's net OPEB obligation as of September 30, 2017:

Annual Required Contribution	\$ 509,848
Interest on Prior Year Net OPEB Obligation	176,598
Adjustment to Annual Required Contribution	(210,235)
Annual OPEB Costs	476,211
Estimated Employer Contributions made	(237,985)
Increase (Decrease) in Net OPEB Obligation	238,226
Net OPEB Obligation , Beginning of Year	4,414,940
Estimated Net OPEB Obligation, End of Year	\$ 4,653,166

The Sheriff's annual OPEB cost (expense) was \$476,211 for the year ended September 30, 2017. The Sheriff's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the prior two (2) years were as follows:

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 16 - POSTEMPLOYMENT 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	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2015	\$377,890	\$236,031	62.46%	\$4,148,209	\$17,466,290	23.75%
9/30/2016	\$464,845	\$198,113	42.62%	\$4,414,940	\$14,482,863	30.48%
9/30/2017	\$476,211	\$237,985	49.97%	\$4,653,166	\$15,062,177	30.89%

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$5,225,092 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, 2015 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 7.3% initially, reduced by decrements to reach 5% in 2018 and increase to the ultimate level of 5.5% in 2023. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2017, was 22 years.

NOTE 17 - 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, 2017

NOTE 17 - 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 \$50,000 for automobile liability, and \$100,000 for general and professional liability for each claim or incident. A third party administrator manages the claims.

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 \$100,000 of physical damage to County property. In the case of a named storm, the self-insurance retention changes to a 5% deductible on each structure with a minimum deductible of \$100,000 on all damaged structures for a capped deductible of \$5,000,000 per storm. Effective October 2015, the County insures vehicles valued at \$25,000 and above and retains the risk for the first \$10,000 of physical damage.

Workers' Compensation

The County contracts with a Third Party Administrator to have its workers' compensation claims processed. The County retains risk for all claims up to \$500,000 per incident. Excess insurance is purchased to cover losses up to a statutory limit for workers' compensation and \$1,000,000 for employers' liability.

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 position available for benefits appears adequate to support current outstanding claims as well as those projected claims and expenses for the next plan year.

Excess insurance is purchased from a commercial carrier to provide a specific claim and aggregate limits coverage. Specific claim coverage benefits the covered individual by providing unlimited coverage to begin when a specific claim exceeds \$105,000 plus an

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 17 - RISK MANAGEMENT - CONTINUED

A. Method of Risk Management

Employee Medical Benefits - Continued

additional corridor of \$296,500. 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, 2017, the amount of these liabilities was \$688,739. 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, 2017. 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, 2017</u>	As of <u>September 30, 2016</u>
Unpaid claims and adjustment expenses at beginning of year	\$ 505,955	\$ 587,412
Incurred claims and claim adjustment expenses		
A) Provision for insured events of current fiscal year	4,962,052	4,372,346
B) Increases (decreases) in provision for insured events of prior fiscal years	<u>-</u>	<u>-</u>
Total incurred claims and claim adjustment expenses	<u>5,468,007</u>	<u>4,959,758</u>
Payments		
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	4,779,268	4,453,803
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>-</u>	<u>-</u>
Total payments	<u>4,779,268</u>	<u>4,453,803</u>
Unpaid claims and claim adjustment at end of year	<u>\$ 688,739</u>	<u>\$ 505,955</u>

Special Risk Policies

The Board of County Commissioners purchases commercial crime coverage against theft of money and securities with a \$25,000 deductible. All of the other elected officials, except the Sheriff, are covered under the policy. Florida Statute requires certain classes of employees (law enforcement) be provided with a special death and disability benefit. The Board of

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 17 - RISK MANAGEMENT - CONTINUED

A. Method of Risk Management

Special Risk Policies - Continued

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, 2017. 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, 2017 were as follows:

	Current	Long-term	Total
Workers' compensation	\$ 1,131,544	\$ 3,835,748	\$ 4,967,292
General liability	55,785	134,434	190,219
Automobile liability	29,368	29,102	58,470
Total claims liability recognized	\$ 1,216,697	\$ 3,999,284	\$ 5,215,981

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, 2017

NOTE 17 - RISK MANAGEMENT - CONTINUED

D. Reconciliation of Claims Liabilities

	As of September 30, 2017				As of September 30, 2016			
	Workers' Compensation	Liability	Property	Total	Workers' Compensation	Liability	Property	Total
Unpaid claims and adjustment expenses at beginning of year	\$ 3,048,686	\$ 396,433	\$ 22,908	\$ 3,468,027	\$ 2,888,718	\$ 661,775	\$ -	\$ 3,550,493
Incurred claims and claim adjustment expenses								
A) Provision for insured events of current fiscal year	1,370,214	161,988	27,682	1,559,884	1,222,327	116,509	30,093	1,368,929
B) Increases (decreases) in provision for insured events of prior fiscal years	1,812,490	(192,945)	13,166	1,632,711	28,076	304,309	29,915	362,300
Total incurred claims and claim adjustment expenses	<u>3,182,704</u>	<u>(30,957)</u>	<u>40,848</u>	<u>3,192,595</u>	<u>1,250,403</u>	<u>420,818</u>	<u>60,008</u>	<u>1,731,229</u>
Payments								
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	186,247	25,907	6,478	218,632	269,176	31,345	22,645	323,166
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	1,077,851	149,350	(1,192)	1,226,009	821,259	654,815	14,455	1,490,529
Total payments	<u>1,264,098</u>	<u>175,257</u>	<u>5,286</u>	<u>1,444,641</u>	<u>1,090,435</u>	<u>686,160</u>	<u>37,100</u>	<u>1,813,695</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 4,967,292</u>	<u>\$ 190,219</u>	<u>\$ 58,470</u>	<u>\$ 5,215,981</u>	<u>\$ 3,048,686</u>	<u>\$ 396,433</u>	<u>\$ 22,908</u>	<u>\$ 3,468,027</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Wastewater Service Interlocal Agreement with Fort Walton Beach

In 2009, the Board adopted the Wastewater Service Interlocal Agreement (Agreement) with the City of Fort Walton Beach (City). 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 \$2,513,276 paid by the City during 2017 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,		
2018	\$	56,173
2019		57,858
2020		59,594
2021		61,382
2022-2026		335,662
2027-2031		389,130
2032-2036		451,112
2037-2039		304,460
Total	<u>\$</u>	<u>1,715,371</u>

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, 2017 were \$2,177,186 and will be used for debt service on the Series 2007 taxable airport revenue bonds.

Grants

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 18 – COMMITMENTS AND CONTINGENCIES - CONTINUED

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.

Arbitrage Rebate

Section 148(f) of the Internal Revenue Code of 1986, as amended, and the proposed and temporary regulations issued by the Internal Revenue Service on May 15, 1989, and made final effective May 18, 1992, require the rebate to the United States government of the excess of earnings on non-purpose investments over earnings which would have been made on such investments if they had been made at bond yield, together with earnings on all future rebate amounts. Although rebates need not be remitted until five years after issuance of the bonds and each five (5) years thereafter, computations must be made annually to show financial position at fiscal year-end. Okaloosa County has four (4) 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; \$22,165,000 Sales Tax Revenue Bonds, Series 2014; \$67,595,000 Water and Sewer Revenue Bonds, Series 2015; and \$12,960,000 Sales Tax Revenue Bonds, Series 2016.

According to the calculations, the Board has no rebate liability with respect to the bonds at September 30, 2017. 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.

Tax Refunds and Abatements

Pursuant to Article VII, Section 3 of the Constitution of the State of Florida, and section 196.1995, Florida Statutes, the County is empowered to grant Economic Development Ad Valorem Tax Exemptions after the electors of the County, voting on the question in a referendum, authorize such exemptions. In a referendum held on August 26, 2014, the voters of Okaloosa County authorized the Board to grant Economic Development Ad Valorem Tax Exemptions (EDATE) to new businesses and expansions of existing businesses for economic development purposes.

The County may grant an ad valorem tax exemption to eligible new businesses, or improvements to real property which additions are made to facilitate the expansion of an existing business for up to 100% of the assessed value of all improvements to real property made by or for the use of the new or expanded business and tangible personal property of such business for up to 10 years. When the criteria for eligibility is confirmed, the Taxable Value is reduced per the agreement, reducing the taxes levied.

For Fiscal year ended September 30, 2017, Okaloosa County abated tangible and real property taxes totaling \$33,833 under two programs:

- A real property and personal tangible property tax abatement to an existing hospital for the creation of new jobs and capital investments. The abatement amounted to \$26,550. The amount of this abatement is based on the capital investment made by the Company at the beginning of the agreement.
- A real property and personal tangible property tax abatement to a manufacturing facility for the retention of jobs, creation of new jobs and local capital investment. The abatement amounted to \$7,284. The formula for the abatement amount is the amount of Local Financial Support required based on the state's calculations for the Qualified Target Industry Tax Refund with High-Impact Sector Bonus for a company located in an Enterprise Zone.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 18 – COMMITMENTS AND CONTINGENCIES - CONTINUED

Inmate Health Services Agreement

The County has in place an Inmate Health Service Agreement for which a contractor has assumed the responsibilities of the provision for certain health care services to be delivered to individuals in the custody and control of the County. The annual compensation is based on an average daily population of the inmates served; however there is an annual limited exposure of \$2,562,322 in the contract. Health service expenses above these amounts are the responsibility of the County. During the year ended September 30, 2017 the County incurred additional expenses of \$740,000 as actual costs exceeded the annual exposure amount.

NOTE 19– 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 entered into January 2017 and shall end or be renewed December 2017. The Okaloosa County Board of County Commissioners' contribution to the library cooperative for the year ended September 30, 2017 was \$587,198. In addition, approximately \$83,759 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, 2017. The future commitment to the library cooperative in 2018 is \$785,394.

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Required Supplementary Information

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Okaloosa County, Florida
POST EMPLOYMENT BENEFITS PLANS SCHEDULE OF FUNDING PROGRESS
September 30, 2017

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, 2014	-	\$ 4,615,780	\$ 4,615,780	0.0%	\$ 31,944,218	14.4%
October 1, 2015	-	\$ 4,613,497	\$ 4,613,497	0.0%	\$ 32,818,887	14.1%
October 1, 2016	-	\$ 4,795,778	\$ 4,795,778	0.0%	\$ 33,517,532	14.6%

(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	Actuarial Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)⁽⁴⁾	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	-	\$ 2,873,292	\$ 2,873,292	0.0%	\$ 11,765,499	24.4%
July 1, 2013	-	\$ 3,400,380	\$ 3,400,380	0.0%	\$ 13,845,979	24.6%
July 1, 2015	-	\$ 5,225,092	\$ 5,225,092	0.0%	\$ 14,482,863	36.1%

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

Okaloosa County, Florida
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Fiscal Years*

	Florida Retirement System			
	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.283869579%	0.283557756%	0.269702499%	0.265150180%
County's proportionate share of the net pension liability (asset)	\$ 83,966,717	\$ 71,598,556	\$ 34,835,695	\$ 16,322,350
County's covered-employee payroll	\$ 76,059,862	\$ 75,588,485	\$ 73,573,015	\$ 70,721,165
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	110.40%	94.72%	47.35%	23.08%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%
	Health Insurance Subsidy			
	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.197456901%	0.197456901%	0.196252961%	0.195263644%
County's proportionate share of the net pension liability (asset)	\$ 21,241,191	\$ 23,012,784	\$ 20,014,715	\$ 18,257,627
County's covered-employee payroll	\$ 76,059,862	\$ 75,588,485	\$ 73,573,015	\$ 70,721,165
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.93%	30.44%	27.20%	25.82%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

*The amounts presented for each fiscal year were determined as of 6/30.

NOTE: This Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

Okaloosa County, Florida
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years*

	Florida Retirement System			
	2017	2016	2015	2014
Contractually required contribution	\$ 7,703,850	\$ 6,915,008	\$ 6,575,576	\$ 5,859,714
Contributions in relation to the contractually required contribution	\$ (7,703,850)	\$ (6,915,008)	\$ (6,575,576)	\$ (5,859,714)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 76,059,862	\$ 75,588,485	\$ 73,573,015	\$ 70,721,165
Contributions as a percentage of covered-employee payroll	10.13%	9.15%	8.94%	8.29%
	Health Insurance Subsidy			
	2017	2016	2015	2014
Contractually required contribution	\$ 1,190,470	\$ 1,012,092	\$ 750,201	\$ 668,908
Contributions in relation to the contractually required contribution	\$ (1,190,470)	\$ (1,012,092)	\$ (750,201)	\$ (668,908)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 76,059,862	\$ 75,588,485	\$ 73,573,015	\$ 70,721,165
Contributions as a percentage of covered-employee payroll	1.57%	1.34%	1.02%	0.95%

*The amounts presented for each fiscal year were determined as of 9/30.

NOTE: This Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

Okaloosa County, Florida
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The following changes in actuarial assumptions occurred in 2017:

FRS: There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, and payroll growth, including inflation, remained at 3.25%. The long-term expected rate of return decreased from 7.6% to 7.1%, and the active member mortality assumption was updated.

HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%

COMBINING STATEMENTS

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.

Local Housing Assistance Trust Fund

This fund is used to account for funds received from the State Housing Initiatives Partnership Program for implementing and administering 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.

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.

Nonmajor Governmental Funds (Continued)

SPECIAL REVENUE FUNDS (Continued)

Board of County Commissioners (Continued)

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 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 under Florida Statute 28.24(12)(d). The fund is used exclusively for equipment, personnel training, and technical assistance in modernizing the public records system.

Public Records Courts Special Revenue Fund

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

Public Records 10% Fine Special Revenue Fund

This fund is used to account for 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 confiscated merchandise and funds and is expended for Law Enforcement Purposes. Funds cannot be used for normal operating expenses.

Teen Challenge Driver Fund

This fund is used to account for revenues restricted by the Florida Sheriffs Association and its expended to support a new safety program for teen drivers. Funds cannot be used for normal operating expenses.

Second Dollar Program Fund

This fund is used to account for revenues restricted from local County moving violation tickets and is expended to support a new safety program for teen drivers. Funds cannot be used for normal operating expenses.

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 Sales Tax Revenue Bonds, Series 2009, 2011, 2014, and 2016 and Tourism Development note.

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, 2017

	County Transportation Trust Special Revenue Fund	Natural Disaster Special Revenue Fund	Local Housing Assistance Trust Fund	E-911 Operations Special Revenue Fund
ASSETS				
Cash and Cash Equivalents	\$ 62,111	\$ 1,777	\$ 393,387	\$ 75,058
Investments	3,330,844	1,938	927,569	873,291
Accounts Receivable	707	-	-	-
Due from Other Funds	-	72	-	-
Due from Other Elected Officials	-	-	-	-
Due from Other Governments	721,308	1,047,249	-	-
Prepays	6,250	-	-	109,346
Total Assets	<u>\$ 4,121,220</u>	<u>\$ 1,051,036</u>	<u>\$ 1,320,956</u>	<u>\$ 1,057,695</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 51,377	\$ -	\$ -	\$ 27,086
Contracts Payable	37,789	-	162,343	107
Other Accrued Liabilities	115,437	-	-	5,580
Due to Other Funds	72	-	-	-
Due to Other Elected Officials	3	-	-	-
Due to Other Governments	(824)	-	-	-
Due to Depositors	60,095	-	-	-
Unearned Revenue	-	48,110	839,894	-
Total Liabilities	<u>263,949</u>	<u>48,110</u>	<u>1,002,237</u>	<u>32,773</u>
Fund Balances				
Nonspendable	6,250	-	-	109,346
Restricted	-	936,795	318,719	1,024,922
Committed	-	-	-	-
Assigned	3,857,271	66,131	-	-
Unassigned	(6,250)	-	-	(109,346)
Total Fund Balances	<u>3,857,271</u>	<u>1,002,926</u>	<u>318,719</u>	<u>1,024,922</u>
Total Liabilities and Fund Balances	<u>\$ 4,121,220</u>	<u>\$ 1,051,036</u>	<u>\$ 1,320,956</u>	<u>\$ 1,057,695</u>

Radio Communications Special Revenue Fund	Law Enforcement Trust Special Revenue Fund	Police Academy Special Revenue Fund	County Public Health Special Revenue Fund	Municipal Services Benefit Unit Special Revenue Fund
\$ 65,528	\$ 50,753	\$ 35,333	\$ 48,690	\$ 11,067
55,626	164,736	11,752	3,854	511,878
-	-	-	-	-
-	-	-	-	-
5,684	-	1,533	-	16
-	-	-	29	41,997
-	-	-	-	-
<u>\$ 126,838</u>	<u>\$ 215,489</u>	<u>\$ 48,618</u>	<u>\$ 52,573</u>	<u>\$ 564,958</u>
\$ 11,005	\$ -	\$ -	\$ 50,137	\$ 39,594
-	-	-	-	-
-	-	-	-	-
-	-	-	2,250	-
-	-	-	-	-
-	-	17	-	-
-	-	-	-	-
-	-	-	-	-
<u>11,005</u>	<u>-</u>	<u>17</u>	<u>52,387</u>	<u>39,594</u>
-	-	-	-	-
115,833	215,489	48,601	-	-
-	-	-	-	525,364
-	-	-	186	-
-	-	-	-	-
<u>115,833</u>	<u>215,489</u>	<u>48,601</u>	<u>186</u>	<u>525,364</u>
<u>\$ 126,838</u>	<u>\$ 215,489</u>	<u>\$ 48,618</u>	<u>\$ 52,573</u>	<u>\$ 564,958</u>

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Unincorporated County Parks Special Revenue Fund	Prisoner Benefit Special Revenue Fund	Additional Court Cost Special Revenue Fund	Drug Abuse Trust Special Revenue Fund
ASSETS				
Cash and Cash Equivalents	\$ 121,540	\$ 6,221	\$ 97	\$ 62,591
Investments	3,471,144	1,076,709	433,224	11,774
Accounts Receivable	300	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Elected Officials	106	-	86,645	785
Due from Other Governments	3	-	-	-
Prepays	-	-	85	-
Total Assets	\$ 3,593,093	\$ 1,082,930	\$ 520,051	\$ 75,150
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 33,276	\$ 3,763	\$ 31,317	\$ 1,021
Contracts Payable	55,360	20,318	21,729	-
Other Accrued Liabilities	12,474	3,320	6,254	-
Due to Other Funds	125	-	-	-
Due to Other Elected Officials	-	-	-	-
Due to Other Governments	-	-	-	-
Due to Depositors	-	46,287	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	101,235	73,688	59,300	1,021
Fund Balances				
Nonspendable	-	-	85	-
Restricted	3,491,858	1,009,242	460,751	74,129
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	(85)	-
Total Fund Balances	3,491,858	1,009,242	460,751	74,129
Total Liabilities and Fund Balances	\$ 3,593,093	\$ 1,082,930	\$ 520,051	\$ 75,150

Domestic Violence Trust Special Revenue Fund	Traffic Education Special Revenue Fund	Courts Special Revenue Fund	Public Records Modernization Trust Special Revenue Fund	Public Records Courts Special Revenue Fund
\$ 595	\$ 25,423	\$ 157,434	\$ 90,681	\$ 131,593
2,875	143,997	409,000	100,000	150,000
-	-	-	-	-
-	-	1,032	9,502	28,996
1,939	5,084	-	-	-
-	-	-	-	-
-	-	-	-	85,000
<u>\$ 5,409</u>	<u>\$ 174,504</u>	<u>\$ 567,466</u>	<u>\$ 200,183</u>	<u>\$ 395,589</u>
\$ -	\$ -	\$ 4,399	\$ 12,602	\$ 19,710
-	-	-	-	-
-	-	51,773	-	-
-	-	-	-	13,899
-	-	61	-	-
-	-	461,233	-	-
-	-	50,000	-	-
-	-	-	-	-
-	-	567,466	12,602	33,609
-	-	-	-	85,000
5,409	174,504	-	187,581	361,980
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(85,000)
<u>5,409</u>	<u>174,504</u>	<u>-</u>	<u>187,581</u>	<u>361,980</u>
<u>\$ 5,409</u>	<u>\$ 174,504</u>	<u>\$ 567,466</u>	<u>\$ 200,183</u>	<u>\$ 395,589</u>

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Public Records 10% Fine Special Revenue Fund	Federal Law Enforcement Trust Special Revenue Fund	Teen Driver Challenge Special Revenue Fund	Second Dollar Program Special Revenue Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 240,200	\$ -	\$ -
Investments	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Elected Officials	-	-	-	-
Due from Other Governments	-	-	-	-
Prepays	-	-	-	-
Total Assets	\$ -	\$ 240,200	\$ -	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-
Other Accrued Liabilities	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Elected Officials	-	-	-	-
Due to Other Governments	-	-	-	-
Due to Depositors	-	-	-	-
Unearned Revenue	-	240,200	-	-
Total Liabilities	-	240,200	-	-
Fund Balances				
Nonspendable				
Nonspendable	-	-	-	-
Spendable				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ 240,200	\$ -	\$ -

Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit III-A)
\$ 23,030	\$ 693,126	\$ 2,296,235
412,085	8,427,750	20,520,046
-	-	1,007
-	-	39,602
-	-	101,792
-	834,413	2,644,999
-	-	200,681
<u>\$ 435,115</u>	<u>\$ 9,955,289</u>	<u>\$ 25,804,362</u>
\$ -	\$ 22,244	\$ 307,531
-	343,403	641,049
-	-	194,838
-	-	16,346
-	-	64
-	-	460,426
-	-	156,382
-	-	1,128,204
<u>-</u>	<u>365,647</u>	<u>2,904,840</u>
-	-	200,681
435,115	9,589,642	18,450,570
-	-	525,364
-	-	3,923,588
-	-	(200,681)
<u>435,115</u>	<u>9,589,642</u>	<u>22,899,522</u>
<u>\$ 435,115</u>	<u>\$ 9,955,289</u>	<u>\$ 25,804,362</u>

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	County Transportation Trust Special Revenue Fund	Natural Disaster Special Revenue Fund	Local Housing Assistance Trust Fund	E-911 Operations Special Revenue Fund
Revenues				
Taxes	\$ 4,601,159	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	1,870,291	526,945	1,461,043	1,007,241
Charges for Services	634,637	-	-	5,747
Fines	-	-	-	-
Miscellaneous	52,664	1,950	31,581	11,185
Total Revenues	<u>7,158,751</u>	<u>528,895</u>	<u>1,492,624</u>	<u>1,024,173</u>
Expenditures				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	901,463
Physical Environment	1,215,116	-	-	-
Transportation	7,399,145	-	-	-
Economic Environment	-	-	1,489,045	-
Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Court-Related	-	-	-	-
Capital Outlay	412,400	94,346	-	50,435
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Costs	-	-	-	-
Total Expenditures	<u>9,026,661</u>	<u>94,346</u>	<u>1,489,045</u>	<u>951,898</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,867,910)</u>	<u>434,549</u>	<u>3,579</u>	<u>72,275</u>
Other Financing Sources (Uses)				
Transfers In	2,380,280	-	-	-
Transfers Out	-	(450,000)	-	-
Transfers Among Constitutional Officers	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,380,280</u>	<u>(450,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	512,370	(15,451)	3,579	72,275
Fund Balances - Beginning	<u>3,344,901</u>	<u>1,018,377</u>	<u>315,140</u>	<u>952,647</u>
Fund Balances - Ending	<u>\$ 3,857,271</u>	<u>\$ 1,002,926</u>	<u>\$ 318,719</u>	<u>\$ 1,024,922</u>

Radio Communications Special Revenue Fund	Law Enforcement Trust Special Revenue Fund	Police Academy Special Revenue Fund	County Public Health Special Revenue Fund	Municipal Services Benefit Unit Special Revenue Fund
\$ -	\$ -	\$ -	\$ 595,282	\$ -
-	-	-	-	445,639
-	-	-	-	56,321
-	-	19,027	-	-
68,716	126,229	-	-	-
695	2,024	522	286,385	11,579
<u>69,411</u>	<u>128,253</u>	<u>19,549</u>	<u>881,667</u>	<u>513,539</u>
-	-	-	-	-
76,244	-	7,646	-	-
-	-	-	-	-
-	-	-	-	543,795
-	-	-	-	-
-	-	-	601,661	-
-	-	-	-	-
-	-	-	-	-
-	-	-	284,794	22,177
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>76,244</u>	<u>-</u>	<u>7,646</u>	<u>886,455</u>	<u>565,972</u>
<u>(6,833)</u>	<u>128,253</u>	<u>11,903</u>	<u>(4,788)</u>	<u>(52,433)</u>
-	-	-	4,000	-
-	-	-	-	-
-	(54,202)	(13,804)	-	16
<u>-</u>	<u>(54,202)</u>	<u>(13,804)</u>	<u>4,000</u>	<u>16</u>
(6,833)	74,051	(1,901)	(788)	(52,417)
122,666	141,438	50,502	974	577,781
<u>\$ 115,833</u>	<u>\$ 215,489</u>	<u>\$ 48,601</u>	<u>\$ 186</u>	<u>\$ 525,364</u>

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	Unincorporated County Parks Special Revenue Fund	Prisoner Benefit Special Revenue Fund	Additional Court Cost Special Revenue Fund	Drug Abuse Trust Special Revenue Fund
Revenues				
Taxes	\$ 2,131,546	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	19,570	931,079	1,157,852	-
Fines	-	-	-	19,429
Miscellaneous	55,308	11,817	87,946	764
Total Revenues	2,206,424	942,896	1,245,798	20,193
Expenditures				
Current				
General Government	-	-	-	-
Public Safety	-	783,779	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	990,310	-	-	-
Court-Related	-	-	849,895	5,403
Capital Outlay	339,804	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Costs	-	-	-	-
Total Expenditures	1,330,114	783,779	849,895	5,403
Excess (Deficiency) of Revenues Over (Under) Expenditures	876,310	159,117	395,903	14,790
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(1,293,462)	-	(428,294)	-
Transfers Among Constitutional Officers	106	-	-	-
Total Other Financing Sources (Uses)	(1,293,356)	-	(428,294)	-
Net Change in Fund Balances	(417,046)	159,117	(32,391)	14,790
Fund Balances - Beginning	3,908,904	850,125	493,142	59,339
Fund Balances - Ending	\$ 3,491,858	\$ 1,009,242	\$ 460,751	\$ 74,129

Domestic Violence Trust Special Revenue Fund	Traffic Education Special Revenue Fund	Courts Special Revenue Fund	Public Records Modernization Trust Special Revenue Fund	Public Records Courts Special Revenue Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	105,356	-	-
-	-	2,913,613	123,788	373,149
28,822	62,782	787,383	-	-
154	2,187	-	296	894
<u>28,976</u>	<u>64,969</u>	<u>3,806,352</u>	<u>124,084</u>	<u>374,043</u>
-	-	-	136,301	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	58,459	3,858,667	-	532,416
-	-	864	64,448	94,078
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>58,459</u>	<u>3,859,531</u>	<u>200,749</u>	<u>626,494</u>
<u>28,976</u>	<u>6,510</u>	<u>(53,179)</u>	<u>(76,665)</u>	<u>(252,451)</u>
-	-	53,179	-	-
(31,752)	-	-	-	-
-	(39,748)	-	-	-
<u>(31,752)</u>	<u>(39,748)</u>	<u>53,179</u>	<u>-</u>	<u>-</u>
(2,776)	(33,238)	-	(76,665)	(252,451)
8,185	207,742	-	264,246	614,431
<u>\$ 5,409</u>	<u>\$ 174,504</u>	<u>\$ -</u>	<u>\$ 187,581</u>	<u>\$ 361,980</u>

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	Public Records 10% Fine Special Revenue Fund	Federal Law Enforcement Trust Special Revenue Fund	Teen Driver Challenge Special Revenue Fund	Second Dollar Program Special Revenue Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines	140,965	-	-	-
Miscellaneous	-	43,090	-	-
Total Revenues	140,965	43,090	-	-
Expenditures				
Current				
General Government	-	-	-	-
Public Safety	-	97,292	39,748	13,804
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Court-Related	175,987	-	-	-
Capital Outlay	942	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Costs	-	-	-	-
Total Expenditures	176,929	97,292	39,748	13,804
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,964)	(54,202)	(39,748)	(13,804)
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Transfers Among Constitutional Officers	-	54,202	39,748	13,804
Issuance of Debt	-	-	-	-
Original Issue Premium	-	-	-	-
Total Other Financing Sources (Uses)	-	54,202	39,748	13,804
Net Change in Fund Balances	(35,964)	-	-	-
Fund Balances (Deficit) - Beginning	35,964	-	-	-
Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -

Statement A-2

Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit IV-A)
\$ -	\$ 1,868,723	\$ 9,196,710
-	-	445,639
5,438,172	2,940,356	13,405,725
-	9,943	6,188,405
-	-	1,234,326
433,689	21,256	1,055,986
<u>5,871,861</u>	<u>4,840,278</u>	<u>31,526,791</u>
190,750	-	327,051
-	-	1,919,976
-	-	1,215,116
-	1,645,124	9,588,064
-	-	1,489,045
-	-	601,661
-	-	990,310
-	-	5,480,827
-	4,356,678	5,720,966
154,000	-	154,000
1,575,012	-	1,575,012
3,622	-	3,622
<u>1,923,384</u>	<u>6,001,802</u>	<u>29,065,650</u>
<u>3,948,477</u>	<u>(1,161,524)</u>	<u>2,461,141</u>
1,098,115	355,000	3,890,574
(1,961,935)	-	(4,165,443)
-	-	122
-	-	-
-	-	-
<u>(863,820)</u>	<u>355,000</u>	<u>(274,747)</u>
3,084,657	(806,524)	2,186,394
<u>(2,649,542)</u>	<u>10,396,166</u>	<u>20,713,128</u>
<u>\$ 435,115</u>	<u>\$ 9,589,642</u>	<u>\$ 22,899,522</u>

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL OUTLAY CONSTRUCTION TRUST CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ 213	\$ 213
Intergovernmental	120,000	120,000	128,684	8,684
Charges for Services	-	72,331	72,331	-
Miscellaneous	90,000	155,000	322,578	167,578
Total Revenues	210,000	347,331	523,806	176,475
Expenditures				
Current				
Culture and Recreation	220,290	224,490	211,771	12,719
Capital Outlay	25,429,010	25,455,995	10,635,999	14,819,996
Total Expenditures	25,649,300	25,680,485	10,847,770	14,832,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,439,300)	(25,333,154)	(10,323,964)	15,009,190
Other Financing Sources (Uses)				
Transfers In	100,000	100,000	100,000	-
Transfers Out	(246,200)	(246,200)	(230,342)	(15,858)
Total Other Financing Sources (Uses)	(146,200)	(146,200)	(130,342)	(15,858)
Net Change in Fund Balance	(25,585,500)	(25,479,354)	(10,454,306)	15,025,048
Fund Balance - Beginning	25,585,500	25,479,354	25,479,354	-
Fund Balance - Ending	\$ -	\$ -	\$ 15,025,048	\$ 15,025,048

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY TRANSPORTATION TRUST SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,725,000	\$ 4,725,000	\$ 4,601,159	\$ (123,841)
Intergovernmental	1,765,300	2,155,035	1,870,291	(284,744)
Charges for Services	609,368	609,368	634,637	25,269
Miscellaneous	31,000	48,735	52,664	3,929
Total Revenues	7,130,668	7,538,138	7,158,751	(379,387)
Expenditures				
Current				
Physical Environment	1,239,500	1,270,651	1,215,116	55,535
Transportation	8,704,017	9,372,852	7,399,145	1,973,707
Capital Outlay	2,212,431	2,615,608	412,400	2,203,208
Total Expenditures	12,155,948	13,259,111	9,026,661	4,232,450
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,025,280)	(5,720,973)	(1,867,910)	3,853,063
Other Financing Sources (Uses)				
Transfers In	2,380,280	2,380,280	2,380,280	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	2,380,280	2,380,280	2,380,280	-
Net Change in Fund Balance	(2,645,000)	(3,340,693)	512,370	3,853,063
Fund Balance - Beginning	2,645,000	3,340,693	3,344,901	4,208
Fund Balance - Ending	\$ -	\$ -	\$ 3,857,271	\$ 3,857,271

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
NATURAL DISASTER SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 835,977	\$ 526,945	\$ (309,032)
Miscellaneous	-	-	1,950	1,950
Total Revenues	-	835,977	528,895	(307,082)
Expenditures				
Current				
Economic Environment	-	1,246,138	-	1,246,138
Capital Outlay	-	108,216	94,346	13,870
Total Expenditures	-	1,354,354	94,346	1,260,008
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(518,377)	434,549	952,926
Other Financing Sources (Uses)				
Transfers Out	(500,000)	(500,000)	(450,000)	(50,000)
Total Other Financing Sources (Uses)	(500,000)	(500,000)	(450,000)	(50,000)
Net Change in Fund Balance	(500,000)	(1,018,377)	(15,451)	902,926
Fund Balance - Beginning	500,000	1,018,377	1,018,377	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,002,926	\$ 902,926

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL HOUSING ASSISTANCE TRUST FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 2,272,823	\$ 1,461,043	\$ (811,780)
Miscellaneous	2,500	43,814	31,581	(12,233)
Total Revenues	2,500	2,316,637	1,492,624	(824,013)
Expenditures				
Current				
Economic Environment	314,766	2,631,777	1,489,045	1,142,732
Total Expenditures	314,766	2,631,777	1,489,045	1,142,732
Excess (Deficiency) of Revenues Over (Under) Expenditures	(312,266)	(315,140)	3,579	318,719
Net Change in Fund Balance	(312,266)	(315,140)	3,579	318,719
Fund Balance - Beginning	312,266	315,140	315,140	-
Fund Balance - Ending	\$ -	\$ -	\$ 318,719	\$ 318,719

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
E-911 OPERATIONS SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 932,000	\$ 932,000	\$ 1,007,241	\$ 75,241
Charges for Services	5,250	5,250	5,747	497
Miscellaneous	13,000	13,000	11,185	(1,815)
Total Revenues	950,250	950,250	1,024,173	73,923
Expenditures				
Current				
Public Safety	1,723,250	1,854,508	901,463	953,045
Capital Outlay	27,000	51,505	50,435	1,070
Total Expenditures	1,750,250	1,906,013	951,898	954,115
Excess (Deficiency) of Revenues Over (Under) Expenditures	(800,000)	(955,763)	72,275	1,028,038
Net Change in Fund Balance	(800,000)	(955,763)	72,275	1,028,038
Fund Balance - Beginning	800,000	955,763	952,647	(3,116)
Fund Balance - Ending	\$ -	\$ -	\$ 1,024,922	\$ 1,024,922

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
RADIO COMMUNICATIONS SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines	\$ 100,000	\$ 100,000	\$ 68,716	\$ (31,284)
Miscellaneous	1,000	1,000	695	(305)
Total Revenues	101,000	101,000	69,411	(31,589)
Expenditures				
Current				
Public Safety	121,000	121,000	76,244	44,756
Capital Outlay	-	102,666	-	102,666
Total Expenditures	121,000	223,666	76,244	147,422
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	(122,666)	(6,833)	115,833
Net Change in Fund Balance	(20,000)	(122,666)	(6,833)	115,833
Fund Balance - Beginning	20,000	122,666	122,666	-
Fund Balance - Ending	\$ -	\$ -	\$ 115,833	\$ 115,833

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LAW ENFORCEMENT TRUST FUND SPEACIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fines	\$ -	\$ 123,976	\$ 126,229	\$ 2,253
Miscellaneous	-	-	2,024	2,024
Total Revenues	-	123,976	128,253	4,277
Expenditures				
Current				
Public Safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	123,976	128,253	4,277
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(38,890)	(265,414)	(54,202)	211,212
Total Other Financing Sources (Uses)	(38,890)	(265,414)	(54,202)	211,212
Net Change in Fund Balance	(38,890)	(141,438)	74,051	215,489
Fund Balance - Beginning	38,890	141,438	141,438	-
Fund Balance - Ending	\$ -	\$ -	\$ 215,489	\$ 215,489

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
POLICE ACADEMY SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Charges for Services	\$ 25,000	\$ 25,000	\$ 19,027	\$ (5,973)
Miscellaneous	400	400	522	122
Total Revenues	25,400	25,400	19,549	(5,851)
Expenditures				
Current				
Public Safety	8,382	13,550	7,646	5,904
Total Expenditures	8,382	13,550	7,646	5,904
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,018	11,850	11,903	53
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(22,018)	(62,352)	(13,804)	48,548
Total Other Financing Sources (Uses)	(22,018)	(62,352)	(13,804)	48,548
Net Change in Fund Balance	(5,000)	(50,502)	(1,901)	48,601
Fund Balance - Beginning	5,000	50,502	50,502	-
Fund Balance - Ending	\$ -	\$ -	\$ 48,601	\$ 48,601

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY PUBLIC HEALTH SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 695,661	\$ 595,661	\$ 595,282	\$ (379)
Miscellaneous	2,000	87,346	286,385	199,039
Total Revenues	<u>697,661</u>	<u>683,007</u>	<u>881,667</u>	<u>198,660</u>
Expenditures				
Current				
Human Services	701,661	601,661	601,661	-
Capital Outlay	-	86,320	284,794	(198,474)
Total Expenditures	<u>701,661</u>	<u>687,981</u>	<u>886,455</u>	<u>(198,474)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,000)</u>	<u>(4,974)</u>	<u>(4,788)</u>	<u>186</u>
Other Financing Sources (Uses)				
Transfers In	4,000	4,000	4,000	-
Total Other Financing Sources (Uses)	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Net Change in Fund Balance	-	(974)	(788)	186
Fund Balance - Beginning	-	974	974	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186</u>	<u>\$ 186</u>

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2017 due to amounts that were funded from revenues that exceeded budgeted amounts.

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL SERVICES BENEFIT UNIT SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Licenses and Permits	\$ 439,627	\$ 439,627	\$ 445,639	\$ 6,012
Intergovernmental	-	80,320	56,321	(23,999)
Miscellaneous	700	4,700	11,579	6,879
Total Revenues	440,327	524,647	513,539	(11,108)
Expenditures				
Current				
Transportation	1,059,086	1,060,450	543,795	516,655
Capital Outlay	12,150	41,957	22,177	19,780
Total Expenditures	1,071,236	1,102,407	565,972	536,435
Excess (Deficiency) of Revenues Over (Under) Expenditures	(630,909)	(577,760)	(52,433)	525,327
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	-	16	16
Total Other Financing Sources (Uses)	-	-	16	16
Net Change in Fund Balance	(630,909)	(577,760)	(52,417)	525,343
Fund Balance - Beginning	630,909	577,760	577,781	21
Fund Balance - Ending	\$ -	\$ -	\$ 525,364	\$ 525,364

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, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,131,825	\$ 2,131,825	\$ 2,131,546	\$ (279)
Charges for Services	11,700	11,700	19,570	7,870
Miscellaneous	50,000	50,000	55,308	5,308
Total Revenues	2,193,525	2,193,525	2,206,424	12,899
Expenditures				
Current				
Culture and Recreation	1,110,171	1,110,171	990,310	119,861
Capital Outlay	3,589,892	3,698,796	339,804	3,358,992
Total Expenditures	4,700,063	4,808,967	1,330,114	3,478,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,506,538)	(2,615,442)	876,310	3,491,752
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(1,293,462)	(1,293,462)	(1,293,462)	-
Transfers Among Constitutional Officers	-	-	106	106
Total Other Financing Sources (Uses)	(1,293,462)	(1,293,462)	(1,293,356)	106
Net Change in Fund Balance	(3,800,000)	(3,908,904)	(417,046)	3,491,858
Fund Balance - Beginning	3,800,000	3,908,904	3,908,904	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,491,858</u>	<u>\$ 3,491,858</u>

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PRISONER BENEFIT SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$ 700,000	\$ 880,000	\$ 931,079	\$ 51,079
Miscellaneous	7,000	7,000	11,817	4,817
Total Revenues	707,000	887,000	942,896	55,896
Expenditures				
Current				
Public Safety	1,357,000	1,737,125	783,779	953,346
Capital Outlay	-	-	-	-
Total Expenditures	1,357,000	1,737,125	783,779	953,346
Excess (Deficiency) of Revenues Over (Under) Expenditures	(650,000)	(850,125)	159,117	1,009,242
Net Change in Fund Balance	(650,000)	(850,125)	159,117	1,009,242
Fund Balance - Beginning	650,000	850,125	850,125	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,009,242	\$ 1,009,242

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ADDITIONAL COURT COST SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Charges for Services	\$ 1,240,100	\$ 1,240,100	\$ 1,157,852	\$ (82,248)
Miscellaneous	44,000	44,000	87,946	43,946
Total Revenues	1,284,100	1,284,100	1,245,798	(38,302)
Expenditures				
Current				
Court-Related	1,373,313	1,466,687	849,895	616,792
Capital Outlay	2,000	2,000	-	2,000
Total Expenditures	1,375,313	1,468,687	849,895	618,792
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,213)	(184,587)	395,903	580,490
Other Financing Sources (Uses)				
Transfers In	-	100,000	-	100,000
Transfers Out	(550,000)	(550,000)	(428,294)	(121,706)
Total Other Financing Sources (Uses)	(550,000)	(450,000)	(428,294)	21,706
Net Change in Fund Balance	(641,213)	(634,587)	(32,391)	602,196
Fund Balance - Beginning	641,213	634,587	493,142	(141,445)
Fund Balance - Ending	\$ -	\$ -	\$ 460,751	\$ 460,751

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRUG ABUSE TRUST SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Fines	\$ 10,000	\$ 20,000	\$ 19,429	\$ (571)
Miscellaneous	500	500	764	264
Total Revenues	10,500	20,500	20,193	(307)
Expenditures				
Current				
Court-Related	60,500	79,839	5,403	74,436
Total Expenditures	60,500	79,839	5,403	74,436
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,000)	(59,339)	14,790	74,129
Net Change in Fund Balance	(50,000)	(59,339)	14,790	74,129
Fund Balance - Beginning	50,000	59,339	59,339	-
Fund Balance - Ending	\$ -	\$ -	\$ 74,129	\$ 74,129

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DOMESTIC VIOLENCE TRUST SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Fines	\$ 34,000	\$ 34,000	\$ 28,822	\$ (5,178)
Miscellaneous	-	-	154	154
Total Revenues	<u>34,000</u>	<u>34,000</u>	<u>28,976</u>	<u>(5,024)</u>
Expenditures				
Current				
Court-Related	<u>5,255</u>	<u>5,255</u>	<u>-</u>	<u>5,255</u>
Total Expenditures	<u>5,255</u>	<u>5,255</u>	<u>-</u>	<u>5,255</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,745</u>	<u>28,745</u>	<u>28,976</u>	<u>231</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(34,000)</u>	<u>(36,930)</u>	<u>(31,752)</u>	<u>(5,178)</u>
Total Other Financing Sources (Uses)	<u>(34,000)</u>	<u>(36,930)</u>	<u>(31,752)</u>	<u>5,178</u>
Net Change in Fund Balance	(5,255)	(8,185)	(2,776)	5,409
Fund Balance - Beginning	<u>5,255</u>	<u>8,185</u>	<u>8,185</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,409</u>	<u>\$ 5,409</u>

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRAFFIC EDUCATION SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines	\$ 85,000	\$ 85,000	\$ 62,782	\$ (22,218)
Miscellaneous	6,500	6,500	2,187	(4,313)
Total Revenues	91,500	91,500	64,969	(26,531)
Expenditures				
Current				
Court-Related	170,750	222,771	58,459	164,312
Total Expenditures	170,750	222,771	58,459	164,312
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,250)	(131,271)	6,510	137,781
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(45,750)	(76,471)	(39,748)	36,723
Total Other Financing Sources (Uses)	(45,750)	(76,471)	(39,748)	36,723
Net Change in Fund Balance	(125,000)	(207,742)	(33,238)	174,504
Fund Balance - Beginning	125,000	207,742	207,742	-
Fund Balance - Ending	\$ -	\$ -	\$ 174,504	\$ 174,504

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COURTS SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 105,356	\$ 105,356
Charges for Services	2,619,169	2,619,169	2,913,613	294,444
Fines	655,000	655,000	787,383	132,383
Total Revenues	3,274,169	3,274,169	3,806,352	532,183
Expenditures				
Current				
Court-Related	3,274,169	3,274,169	3,858,667	(584,498)
Capital Outlay	-	-	864	(864)
Total Expenditures	3,274,169	3,274,169	3,859,531	(585,362)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(53,179)	(53,179)
Other Financing Sources (Uses)				
Transfers From Other Funds	-	-	53,179	53,179
Total Other Financing Sources (Uses)	-	-	53,179	53,179
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual expenditures exceed legally budgeted amounts at September 30, 2017 due to amounts were funded from revenues that exceeded budgeted amounts.

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC RECORDS MODERNIZATION TRUST SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for Services	110,000	110,000	123,788	13,788
Miscellaneous	800	800	296	(504)
Total Revenues	110,800	110,800	124,084	13,284
Expenditures				
Current				
General Government	-	78,000	136,301	(58,301)
Capital Outlay	-	28,000	64,448	(36,448)
Total Expenditures	-	106,000	200,749	(94,749)
Excess (Deficiency) of Revenues Over (Under) Expenditures	110,800	4,800	(76,665)	(81,465)
Net Change in Fund Balance	110,800	4,800	(76,665)	(81,465)
Fund Balance - Beginning	-	-	264,246	264,246
Fund Balance - Ending	\$ 110,800	\$ 4,800	\$ 187,581	\$ 182,781

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2017 due to the use of available fund
balance for annual expenditures.

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC RECORDS COURTS SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$ 340,000	\$ 340,000	\$ 373,149	\$ 33,149
Miscellaneous	1,200	1,200	894	(306)
Total Revenues	341,200	341,200	374,043	32,843
Expenditures				
Current				
Court-Related	-	144,000	532,416	(388,416)
Capital Outlay	-	40,000	94,078	(54,078)
Total Expenditures	-	184,000	626,494	(442,494)
Excess (Deficiency) of Revenues Over (Under) Expenditures	341,200	157,200	(252,451)	(409,651)
Net Change in Fund Balance	341,200	157,200	(252,451)	(409,651)
Fund Balance - Beginning	-	-	614,431	614,431
Fund Balance - Ending	\$ 341,200	\$ 157,200	\$ 361,980	\$ 204,780

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2017 due to the use of available fund
balance for annual expenditures.

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC RECORDS 10% FINE SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines	\$ 171,640	\$ 171,640	\$ 140,965	(30,675)
Miscellaneous	-	-	-	-
Total Revenues	171,640	171,640	140,965	(30,675)
Expenditures				
Current				
Court-Related	-	-	175,987	(175,987)
Capital Outlay	-	-	942	(942)
Total Expenditures	-	-	176,929	(176,929)
Excess (Deficiency) of Revenues Over (Under) Expenditures	171,640	171,640	(35,964)	(207,604)
Net Change in Fund Balance	171,640	171,640	(35,964)	(207,604)
Fund Balance - Beginning	-	-	35,964	35,964
Fund Balance - Ending	\$ 171,640	\$ 171,640	\$ -	\$ (171,640)

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2017 due to the transfer of fund balance to cover expenditures.

Okaloosa County, Florida
FEDERAL LAW ENFORCEMENT TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 43,090	\$ 43,090	\$ 43,090	\$ -
Total Revenues	43,090	43,090	43,090	-
Expenditures				
Current				
Public Safety	97,292	97,292	97,292	-
Capital Outlay	-	-	-	-
Total Expenditures	97,292	97,292	97,292	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(54,202)	(54,202)	(54,202)	-
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	54,202	54,202	54,202	-
Total Other Financing Sources (Uses)	54,202	54,202	54,202	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TEEN DRIVER CHALLENGE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Public Safety	66,090	66,090	39,748	26,342
Total Expenditures	66,090	66,090	39,748	26,342
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,090)	(66,090)	(39,748)	26,342
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	66,090	66,090	39,748	(26,342)
Total Other Financing Sources (Uses)	66,090	66,090	39,748	(26,342)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SECOND DOLLAR PROGRAM FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Public Safety	13,804	13,804	13,804	-
Total Expenditures	13,804	13,804	13,804	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,804)	(13,804)	(13,804)	-
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	-	13,804	13,804
Total Other Financing Sources (Uses)	-	-	13,804	13,804
Net Change in Fund Balance	(13,804)	(13,804)	-	13,804
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ (13,804)	\$ (13,804)	\$ -	\$ 13,804

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
OKALOOSA DEBT SERVICE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$ 5,446,500	\$ 5,446,500	\$ 5,438,172	\$ (8,328)
Miscellaneous	486,148	486,148	433,689	(52,459)
Total Revenues	<u>5,932,648</u>	<u>5,932,648</u>	<u>5,871,861</u>	<u>(60,787)</u>
Expenditures				
Current				
General Government	590,750	590,750	190,750	400,000
Debt Service				
Principal	2,187,000	2,187,000	154,000	2,033,000
Interest	3,011,784	3,011,784	1,575,012	1,436,772
Other Debt Service Costs	1,000	1,000	3,622	(2,622)
Total Expenditures	<u>5,790,534</u>	<u>5,790,534</u>	<u>1,923,384</u>	<u>3,867,150</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>142,114</u>	<u>142,114</u>	<u>3,948,477</u>	<u>3,806,363</u>
Other Financing Sources (Uses)				
Transfers In	1,219,821	1,219,821	1,098,115	121,706
Transfers Out	(1,961,935)	(1,961,935)	(1,961,935)	-
Original Issue Premium	-	-	-	-
Total Other Financing Sources (Uses)	<u>(742,114)</u>	<u>(742,114)</u>	<u>(863,820)</u>	<u>(121,706)</u>
Net Change in Fund Balance	(600,000)	(600,000)	3,084,657	3,684,657
Fund Balance (Deficit) - Beginning	600,000	600,000	(2,649,542)	(3,249,542)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,115</u>	<u>\$ 435,115</u>

Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE CONSTRUCTION CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,868,723	\$ (31,277)
Intergovernmental	2,000,000	9,617,188	2,940,356	(6,676,832)
Charges for Services	-	-	9,943	9,943
Miscellaneous	100,000	114,698	21,256	(93,442)
Total Revenues	<u>4,000,000</u>	<u>11,631,886</u>	<u>4,840,278</u>	<u>(6,791,608)</u>
Expenditures				
Current				
Transportation	2,963,057	4,043,848	1,645,124	2,398,724
Capital Outlay	<u>10,757,663</u>	<u>18,339,204</u>	<u>4,356,678</u>	<u>13,982,526</u>
Total Expenditures	<u>13,720,720</u>	<u>22,383,052</u>	<u>6,001,802</u>	<u>16,381,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,720,720)</u>	<u>(10,751,166)</u>	<u>(1,161,524)</u>	<u>9,589,642</u>
Other Financing Sources (Uses)				
Transfers In	<u>355,000</u>	<u>355,000</u>	<u>355,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>355,000</u>	<u>355,000</u>	<u>355,000</u>	<u>-</u>
Net Change in Fund Balance	(9,365,720)	(10,396,166)	(806,524)	9,589,642
Fund Balance - Beginning	<u>9,365,720</u>	<u>10,396,166</u>	<u>10,396,166</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,589,642</u>	<u>\$ 9,589,642</u>

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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.

Solid Waste Fund

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

Tax Collector

Building Maintenance Fund

This fund accounts for certain common area maintenance charges billed to all tenants who occupy space in the building in Niceville, Florida in which the Tax Collector is landlord. The common area maintenance fees accumulated for future repairs and maintenance to the building are accounted for in this fund.

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Okaloosa County, Florida
COMBINING STATEMENT ON NET POSITION
NONMAJOR ENTERPRISE FUNDS
PROPRIETARY FUNDS

	Business-type Activities			
	Inspection and Code Enforcement	Solid Waste	Tax Collector Building Maintenance	Nonmajor Enterprise Funds (Exhibit VII)
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 63,956	\$ 62,216	\$ 90,232	\$ 216,404
Investments	740,769	2,785,697	-	3,526,466
Receivables, Net of Allowance for Uncollectible	172,098	839,785	-	1,011,883
Due from Other Funds	280,000	325,000	-	605,000
Due from Other Governments	-	41,044	-	41,044
Prepays	3,035	-	-	3,035
Restricted Assets				
Cash and Cash Equivalents				
Customer Deposits	-	23,258	-	23,258
Total Restricted Assets	-	23,258	-	23,258
Total Current Assets	1,259,858	4,077,000	90,232	5,427,090
Capital Assets				
Land	-	133,301	-	133,301
Buildings	-	115,363	-	115,363
Improvements Other Than Buildings	-	276,776	-	276,776
Intangible	42,425	-	-	42,425
Machinery and Equipment	380,646	3,272,655	-	3,653,301
Less Accumulated Depreciation/Amortization	(329,665)	(2,285,382)	-	(2,615,047)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	93,406	1,512,713	-	1,606,119
Total Noncurrent Assets	93,406	1,512,713	-	1,606,119
Total Assets	\$ 1,353,264	\$ 5,589,713	\$ 90,232	\$ 7,033,209
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges Related to Pensions	\$ 414,394	\$ 459,478	\$ -	\$ 873,872
Total Deferred Outflows of Resources	\$ 414,394	\$ 459,478	\$ -	\$ 873,872

Continued...

Okaloosa County, Florida
COMBINING STATEMENT ON NET POSITION
NONMAJOR ENTERPRISE FUNDS
PROPRIETARY FUNDS

	Business-type Activities			
	Inspection and Code Enforcement	Solid Waste	Tax Collector Building Maintenance	Nonmajor Enterprise Funds (Exhibit VII)
LIABILITIES				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 8,288	\$ 26,655	\$ -	\$ 34,943
Contracts Payable	491	1,071,270	-	1,071,761
Accrued Liabilities				
Compensated Absences	119,208	53,581	-	172,789
Closure Costs Payable	-	361,126	-	361,126
Other Accrued Liabilities	24,632	15,841	-	40,473
Due to Other Elected Officials	-	-	-	-
Due to Other Governments	33,716	24	-	33,740
Unearned Revenue	13,134	-	-	13,134
Current Liabilities Payable from				
Customer Deposits Payable	-	23,258	-	23,258
Total Current Liabilities Payable from Restricted Assets	-	23,258	-	23,258
Total Current Liabilities	<u>199,469</u>	<u>1,551,755</u>	<u>-</u>	<u>1,751,224</u>
Noncurrent Liabilities				
Compensated Absences	105,520	40,444	-	145,964
Closure Costs Payable	-	3,340,266	-	3,340,266
Other Post Employment Benefits	22,784	22,965	-	45,749
Net Pension Liability	1,026,503	1,163,892	-	2,190,395
Total Noncurrent Liabilities	<u>1,154,807</u>	<u>4,567,567</u>	<u>-</u>	<u>5,722,374</u>
Total Liabilities	<u>\$ 1,354,276</u>	<u>\$ 6,119,322</u>	<u>\$ -</u>	<u>\$ 7,473,598</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Charges Related to Pensions	\$ 101,944	\$ 105,840	\$ -	\$ 207,784
Total Deferred Inflows of Resources	<u>\$ 101,944</u>	<u>\$ 105,840</u>	<u>\$ -</u>	<u>\$ 207,784</u>
NET POSITION				
Net Investment in Capital Assets	\$ 93,406	\$ 1,512,712	\$ -	\$ 1,606,118
Unrestricted (Deficit)	218,032	(1,688,683)	90,232	(1,380,419)
Total Net Position (Deficit)	<u>311,438</u>	<u>(175,971)</u>	<u>90,232</u>	<u>225,699</u>
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	<u>\$ 1,767,658</u>	<u>\$ 6,049,191</u>	<u>\$ 90,232</u>	<u>\$ 7,907,081</u>

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type Activities			Total Nonmajor Enterprise Funds (Exhibit VIII)
	Inspection and Code Enforcement	Solid Waste	Tax Collector Building Maintenance	
Operating Revenues				
Licenses and Permits	\$ 1,921,205	\$ -	\$ -	\$ 1,921,205
Charges for Services	260,556	9,446,964	-	9,707,520
Miscellaneous	1,163	1,668	47,250	50,081
Total Operating Revenues	<u>2,182,924</u>	<u>9,448,632</u>	<u>47,250</u>	<u>11,678,806</u>
Operating Expenses				
Personal services	1,266,101	889,142	-	2,155,243
Contractual Services	598,040	7,376,711	-	7,974,751
Supplies	23,270	87,145	-	110,415
Utilities	-	14,467	-	14,467
Other Operating Expenses	69,955	420,495	-	490,450
Depreciation/Amortization	17,380	264,852	-	282,232
Total Operating Expenses	<u>1,974,746</u>	<u>9,052,812</u>	<u>-</u>	<u>11,027,558</u>
Operating Income (Loss)	<u>208,178</u>	<u>395,820</u>	<u>47,250</u>	<u>651,248</u>
Nonoperating Revenues (Expenses)				
Intergovernmental	-	237,835	-	237,835
Investment Income	9,964	32,284	-	42,248
Gain/Loss on Disposal of Capital Assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>9,964</u>	<u>270,119</u>	<u>-</u>	<u>280,083</u>
Income (Loss) Before Contributions and Transfers	218,142	665,939	47,250	931,331
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Position	218,142	665,939	47,250	931,331
Total Net Position (Deficit) - Beginning	93,296	(841,910)	42,982	(705,632)
Total Net Position (Deficit) - Ending	<u>\$ 311,438</u>	<u>\$ (175,971)</u>	<u>\$ 90,232</u>	<u>\$ 225,699</u>

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type Activities			Total Nonmajor Enterprise Fund: (Exhibit IV)
	Inspection and Code Enforcement	Solid Waste	Tax Collector Building Maintenance	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 1,826,224	\$ 8,832,552	\$ 47,250	\$ 10,706,026
Payments to Suppliers	(682,908)	(8,165,371)	-	(8,848,279)
Payments to Employees	(1,122,167)	(835,782)	-	(1,957,949)
Net Cash Provided (Used) by Operating Activities	21,149	(168,601)	47,250	(100,202)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating Subsidy - Intergovernmental Revenue	-	237,835	-	237,835
Net Cash Provided (Used) by Non-capital Financing Activities	-	237,835	-	237,835
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(48,631)	(336,859)	-	(385,490)
Proceeds from Disposal of Capital Assets	-	-	-	-
Net cash provided (used) by capital and related financing activities	(48,631)	(336,859)	-	(385,490)
NET CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	50,902	220,661	-	271,563
Interest Income	11,015	35,376	-	46,391
Net Cash Provided (Used) by Investing Activities	61,917	256,037	-	317,954
Net Increase (Decrease) in Cash and Cash Equivalents	34,435	(11,588)	47,250	70,097
Cash and Cash Equivalents - Beginning of Year - Restated	29,521	97,062	42,982	169,565
Cash and Cash Equivalents - End of Year	\$ 63,956	\$ 85,474	\$ 90,232	\$ 239,662

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type Activities			Total Nonmajor Enterprise Fund: (Exhibit IV)
	Inspection and Code Enforcement	Solid Waste	Tax Collector Building Maintenance	
Cash and Cash Equivalents at End of Year Consist of:				
Current assets	\$ 63,956	\$ 62,216	\$ 90,232	\$ 216,404
Restricted assets	-	23,258	-	23,258
Total	\$ 63,956	\$ 85,474	\$ 90,232	\$ 239,662
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 208,178	\$ 395,820	\$ 47,250	\$ 651,248
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation/Amortization	17,380	264,852	-	282,232
Decrease (Increase) in Assets				
Accounts Receivables	(76,700)	(248,962)	-	(325,662)
Due from Other Funds	(280,000)	(325,000)	-	(605,000)
Due from Other Elected Officials	-	-	-	-
Due from Other Governments	-	(39,868)	-	(39,868)
Prepaid Expenses	(2,740)	-	-	(2,740)
Deferred Outflows	(84,359)	(74,435)	-	(158,794)
Increase (Decrease) in Liabilities				
Accounts Payable	1,083	(25,075)	-	(23,992)
Service Contracts Payable	(2,169)	83,883	-	81,714
Due to Other Elected Officials	-	-	-	-
Due to Other Governments	12,183	(473)	-	11,710
Compensated Absences Payable	54,374	(18,137)	-	36,237
Other Accrued Liabilities	6,093	(2,736)	-	3,357
Deposits	-	(2,250)	-	(2,250)
Closure Costs Payable	-	(324,888)	-	(324,888)
Unearned Revenue	(663)	-	-	(663)
Other Post Employment Benefits	3,919	3,459	-	7,378
Net Pension Liability	118,514	104,571	-	223,085
Deferred Inflows	46,056	40,638	-	86,694
Net Cash Provided (Used) by Operating Activities	\$ 21,149	\$ (168,601)	\$ 47,250	\$ (100,202)

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INTERNAL SERVICE FUNDS

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

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 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 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 the retirees of the Sheriff.

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Okaloosa County, Florida
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2017

	Governmental		
	Self- Insurance	Garage Services	Clerk of Court Compensated Absences
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,180	\$ 629	\$ -
Investments	1,663,722	234	-
Receivables, Net of Allowance for Uncollectible	70,075	6,000	-
Due from Other Funds	-	-	-
Due from Other Elected Officials	-	999	-
Due from Other Governments	7,262	121,284	-
Inventory	-	239,131	-
Prepays	-	7,996	-
	<u>1,742,239</u>	<u>376,273</u>	<u>-</u>
Noncurrent Assets			
Capital Assets			
Land	-	316,861	-
Buildings	-	900,466	-
Improvements Other Than Buildings	-	257,345	-
Machinery and Equipment	12,726	3,194,940	-
Less Accumulated Depreciation/Amortization	(9,245)	(4,021,942)	-
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	<u>3,481</u>	<u>647,670</u>	<u>-</u>
Total Noncurrent Assets	<u>3,481</u>	<u>647,670</u>	<u>-</u>
Total Assets	<u>\$ 1,745,720</u>	<u>\$ 1,023,943</u>	<u>\$ -</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 102,358	\$ 691,693	\$ -
Total Deferred Outflows of Resources	<u>\$ 102,358</u>	<u>\$ 691,693</u>	<u>\$ -</u>

Statement C-1

Activities		
Sheriff Compensated Absences	Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VII)
\$ 1,024,617	\$ 2,096,893	\$ 3,123,319
-	-	1,663,956
-	166,081	242,156
131,204	-	131,204
-	-	999
-	-	128,546
-	-	239,131
-	-	7,996
1,155,821	2,262,974	5,537,307
-	-	316,861
-	-	900,466
-	-	257,345
-	-	3,207,666
-	-	(4,031,187)
-	-	651,151
-	-	651,151
\$ 1,155,821	\$ 2,262,974	\$ 6,188,458
\$ -	\$ -	\$ 794,051
\$ -	\$ -	\$ 794,051

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2017

	Governmental		
	Self- Insurance	Garage Services	Clerk of Court Compensated Absences
LIABILITIES			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 12,517	\$ 88,271	\$ -
Contracts Payable	8,874	154,024	-
Accrued Liabilities			
Compensated Absences	10,979	94,458	-
Claims and Judgments	1,216,697	-	-
Other Accrued Liabilities	4,510	25,534	-
Due to Other Funds	-	865,000	-
Due to Other Elected Officials	318	23	-
Deferred Revenue	19,600	-	-
	<u>1,273,495</u>	<u>1,227,310</u>	<u>-</u>
Total Current Liabilities			
Noncurrent Liabilities			
Compensated Absences	9,092	69,936	-
Claims and Judgments	3,999,284	-	-
Other Post Employment Benefits	5,103	32,513	-
Net Pension Liability	254,882	1,749,323	-
	<u>4,268,361</u>	<u>1,851,772</u>	<u>-</u>
Total Noncurrent Liabilities			
	<u>\$ 5,541,856</u>	<u>\$ 3,079,082</u>	<u>\$ -</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 24,807	\$ 160,114	\$ -
	<u>\$ 24,807</u>	<u>\$ 160,114</u>	<u>\$ -</u>
Total Deferred Inflows of Resources			
NET POSITION			
Net Investment in Capital Assets	\$ 3,481	\$ 647,669	\$ -
Unrestricted (Deficit)	(3,722,066)	(2,171,229)	-
	<u>(3,718,585)</u>	<u>(1,523,560)</u>	<u>-</u>
Total Net Position (Deficit)			
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	<u>\$ 1,848,078</u>	<u>\$ 1,715,636</u>	<u>\$ -</u>

Statement C-1

Activities		
Sheriff Compensated Absences	Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VII)
\$ -	\$ -	\$ 100,788
-	-	162,898
1,155,821	-	1,261,258
-	688,739	1,905,436
-	-	30,044
-	-	865,000
-	-	341
-	-	19,600
1,155,821	688,739	4,345,365
-	-	79,028
-	-	3,999,284
-	4,653,166	4,690,782
-	-	2,004,205
-	4,653,166	10,773,299
\$ 1,155,821	\$ 5,341,905	\$ 15,118,664
\$ -	\$ -	\$ 184,921
\$ -	\$ -	\$ 184,921
\$ -	\$ -	\$ 651,150
-	(3,078,931)	(8,972,226)
-	(3,078,931)	(8,321,076)
\$ 1,155,821	\$ 2,262,974	\$ 6,982,509

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2017

	Governmental		
	Self- Insurance	Garage Services	Clerk of Court Compensated Absences
Operating Revenues			
Charges for Services	\$ 12,905,729	\$ 4,481,120	\$ -
Miscellaneous	152,855	12,345	-
Total Operating Revenues	13,058,584	4,493,465	-
Operating Expenses			
Personal Services	225,170	1,481,091	(153,801)
Contractual Services	162,609	28,937	-
Supplies	6,905	3,165,366	-
Insurance Premiums and Claims	14,461,488	-	-
Utilities	-	3,327	-
Other Operating Expenses	13,542	326,976	-
Depreciation/Amortization	1,413	65,591	-
Total Operating Expenses	14,871,127	5,071,288	(153,801)
Operating Income (Loss)	(1,812,543)	(577,823)	153,801
Nonoperating Revenues (Expenses)			
Investment Income (Loss)	17,889	(16,096)	-
Gain/Loss on Disposal of Capital Assets	-	47,277	-
Total Nonoperating Revenues (Expenses)	17,889	31,181	-
Income (Loss) Before			
Contributions and Transfers	(1,794,654)	(546,642)	153,801
Operating Transfers In	170,000	-	-
Operating Transfers Out	-	-	(153,801)
Change in Net Position	(1,624,654)	(546,642)	-
Total Net Position (Deficit) - Beginning	(2,093,931)	(976,918)	-
Total Net Position (Deficit)- Ending	\$ (3,718,585)	\$ (1,523,560)	\$ -

Statement C-2

Activities		
Sheriff Compensated Absences	Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VIII)
\$ 34,846	\$ 4,930,572	\$ 22,352,267
-	-	165,200
34,846	4,930,572	22,517,467
34,846	238,226	1,825,532
-	388,600	580,146
-	-	3,172,271
-	4,962,052	19,423,540
-	-	3,327
-	-	340,518
-	-	67,004
34,846	5,588,878	25,412,338
-	(658,306)	(2,894,871)
-	7,526	9,319
-	-	47,277
-	7,526	56,596
-	(650,780)	(2,838,275)
-	-	170,000
-	-	(153,801)
-	(650,780)	(2,822,076)
-	(2,428,151)	(5,499,000)
\$ -	\$ (3,078,931)	\$ (8,321,076)

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2017

	Governmental		
	Self- Insurance	Garage Services	Clerk of Court Compensated Absences
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 14,762,411	\$ 4,902,151	\$ -
Receipts from Interfund Services Provided	-	-	-
Payments to Suppliers	(14,637,006)	(3,553,492)	-
Payments to Employees	(202,354)	(1,368,200)	-
Payments for Other Revenues	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>(76,949)</u>	<u>(19,541)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers In	170,000	-	-
Transfers Out	-	-	(153,801)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>170,000</u>	<u>-</u>	<u>(153,801)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	-	(12,281)	-
Proceeds from Disposal of Capital Assets	-	47,277	-
Capital Contributions	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>34,996</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	-	1,569	-
Interest Income	19,984	(17,898)	-
Purchases of Investments	(131,518)	-	-
Net Cash Provided (Used) by Investing Activities	<u>(111,534)</u>	<u>(16,329)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(18,483)	(874)	(153,801)
Cash and Cash Equivalents - Beginning of Year	<u>19,663</u>	<u>1,503</u>	<u>153,801</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,180</u>	<u>\$ 629</u>	<u>\$ -</u>

Statement C-3

Activities		
Sheriff Compensated Absences	Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit IV)
\$ -	\$ -	\$ 19,664,562
96,358	5,135,435	5,231,793
-	(5,167,868)	(23,358,366)
-	-	(1,570,554)
-	-	-
<u>96,358</u>	<u>(32,433)</u>	<u>(32,565)</u>
-	-	170,000
-	-	(153,801)
-	-	16,199
-	-	(12,281)
-	-	47,277
-	-	-
-	-	34,996
-	-	1,569
-	7,526	9,612
-	-	(131,518)
-	7,526	(120,337)
96,358	(24,907)	(101,707)
<u>928,259</u>	<u>2,121,800</u>	<u>3,225,026</u>
<u>\$ 1,024,617</u>	<u>\$ 2,096,893</u>	<u>\$ 3,123,319</u>

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2017

	Governmental		
	Self- Insurance	Garage Services	Clerk of Court Compensated Absences
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 1,180	\$ 629	\$ -
Total	\$ 1,180	\$ 629	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (1,812,543)	\$ (577,823)	\$ 153,801
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	1,413	65,591	-
Other revenue	-	-	-
Decrease (Increase) in Assets			
Accounts Receivable	(48,390)	(2,297)	-
Due from Other Elected Officials	-	(519)	-
Due from Other Governments	(7,262)	410,983	-
Due from Other Funds	-	-	-
Inventories	-	14,884	-
Prepaid Expenses	-	(568)	-
Deferred Outflows	(19,849)	(114,133)	-
Increase (Decrease) in Liabilities			
Accounts Payable	9,615	(6,758)	-
Service Contracts Payable	5,883	119,580	-
Due to Other Funds	-	(155,000)	-
Due to Other Elected Officials	228	11	-
Due to Other Governments	(8,188)	(516)	-
Compensated Absences Payable	2,537	2,961	(153,801)
Claims and Judgments Payable	1,747,954	-	-
Other Accrued Liabilities	483	(3,893)	-
Unearned Revenue	11,525	-	-
Other Post Employment Benefits	923	5,302	-
Net Pension Liability	27,886	160,343	-
Deferred Inflows	10,836	62,311	-
Total Adjustments	1,735,594	558,282	(153,801)
Net Cash Provided (Used) by Operating Activities	\$ (76,949)	\$ (19,541)	\$ -

Statement C-3

Activities		
Sheriff Compensated Absences	Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit IV)
\$ 1,024,617	\$ 2,096,893	3,123,319
<u>\$ 1,024,617</u>	<u>\$ 2,096,893</u>	<u>\$ 3,123,319</u>
\$ -	\$ (658,306)	(2,894,871)
-	-	67,004
-	-	-
-	204,863	154,176
-	-	(519)
-	-	403,721
(34,846)	-	(34,846)
-	-	14,884
-	-	(568)
-	-	(133,982)
-	-	2,857
-	-	125,463
-	-	(155,000)
-	-	239
-	-	(8,704)
131,204	-	(17,099)
-	182,784	1,930,738
-	-	(3,410)
-	-	11,525
-	238,226	244,451
-	-	188,229
-	-	73,147
<u>96,358</u>	<u>625,873</u>	<u>2,862,306</u>
<u>\$ 96,358</u>	<u>\$ (32,433)</u>	<u>\$ (32,565)</u>

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Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
September 30, 2017

	Fine and Forfeiture	Jury and Witness	Tax Deed	Support	Registry of Court	BCC Trust	State Trust	Probation Fee Trust
ASSETS								
Cash and Cash Equivalents	\$ 34,886	\$ 24,813	\$ 131,860	\$ 92,466	\$ 2,422,240	\$ 30,522	\$ 86,443	\$ 1,174
Investments	315,000	-	\$ 1,175,000	-	-	-	\$ 100,000	-
Accounts Receivable	-	-	-	7,177	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Elected Officials	2,800	-	-	-	-	-	-	-
Due from Other Governments	8	-	-	-	-	-	\$ 375,130	-
Total Assets	\$ 352,694	\$ 24,813	\$ 1,306,860	\$ 99,643	\$ 2,422,240	\$ 30,522	\$ 561,573	\$ 1,174
LIABILITIES								
Liabilities								
Due to Other Funds	\$ -	\$ -	\$ -	\$ 7,850	\$ 1,032	\$ -	\$ -	\$ -
Due to Other Elected Officials	87,356	-	-	-	-	30,522	-	-
Due to Other Governments	264,708	-	-	802	-	-	561,573	-
Due to Depositors	630	24,813	1,306,860	90,991	2,421,208	-	-	1,174
Taxes Collected in Advance for Other Government	-	-	-	-	-	-	-	-
Total Liabilities	352,694	24,813	1,306,860	99,643	2,422,240	30,522	561,573	1,174
NET POSITION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2017

	Escrow Trust	Juvenile Trust	Foreclosure Escrow Trust	Cash Bond Trust	Individual Depositors	Suspense (Levies)	Disbursements	Total Agency Funds (Exhibit V)
ASSETS								
Cash and Cash Equivalents	\$ 157,267	\$ 696	\$ 904,903	\$ 275,323	\$ 6,780	\$ 4,579	\$ 2,032,508	\$ 6,206,460
Investments	-	-	\$ -	-	-	-	-	1,590,000
Accounts Receivable	-	-	140	-	-	-	4,281	11,598
Due from Other Funds	-	-	140	-	-	-	-	140
Due from Other Elected Officials	-	-	-	-	-	-	-	2,800
Due from Other Governments	-	-	-	-	-	-	-	375,138
Total Assets	\$ 157,267	\$ 696	\$ 905,183	\$ 275,323	\$ 6,780	\$ 4,579	\$ 2,036,789	\$ 8,186,136
LIABILITIES								
Liabilities								
Due to Other Funds	\$ -	\$ -	\$ 22,205	\$ -	\$ -	\$ -	\$ -	\$ 31,087
Due to Other Elected Officials	-	-	-	-	6,780	-	-	124,658
Due to Other Governments	-	-	-	-	-	-	12,600	839,683
Due to Depositors	157,267	696	882,978	275,323	-	4,579	14,963	5,181,482
Taxes Collected in Advance for Other Governments	-	-	-	-	-	-	2,009,226	2,009,226
Total Liabilities	157,267	696	905,183	275,323	6,780	4,579	2,036,789	8,186,136
NET POSITION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN NET POSITION
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2017

	Balances October 1, 2016	Additions	Deletions	Balances September 30, 2017
FINE AND FORFEITURE AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 404,469	\$ 4,934,748	\$ 5,304,331	\$ 34,886
Investments	-	315,000	-	315,000
Due from Other Governments	-	8	-	8
Due from Other Elected Officials	370	3,330	900	2,800
Total Assets	<u>\$ 404,839</u>	<u>\$ 5,253,086</u>	<u>\$ 5,305,231</u>	<u>\$ 352,694</u>
LIABILITIES				
Due to Other Elected Officials	\$ 104,812	\$ 1,284,772	\$ 1,302,228	\$ 87,356
Due to Other Governments	300,027	5,178,755	5,214,074	264,708
Due to Depositors	-	1,942	1,312	630
Total Liabilities	<u>\$ 404,839</u>	<u>\$ 6,465,469</u>	<u>\$ 6,517,614</u>	<u>\$ 352,694</u>
JURY AND WITNESS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 32,027	\$ 14,853	\$ 22,067	\$ 24,813
LIABILITIES				
Due to Depositors	<u>\$ 32,027</u>	<u>\$ 29,483</u>	<u>\$ 36,697</u>	<u>\$ 24,813</u>
TAX DEED AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 1,185,525	\$ 1,435,970	\$ 2,489,635	\$ 131,860
Investments	-	1,175,000	-	1,175,000
Total Assets	<u>\$ 1,185,525</u>	<u>\$ 2,610,970</u>	<u>\$ 2,489,635</u>	<u>\$ 1,306,860</u>
LIABILITIES				
Due to Depositors	<u>\$ 1,185,525</u>	<u>\$ 2,680,226</u>	<u>\$ 2,558,891</u>	<u>\$ 1,306,860</u>
SUPPORT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 116,657	\$ 3,487,802	\$ 3,511,993	\$ 92,466
Accounts Receivable	3,677	7,611	4,111	7,177
Total Assets	<u>\$ 120,334</u>	<u>\$ 3,495,413</u>	<u>\$ 3,516,104</u>	<u>\$ 99,643</u>
LIABILITIES				
Due to Other Funds	\$ 22,453	\$ 3,739	\$ 18,342	\$ 7,850
Due to Other Governments	991	9,424	9,613	802
Due to Depositors	96,890	3,431,677	3,437,576	90,991
Total Liabilities	<u>\$ 120,334</u>	<u>\$ 3,444,840</u>	<u>\$ 3,465,531</u>	<u>\$ 99,643</u>

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN NET POSITION
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2017

	Balances October 1, 2016	Additions	Deletions	Balances September 30, 2017
REGISTRY OF COURT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 2,039,620	\$ 14,152,043	\$ 13,769,423	\$ 2,422,240
Due from Other Funds	550	-	550	-
Total Assets	<u>\$ 2,040,170</u>	<u>\$ 14,152,043</u>	<u>\$ 13,769,973</u>	<u>\$ 2,422,240</u>
LIABILITIES				
Due to Other Funds	\$ 1,032	\$ 6,068	\$ 6,068	\$ 1,032
Due to Depositors	2,039,138	14,146,507	13,764,437	2,421,208
Total Liabilities	<u>\$ 2,040,170</u>	<u>\$ 14,152,575</u>	<u>\$ 13,770,505</u>	<u>\$ 2,422,240</u>
BOARD OF COUNTY COMMISSIONERS TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 34,512	\$ 485,752	\$ 489,742	\$ 30,522
LIABILITIES				
Accounts Payable	\$ -	\$ 428,378	\$ 428,378	\$ -
Due to Other Elected Officials	34,512	485,752	489,742	30,522
	<u>\$ 34,512</u>	<u>\$ 914,130</u>	<u>\$ 918,120</u>	<u>\$ 30,522</u>
STATE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 419,605	\$ 26,647,232	\$ 26,980,394	\$ 86,443
Investments	-	475,000	375,000	100,000
Due from Other Governments	-	375,130	-	375,130
Total Assets	<u>\$ 419,605</u>	<u>\$ 27,497,362</u>	<u>\$ 27,355,394</u>	<u>\$ 561,573</u>
LIABILITIES				
Due to Other Governments	\$ 419,605	\$ 26,346,603	\$ 26,204,635	\$ 561,573
PROBATION FEE TRUST FUND				
ASSETS				
Cash and Cash Equivalents	\$ 150	\$ 2,019	\$ 995	\$ 1,174
LIABILITIES				
Accounts Payable	\$ -	\$ 995	\$ 995	\$ -
Due to Depositors	150	2,019	995	1,174
Total Liabilities	<u>\$ 150</u>	<u>\$ 3,014</u>	<u>\$ 1,990</u>	<u>\$ 1,174</u>
ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 180,715	\$ 678,692	\$ 702,140	\$ 157,267
LIABILITIES				
Due to Depositors	\$ 180,715	\$ 820,369	\$ 843,817	\$ 157,267

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN NET POSITION
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2017

	Balances October 1, 2016	Additions	Deletions	Balances September 30, 2017
JUVENILE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 130	\$ 4,715	\$ 4,149	\$ 696
LIABILITIES				
Due to Depositors	\$ 130	\$ 4,715	\$ 4,149	\$ 696
FORECLOSURE ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 1,001,970	\$ 12,550,726	\$ 12,647,793	\$ 904,903
Investments	-	500,000	500,000	-
Accounts Receivable	140	-	-	140
Due from Other Funds	140	-	-	140
	<u>\$ 1,002,250</u>	<u>\$ 13,050,726</u>	<u>\$ 13,147,793</u>	<u>\$ 905,183</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 64,229	\$ 64,229	\$ -
Due to Other Funds	672	24,410	2,877	22,205
Due to Depositors	1,001,578	12,301,065	12,419,665	882,978
	<u>\$ 1,002,250</u>	<u>\$ 12,389,704</u>	<u>\$ 12,486,771</u>	<u>\$ 905,183</u>
CASH BOND TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 442,752	\$ 764,951	\$ 932,380	\$ 275,323
LIABILITIES				
Due to Depositors	\$ 442,752	\$ 764,951	\$ 932,380	\$ 275,323
INDIVIDUAL DEPOSITORS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 5,890	\$ 890	\$ -	\$ 6,780
LIABILITIES				
Due to Other Elected Officials	\$ 5,890	\$ 890	\$ -	\$ 6,780
SUSPENSE (LEVIES) AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 4,409	\$ 170	\$ -	\$ 4,579
LIABILITIES				
Due to Depositors	\$ 4,409	\$ 170	\$ -	\$ 4,579

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN NET POSITION
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2017

	Balances October 1, 2016	Additions	Deletions	Balances September 30, 2017
DISBURSEMENTS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 1,937,562	\$ 249,102,726	\$ 249,007,780	\$ 2,032,508
Accounts Receivable	6,360	4,281	6,360	4,281
Total Assets	<u>\$ 1,943,922</u>	<u>\$ 249,107,007</u>	<u>\$ 249,014,140</u>	<u>\$ 2,036,789</u>
LIABILITIES				
Due to Other Funds	\$ -	\$ 187,340,576	\$ 187,340,576	\$ -
Due to Other Elected Officials	-	5,717,618	5,717,618	-
Due to Other Governments	14,748	51,868,686	51,870,834	12,600
Due to Depositors	38,080	14,963	38,080	14,963
Taxes Collected in Advance	1,891,094	4,165,164	4,047,032	2,009,226
Total Liabilities	<u>\$ 1,943,922</u>	<u>\$ 249,107,007</u>	<u>\$ 249,014,140</u>	<u>\$ 2,036,789</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 7,805,993	\$ 314,263,289	\$ 315,862,822	\$ 6,206,460
Investments	-	2,465,000	875,000	1,590,000
Accounts Receivable	10,177	11,892	10,471	11,598
Due from Other Funds	690	-	550	140
Due from Other Elected Officials	370	3,330	900	2,800
Due from Other Governments	-	375,138	-	375,138
Total Assets	<u>\$ 7,817,230</u>	<u>\$ 317,118,649</u>	<u>\$ 316,749,743</u>	<u>\$ 8,186,136</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 492,607	\$ 492,607	\$ -
Due to Other Funds	24,157	187,374,793	187,367,863	31,087
Due to Other Elected Officials	145,214	7,489,032	7,509,588	124,658
Due to Other Governments	735,371	83,403,468	83,299,156	839,683
Due to Depositors	5,021,394	34,198,087	34,037,999	5,181,482
Taxes Collected in Advance	1,891,094	4,165,164	4,047,032	2,009,226
Total Liabilities	<u>\$ 7,817,230</u>	<u>\$ 317,123,151</u>	<u>\$ 316,754,245</u>	<u>\$ 8,186,136</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.

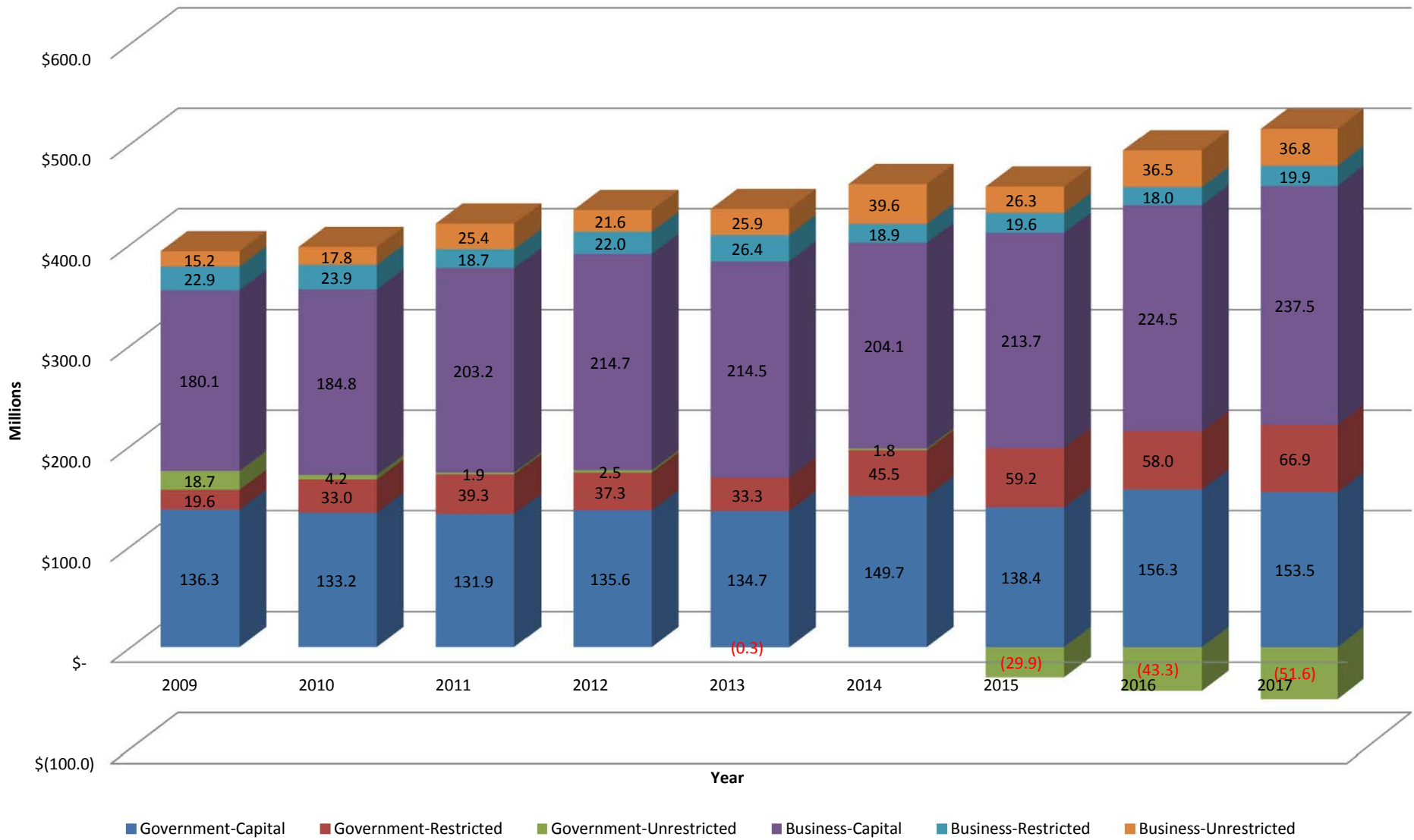
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

(amounts in thousands)	2009	2010	2011	2012	2013	2014	2015	2016	2017
GOVERNMENTAL ACTIVITIES:									
NET INVESTMENT IN CAPITAL ASSETS	\$136,255	\$133,206	\$131,864	\$135,627	\$134,735	\$149,700	\$138,402	\$156,262	\$153,520
RESTRICTED:									
DEBT SERVICE	\$485	\$1,174	\$431	\$994	\$463	\$504	\$1,039	\$0	\$435
OTHER PURPOSES	\$19,153	\$31,866	\$38,864	\$36,326	\$32,871	\$45,004	\$58,132	\$57,959	\$66,498
UNRESTRICTED (DEFICIT)	\$18,709	\$4,244	\$1,865	\$2,534	(\$265)	\$1,846	(\$29,906)	(\$43,267)	(\$51,610)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	\$174,602	\$170,490	\$173,024	\$175,481	\$167,804	\$197,054	\$167,667	\$170,954	\$168,843
BUSINESS-TYPE ACTIVITIES									
NET INVESTMENT IN CAPITAL ASSETS	\$180,105	\$184,811	\$203,224	\$214,734	\$214,514	\$204,110	\$213,694	\$224,457	\$237,458
RESTRICTED:									
DEBT SERVICE	\$12,650	\$13,654	\$7,579	\$10,262	\$9,496	\$9,964	\$8,643	\$5,837	\$5,150
OTHER PURPOSES	\$10,262	\$10,249	\$11,090	\$11,773	\$16,888	\$8,956	\$10,969	\$12,194	\$14,778
UNRESTRICTED	\$15,200	\$17,827	\$25,367	\$21,613	\$25,916	\$39,603	\$26,319	\$36,495	\$36,799
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	\$218,217	\$226,541	\$247,260	\$258,382	\$266,814	\$262,633	\$259,625	\$278,983	\$294,185
PRIMARY GOVERNMENT									
NET INVESTMENT IN CAPITAL ASSETS	\$316,360	\$318,017	\$335,088	\$350,361	\$349,249	\$353,810	\$352,096	\$380,719	\$390,978
RESTRICTED:									
DEBT SERVICE	\$13,135	\$14,828	\$8,010	\$11,256	\$9,959	\$10,468	\$9,682	\$5,837	\$5,585
OTHER PURPOSES	\$29,415	\$42,115	\$49,954	\$48,099	\$49,759	\$53,960	\$69,101	\$70,153	\$81,276
UNRESTRICTED	\$33,909	\$22,071	\$27,232	\$24,147	\$25,651	\$41,449	(\$3,587)	(\$6,772)	(\$14,811)
TOTAL PRIMARY GOVERNMENT NET POSITION	\$392,819	\$397,031	\$420,284	\$433,863	\$434,618	\$459,687	\$427,292	\$449,937	\$463,028

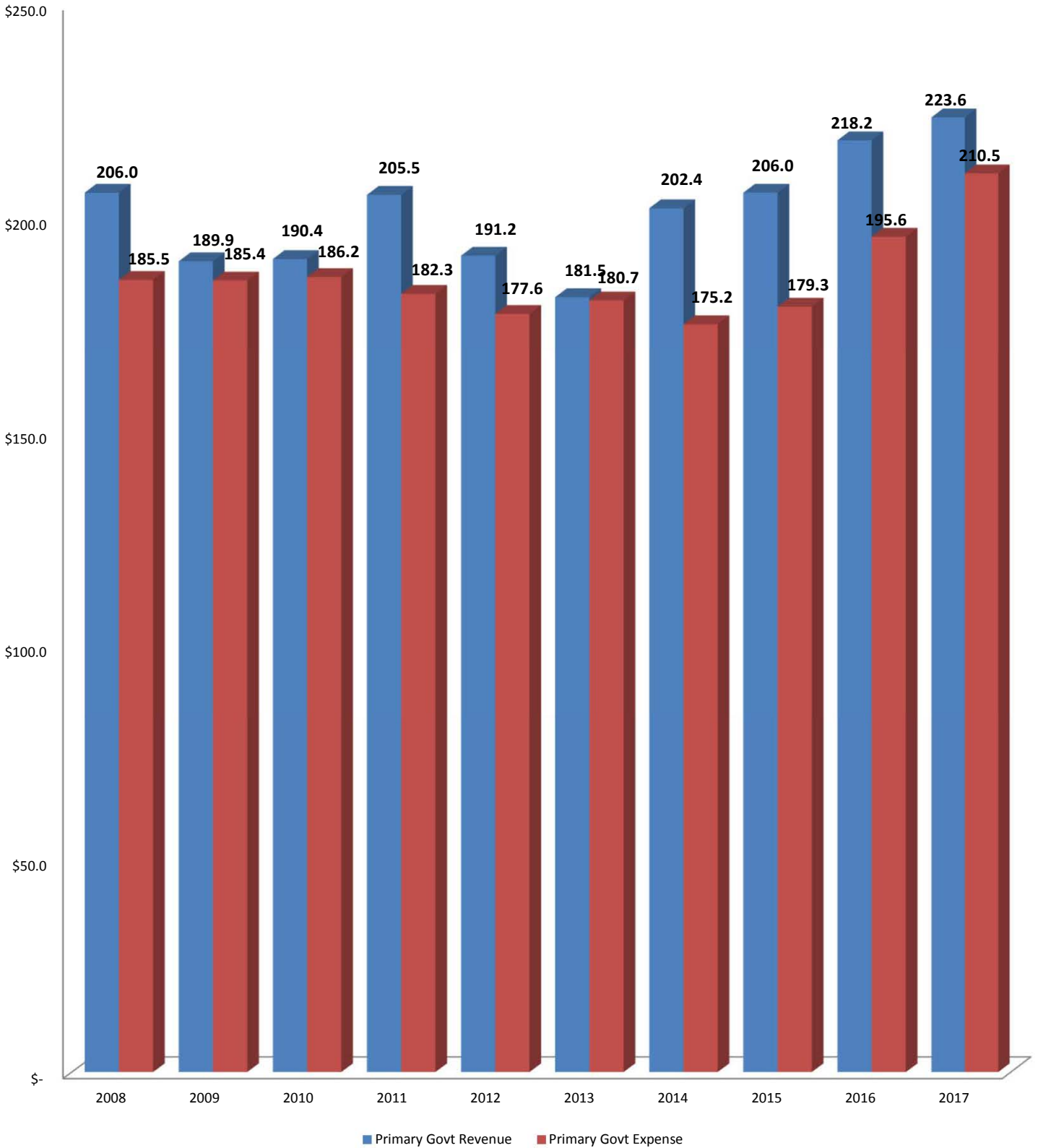
Net Position by Category Last Nine Fiscal Years



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

(amounts in thousands)	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXPENSES									
GOVERNMENTAL ACTIVITIES:									
GENERAL GOVERNMENT	\$31,008	\$32,146	\$31,726	\$30,552	\$28,715	\$29,543	\$30,449	\$33,975	\$33,618
PUBLIC SAFETY	53,499	47,995	45,335	46,360	45,296	47,804	49,096	52,621	59,792
PHYSICAL ENVIRONMENT	867	2,594	2,148	933	1,502	1,178	1,139	1,376	1,861
TRANSPORTATION	18,901	18,922	17,728	16,245	14,632	13,712	14,349	17,224	17,753
ECONOMIC ENVIRONMENT	7,456	8,980	9,290	5,563	4,983	6,174	6,432	8,501	10,705
HUMAN SERVICES	5,110	4,672	4,454	4,352	4,500	4,277	4,535	4,931	5,313
CULTURE AND RECREATION	4,500	5,031	4,007	5,902	11,997	7,521	7,317	8,238	9,461
COURT-RELATED	8,082	7,390	7,118	6,634	7,589	7,406	8,154	8,147	9,119
INTEREST AND FISCAL CHARGES	116	1,138	1,531	1,692	1,745	1,526	2,659	2,471	2,595
TOTAL GOVERNMENTAL EXPENSES	\$129,539	\$128,868	\$123,337	\$118,233	\$120,959	\$119,141	\$124,130	\$137,484	\$150,217
BUSINESS-TYPE ACTIVITIES:									
WATER AND SEWER	\$24,067	\$25,752	\$27,124	\$26,149	\$27,657	\$25,122	\$26,444	\$26,004	\$26,832
AIRPORT	9,804	10,575	12,527	12,928	12,450	13,223	12,415	13,966	13,134
SOLID WASTE	8,404	7,757	6,874	7,438	7,684	8,566	7,155	7,913	9,053
INSPECTIONS	1,245	7,561	1,149	1,600	1,588	1,541	1,678	1,671	1,975
EMERGENCY MEDICAL SERVICES	7,504	1,241	7,495	6,933	7,234	7,587	7,440	8,553	9,292
CONFERENCE CENTER	4,817	4,424	3,754	4,301	3,153	0	0	0	0
TOTAL BUSINESS-TYPE EXPENSES	\$55,841	\$57,310	\$58,923	\$59,349	\$59,766	\$56,039	\$55,132	\$58,107	\$60,286
TOTAL PRIMARY GOVERNMENT EXPENSES	\$185,380	\$186,178	\$182,260	\$177,582	\$180,725	\$175,180	\$179,262	\$195,591	\$210,503
PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES:									
CHARGES FOR SERVICES									
GENERAL GOVERNMENTAL	\$10,590	\$10,488	\$11,002	\$12,364	\$11,378	\$11,482	\$12,538	\$12,124	\$22,252
OTHER	17,359	12,287	15,752	13,332	14,090	11,829	13,423	13,338	3,875
OPERATING GRANTS AND CONTRIBUTIONS	10,843	9,867	7,675	8,354	5,845	7,379	6,738	8,959	10,769
CAPITAL GRANTS AND CONTRIBUTIONS	7,611	4,287	2,611	6,240	1,249	1,716	1,393	984	1,047
TOTAL GOVERNMENT PROGRAM REVENUE	\$46,403	\$36,929	\$37,040	\$40,290	\$32,562	\$32,406	\$34,092	\$35,405	\$37,943
BUSINESS-TYPE ACTIVITIES:									
CHARGES FOR SERVICES									
WATER & SEWER	\$22,662	\$24,107	\$25,686	\$26,025	\$26,778	\$28,746	\$28,239	\$33,038	\$34,063
OTHER	25,613	26,086	27,742	28,186	29,176	25,461	25,255	29,401	30,898
OPERATING GRANTS AND CONTRIBUTIONS	584	797	548	338	528	264	272	455	893
CAPITAL GRANTS AND CONTRIBUTIONS	6,226	9,027	18,035	10,292	4,720	18,962	10,860	11,697	9,059
TOTAL BUSINESS-TYPE PROGRAM REVENUE	\$55,085	\$60,017	\$72,011	\$64,841	\$61,202	\$73,433	\$64,626	\$74,591	\$74,913
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUE	\$101,488	\$96,946	\$109,051	\$105,131	\$93,764	\$105,839	\$98,718	\$109,996	\$112,856
NET (EXPENSE)/REVENUE									
GOVERNMENTAL ACTIVITIES	(\$83,136)	(\$91,939)	(\$86,297)	(\$77,943)	(\$88,397)	(\$86,735)	(\$90,038)	(\$102,079)	(\$112,274)
BUSINESS-TYPE ACTIVITIES	(\$756)	\$2,707	\$13,088	\$5,492	\$1,436	\$17,394	\$9,494	\$16,484	\$14,627
TOTAL PRIMARY GOVERNMENT NET EXPENSE	(\$83,892)	(\$89,232)	(\$73,209)	(\$72,451)	(\$86,961)	(\$69,341)	(\$80,544)	(\$85,595)	(\$97,647)
GENERAL REVENUES									
GOVERNMENTAL ACTIVITIES:									
TAXES	\$68,952	\$64,567	\$61,192	\$58,759	\$58,010	\$68,740	\$73,101	\$77,192	\$82,104
STATE SHARED REVENUE	16,130	15,801	16,880	17,041	17,801	22,673	23,228	24,643	22,969
GRANT AND CONTRIBUTIONS NOT RESTRICTED	256	1,725	6,622	360	124	146	3	3	0
OTHER	3,783	5,734	4,137	4,241	4,785	2,951	5,831	3,527	5,090
TOTAL GOVERNMENTAL ACTIVITIES	\$89,121	\$87,827	\$88,831	\$80,401	\$80,720	\$94,510	\$102,163	\$105,365	\$110,163
BUSINESS-TYPE ACTIVITIES:									
TAXES	\$5,825	\$4,830	\$6,810	\$6,780	\$6,709	\$1,111	\$1,504	\$1,122	\$2
STATE SHARED REVENUE	0	0	0	0	0	0	0	0	0
GRANT AND CONTRIBUTIONS NOT RESTRICTED	25	0	0	0	0	0	0	0	0
OTHER	(6,594)	786	823	(1,151)	287	927	3,641	1,752	572
TOTAL BUSINESS-TYPE ACTIVITIES	(\$744)	\$5,616	\$7,633	\$5,629	\$6,996	\$2,038	\$5,145	\$2,874	\$574
CHANGES IN NET POSITION									
GOVERNMENTAL ACTIVITIES	\$5,985	(\$4,112)	\$2,534	\$2,458	(\$7,677)	\$7,775	\$12,125	\$3,286	(\$2,111)
BUSINESS-TYPE ACTIVITIES	(\$1,500)	\$8,323	\$20,721	\$11,121	\$8,432	\$19,432	\$14,639	\$19,358	\$15,201
TOTAL PRIMARY GOVERNMENT	\$4,485	\$4,211	\$23,255	\$13,579	\$755	\$27,207	\$26,764	\$22,644	\$13,090

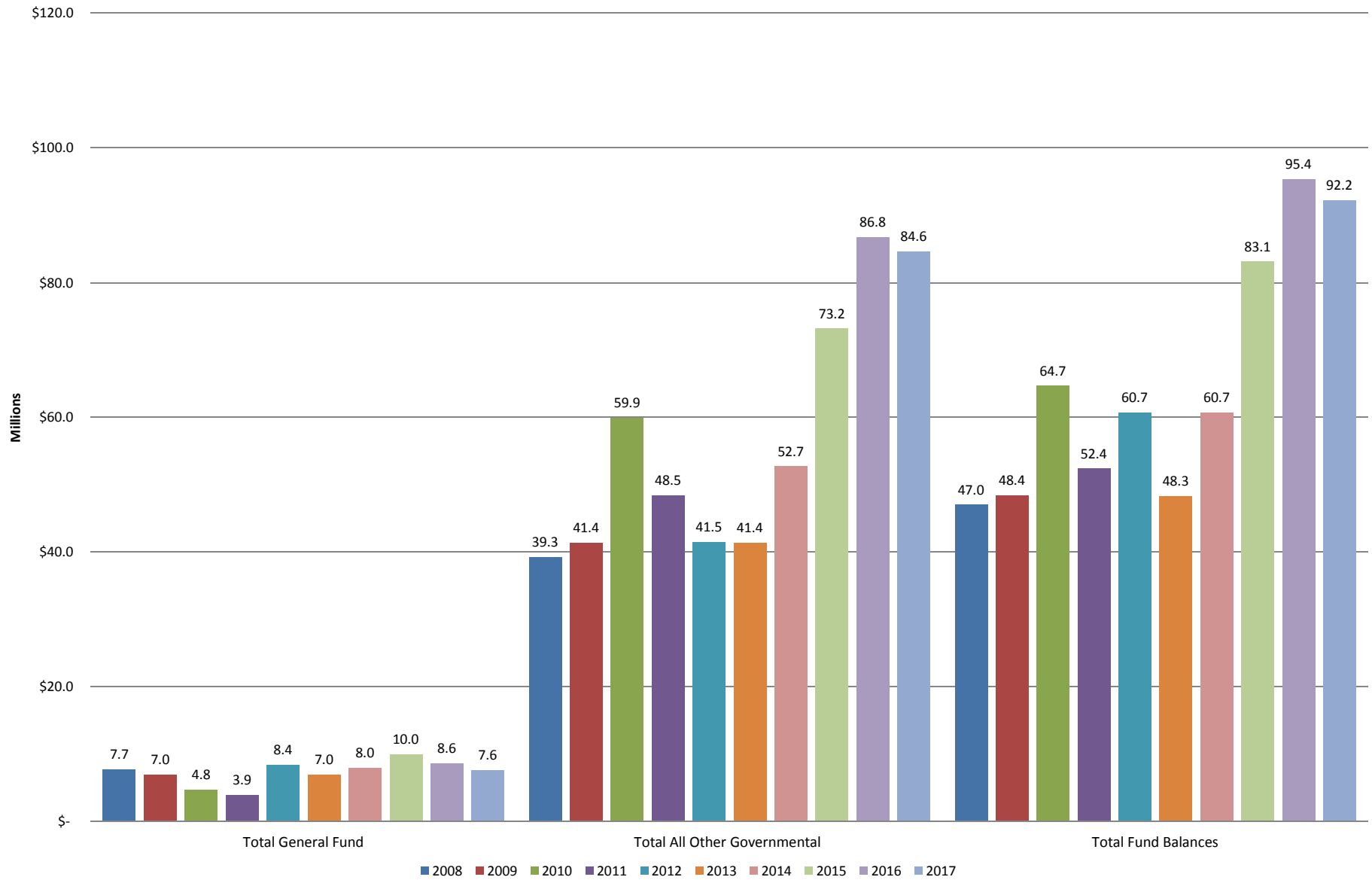
Changes in Net Position - Primary Government Last Nine Fiscal Years



FUND BALANCES -GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS

	FISCAL YEAR						
	PRE-GASB 54						
(modified accrual basis of accounting)	2008	2009	2010				
GENERAL FUND							
RESERVED	\$2,797,024	\$4,150,682	\$2,897,805				
UNRESERVED	4,937,348	2,866,210	1,879,189				
TOTAL GENERAL FUND	7,734,372	7,016,892	4,776,994				
ALL OTHER GOVERNMENTAL FUNDS							
RESERVED	12,946,707	15,218,909	35,273,294				
UNRESERVED, REPORTED IN:							
SPECIAL REVENUE FUNDS	6,561,536	8,143,049	10,305,647				
CAPITAL OUTLAY FUNDS	19,778,366	18,039,439	14,324,892				
TOTAL ALL OTHER GOVERNMENTAL FUNDS	39,286,609	41,401,397	59,903,833				
TOTAL FUND BALANCES	\$47,020,981	\$48,418,289	\$64,680,827				
	POST-GASB 54						
	2011	2012	2013	2014	2015	2016	2017
GENERAL FUND							
NONSPENDABLE	\$347,376	\$284,264	\$346,136	\$288,101	\$380,834	\$439,248	\$301,695
RESTRICTED	-	-	-	-	-	-	-
COMMITTED	26,833	26,808	26,808	28,271	32,811	32,229	35,829
ASSIGNED	-	-	-	-	4,269,298	3,739,233	1,074,730
UNASSIGNED	3,562,434	8,112,239	6,595,043	7,700,502	5,309,928	4,404,725	6,212,291
TOTAL GENERAL FUND	3,936,643	8,423,311	6,967,987	8,016,874	9,992,871	8,615,435	7,624,545
ALL OTHER GOVERNMENTAL FUNDS							
NONSPENDABLE	1,064,068	644,538	89,494	50,299	63,714	150,989	208,806
RESTRICTED	38,051,645	35,934,149	37,677,535	49,600,151	69,362,485	85,406,990	80,167,417
COMMITTED	542,977	579,899	562,599	519,514	556,145	584,502	525,437
ASSIGNED	9,861,148	4,992,479	3,103,981	3,378,819	3,238,048	3,421,017	3,923,588
UNASSIGNED	(1,064,068)	(630,376)	(68,114)	(833,541)	(63,714)	(2,794,019)	(208,806)
TOTAL ALL OTHER GOVERNMENTAL FUNDS	48,455,770	41,520,689	41,365,495	52,715,242	73,156,678	86,769,479	84,616,442
TOTAL FUND BALANCES	\$52,392,413	\$49,944,000	\$48,333,482	\$60,732,116	\$83,149,549	\$95,384,914	\$92,240,987

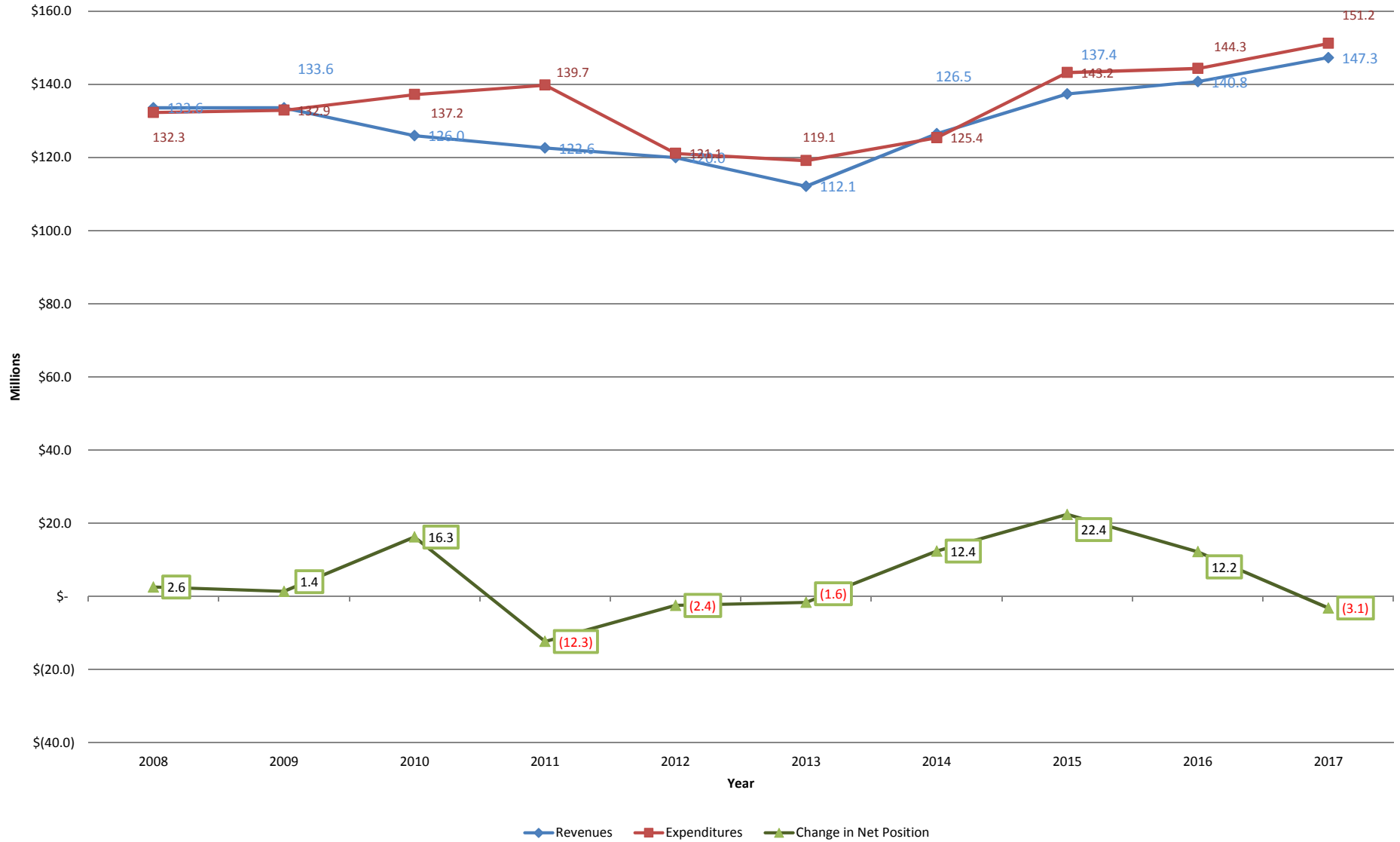
Fund Balances - Governmental Funds Last Ten Fiscal Years



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
TAXES	\$73,373,458	\$72,281,816	\$64,566,859	\$61,193,262	\$58,759,403	\$58,009,904	\$68,739,375	\$73,100,840	\$77,192,003	\$82,103,975
LICENSES & PERMITS	\$9,100	\$1,380,759	\$1,327,905	\$1,325,765	\$1,335,069	\$816,294	\$822,400	\$848,363	\$865,485	\$462,139
INTERGOVERNMENTAL	\$30,009,477	\$35,475,825	\$36,535,915	\$33,113,485	\$34,752,396	\$30,863,164	\$30,120,655	\$31,928,295	\$33,791,368	\$34,785,503
CHARGES FOR SERVICES	\$22,131,456	\$20,050,104	\$16,832,903	\$16,703,982	\$18,066,625	\$18,655,266	\$21,372,281	\$23,045,957	\$23,862,806	\$24,412,780
FINES & FORFEITURES	\$1,611,445	\$311,933	\$263,008	\$366,891	\$465,016	\$476,561	\$1,164,801	\$1,384,872	\$1,431,519	\$1,251,298
MISCELLANEOUS	\$6,452,039	\$4,053,181	\$6,474,468	\$9,896,129	\$6,602,495	\$3,307,732	\$4,307,247	\$7,076,827	\$3,616,291	\$4,282,219
TOTAL REVENUES	\$133,586,975	\$133,553,618	\$126,001,058	\$122,599,514	\$119,981,004	\$112,128,921	\$126,526,759	\$137,385,154	\$140,759,472	\$147,297,914
EXPENDITURES										
GENERAL GOVERNMENT SERVICES	\$33,527,359	\$31,564,827	\$30,831,739	\$29,385,011	\$28,153,161	\$26,836,490	\$28,079,338	\$29,330,828	\$30,551,262	\$29,095,006
PUBLIC SAFETY	\$47,406,613	\$48,819,375	\$44,472,469	\$43,923,618	\$43,331,001	\$44,072,056	\$46,091,455	\$47,208,844	\$48,955,445	\$53,315,581
PHYSICAL ENVIRONMENT	\$952,412	\$822,003	\$2,267,404	\$2,190,121	\$1,012,021	\$1,052,328	\$1,121,652	\$1,065,957	\$1,211,921	\$1,640,119
TRANSPORTATION	\$13,124,250	\$14,177,430	\$14,276,604	\$13,049,151	\$12,403,808	\$11,660,285	\$11,423,718	\$11,610,886	\$13,847,394	\$13,487,051
ECONOMIC ENVIRONMENT	\$6,297,322	\$7,415,472	\$9,052,837	\$9,158,215	\$5,077,420	\$4,941,758	\$6,336,515	\$6,408,961	\$8,466,893	\$9,948,113
HUMAN SERVICES	\$4,654,542	\$4,803,243	\$4,323,033	\$4,111,405	\$4,020,503	\$4,185,618	\$4,051,161	\$4,213,371	\$4,639,176	\$4,684,444
CULTURE AND RECREATION	\$4,494,534	\$3,887,890	\$4,452,522	\$3,419,210	\$5,330,917	\$11,418,463	\$6,603,579	\$6,311,704	\$6,914,218	\$7,649,712
COURT RELATED	\$8,752,790	\$8,114,665	\$7,102,441	\$6,824,745	\$6,795,357	\$7,158,838	\$7,400,259	\$8,111,902	\$7,808,128	\$8,057,760
CAPITAL OUTLAY	\$11,226,400	\$12,625,889	\$18,693,921	\$25,526,067	\$10,304,163	\$5,427,895	\$11,282,675	\$23,602,553	\$13,705,605	\$20,824,074
PRINCIPAL RETIREMENT	\$1,737,530	\$587,575	\$587,505	\$582,411	\$3,050,000	\$713,000	\$1,329,000	\$3,938,789	\$3,938,378	\$790,899
INTEREST	\$85,381	\$45,532	\$435,901	\$1,479,158	\$1,587,593	\$1,626,624	\$1,648,372	\$2,032,150	\$4,131,798	\$1,654,726
OTHER CHARGES	\$24,187	\$22,836	\$692,498	\$96,448	\$19,768	\$41,210	\$13,101	\$212,836	\$150,124	\$3,622
TOTAL EXPENDITURES	\$132,283,320	\$132,886,737	\$137,188,874	\$139,745,560	\$121,085,712	\$119,134,565	\$125,380,825	\$143,204,781	\$144,320,342	\$151,151,107
EXCESS OF REVENUES										
OVER(UNDER) EXPENDITURES	\$1,303,655	\$666,881	(\$11,187,816)	(\$17,146,046)	(\$1,104,708)	(\$7,005,644)	\$1,145,934	(\$5,819,627)	(\$3,560,870)	(\$3,853,193)
OTHER FINANCING SOURCES (USES)										
SPECIAL ITEM	\$0	\$0	\$0	\$0	(\$2,007,041)	\$0	\$0	\$0	\$0	\$0
TRANSFERS IN	\$9,066,308	\$8,965,209	\$7,963,351	\$11,551,302	\$11,920,643	\$6,333,962	\$16,598,302	\$9,263,264	\$8,841,151	\$7,920,212
TRANSFERS OUT	(\$7,782,208)	(\$8,234,782)	(\$6,876,756)	(\$10,293,670)	(\$11,257,307)	(\$5,938,836)	(\$7,820,602)	(\$8,499,093)	(\$7,829,475)	(\$7,210,946)
BUDGET TRANSFERS AMOUNG										
CONSTITUTIONAL OFFICERS	\$0	\$0	\$0	\$0	\$0	\$0	\$825,000	\$0	\$0	\$0
PROCEEDS FROM CAPITAL LEASES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EXCESS FEES DUE TO OTHER GOVERNMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ISSUANCE OF DEBT	\$0	\$0	\$26,363,759	\$3,600,000	\$0	\$5,000,000	\$1,650,000	\$27,472,889	\$13,584,438	\$0
ORIGNAL ISSUE PREMIUM	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,200,121	\$0
TOTAL OTHER FINANCING SOURCES(USES)	\$1,284,100	\$730,427	\$27,450,354	\$4,857,632	(\$1,343,705)	\$5,395,126	\$11,252,700	\$28,237,060	\$15,796,235	\$709,266
NET CHANGE IN FUND BALANCES	\$2,587,755	\$1,397,308	\$16,262,538	(\$12,288,414)	(\$2,448,413)	(\$1,610,518)	\$12,398,634	\$22,417,433	\$12,235,365	(\$3,143,927)
DEBT SERVICE AS A PERCENTAGE OF										
NONCAPITAL EXPENDITURES	1.49%	1.42%	0.50%	1.27%	1.57%	4.00%	2.44%	3.87%	6.18%	1.88%

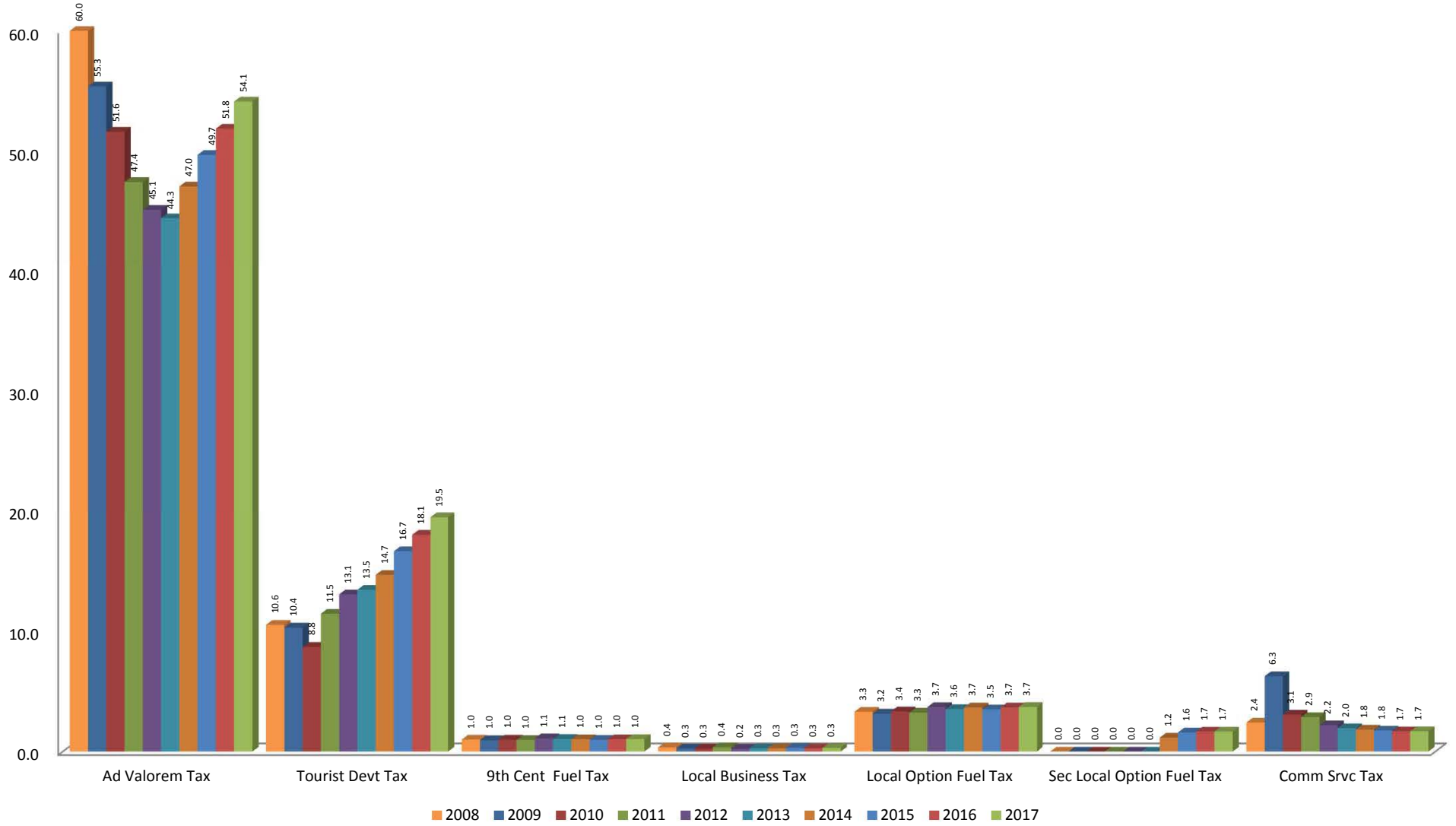
Changes in Fund Balances - Governmental Funds Last Ten Fiscal Years



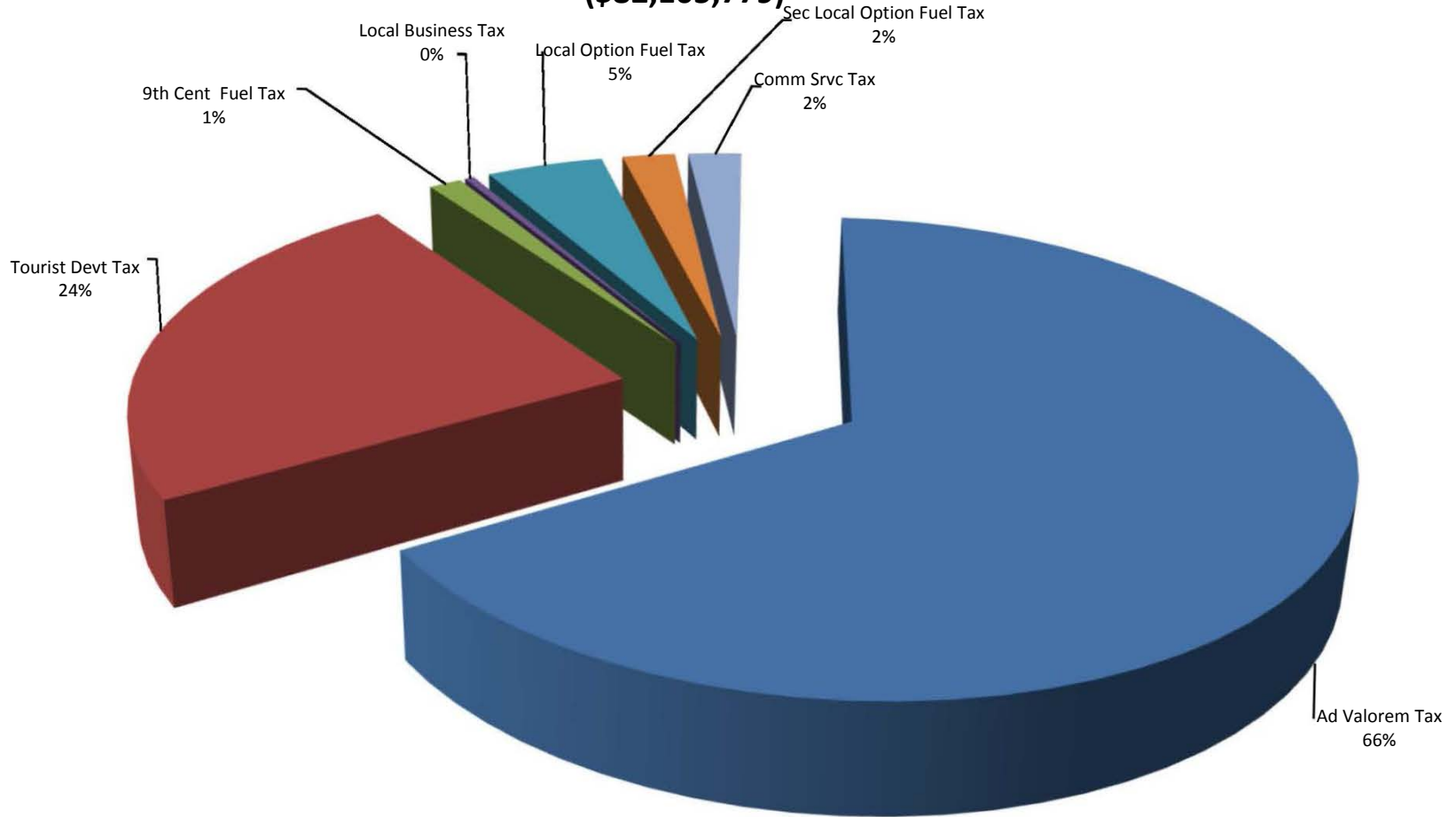
GOVERNMENTAL TAX REVENUES BY SOURCE - LAST TEN FISCAL YEARS

FISCAL YEAR	AD VALOREM TAX	TOURIST DEVELOPMENT TAX	9TH CENT VOTED FUEL TAX	LOCAL BUSINESS TAX	LOCAL OPTION FUEL TAX	SECOND LOCAL OPTION FUEL TAX	COMMUNICATION SERVICE TAX	TOTAL TAXES
2008	\$59,958,051	\$10,602,067	\$1,003,998	\$350,931	\$3,337,538	\$0	\$2,437,077	\$73,373,458
2009	\$55,342,840	\$10,378,310	\$957,813	\$252,511	\$3,188,176	\$0	\$6,313,490	\$72,281,816
2010	\$51,591,467	\$8,766,718	\$1,007,578	\$251,035	\$3,360,644	\$0	\$3,096,105	\$64,566,860
2011	\$47,413,163	\$11,522,681	\$977,680	\$363,365	\$3,262,337	\$0	\$2,894,338	\$68,003,550
2012	\$45,105,639	\$13,128,501	\$1,119,335	\$241,449	\$3,735,262	\$0	\$2,208,919	\$65,539,105
2013	\$44,348,020	\$13,509,660	\$1,066,902	\$268,190	\$3,559,220	\$0	\$1,956,905	\$64,708,897
2014	\$47,044,564	\$14,747,760	\$1,038,703	\$276,084	\$3,694,824	\$1,167,117	\$1,848,458	\$69,817,510
2015	\$49,668,734	\$16,713,548	\$992,766	\$324,402	\$3,533,694	\$1,604,709	\$1,766,987	\$74,604,840
2016	\$51,839,796	\$18,078,186	\$1,039,247	\$283,877	\$3,699,205	\$1,680,999	\$1,692,888	\$78,314,199
2017	\$54,096,833	\$19,534,275	\$1,049,857	\$304,577	\$3,737,446	\$1,682,579	\$1,700,212	\$82,105,779

Governmental Tax Revenues By Source- Last Ten Fiscal Years



**Governmental Tax Revenues by Source
Fiscal Year 2017
(\$82,105,779)**



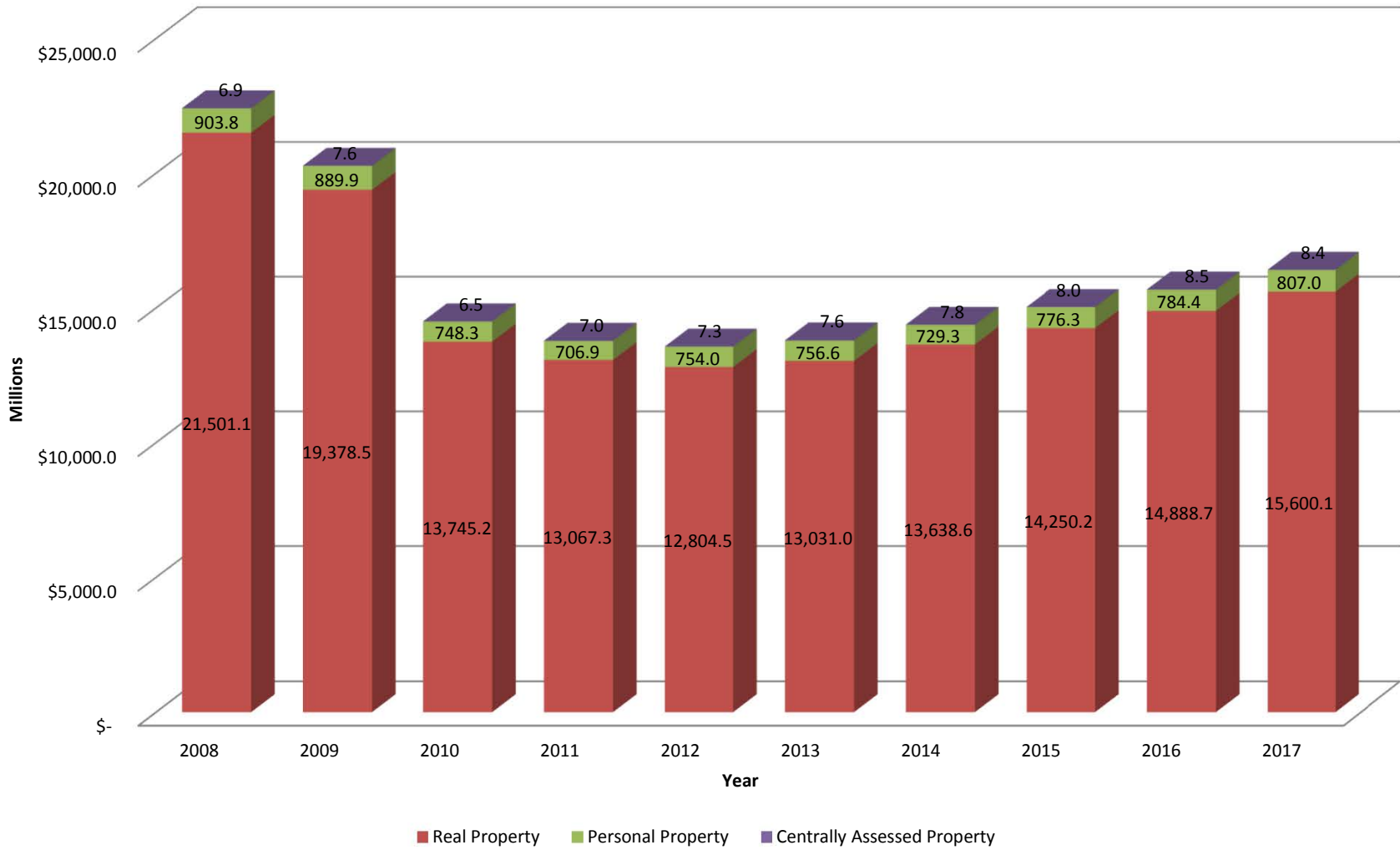
TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY - LAST TEN FISCAL YEARS

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				
2008	21,501,149,397	903,815,644	6,920,971	22,411,886,012	11.1721	26,366,924,720	85.00%
2009	19,378,497,270	889,891,402	7,649,778	20,276,038,450	11.1035	23,854,162,882	85.00%
2010	13,745,152,717	748,267,784	6,451,134	14,499,871,635	11.1089	17,058,672,512	85.00%
2011	13,067,292,712	706,920,964	7,025,754	13,781,239,430	11.0039	16,213,222,859	85.00%
2012	12,804,470,883	753,956,598	7,314,456	13,565,741,937	11.2389	15,959,696,396	85.00%
2013	13,030,999,186	756,578,546	7,592,401	13,795,170,133	10.9459	16,229,611,921	85.00%
2014	13,638,594,459	729,296,565	7,839,711	14,375,730,735	11.1618	16,912,624,394	85.00%
2015	14,250,207,252	776,305,018	7,960,210	15,034,472,480	11.0088	17,687,614,682	85.00%
2016	14,888,659,305	784,426,652	8,494,897	15,681,580,854	10.6368	18,448,918,652	85.00%
2017	15,600,116,012	807,013,281	8,353,692	16,415,482,985	10.7178	19,312,332,924	85.00%

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

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

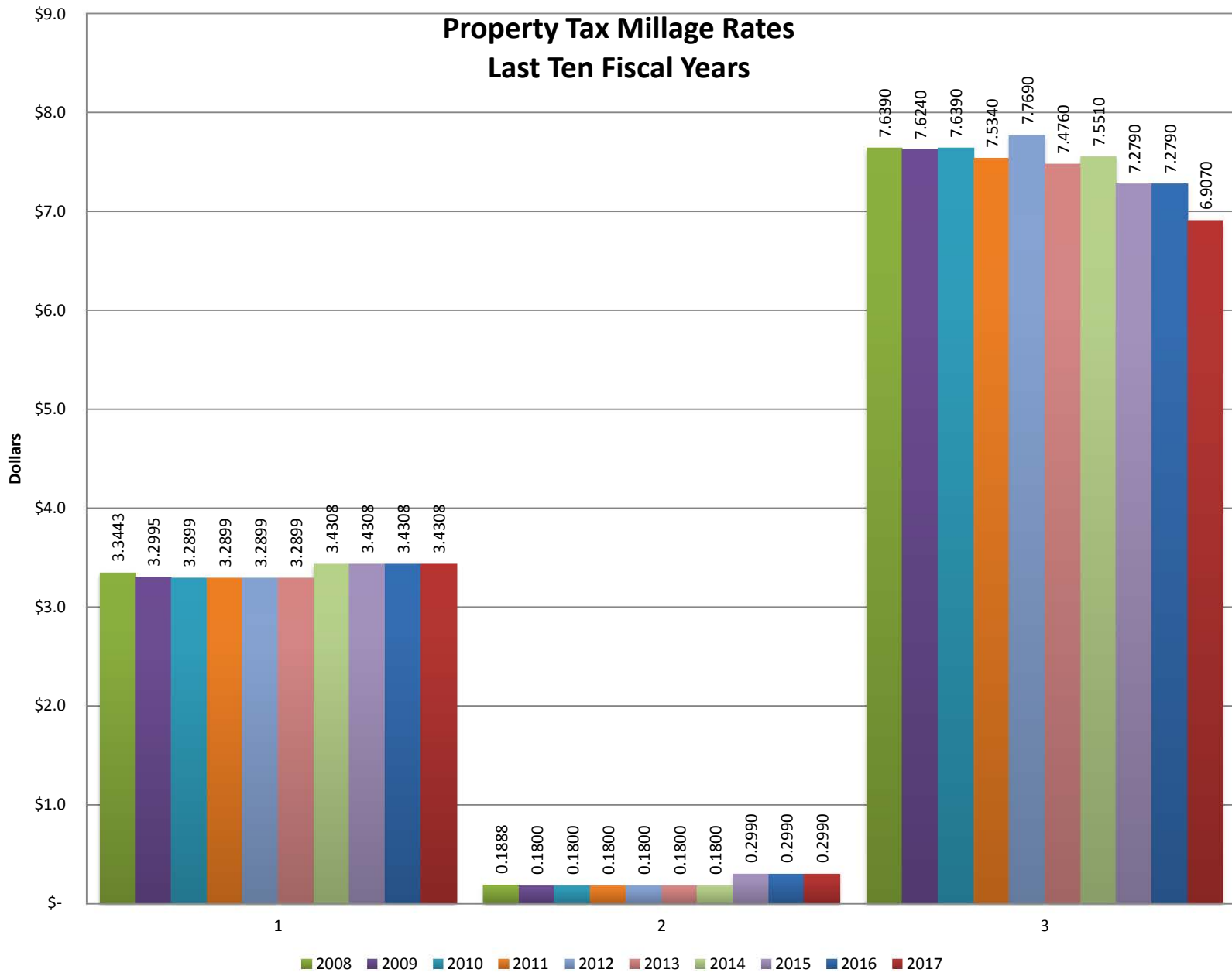
Taxable Assessed Value Last Ten Fiscal Years



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

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
COUNTYWIDE (BOCC)										
GENERAL REVENUE	3.3443	3.2995	3.2899	3.2899	3.2899	3.2899	3.4308	3.4308	3.4308	3.4308
UNINCORPORATED AREA (BOCC)										
MUNICIPAL SERVICE TAXING UNIT (MSTU)	0.1888	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.2990	0.2990	0.2990
COUNTYWIDE (OTHER)										
SCHOOL BOARD	7.6390	7.6240	7.6390	7.5340	7.7690	7.4760	7.5510	7.2790	7.2790	6.9070
TOTAL MILLAGES	<u>11.1721</u>	<u>11.1035</u>	<u>11.1089</u>	<u>11.0039</u>	<u>11.2389</u>	<u>10.9459</u>	<u>11.1618</u>	<u>11.0088</u>	<u>11.0088</u>	<u>10.6368</u>
MUNICIPALITIES										
CINCO BAYOU	2.0639	2.0639	2.0639	2.1000	2.3000	2.3500	2.3500	3.0000	3.0000	3.0000
CRESTVIEW	5.8466	5.8466	5.8466	5.8466	5.5966	5.5966	5.8466	6.9466	6.9466	6.9466
DESTIN	1.4550	1.4550	1.4550	1.4550	1.4550	1.4550	1.5000	1.5000	1.6150	1.6150
FORT WALTON BEACH	4.1986	4.1986	4.1986	4.5383	4.5383	4.5383	5.7697	5.7697	5.7697	5.7697
LAUREL HILL	5.0000	4.8400	3.5000	3.5000	3.5000	3.5000	3.5000	3.5000	3.5000	3.5000
MARY ESTHER	3.0125	2.6996	2.6996	2.6435	2.6435	2.6435	2.6435	3.5000	3.8880	4.2347
NICEVILLE	3.2669	3.2000	3.4500	3.6301	3.6500	3.7000	3.7000	3.7000	3.7000	3.7000
SHALIMAR	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
VALPARAISO	2.8754	3.7500		3.9330	4.0644	4.5240	4.5240	5.0240	5.0240	5.0240
SPECIAL DISTRICTS										
NW FLORIDA WATER MANAGEMENT	0.0450	0.0450	0.0450	0.0450	0.0400	0.0400	0.0400	0.0378	0.0366	0.0353
LAKE PIPPIN MSBU	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT
DESTIN FIRE	0.8004	0.9009	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
EAST NICEVILLE FIRE	1.9200	2.0000	2.3500	2.3500	2.3700	2.3700	2.3700	2.7000	3.0176	3.0176
FLO ROSA FIRE	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
NORTH BAY FIRE	1.6819	1.7827	2.0500	2.2500	2.3500	2.3500	2.3500	2.3500	2.3500	2.3500
OCEAN CITY-WRIGHT FIRE	1.6460	1.8144	1.8144	2.0000	2.0000	2.0000	2.2500	2.4000	2.5800	2.5800
OKALOOSA ISLAND FIRE	2.0250	1.9998	2.1900	2.7949	2.9950	3.1154	3.5550	3.4500	3.3699	3.6000
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

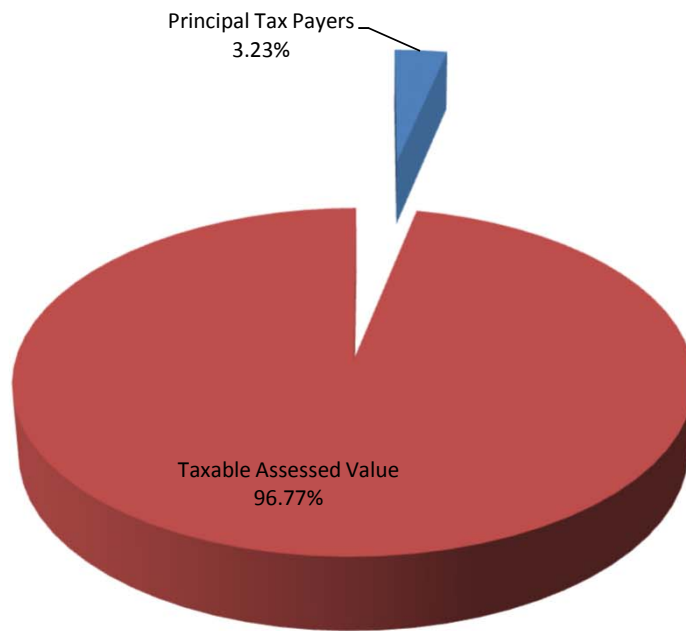


PRINCIPAL PROPERTY TAX PAYERS - LAST FISCAL YEAR COMPARED TO THE FISCAL YEAR NINE YEARS EARLIER

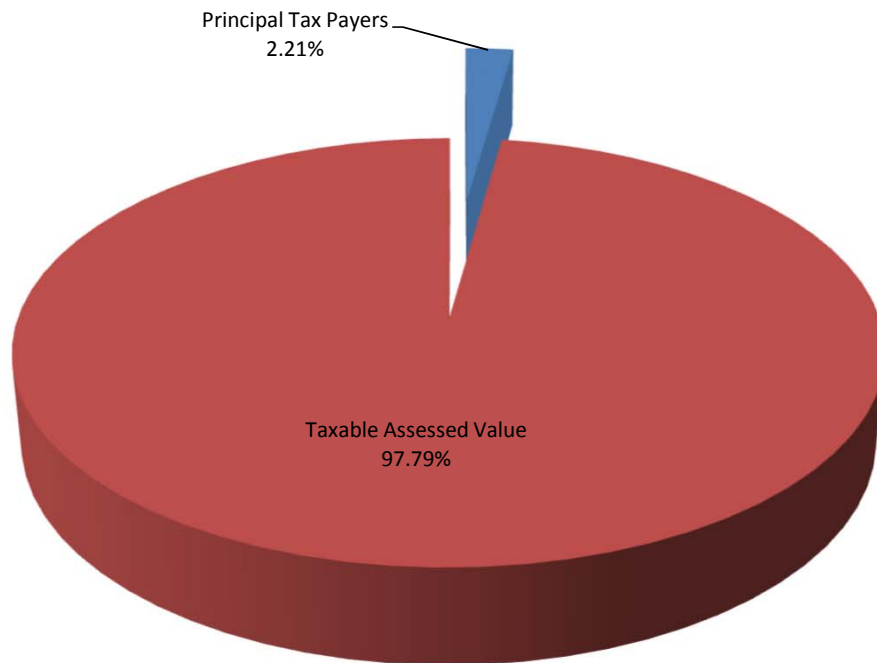
TAXPAYER	2017		2008	
	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Gulf Power Co.	\$168,319,907	1.03%	\$110,123,387	0.49%
Florida Gas Transmission	\$72,183,848	0.44%		0.00%
Emerald Grande Inc	\$57,172,180	0.35%		
Embarq Corp	\$41,298,751	0.25%		
Destin Commons LTD	\$39,555,745	0.24%		
Ft Walton Beach Medical Center	\$34,948,778	0.21%		0.00%
Choctawhatchee Electric Co	\$33,638,998	0.20%		
Henderson Beach Resort Holdings	\$28,561,191	0.17%		
Cox Communications Gulf Coast	\$27,872,711	0.17%		
BR Henderson Beach LLC	\$27,121,925	0.17%		
Embarq Corp			\$73,082,041	0.33%
Emerald Grande Inc			\$57,057,440	0.25%
SRM-SPE LLC			\$49,606,190	0.22%
Destin Commons LTD			\$42,446,774	0.19%
DRB Development LLC			\$37,978,000	0.17%
Cox Com INC			\$37,872,819	0.17%
Valparaiso Realty			\$32,297,302	
Beach Resort Investments LLC			\$27,698,393	
HCA			\$27,591,649	
TOTAL PRINCIPAL TAXPAYER VALUE	\$530,674,034	3.23%	\$495,753,995	2.21%
TOTAL OTHER TAXPAYER VALUE	\$15,884,808,951	96.77%	\$21,916,132,017	97.79%
TOTAL TAXABLE ASSESSED VALUE	\$16,415,482,985	100.0%	\$22,411,886,012	100.0%

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Principal Property Tax Payers Current Year 2017



Principal Property Tax Payers Year 2008

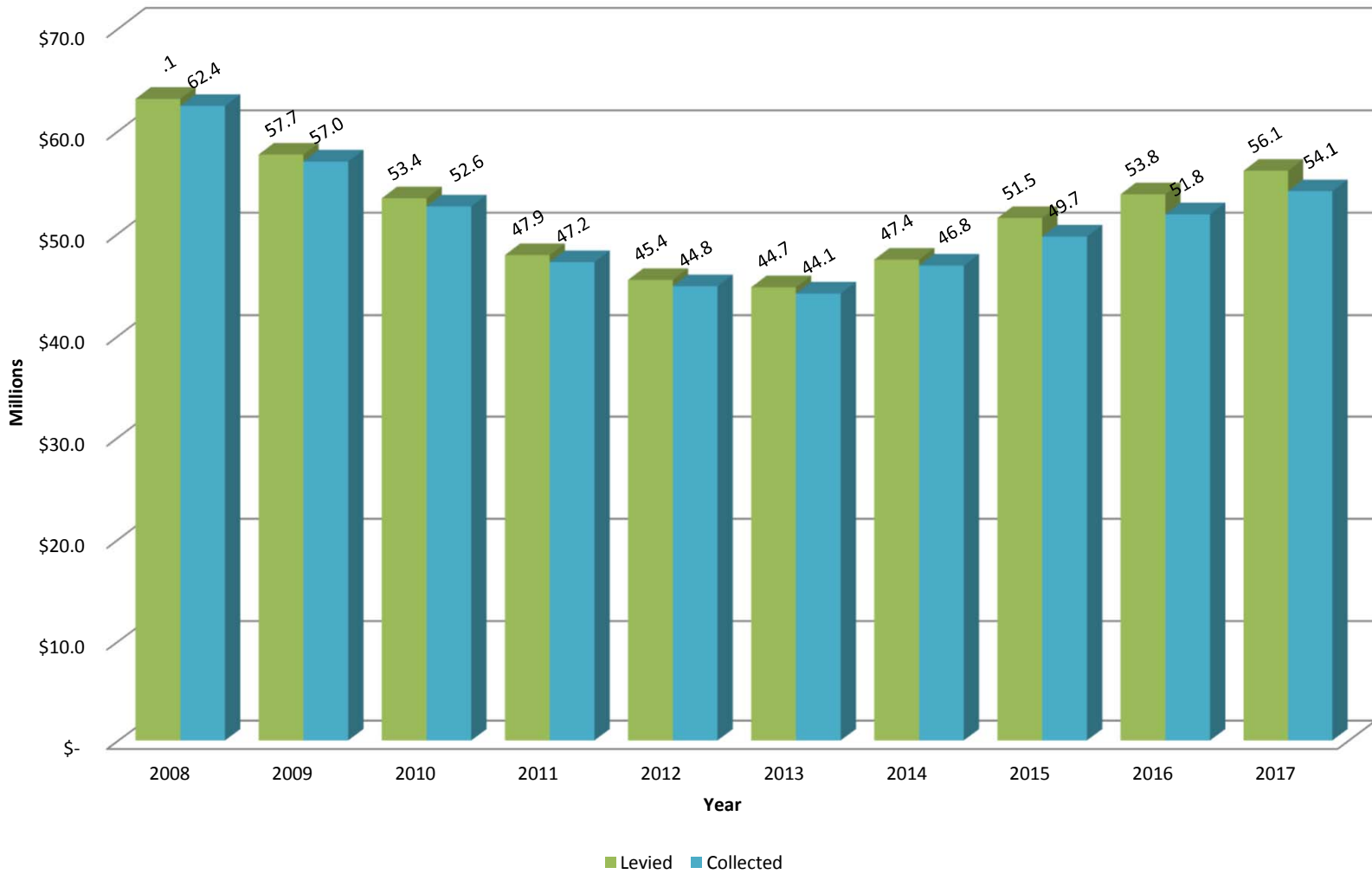


PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS

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
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%
2013	\$44,715,750	\$43,934,031	98.3%	\$168,991	\$44,103,022	98.6%
2014	\$47,418,367	\$46,623,220	98.3%	\$210,673	\$46,833,893	98.8%
2015	\$51,479,158	\$49,506,421	96.2%	\$162,314	\$49,668,735	96.5%
2016	\$53,794,633	\$51,776,803	96.2%	\$62,994	\$51,839,797	96.4%
2017	\$56,098,297	\$54,031,657	96.3%	\$65,175	\$54,096,832	96.4%

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, NOTES, AND LOANS (4)	WATER BONDS, NOTES, AND LOANS (5)	AIRPORT BONDS, NOTES, AND LOANS (6)	SOLID WASTE BONDS (7)	CONFERENCE CENTER BONDS (8)	CAPITAL LEASES			
2008	\$857,792	\$0	\$0	\$3,580,000	\$95,295,296	\$20,735,156	\$740,869	\$12,010,000	\$0	\$135,027,617	1.81%	\$687
2009	\$530,526	\$0	\$0	\$3,360,000	\$92,048,960	\$20,632,249	\$446,475	\$12,010,000	\$0	\$130,426,566	1.75%	\$663
2010	\$182,412	\$25,749,919	\$0	\$3,140,000	\$88,476,519	\$20,283,475	\$153,221	\$11,725,000	\$0	\$151,751,057	2.03%	\$772
2011	\$0	\$29,391,615	\$0	\$2,740,000	\$84,700,701	\$22,693,018	\$0	\$3,490,000	\$0	\$143,838,719	1.92%	\$732
2012	\$0	\$19,153,198	\$0	\$0	\$95,984,441	\$23,995,407	\$0	\$1,685,000	\$0	\$151,569,848	2.03%	\$771
2013	\$0	\$28,510,203	\$0	\$4,973,393	\$84,863,512	\$22,235,623	\$0	\$155,000	\$0	\$137,070,512	1.83%	\$697
2014	\$0	\$28,290,659	\$0	\$6,059,000	\$88,566,870	\$20,249,582	\$0	\$0	\$0	\$143,166,111	1.92%	\$728
2015	\$0	\$52,719,870	\$0	\$6,022,211	\$81,984,312	\$19,235,035	\$0	\$0	\$0	\$159,961,428	1.77%	\$796
2016	\$0	\$63,899,514	\$416,292	\$4,490,979	\$79,094,314	\$19,515,143	\$0	\$0	\$0	\$167,416,242	1.86%	\$822
2017	\$0	\$63,368,537	\$208,146	\$4,340,756	\$75,459,990	\$18,698,323	\$0 #	\$0	\$0	\$162,075,753	1.67%	\$829

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

(2) Includes Sales Tax Revenue Bonds, Series 2009 (Net issuance discount), Capital Improvement Revenue Bond, Series 2011, Sales Tax Revenue Bonds, Series 2014, and Sales Tax Revenue Bonds, Series 2016

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

(4) Includes Florida Local Government Finance Commission Pooled Paper Loan and Private Bank Note, 2015

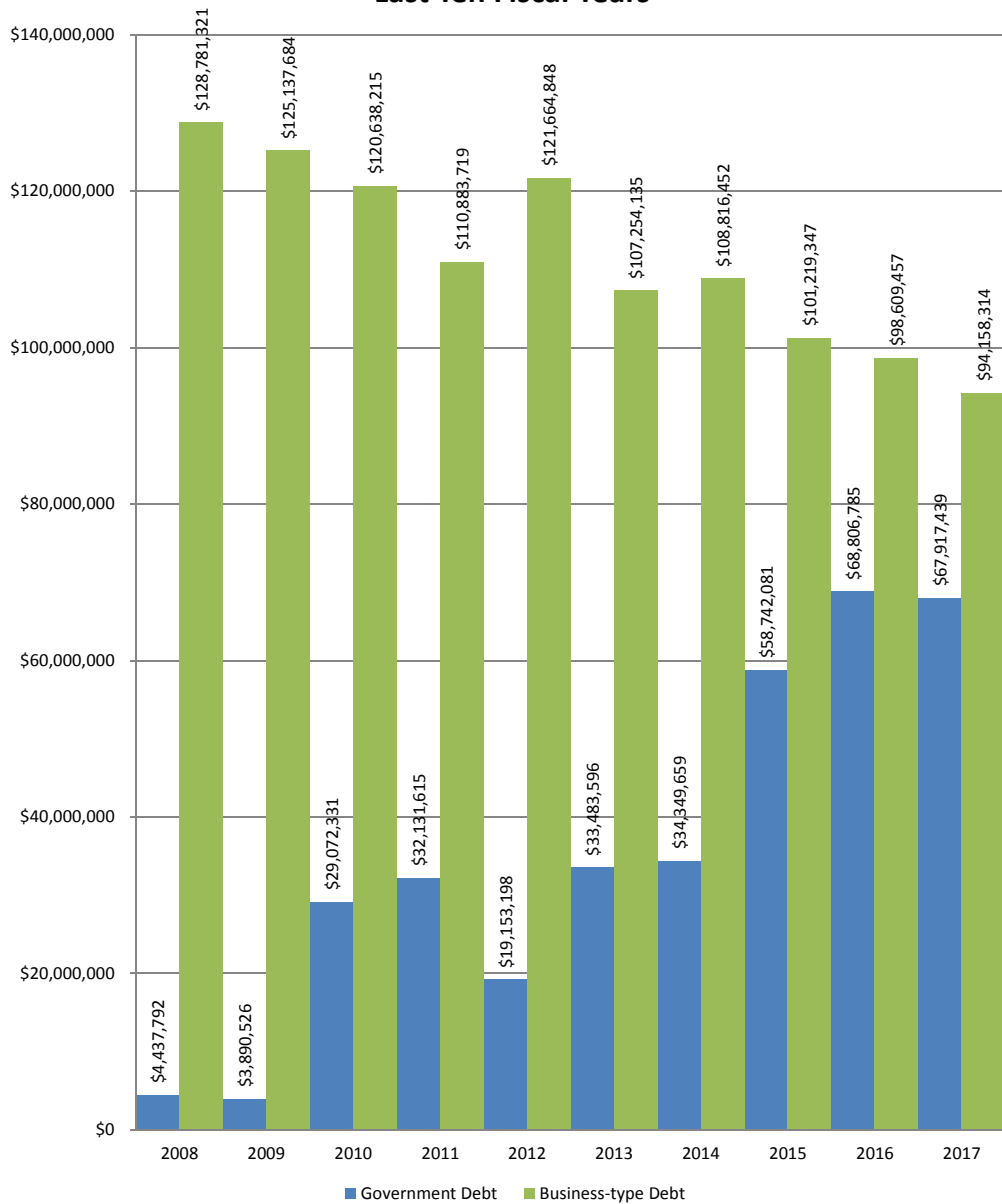
(5) Includes State Pollution Control Bonds, and Revenue Bonds, Series 2015 (Net issuance premium)

(6) Includes Revenue Bonds 2007 (Net issuance discount) and 2014, State Infrastructure Bank Loans, and 2015 Commercial Paper Loan

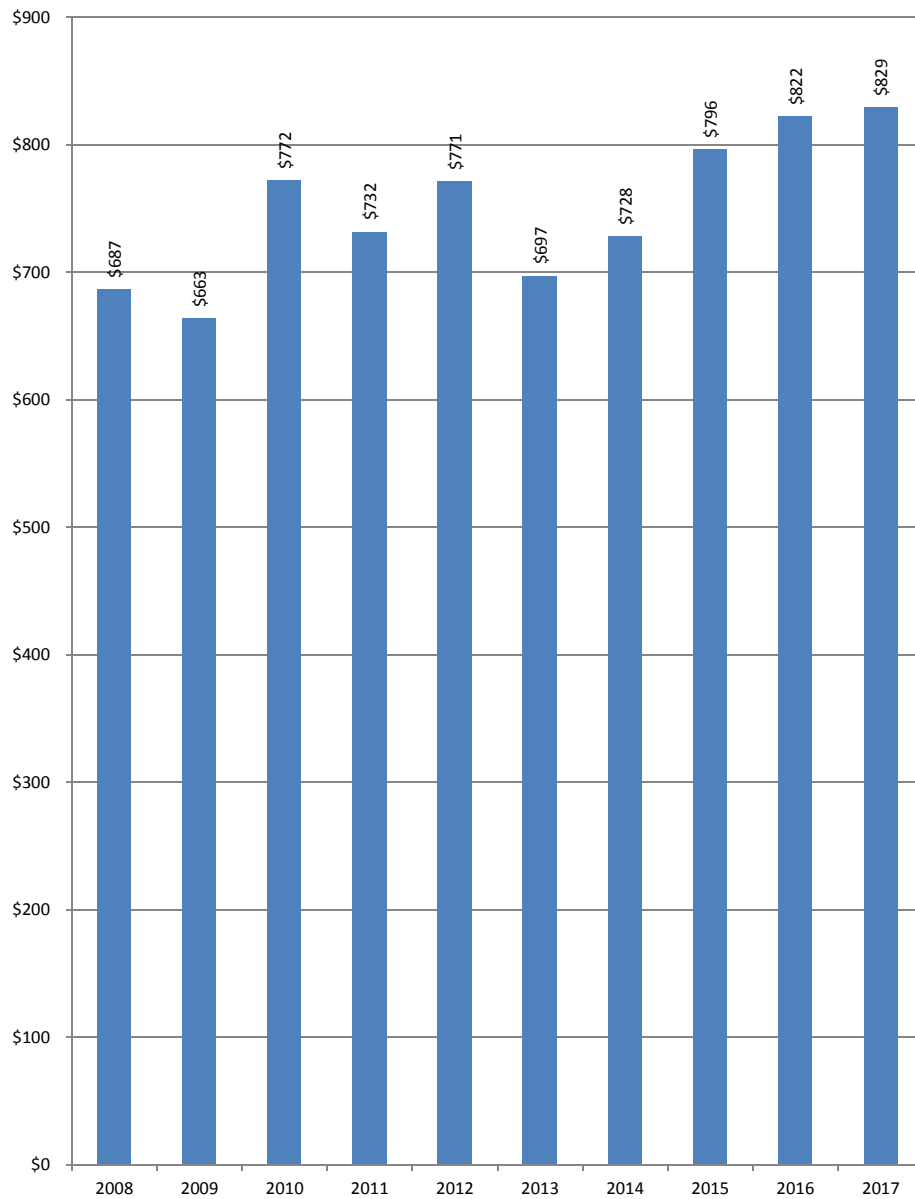
(7) Includes Capital Improvement Bonds, 1991

(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 Operating Expense	Net Revenue Avail -Debt Serv	WATER REVENUE BONDS AND NOTES (PRINCIPAL + INTEREST)							
				1985	1992	2004	2006	2012	2015	TOTAL	COVERAGE
2006	\$23,719,695	\$15,272,060	\$8,447,635	\$68,680	\$331,924	\$3,422,370	\$0	\$0	\$0	\$3,822,974	2.21
2007	\$26,745,817	\$15,974,674	\$10,771,143	\$68,677	\$194,186	\$2,967,970	\$1,171,405	\$0	\$0	\$4,402,238	2.45
2008	\$24,694,611	\$16,827,092	\$7,867,519	\$67,831	\$0	\$2,964,695	\$1,900,194	\$0	\$0	\$4,932,720	1.59
2009	\$23,481,347	\$16,371,638	\$7,109,709	\$67,743	\$0	\$2,976,286	\$509,283	\$0	\$0	\$3,553,312	2.00
2010	\$24,831,872	\$15,267,581	\$9,564,291	\$67,648	\$0	\$801,210	\$5,171,437	\$0	\$0	\$6,040,295	1.58
2011	\$25,895,709	\$16,650,924	\$9,244,785	\$67,542	\$0	\$982,850	\$4,989,988	\$0	\$0	\$6,040,380	1.53
2012	\$26,581,965	\$15,571,980	\$11,009,985	\$67,426	\$0	\$3,728,770	\$0	\$533,531	\$0	\$4,329,727	2.54
2013	\$26,685,108	\$15,295,914	\$11,389,194	\$68,003	\$0	\$3,754,732	\$2,837,287	\$489,839	\$0	\$7,149,861	1.59
2014	\$29,122,953	\$14,809,770	\$14,313,183	\$66,451	\$0	\$3,790,065	\$0	\$536,674	\$0	\$4,393,190	3.26
2015	\$33,938,933	\$15,992,250	\$17,946,683	\$33,520	\$0	\$5,037,556	\$3,077,105	\$300,731	\$1,902,096	\$10,351,008	1.73
2016	\$33,971,112	\$15,844,441	\$18,126,671	\$0	\$0	\$0	\$0	\$0	\$4,899,300	\$4,899,300	3.70
2017	\$34,491,900	\$16,807,625	\$17,684,275	\$0	\$0	\$0	\$0	\$0	\$5,807,763	\$5,807,763	3.04

PLEDGED-REVENUE BOND COVERAGE

FISCAL YEAR	Gross Operating Revenue	Passenger Facility Charges	Direct Operating Expense	Net Revenue Avail -Debt Serv	AIRPORT REVENUE BONDS (PRINCIPAL + INTEREST)				
					2003	2007	2014	TOTAL	COVERAGE
2006	\$7,462,550	\$1,383,854	\$4,221,206	\$4,625,198	\$797,195	\$0	\$0	\$797,195	5.80
2007	\$8,302,612	\$1,493,144	\$4,851,237	\$4,944,519	\$796,109	\$0	\$0	\$796,109	6.21
2008	\$8,039,113	\$1,459,441	\$5,132,705	\$4,365,849	\$788,232	\$263,413	\$0	\$1,051,645	4.15
2009	\$8,557,210	\$1,378,312	\$5,674,469	\$4,261,053	\$789,413	\$208,221	\$0	\$997,634	4.27
2010	\$9,118,672	\$1,466,902	\$6,036,864	\$4,548,710	\$799,213	\$891,775	\$0	\$1,690,988	2.69
2011	\$9,602,757	\$1,732,199	\$7,893,609	\$3,441,347	\$797,950	\$887,675	\$0	\$1,685,625	2.04
2012	\$9,502,093	\$1,451,015	\$8,056,047	\$2,897,061	\$795,575	\$892,975	\$0	\$1,688,550	1.72
2013	\$9,334,305	\$1,384,486	\$7,117,500	\$3,601,291	\$797,393	\$887,075	\$0	\$1,684,468	2.14
2014	\$9,052,923	\$1,488,823	\$7,864,096	\$2,677,650	\$353,691	\$6,250,575	\$559,028	\$7,163,294	0.37
2015	\$8,448,925	\$1,321,169	\$7,776,146	\$1,993,948	\$0	\$300,087	\$269,150	\$569,237	3.50
2016	\$10,073,560	\$1,756,663	\$8,554,275	\$3,275,948	\$0	\$1,160,662	\$894,380	\$2,055,042	1.59
2017	\$12,013,833	\$2,243,640	\$7,991,528	\$6,265,945	\$0	\$866,938	\$747,825	\$1,614,763	3.88

PLEDGED-REVENUE BOND COVERAGE

FISCAL YEAR	Gross Operating Revenue	Direct Operating Expense	Net Revenue Avail -Debt Serv	CONFERENCE CENTER REVENUE BONDS (PRINCIPAL + INTEREST)		
				Bond	TOTAL	COVERAGE
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
2013	\$6,258,565	\$2,437,430	\$3,821,135	\$1,535,370	\$1,535,370	2.49

Note: Conference Center debt was paid in full in fiscal year 2014.

DIRECT AND OVERLAPPING GOVENMENTAL ACTIVITIES DEBT AND COMPUTATION

DIRECT:	DEBT OUTSTANDING	PERCENT APPLICABLE TO THIS GOVERNMENTAL UNIT
OKALOOSA COUNTY - REVENUE BONDS	\$60,468,000	100%
OKALOOSA COUNTY - PRIVATE BANK NOTES	\$4,340,756	100%
OKALOOSA COUNTY - CAPITAL LEASE	\$208,146	100%

OVERLAPPING:

OKALOOSA GOVERNMENTS ARE ENCOURAGED, BUT NOT REQUIRED TO PRESENT INFORMATION ABOUT DIRECT OR OVERLAPPING DEBT. OVERLAPPING DEBT IS NOT PRESENTED.

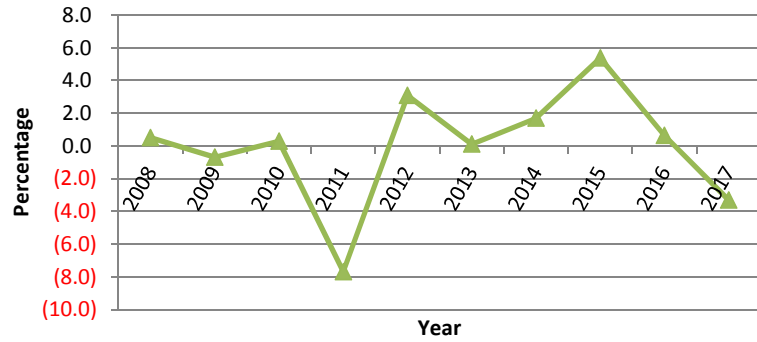
DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN YEARS

YEAR	POPULATION	PERCENT +/-	PERSONAL INCOME IN THOUSANDS	PERCENT +/-	PER CAPITA PERSONAL INCOME	PERCENT +/-	UNEMPLOYMENT RATE
2008	197,597	0.5%	\$7,607,688	2.3%	\$41,858	2.8%	4.70%
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%	\$43,383	9.4%	8.40%
2011	181,679	-7.7%	\$8,086,833	9.0%	\$44,479	2.5%	7.80%
2012	187,280	3.1%	\$8,546,210	5.7%	\$44,903	1.0%	6.70%
2013	187,486	0.1%	\$8,775,211	2.7%	\$45,277	0.8%	5.70%
2014	190,666	1.7%	\$8,783,041	0.1%	\$44,695	-1.3%	5.10%
2015	200,895	5.4%	\$8,983,919	2.3%	\$45,222	1.2%	3.80%
2016	202,183	0.6%	\$9,422,078	4.9%	\$46,836	3.6%	4.00%
2017	195,488	-3.3%	\$9,679,735 (1)	2.7%	\$47,602 (1)	1.6%	3.40%

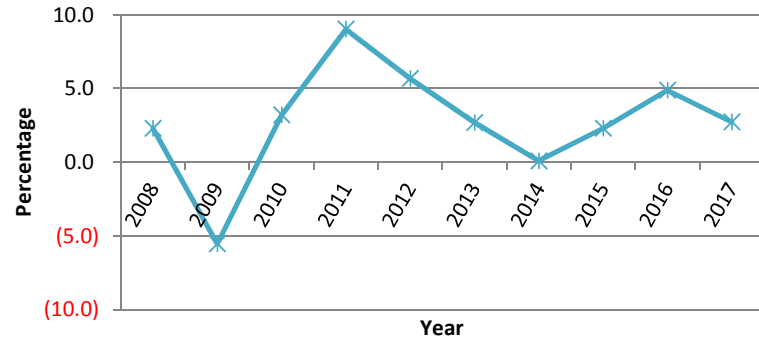
(1) Estimated income figures based upon average percent in prior years.

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

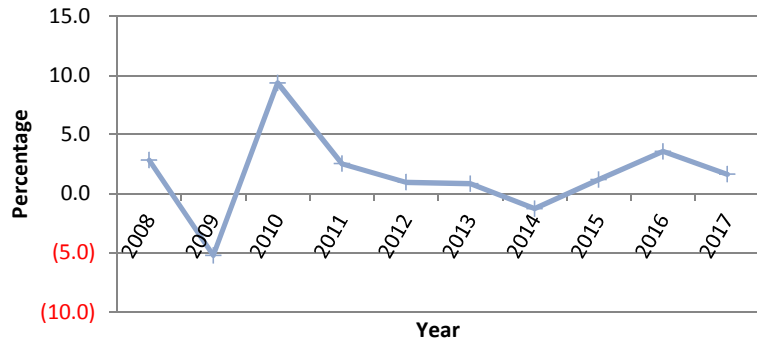
**Population
Last Ten Fiscal Years**



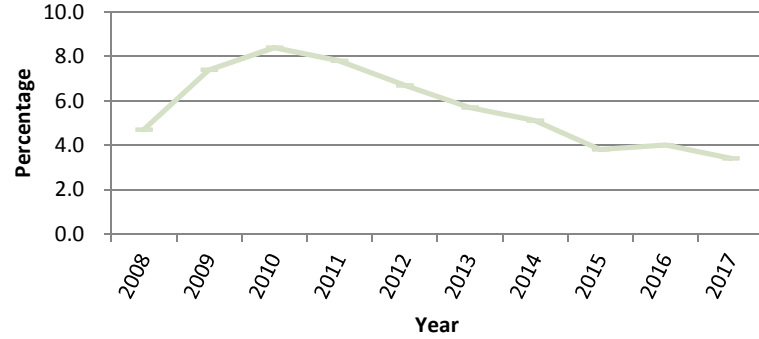
**Personal Income
Last Ten Fiscal Years**



**Per Capita Income
Last Ten Fiscal Years**



**Unemployment Rate
Last Ten Fiscal Years**

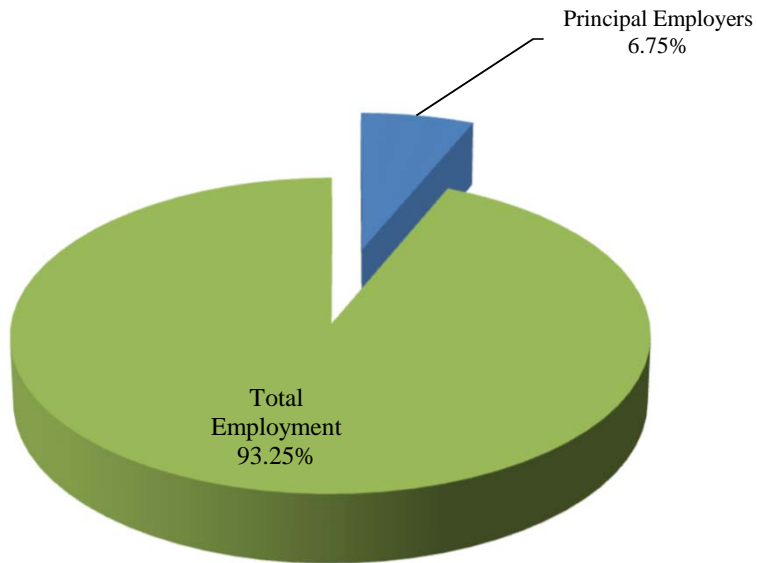


PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO

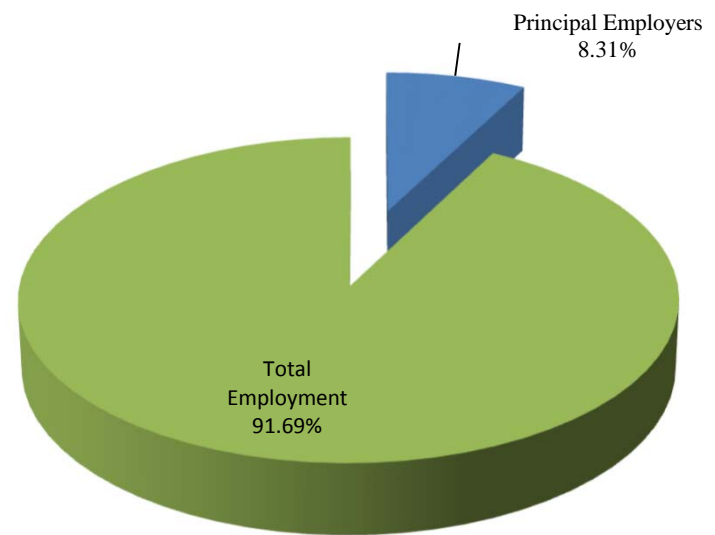
EMPLOYER	2017		2008	
	EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT	EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT
WALMART, COMBINED	1,363	1.42%		
FT WALTON BEACH MEDICAL CENTER	1,222	1.27%	912	0.92%
BAE SYSTEMS	1,045	1.09%		
RELIANCE TEST AND TECHNOLOGY	750	0.78%		
NORTH OKALOOSA MEDICAL CENTER	652	0.68%	650	0.66%
WHITE WILSON MEDICAL CENTER	474	0.49%		
L-3 CRESTVIEW AEROSPACE	341	0.36%	898	0.91%
TORCH TECHNOLOGIES	320	0.33%		
IQOR	300	0.31%		
LOWES				
TYBRIN CORPORATION			1,390	1.41%
RESORT QUEST			1,000	1.01%
DRS TRAINING & CONTROL SYSTEMS			811	0.82%
INDYNE INC			800	0.81%
SVERDRUP TECHNOLOGY			650	0.66%
OKALOOSA-WALTON COLLEGE			600	0.61%
LEGENDARY, INC			500	0.51%
TOTAL	6,467	6.75%	8,211	8.31%
TOTAL COUNTY EMPLOYMENT	95,849		98,757	

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

**Principal Employers
Current Year
2017**



**Principal Employers
Nine Years Ago
2008**

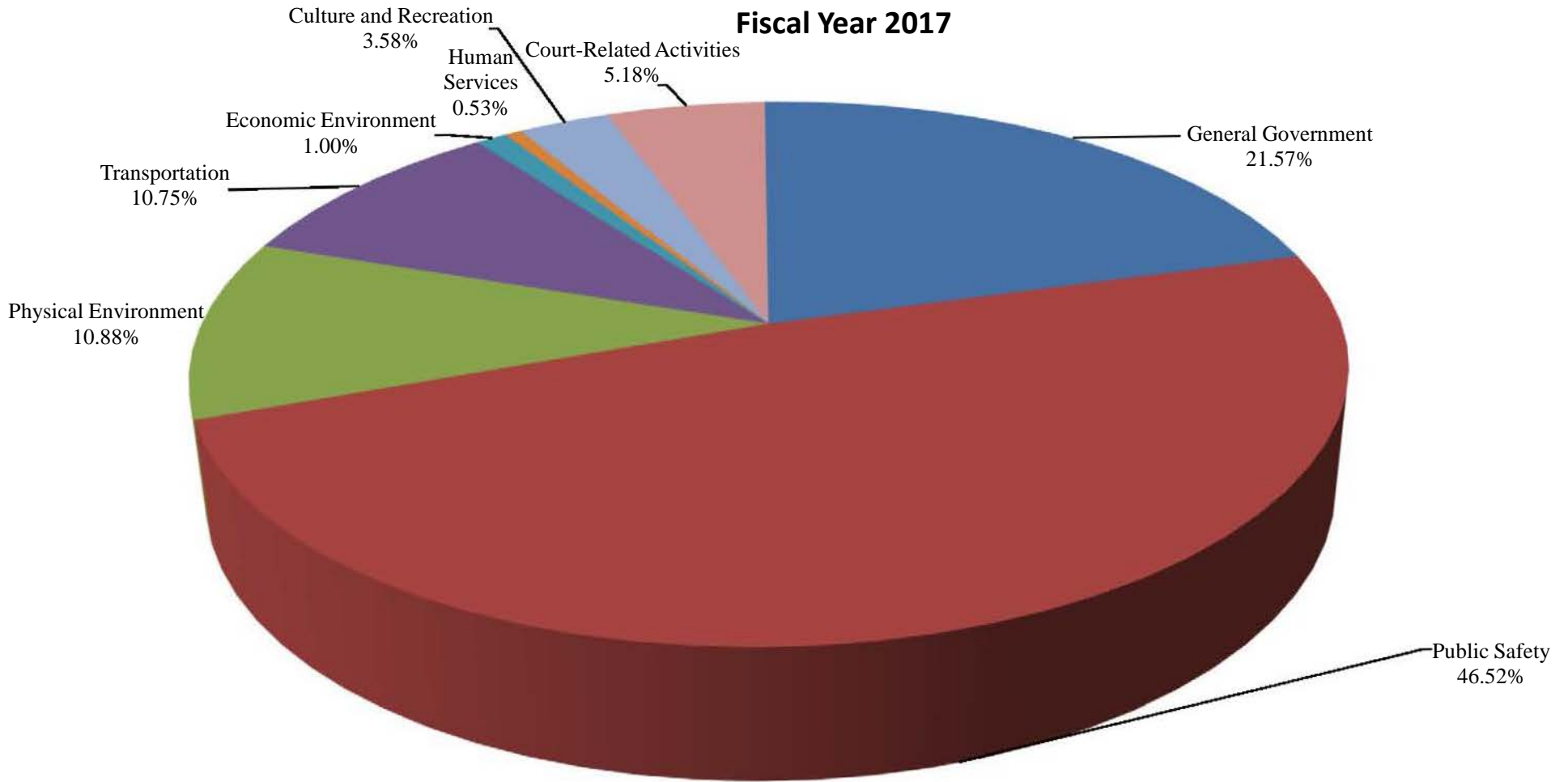


FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION - LAST TEN YEARS

FUNCTION	FULL-TIME EQUIVALENT EMPLOYEES AS OF OCTOBER 1									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL GOVERNMENT	299	308	316	313	303	309	314	315	325	308
PUBLIC SAFETY	661	641	635	657	629	649	649	669	701	706
PHYSICAL ENVIRONMENT	169	157	161	156	147	144	146	151	164	155
TRANSPORTATION	175	168	166	154	146	156	166	167	162	138
ECONOMIC ENVIRONMENT	14	18	17	18	14	14	14	14	15	15
HUMAN SERVICES	13	9	8	8	8	8	8	8	8	8
CULTURE AND RECREATION	43	42	43	42	42	42	47	53	54	44
COURT-RELATED ACTIVITIES	109	78	82	82	86	86	85	89	78	76
TOTAL	1,483	1,420	1,427	1,430	1,375	1,408	1,429	1,465	1,507	1,450

SOURCE: BUDGET OFFICE

FTE by Function Fiscal Year 2017



OPERATING INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TRANSIT										
TOTAL ROUTE MILES	163	163	163	168	168	215	215	215	220	220
PASSENGERS	211,330	171,967	162,820	175,595	179,946	182,584	161,878	139,389	137,644	123,473
LIBRARY										
CIRCULATION	679,720	750,643	751,432	713,416	699,532	696,234	736,264	739,882	762,052	764,595
REGISTERED BORROWERS	92,629	96,474	94,493	77,616	72,730	70,908	70,739	71,322	72,555	73,401
PUBLIC WORKS										
ASPHALT OVERLAY (SQUARE YARDS)	126,312	52,000	61,778	58,809	24,547	42,280	61,219	57,523	78,044	90,624
BRIDGES REPAIRED/REPLACED	6	12	14	8	7	1	0	1	15	1
WATER										
NEW CONNECTIONS	128	496	134	320	757	140	119	169	189	179
WATER MAINS REPAIRED	425	476	52	74	55	63	124	32	36	28
ANNUAL WATER UNITS BILLED	430,692	429,412	434,148	437,682	442,834	444,340	451,427	456,066	423,601	469,014
SEWER										
ANNUAL SEWER UNITS BILLED	406,807	398,541	399,660	402,977	407,625	414,612	414,188	418,921	424,767	432,917
AIRPORTS										
ENPLANEMENTS	400,105	332,556	369,230	448,870	385,165	374,431	373,143	385,109	436,410	566,212
DEPLANEMENTS	400,866	332,325	364,118	451,692	387,574	379,194	372,268	385,936	437,957	567,997
GROWTH MANAGEMENT										
DEVELOPMENT PERMITS ISSUED	1,121	821	893	1,049	842	908	837	965	998	1,105
HOME OCCUPATIONS	448	347	359	370	379	463	440	456	521	515
REFUSE COLLECTION										
TRANSFER STATION TONNAGE	168,224	141,633	128,360	109,099	121,443	125,755	118,022	117,689	132,475	142,104
RECYCLING TONNAGE	4,181	5,286	5,898	6,584	8,139	6,196	7,278	8,700	8,922	9,391
PUBLIC SAFETY										
EMERGENCY CALLS (EMS)	41,446	21,018	21,997	23,782	23,591	23,986	25,105	25,973	27,139	29,127
SYSTEM CALLS (9-1-1)	100,547	102,199	111,065	117,530	129,530	131,147	103,320	101,451	188,631	130,395

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

CAPITAL INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
PARKS AND RECREATION										
COUNTY PARKS	18	19	18	18	18	18	19	19	19	19
UNINCORPORATED PARKS	32	31	32	33	34	33	35	35	36	37
TRANSIT										
BUSES/PASSENGER VAN	17	17	17	17	17	17	11	11	11	13
LIBRARY										
COLLECTION	295,721	309,859	312,747	321,797	311,899	310,302	309,368	320,095	316,684	327,913
PUBLIC WORKS										
PAVED ROADS MAINTAINED (MILES)	652	703	652	652	666	670	674	670	678	682
DIRT ROADS MAINTAINED (MILES)	280	122	207	207	201	199	198	199	196	196
COLD MIX ROADS MAINTAINED (MILES)	0	74	74	74	74	72	70	74	71	67
TRAFFIC SIGNALS	9	11	11	13	13	13	13	13	10	10
WATER										
WATER MAINS (MILES)	448	455	455	422	767	726	741	466	513	486
FIRE HYDRANTS	2,220	2,267	2,267	4,038	5,519	5,546	5,777	3,980	4,138	3,332
MAXIMUM DAILY CAPACITY	17,300	17,300	17,200	17,200	17,200	17,200	17,200	17,200	10,620	10,620
SEWERS										
(THOUSANDS OF GALLONS)	399	400	400	340	558	561	593	448	521	499
SANITARY SEWERS (MILES)	9,006	12,506	13,206	13,206	13,206	13,206	13,206	11,980	11,980	11,980
MAXIMUM DAILY TREATMENT CAPACITY										
(THOUSANDS OF GALLONS)										

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements (hereinafter referred to as "financial statements") of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Okaloosa County, Florida (the County) as of and for the year ended September 30, 2017, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 27, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiency described as finding 2017-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

Internal Control over Financial Reporting (continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as finding 2017-02 in the accompany schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

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

Okaloosa County, Florida's Response to Findings

The Clerk of the Circuit Court and Comptroller's and the Board of County Commissioners' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

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

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

We have examined Okaloosa County, Florida's (hereinafter referred to as the "County") compliance with the following requirements for the year ended September 30, 2017:

- (1) Florida Statute 218.415 in regards to investments
- (2) Florida Statutes 28.35 and 28.36 in regards to certain court-related functions
- (3) Florida Statutes 61.181 in regards to operation of a depository for alimony and child support
- (4) Florida Statute 288.8018 in regards to the Deepwater Horizon Oil spill receipts and expenditures
- (5) Florida Statute 365.172 and 365.173 in regards to the E911 revenues and expenditures

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

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

In our opinion, Okaloosa County, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Warren Averett, LLC
Fort Walton Beach, Florida
April 27, 2018

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF RECEIPTS AND
EXPENDITURES OF FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL**

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

We have audited the financial statements of Okaloosa County, Florida as of and for the year ended September 30, 2017, and have issued our report thereon dated April 27, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds related to the Deepwater Horizon Oil Spill on page 178 is presented for the purpose of additional analysis as required by Florida Statute 288.8018 and the Rules of the Auditor General Chapter 10.557(3)(f), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

Okaloosa County, Florida
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
RELATED TO DEEPWATER HORIZON OIL SPILL
For the Fiscal Year Ended September 30, 2017

<u>Source</u>	<u>Amounts Received in the 2016-2017 Fiscal Year</u>	<u>Amounts Expended in the 2016-2017 Fiscal Year</u>
British Petroleum:		
Litigation Settlement	\$-	\$850,000
Funds relating to proceeds specified for advertising and tourist related media campaigns	\$-	\$ 1,122

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Okaloosa County, Florida (hereinafter referred to as "County") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reports and Schedules

We have issued:

- Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*;
- Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance and Compliance with Requirements Applicable to the Passenger Facility Charge Program;
- Schedule of Findings and Questioned Costs;
- Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Florida Auditor General*, and
- Independent Auditors' Report on the Schedule of Receipts and Expenditures of Funds Related to Deepwater Horizon Oil Spill.

Disclosures in those reports which are dated April 27, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations in the preceding annual financial report except as noted in the table below.

Current Year Finding #
2017-2

FY 16-17 Finding #
2016-1

FY 15-16 Finding #
2015-2

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 and Comptroller, the Sheriff, the Tax Collector, the Property Appraiser, and the Supervisor of Elections. As of September 30, 2017, Okaloosa County had no component units, as defined by GASB 61, with a significant operational or financial relationship with the County.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not Okaloosa County, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Okaloosa County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor Okaloosa County, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any other comments other than those reported in the *Schedule of Findings and Questioned Costs*.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for Okaloosa County, Florida for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

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

Warren Averett, LLC
Fort Walton Beach, Florida
April 27, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL AND COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM

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

Report on Compliance for Each Major Federal Program, State Project and Passenger Facility Charge Program

We have audited the compliance of Okaloosa County, Florida (hereinafter referred to as "County"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) 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 could have a direct and material effect on each of the County's major federal programs, state projects and passenger facility charge program for the year ended September 30, 2017. The County's major federal programs and state projects are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs, state projects and passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs, state projects, and passenger facility charge program based on the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.550, *Rules of the Auditor General*, and the Federal Aviation Administration. Those standards, the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program, State Project, and Passenger Facility Charge Program

In our opinion, the County 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, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with requirements that could have a direct and material effect on each major federal program, state project or the passenger facility charge program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, state project, or passenger facility charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance, Florida Department of Financial Services *State Projects Compliance Supplement*, and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement for a federal program, state project or the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Chapter 10.550 *Rules of the Auditor General*, and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, Florida

April 27, 2018

Okaloosa County, Florida
Airport Enterprise Fund
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Fiscal Year Ended September 30, 2017

Grantor/Program: Passenger Facility Charges

Application Approval Number: 00-01-C-00-VPS
 Latest ROD 07-03-C-00-VPS

Amended Amount of Approval	Cumulative Earned Amount at September 30, 2016	Current Year Earned Amount	Cumulative Earned Amount at September 30, 2017	Current Year Expenditures	<u>Unliquidated Passenger Facility Charges</u>	
					at September 30, 2016	at September 30, 2017
\$ 47,010,379	\$ 23,960,343	\$ 2,368,753	\$ 26,329,096	\$ 1,142,772	\$ 10,706,579	\$ 11,932,560

Okaloosa County, Florida
NOTES TO THE SCHEDULE OF EXPENDITURES
OF PASSENGER FACILITY CHARGES

NOTE 1- BASIS OF PRESENTATION

The accompanying Schedule of Passenger Facility Charges Collected and Expended includes all the PFCs and the interest earnings thereon collected by the County from January 1, 2001 (original date of approval) through September 30, 2017. The County currently collects \$4.50 per enplaned passenger. The current approval for charges as approved by the Federal Aviation Administration is estimated to end on October 1, 2027.

NOTE 2- BASIS OF ACCOUNTING

The Schedule of Expenditures of Passenger Facility Charges was prepared on the accrual basis of accounting. Passenger Facility Charges are recorded as revenue when earned and expenditures for debt service and approved capital projects are recorded as expenditures are made. Expenditures are made under an approved FAA application for use.

NOTE 3- PROGRAM COSTS

The amounts shown as current year revenues and expenses represent only the Passenger Facility Charges portions of the project costs. Entire project costs may be more than shown.

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2017

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2017

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA/CSFA Number	Contract or Grant Number	Expenditures	Passed Through to Subrecipients
<u>FEDERAL AWARDS</u>				
<u>U.S. Department of Agriculture</u>				
Passed Through Florida Department of Agriculture & Consumer Services				
Food Distribution Program	10.550	82002	\$ 6,269	\$ -
Child Nutrition Cluster				
School Breakfast Program	10.553	01-0303	17,969	-
National School Lunch Program	10.555	01-0303	28,106	-
Total Child Nutrition Cluster			<u>46,075</u>	<u>-</u>
Passed Through Florida Department of Financial Services				
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665	N/A	7	-
Total U.S. Department of Agriculture			<u>52,351</u>	<u>-</u>
<u>U.S. Department of Defense</u>				
Direct Programs				
<u>Defense Human Resources Activity</u>				
Electronic Absentee Systems for Elections (EASE) grants FVAP	12.217	H98210-12-1-0007	11,494	-
Electronic Absentee Systems for Elections (EASE) grants FVAP	12.219	H98210-13-1-0007	182,970	-
Total U.S. Department of Defense			<u>194,464</u>	<u>-</u>
<u>U.S. Department of the Interior</u>				
Direct Program				
Payments in Lieu of Taxes	15.226	N/A	10,320	-
Total U.S. Department of the Interior			<u>10,320</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Safe Havens: Supervised Visitation and Safe Exchange Grant Program	16.U01	2011-CW-AX-K021	42,646	42,130
Justice Systems Response to Families	16.021	2016-FJ-AX-0016	119,967	118,226
State Criminal Alien Assistance Program	16.606	2016-AP-BX-0110	6,873	-
Public Safety Partnership and Community Policing Grants	16.710	2013-UL-WX-0013	34,770	-
Public Safety Partnership and Community Policing Grants	16.710	2016-UL-WX-0016	89,597	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0430	22,236	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0758	4,696	-
Equitable Sharing Program	16.922	N/A	43,090	-
Passed Through Florida Department of Law Enforcement				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-JAGC-OKAL-2-F9-173	12,000	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-JAGC-OKAL-1-F9-149	22,445	22,445
Total U.S. Department of Justice			<u>398,320</u>	<u>182,801</u>
<u>U.S. Department of Transportation</u>				
Direct Programs				
<u>Federal Aviation Administration</u>				
Airport Improvement Program	20.106	312-0081-025-2013	1,829,872	-
Airport Improvement Program	20.106	3-12-0020-019-2017	1,500	-
Airport Improvement Program	20.106	3-12-0014-024-2017	1,500	-
Airport Improvement Program	20.106	3-12-0081-028-2017	1,500	-
Airport Improvement Program	20.106	3-12-0081-027-2017	143,968	-

The accompanying notes are an integral part of this schedule.

(Continued)

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2017

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2017

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA/CSFA Number	Contract or Grant Number	Expenditures	Passed Through to Subrecipients
<u>FEDERAL AWARDS (continued)</u>				
<u>U.S. Department of Transportation (continued)</u>				
Direct Programs (continued)				
<u>Federal Transit Administration</u>				
Federal Transit Cluster				
Federal Transit Formula Grants	20.507	FL-90-X642-00	\$ 11,141	\$ -
Federal Transit Formula Grants	20.507	FL-90-X680-00	102,085	-
Federal Transit Formula Grants	20.507	FL-90-X715-00	37,616	-
Federal Transit Formula Grants	20.507	FL-90-X716-00	195	-
Federal Transit Formula Grants	20.507	FL-90-X761-00	2,525	-
Federal Transit Formula Grants	20.507	FL-90-X795-00	170,343	-
Federal Transit Formula Grants	20.507	FL-90-X815-00	162,657	-
Federal Transit Formula Grants	20.507	FL-90-X867-00	798,969	-
Federal Transit Formula Grants	20.507	FL-2017-064-00	640,004	-
Passed Through Florida Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	ANZ38, 409797-1-88-01	205,859	-
Highway Planning and Construction	20.205	ARN38, 429675-2-58-01/ 429675-2-68-01 FN 8886-500-A	166,509	-
Highway Planning and Construction	20.205	G0E05, 433572-1-58-01/ 433572-1-68-01 FN 8886-518-A	258,798	-
Highway Planning and Construction	20.205	G0E31, 430038-2-58-01/430038-2-68-01	73,766	-
Highway Planning and Construction	20.205	G0H05, 421997-8-48-01/421997-9-48-01	144,425	-
Formula Grants for Rural Areas	20.509	ARM72, 421365-2-84-34	110,812	-
Highway Safety Cluster				
National Priority Safety Programs	20.616	G0F36, M5HVE-17-06-08	43,426	-
Total U.S. Department of Transportation			<u>4,907,470</u>	<u>-</u>
<u>U.S. Department of Environmental Protection</u>				
Passed Through Florida Department of Environmental Protection				
Nonprofit Source Implementation Grants	66.460	G0326	5,357	-
Total U.S. Department of Environmental Protection			<u>5,357</u>	<u>-</u>
<u>Election Assistance Commission</u>				
Passed Through Florida Department of State				
Help America Vote Act Requirements Payments	90.401	MOA # 2015-2016-001-OKA	13,667	-
Total Election Assistance Commission			<u>13,667</u>	<u>-</u>
<u>U.S. Department of Health & Human Services</u>				
Passed Through Florida Department of Revenue				
Child Support Enforcement	93.563	CSU46	3,656	-
Child Support Enforcement	93.563	CST46	10,613	-
Child Support Enforcement	93.563	COC46	840,549	-
Child Support Enforcement	93.563	N/A	2,732	-
Passed Through Florida Department of Children and Families				
Block Grants for Community Mental Health Services	93.958	AH105	16,792	-
Matching			123,672	-
Block Grant for Prevention and Treatment of Substance Abuse	93.959	AH105	11,669	-
Matching			15,285	-
Total U.S. Department of Health and Human Services			<u>886,011</u>	<u>-</u>
Sub-Total Florida Matching			<u>138,957</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

(Continued)

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2017

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA/CSFA Number	Contract or Grant Number	Expenditures	Passed Through to Subrecipients
<u>FEDERAL AWARDS (continued)</u>				
<u>U.S. Department of Homeland Security</u>				
Direct Programs				
Checked Baggage Recapitalization Screening Construction - (OTA)	97.U01	HSTS04-13-H-CT1161	\$ 273,676	\$ -
Law Enforcement Officer Reimbursement Agreement Program - (OTA)	97.U02	HSTS02-16-H-SLR794	117,990	-
Passed Through Florida Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	15-SP-8Z-01-56-02-530	356,629	-
	Matching		59,791	-
Hazard Mitigation Grant	97.039	16HM-H4-01-56-01-300	56,320	-
Emergency Management Performance Grants	97.042	17-FG-P9-01-56-01-120	70,463	-
Homeland Security Grant Program	97.067	17-DS-V4-01-56-23-327	29,682	-
Homeland Security Grant Program	97.067	17-DS-W1-01-56-23-323	77,082	-
Homeland Security Grant Program	97.067	16-DS-T9-01-56-01-303	119,454	-
Homeland Security Grant Program	97.067	16-DS-T9-01-56-01-296	53,488	-
Homeland Security Grant Program	97.067	16-DS-U8-01-56-01-396	93,034	-
Total U.S. Department of Homeland Security			<u>1,247,818</u>	<u>-</u>
Sub-Total Florida Matching			59,791	-
TOTAL FEDERAL AWARDS			<u>\$ 7,715,778</u>	<u>\$ 182,801</u>
TOTAL FLORIDA MATCHING FUNDS			<u>\$ 198,748</u>	<u>\$ -</u>

STATE FINANCIAL ASSISTANCE

Executive Office of the Governor

Direct Projects

Florida Division of Emergency Management

Emergency Management Programs	31.063	17-BG-83-01-56-01-053	\$ 99,211	\$ -
Emergency Management Programs	31.063	18-BG-W9-01-56-01-115	8,822	-
Emergency Management Projects	31.067	17-CP-11-01-56-01-165	11,098	-
Emergency Management Projects	31.067	16-CP-11-01-56-01-163	1,155	-
Total Executive Office of the Governor			<u>120,286</u>	<u>-</u>

Florida Department of Environmental Protection

Direct Projects

Cooperative Collection Center Grant	37.007	S0949	196,791	-
Cooperative Collection Center Grant	37.007	HHW804	41,044	-
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP46042	70,736	-
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP46041	46,384	-
Statewide Surface Water Restoration and Wastewater Projects	37.039	S0881	126,805	-
Total Florida Department of Environmental Protection			<u>481,760</u>	<u>-</u>

Florida Department of Agriculture and Consumer Services

Direct Projects

Mosquito Control	42.003	022257	28,564	-
Mosquito Control	42.003	023809	8,587	-
Total Florida Department of Agriculture and Consumer Services			<u>37,151</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

(Continued)

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2017

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA/CSFA Number	Contract or Grant Number	Expenditures	Passed Through to Subrecipients
STATE FINANCIAL ASSISTANCE (continued)				
Florida Department of State				
Direct Projects				
State Library Grant	45.U01	14-SP-01	\$ 4,525	\$ -
State Aid to Libraries	45.030	15-ST-47	15,795	-
State Aid to Libraries	45.030	14-ST-47	46,310	-
Total Florida Department of State			<u>66,630</u>	<u>-</u>
Florida Housing Finance Corporation				
Direct Projects				
State Housing Initiative Partnership (SHIP)	40.901	2013/2014	282	282
State Housing Initiative Partnership (SHIP)	40.901	2014/2015	492,770	492,770
State Housing Initiative Partnership (SHIP)	40.901	2015/2016	465,269	465,269
State Housing Initiative Partnership (SHIP)	40.901	2016/2017	530,724	530,724
Total Florida Housing Finance Corporation			<u>1,489,045</u>	<u>1,489,045</u>
Florida Department of Transportation				
Direct Projects				
Commission for the Transportation Disadvantaged Trip and Equipment Grant Program	55.001	G0G25, 41065618401	61,998	-
Commission for the Transportation Disadvantaged Trip and Equipment Grant Program	55.001	G0B89, 43202718401/43202818401	374,461	-
Commission for the Transportation Disadvantaged Trip and Equipment Grant Program	55.001	G0M68, 43202718401/43202818401	116,202	-
Aviation Development Grant	55.004	AR859, 42561729401	12,121	-
Aviation Development Grant	55.004	G0602, 42561849401	91	-
Aviation Development Grant	55.004	ARQ63, 42561839401	57	-
Aviation Development Grant	55.004	AQW81, 42390629401	228,661	-
Aviation Development Grant	55.004	AR741, 42561619401	100,852	-
Aviation Development Grant	55.004	AR742, 42561819401	457,055	-
Aviation Development Grant	55.004	ARQ64, 42561439401	120	-
Aviation Development Grant	55.004	ARQ67, 42561829401	160,878	-
Aviation Development Grant	55.004	ARQ65, 42230339401	50,144	-
Aviation Development Grant	55.004	ARQ66, 42230329401	49,843	-
Aviation Development Grant	55.004	G0603, 42561529401	250,000	-
Commuter Assistance / Rideshare Grants	55.007	ARN13, 420315-2-84-01	10,569	-
Public Transit Block Grant Program	55.010	ARN27, 422253-1-84-01	435,851	-
Transit Corridor Program	55.013	ARN14, 422256-1-84-01	210,000	-
Okaloosa Co. Landscape Beautification Project	55.023	416533-8-58-23	841	-
Transportation Regional Incentive Program (TRIP)	55.026	ARB51,421997-33801.34801, 43801,44801,53801,63801	274,100	-
Total Florida Department of Transportation			<u>2,793,844</u>	<u>-</u>
Florida Department of Health				
Direct Projects				
County Grant Awards	64.005	C5046	17,791	-
Total Florida Department of Health			<u>17,791</u>	<u>-</u>
Florida Fish and Wildlife Conservation Commission				
Direct Projects				
Artificial Reef Grants Program	77.007	FWC-15274	60,000	-
Total Florida Fish and Wildlife Conservation Commission			<u>60,000</u>	<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 5,066,507</u>	<u>\$ 1,489,045</u>
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			<u>\$ 12,782,285</u>	<u>\$ 1,671,846</u>

The accompanying notes are an integral part of this schedule.

Okaloosa County, Florida
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) presents the activity of all federal funded programs and state funded projects of Okaloosa County, Florida for the year ended September 30, 2017. 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. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of Okaloosa County, Florida, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Okaloosa County, Florida.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The basis of accounting is described in Note 1 C to the County's financial statements. Such expenditures are recognized following, as applicable, either the cost principles in the Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain type of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

Okaloosa County, Florida has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2017

1. Summary of Auditor Results

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weakness identified? X Yes No
- Significant deficiencies identified that are not considered to be material weakness? X Yes None reported

Non-compliance material to financial statements noted? Yes X No

Federal Awards and State Projects

Internal control over major programs/projects:

- Material weakness identified? Yes X No
- Significant deficiency identified that is/ not considered to be material weakness? Yes X None reported

Type of auditor's report issues on compliance for major programs/projects: Unmodified Opinion

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*? Yes X No

Identification of Major Programs/Projects:

Federal:

CFDA #	Name of Federal Program or Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
20.507	Federal Transit Formula Grant

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2017

1. Summary of Auditor Results (continued)

Federal Awards and State Projects (continued)

Identification of Major Programs/Projects (continued):

State:

<u>CSFA #</u>	<u>Name of State Project</u>
40.901	State Housing Initiatives Partnership
55.001	Commission for the Transportation Disadvantaged Trip and Equipment Grant Program
55.004	Aviation Development Grant
55.010	Public Transit Block Grant Program

Dollar threshold used to distinguish between Type A and B programs for Federal Awards: \$750,000

Dollar threshold used to distinguish between Type A and B projects for State Projects: \$300,000

Auditee qualified as low-risk auditee? Yes X No

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

FINDING 2017-1 INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria

Under *Government Auditing Standards*, the auditor is required to obtain an understanding of the entity's internal control relevant to the audit. *Internal control* is defined as a process effected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regards to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition

Accounting processes were changed throughout the year due to changes in the structure of the organization. The policy changes were not always documented which lead to uncertainties by staff as to appropriate processes. Material audit adjustments were proposed by the auditors' and accepted by management for the financial statements to be prepared in accordance with U.S. GAAP. In addition due to delays in reconciling accounting information during the year, year-end financial reporting was significantly delayed which ultimately reduces the decision making value of the financial information.

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2017

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

FINDING 2017-1 INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

Condition (Continued)

The following contributed to the conditions noted:

- Capital assets activity was not reconciled in a timely manner during the year to general ledger activity
- Bank reconciliations were not performed timely. Significant unknown variances were identified during the reconciliation process but were not researched in a timely manner.
- Information used to support the recorded amounts for compensated absences was not complete and accurate, resulting in a material adjustment to increase the balance.
- Several control accounts in the accounting system are not reconciled to subsidiary ledgers on a timely basis, causing secondary schedules to be generated and maintained, specifically related to receivables of the enterprise funds
- Critical elements of subsidiary ledgers are not incorporated into year-end work papers
- Multiple entries were needed to reconcile appropriations and inter fund balances between the Board and other elected officials.
- Duplicate posting of entries was identified.

Cause

The Clerk's comptroller function was changed during the year under audit to combine financial processes for the Clerk's accounting function and the Board's accounting function as one system to increase efficiency due to continued funding pressure. Previously it operated as two separate accounting functions. In addition the Clerk's comptroller function underwent significant personnel changes during the year ended September 30, 2017 also contributing to the conditions above.

Effect

The internal controls during the period under audit, as designed and placed in operation, do not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct a material misstatement on a timely basis

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2017

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

FINDING 2017-1 INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

Recommendation

The Clerk of the Circuit and Comptroller should document and communicate its accounting policies and procedures to reflect its current organizational structure. As part of that documentation, segregation of duties and compliance with Florida Statute should be considered. Further, all material accounts of both the Clerk and Board should be reconciled to subsidiary records and the reconciliations should be reviewed by appropriate supervisory personnel on a monthly basis. Due to the volume of financial information and the complexity of the enterprise fund reporting, additional evaluation of responsibilities and time constraints of staff should be considered.

Views of responsible officials and planned corrective action:

We agree with the recommendations offered and have already begun the process of establishing updated policies and procedures while considering appropriate segregation of duties. We will continue to reach out and work with our enterprise funds to insure there is a timely reconciliation of the subsidiary ledgers to our accounting system. There was a major reorganization and change over in staff this past year which did result in reconciliations falling behind. We are now fully staffed and making timely reconciliations and reporting.

Okaloosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2017

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

FINDING 2017-2 PUBLIC WORKS AND FACILITY MAINTENANCE INVENTORY (BCC)

Criteria

The public works department's divisions of Engineering, Traffic Operations, Roads, Environmental Services, Parks Division and Administrative Services and its subsidiary facility maintenance division, have substantial amounts of inventory on hand in order to fulfill its mission to internal and external customers. The inventory is not counted and reconciled on a routine basis to perpetual inventory records. The inventory has also not been physically recorded in the general ledger as its value was assumed to be immaterial. Costs are allocated to projects based on work order systems, but the value of any residual inventory has not been captured in the accounting records. In a properly designed system of internal control for inventory, key controls should be in place for existence, completeness, rights or obligations, valuation, and classification and accuracy of significant inventory balances.

Condition

The following conditions exist:

- Physical counts of the inventory are not performed routinely
- The nature of the inventory is diverse since public works serves many different functions
- Physical custody of assets is not segregated from the recordkeeping function
- Two separate platforms are used to account for work orders and inventory; an off the shelf package used by Public Works, and an internally developed software used by Facilities Maintenance
- The valuation of inventory at year end per the reports generated indicate the residual balances may be significant; however due to controls lacking in other areas, there is limited confidence in the quantities reported and valuation of inventory due to concerns of potential items that could be slow moving or obsolete.

Cause

The system of internal control for this inventory is not properly designed.

Effect

Fraud or errors in reporting could occur with respect to this inventory and not be detected in a timely manner.

Recommendation

Management should evaluate the current design of the system of internal control and personnel available to ensure key controls are in place for the assertions outlined above.

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

FINDING 2017-2 PUBLIC WORKS AND FACILITY MAINTENANCE INVENTORY (BCC) (CONTINUED)

Views of responsible officials and planned corrective action:

We agree with the recommendation. Public Works is using a version of Cartegraph that is no longer supported. We have completed the purchase of Cartegraph OMS and it will be implemented throughout the Public Works Divisions, to include Facility Maintenance (excluding Fleet). We have started the implementation process to create a consolidated process approach throughout the department.

The Supply Supervisor, who came on board April 24, 2018, is currently working with Public Works data management staff to ensure proper separation of duties. Control considerations are being evaluated to determine defined tasks for staff to meet recommended separation of duties.

The Supply Supervisor will schedule periodic inventory counts to pre-determine any probable single points of failure. These periodic counts will define if additional staff is needed and/or the need for compensated controls to achieve proper checks and balances.

County staff is currently evaluating a purchase of acreage and a building formerly utilized by FedEx (14 acres/60,000 sq ft warehouse). If the decision is to purchase this facility, all Public Works functions will be relocated to this site. The proposed plan will be to consolidate all Public Works functions under one roof to include Supply functions. The probability of this purchase has driven a focus on a consolidated process approach until a determination can be made regarding a "physical" consolidated approach. The determination of the purchase will be within the next 4 to 6 months.

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

There were no findings which were required to be reported in accordance with the Uniform Guidance.

4. FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE

There were no findings which were required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*.

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SUPPORTING FINANCIAL STATEMENTS

**BOARD OF COUNTY
COMMISSIONERS**

**OKALOOSA COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
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**OKALOOSA COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Okaloosa County, Florida, ("Board of County Commissioners") as of and for the year ended September 30, 2017, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Board of County Commissioners, as of September 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Tourist Development Special Revenues Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with Rules of the Auditor General, State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Okaloosa County, Florida that is attributable to the Board of County Commissioners. They do not purport to, and do not, present fairly the financial position of Okaloosa County, Florida as of September 30, 2017 and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of Net Pension Liability for the Florida Retirement System and Health Insurance Subsidy, and Schedule of Contributions for the Florida Retirement System and Health Insurance Subsidy, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of County Commissioners' financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill is presented for the purposes of additional analysis as required by the Florida Auditor General Rule 10.557(3)(m) and is not a required part of the basic financial statements of the Board of County Commissioners.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018, on our consideration of the Board of County Commissioners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters included under the heading "*Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed*

in Accordance with Government Auditing Standards". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of County Commissioners' internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of the Board of County Commissioners, the Okaloosa County Board of County Commissioners, and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

Basic Financial Statements

**Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017**

	<u>General Fund</u>	<u>Tourist Development Special Revenue Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 214,393	\$ 58,476
Investments	4,547,924	46,218,686
Accounts Receivable	184,758	542
Due from Other Funds	212,960	78,401
Due from Other Elected Officials	1,132,567	-
Due from Other Governments	4,255,085	3,718,942
Prepays	244,992	8,125
Total Assets	\$ 10,792,679	\$ 50,083,172
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 286,485	\$ 92,453
Contracts Payable	1,466,128	3,169,523
Other Accrued Liabilities	663,716	49,249
Due to Other Funds	78,569	-
Due to Other Elected Officials	234,109	-
Due to Other Governments	30,700	14,152
Due to Depositors	5,500	-
Unearned Revenue	402,927	65,923
Total Liabilities	3,168,134	3,391,300
Fund Balances		
Nonspendable	244,992	8,125
Restricted	-	46,691,872
Committed	35,829	-
Assigned	1,074,730	-
Unassigned	6,268,994	(8,125)
Total Fund Balances	7,624,545	46,691,872
Total Liabilities and Fund Balances	\$ 10,792,679	\$ 50,083,172

Exhibit I

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,363,519	\$ 1,676,327	\$ 3,312,715
15,624,549	19,861,046	86,252,205
-	1,007	186,307
167	72	291,600
128,684	101,792	1,363,043
-	2,644,999	10,619,026
-	115,681	368,798
\$ 17,116,919	\$ 24,400,924	\$ 102,393,694
\$ 211,327	\$ 270,820	\$ 861,085
1,880,544	641,049	7,157,244
-	143,065	856,030
-	2,447	81,016
-	3	234,112
-	(807)	44,045
-	106,382	111,882
-	888,004	1,356,854
2,091,871	2,050,963	10,702,268
-	115,681	368,798
15,024,975	17,901,009	79,617,856
73	525,364	561,266
-	3,923,588	4,998,318
-	(115,681)	6,145,188
15,025,048	22,349,961	91,691,426
\$ 17,116,919	\$ 24,400,924	\$ 102,393,694

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

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	General Fund	Tourist Development Special Revenue Fund
Revenues		
Taxes	\$ 53,372,776	\$ 19,534,276
Licenses and Permits	16,500	-
Intergovernmental	19,932,414	270,000
Charges for Services	9,898,410	688,822
Fines	16,972	-
Miscellaneous	2,079,195	460,150
Total Revenues	85,316,267	20,953,248
Expenditures		
Current		
General Government	15,274,483	-
Public Safety	16,811,415	-
Physical Environment	425,003	-
Transportation	3,688,987	210,000
Economic Environment	1,701,971	6,757,097
Human Services	3,673,727	-
Culture and Recreation	1,715,941	4,731,690
Court-Related	796,888	-
Capital Outlay	811,488	679,425
Debt Service		
Principal	208,146	-
Interest	-	-
Other Debt Service Costs	-	-
Total Expenditures	45,108,049	12,378,212
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,208,218	8,575,036

Exhibit II

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 213	\$ 9,196,710	\$ 82,103,975
-	445,639	462,139
128,684	13,300,369	33,631,467
72,331	2,777,855	13,437,418
-	305,978	322,950
322,578	1,011,706	3,873,629
523,806	27,038,257	133,831,578
-	190,750	15,465,233
-	1,769,132	18,580,547
-	1,215,116	1,640,119
-	9,588,064	13,487,051
-	1,489,045	9,948,113
-	601,661	4,275,388
211,771	990,310	7,649,712
-	913,757	1,710,645
10,635,999	5,560,634	17,687,546
-	154,000	362,146
-	1,575,012	1,575,012
-	3,622	3,622
10,847,770	24,051,103	92,385,134
(10,323,964)	2,987,154	41,446,444

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017**

	General Fund	Tourist Development Special Revenue Fund
Other Financing Sources (Uses)		
Transfers In	3,829,016	-
Transfers Out	(355,000)	(2,460,161)
Transfers Among Constitutional Officers	(44,673,124)	-
	<u>(41,199,108)</u>	<u>(2,460,161)</u>
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	(990,890)	6,114,875
Fund Balances - Beginning	<u>8,615,435</u>	<u>40,576,997</u>
Fund Balances - Ending	<u>\$ 7,624,545</u>	<u>\$ 46,691,872</u>

Exhibit II

<u>Capital Outlay Construction Trust Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
100,000	3,837,395	7,766,411
(230,342)	(4,165,443)	(7,210,946)
-	(107,632)	(44,780,756)
<u>(130,342)</u>	<u>(435,680)</u>	<u>(44,225,291)</u>
(10,454,306)	2,551,474	(2,778,847)
<u>25,479,354</u>	<u>19,798,487</u>	<u>94,470,273</u>
<u>\$ 15,025,048</u>	<u>\$ 22,349,961</u>	<u>\$ 91,691,426</u>

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

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 53,398,510	\$ 53,498,510	\$ 53,372,776	\$ (125,734)
Licenses and Permits	17,600	17,600	16,500	(1,100)
Intergovernmental	16,070,901	27,421,481	19,932,414	(7,489,067)
Charges for Services	7,567,970	8,805,315	9,898,410	1,093,095
Fines	4,500	4,513	16,972	12,459
Miscellaneous	1,819,128	2,078,286	2,079,195	909
Total Revenues	78,878,609	91,825,705	85,316,267	(6,509,438)
Expenditures				
Current				
General Government	16,194,910	15,968,995	15,274,483	694,512
Public Safety	23,572,665	24,248,258	16,811,415	7,436,843
Physical Environment	530,907	554,037	425,003	129,034
Transportation	93,456	5,590,420	3,688,987	1,901,433
Economic Environment	1,695,756	1,695,756	1,701,971	(6,215)
Human Services	3,874,370	3,944,474	3,673,727	270,747
Culture and Recreation	1,761,801	2,090,382	1,715,941	374,441
Court-Related	621,116	1,243,536	796,888	446,648
Capital Outlay	520,815	4,091,530	811,488	3,280,042
Debt Service				
Principal	208,146	208,146	208,146	-
Total Expenditures	49,073,942	59,635,534	45,108,049	14,527,485
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,804,667	32,190,171	40,208,218	8,018,047
Other Financing Sources (Uses)				
Transfers In	3,136,811	4,020,276	3,829,016	(191,260)
Transfers Out	(355,000)	(355,000)	(355,000)	-
Transfers Among	(43,112,478)	(46,733,580)	(44,673,124)	2,060,456
Total Other Financing	(40,330,667)	(43,068,304)	(41,199,108)	1,869,196
Net Change in Fund Balance	(10,526,000)	(10,878,133)	(990,890)	9,887,243
Fund Balance - Beginning	10,526,000	10,878,133	8,615,435	(2,262,698)
Fund Balance - Ending	\$ -	\$ -	\$ 7,624,545	\$ 7,624,545

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

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TOURIST DEVELOPMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 19,600,000	\$ 19,600,000	\$ 19,534,276	\$ (65,724)
Intergovernmental	-	1,969,370	270,000	(1,699,370)
Charges for Services	810,750	810,750	688,822	(121,928)
Miscellaneous	178,500	178,500	460,150	281,650
Total Revenues	<u>20,589,250</u>	<u>22,558,620</u>	<u>20,953,248</u>	<u>(1,605,372)</u>
Expenditures				
Current				
Transportation	-	210,000	210,000	-
Economic Environment	11,713,082	13,849,092	6,757,097	7,091,995
Culture and Recreation	38,126,053	42,271,056	4,731,690	37,539,366
Capital Outlay	2,522,000	4,222,144	679,425	3,542,719
Total Expenditures	<u>52,361,135</u>	<u>60,552,292</u>	<u>12,378,212</u>	<u>48,174,080</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(31,771,885)</u>	<u>(37,993,672)</u>	<u>8,575,036</u>	<u>46,568,708</u>
Other Financing Sources (Uses)				
Transfers Out	(2,288,315)	(2,458,315)	(2,460,161)	(1,846)
Transfers Among Constitutional Officers	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>125,000</u>
Total Other Financing Sources (Uses)	<u>(2,413,315)</u>	<u>(2,583,315)</u>	<u>(2,460,161)</u>	<u>123,154</u>
Net Change in Fund Balance	<u>(34,185,200)</u>	<u>(40,576,987)</u>	<u>6,114,875</u>	<u>46,691,862</u>
Fund Balance - Beginning	<u>34,185,200</u>	<u>40,576,987</u>	<u>40,576,997</u>	<u>10</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,691,872</u>	<u>\$ 46,691,872</u>

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

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017**

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 495,703	\$ 3,600,685	\$ 156,676
Investments	29,911,685	8,622,927	1,230,618
Receivables, Net of Allowance for Uncollectible	3,056,314	1,432,579	4,108,090
Due from Other Funds	-	50,000	-
Due from Other Elected Officials	-	-	-
Due from Other Governments	1,339,803	1,868,320	2
Inventory	1,725,978	85,253	-
Prepays	65,890	3,271	2,030
Restricted Assets			
Cash and Cash Equivalents	-	-	-
Customer Deposits	1,378,421	-	-
Other Deposits	1,065,512	-	-
Investments	10,910,517	17,362,535	-
Total Restricted Assets	<u>13,354,450</u>	<u>17,362,535</u>	<u>-</u>
Total Current Assets	<u>49,949,823</u>	<u>33,025,570</u>	<u>5,497,416</u>
Capital Assets			
Land	8,180,380	6,451,481	-
Buildings	6,195,250	81,218,527	-
Improvements Other Than Buildings	-	-	-
Intangibles	765,530	100,400	30,150
Machinery and Equipment	11,182,697	1,948,595	5,142,279
Construction in Progress	20,959,834	1,526,270	-
Infrastructure	265,585,450	87,073,054	-
Works of Art	-	69,865	-
Less Accumulated Depreciation/Amortization	<u>(121,959,799)</u>	<u>(45,797,338)</u>	<u>(2,796,855)</u>
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	<u>190,909,342</u>	<u>132,590,854</u>	<u>2,375,574</u>
Total Noncurrent Assets	<u>190,909,342</u>	<u>132,590,854</u>	<u>2,375,574</u>
Total Assets	<u>\$ 240,859,165</u>	<u>\$ 165,616,424</u>	<u>\$ 7,872,990</u>

Exhibit V

Activities			Governmental Activities -- Internal Service Funds
Other Enterprise Funds	Total Enterprise Funds		
\$ 126,172	\$ 4,379,236	\$	1,809
3,526,466	43,291,696		1,663,956
1,011,883	9,608,866		76,075
605,000	655,000		-
-	-		999
41,044	3,249,169		128,546
-	1,811,231		239,131
3,035	74,226		7,996
-	-		-
23,258	1,401,679		-
-	1,065,512		-
-	28,273,052		-
<u>23,258</u>	<u>30,740,243</u>		<u>-</u>
<u>5,336,858</u>	<u>93,809,667</u>		<u>2,118,512</u>
133,301	14,765,162		316,861
115,363	87,529,140		900,466
276,776	276,776		257,345
42,425	938,505		-
3,653,301	21,926,872		3,207,666
-	22,486,104		-
-	352,658,504		-
-	69,865		-
<u>(2,615,047)</u>	<u>(173,169,039)</u>		<u>(4,031,187)</u>
<u>1,606,119</u>	<u>327,481,889</u>		<u>651,151</u>
<u>1,606,119</u>	<u>327,481,889</u>		<u>651,151</u>
<u>\$ 6,942,977</u>	<u>\$ 421,291,556</u>	<u>\$</u>	<u>2,769,663</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017**

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 4,150,500	\$ 1,616,424	\$ 4,299,887
Deferred Charges on Refunding	2,662,901	-	-
Total Deferred Outflows of Resources	\$ 6,813,401	\$ 1,616,424	\$ 4,299,887
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,202,385	\$ 257,131	\$ 103,856
Contracts Payable	2,062,456	1,174,302	151,360
Accrued Liabilities			
Compensated Absences	503,359	107,239	214,740
Closure Costs Payable	-	-	-
Claims and Judgments	-	-	-
Other Accrued Liabilities	149,751	37,311	172,672
Due to Other Funds	-	584	-
Due to Other Elected Officials	-	162	742
Due to Other Governments	8,529	24,317	12,285
Unearned Revenue	1,241,246	68,299	10,935
Current Liabilities Payable from Restricted Assets			
Customer Deposits Payable	1,378,421	3,000	-
Interest Payable	801,229	376,756	-
Loan - State of Florida	430,066	-	-
Revenue Bonds Payable	2,785,000	880,000	-
Total Current Liabilities Payable from Restricted Assets	5,394,716	1,259,756	-
Total Current Liabilities	10,562,442	2,929,101	666,590

Exhibit V

<u>Activities</u>		<u>Governmental</u>
<u>Other</u>	<u>Total</u>	<u>Activities --</u>
<u>Enterprise Funds</u>	<u>Enterprise Funds</u>	<u>Internal</u>
		<u>Service Funds</u>
\$ 873,872	\$ 10,940,683	\$ 794,051
-	2,662,901	-
<u>\$ 873,872</u>	<u>\$ 13,603,584</u>	<u>\$ 794,051</u>
\$ 34,943	\$ 1,598,315	\$ 100,788
1,071,761	4,459,879	162,898
172,789	998,127	105,437
361,126	361,126	-
-	-	1,216,697
40,473	400,207	30,044
-	584	865,000
-	904	341
33,740	78,871	-
13,134	1,333,614	19,600
23,258	1,404,679	-
-	1,177,985	-
-	430,066	-
-	3,665,000	-
<u>23,258</u>	<u>6,677,730</u>	<u>-</u>
<u>1,751,224</u>	<u>15,909,357</u>	<u>2,500,805</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017**

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Noncurrent Liabilities			
Compensated Absences	485,734	91,039	120,392
Closure Costs Payable	-	-	-
Claims and Judgments	-	-	-
Notes Payable			
(Net of Unamortized Discounts)	-	3,500,000	-
Loan- State of Florida			
(Net of Unamortized Discounts)	3,994,268	-	-
Revenue Bonds Payable			
(Net of Unamortized Discounts and Premiums)	68,250,656	14,318,323	-
Other Post Employment Benefits	211,067	57,410	200,884
Net Pension Liability	10,429,233	4,198,032	10,854,376
Total Noncurrent Liabilities	<u>83,370,958</u>	<u>22,164,804</u>	<u>11,175,652</u>
Total Liabilities	<u>\$ 93,933,400</u>	<u>\$ 25,093,905</u>	<u>\$ 11,842,242</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	<u>\$ 919,876</u>	<u>\$ 328,448</u>	<u>\$ 1,000,991</u>
NET POSITION			
Net Investment in Capital Assets	\$ 119,214,276	\$ 114,262,798	\$ 2,375,574
Restricted for Debt Service	4,194,809	954,894	-
Restricted for Other Purposes	-	14,777,617	-
Unrestricted (Deficit)	<u>29,410,205</u>	<u>11,815,186</u>	<u>(3,045,930)</u>
Total Net Position (Deficit)	<u>152,819,290</u>	<u>141,810,495</u>	<u>(670,356)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 247,672,566</u>	<u>\$ 167,232,848</u>	<u>\$ 12,172,877</u>

Exhibit V

<u>Activities</u>		<u>Governmental</u>
<u>Other</u>	<u>Total</u>	<u>Activities --</u>
<u>Enterprise Funds</u>	<u>Enterprise Funds</u>	<u>Internal</u>
		<u>Service Funds</u>
145,964	843,129	79,028
3,340,266	3,340,266	-
-	-	3,999,284
-	3,500,000	-
-	3,994,268	-
-	82,568,979	-
45,749	515,110	37,616
2,190,395	27,672,036	2,004,205
<u>5,722,374</u>	<u>122,433,788</u>	<u>6,120,133</u>
<u>\$ 7,473,598</u>	<u>\$ 138,343,145</u>	<u>\$ 8,620,938</u>
<u>\$ 207,784</u>	<u>\$ 2,457,099</u>	<u>\$ 184,921</u>
\$ 1,606,118	\$ 237,458,766	\$ 651,150
-	5,149,703	-
-	14,777,617	-
<u>(1,470,651)</u>	<u>36,708,810</u>	<u>(5,893,295)</u>
<u>135,467</u>	<u>294,094,896</u>	<u>(5,242,145)</u>
<u>\$ 7,816,849</u>	<u>\$ 434,895,140</u>	<u>\$ 3,563,714</u>

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

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Operating Revenues			
Licenses and Permits	\$ -	\$ -	\$ -
Charges for Services	34,063,103	11,714,520	7,555,252
Miscellaneous	39,873	78,791	-
Total Operating Revenues	34,102,976	11,793,311	7,555,252
Operating Expenses			
Personal services	7,277,335	2,385,280	6,789,977
Contractual Services	3,283,212	2,152,828	533,331
Supplies	888,388	628,259	696,319
Insurance Premiums and Claims	-	-	-
Utilities	1,983,340	871,812	39,259
Other Operating Expenses	3,375,350	1,953,349	657,873
Depreciation/Amortization	6,953,659	4,272,176	583,740
Total Operating Expenses	23,761,284	12,263,704	9,300,499
Operating Income (Loss)	10,341,692	(470,393)	(1,745,247)
Nonoperating Revenues (Expenses)			
Taxes	-	-	1,804
Intergovernmental	8,139	628,785	17,790
Investment Income (Loss)	388,924	220,522	19,253
Other Non-Operating Revenue	442,941	15,500	-
Interest Expenses	(3,231,392)	(803,112)	-
Other Debt Services Costs	150,540	(69,418)	-
Gain/(Loss) on Disposal of Capital Assets	10,015	1,849	8,000
Total nonoperating Revenues (Expenses)	(2,230,833)	(5,874)	46,847
Income (Loss) Before Contributions and Transfers	8,110,859	(476,267)	(1,698,400)

Exhibit VI

Activities		Governmental Activities -- Internal Service Funds	
Other Enterprise Funds	Total Enterprise Funds		
\$ 1,921,205	\$ 1,921,205	\$ -	
9,707,520	63,040,395	17,386,849	
2,831	121,495	165,200	
<u>11,631,556</u>	<u>65,083,095</u>	<u>17,552,049</u>	
2,155,243	18,607,835	1,706,261	
7,974,751	13,944,122	191,546	
110,415	2,323,381	3,172,271	
-	-	14,461,488	
14,467	2,908,878	3,327	
490,450	6,477,022	340,518	
282,232	12,091,807	67,004	
<u>11,027,558</u>	<u>56,353,045</u>	<u>19,942,415</u>	
<u>603,998</u>	<u>8,730,050</u>	<u>(2,390,366)</u>	
-	1,804	-	
237,835	892,549	-	
42,248	670,947	1,793	
-	458,441	-	
-	(4,034,504)	-	
-	81,122	-	
<u>-</u>	<u>19,864</u>	<u>47,277</u>	
<u>280,083</u>	<u>(1,909,777)</u>	<u>49,070</u>	
<u>884,081</u>	<u>6,820,273</u>	<u>(2,341,296)</u>	

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017**

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Passenger and Customer Facility Charges	-	4,420,826	-
Capital Contributions	1,354,952	3,283,663	-
Transfers In	-	-	33,000
Transfers Out	-	(758,465)	-
Change in Net Position	9,465,811	6,469,757	(1,665,400)
Total Net Position (Deficit) - Beginning	143,353,479	135,340,738	995,044
Total Net Position (Deficit) - Ending	\$ 152,819,290	\$ 141,810,495	\$ (670,356)

Exhibit VI

<u>Activities</u>		<u>Governmental Activities -- Internal Service Funds</u>
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
-	4,420,826	-
-	4,638,615	-
-	33,000	170,000
-	(758,465)	-
884,081	15,154,249	(2,171,296)
(748,614)	278,940,647	(3,070,849)
<u>\$ 135,467</u>	<u>\$ 294,094,896</u>	<u>\$ (5,242,145)</u>

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

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017**

	Business-type Activities		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 31,984,296	\$ 13,114,965	\$ 8,203,815
Payments to Suppliers	(9,540,619)	(6,456,298)	(1,802,661)
Payments to Employees	(6,217,485)	(2,262,589)	(5,985,144)
Payments for Other Revenues	442,942	15,500	-
Net Cash Provided (Used) by Operating Activities	<u>16,669,134</u>	<u>4,411,578</u>	<u>416,010</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Subsidy - Taxes	-	-	1,804
Operating Subsidy - Intergovernmental Revenue	8,139	628,785	17,790
Transfers In	-	-	33,000
Transfers (Out)	-	(758,465)	-
Net Interfund Activity	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>8,139</u>	<u>(129,680)</u>	<u>52,594</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(16,729,162)	(6,186,602)	(978,233)
Passenger and Customer Facility Charges	-	4,420,826	-
Proceeds from Disposal of Capital Assets	346,034	5,506	8,000
Net Borrowing (Repayments)			
Proceeds from Debt	-	-	-
Principal Paid on Capital Debt	(3,178,763)	(886,238)	-
Interest Paid on Capital Debt	(3,711,089)	(822,081)	-
Other Debt Service Costs	150,540	-	-
Capital Contributions	1,354,952	3,283,662	-
Net cash provided (used) by capital and related financing activities	<u>(21,767,488)</u>	<u>(184,927)</u>	<u>(970,233)</u>

Exhibit VII

<u>- Enterprise Funds</u>		Governmental Activities -- Internal Service Funds
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
\$ 10,658,776	\$ 63,961,852	\$ 19,664,562
(8,848,279)	(26,647,857)	(18,190,498)
(1,957,949)	(16,423,167)	(1,570,554)
-	458,442	-
<u>(147,452)</u>	<u>21,349,270</u>	<u>(96,490)</u>
-	1,804	-
237,835	892,549	-
-	33,000	170,000
-	(758,465)	-
-	-	-
<u>237,835</u>	<u>168,888</u>	<u>170,000</u>
(385,490)	(24,279,487)	(12,281)
-	4,420,826	-
-	359,540	47,277
-	-	-
-	(4,065,001)	-
-	(4,533,170)	-
-	150,540	-
-	4,638,614	-
<u>(385,490)</u>	<u>(23,308,138)</u>	<u>34,996</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017**

	Business-type Activities		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	4,018,556	-	583,367
Interest Income	495,884	324,908	20,864
Purchases of Investments	-	(4,459,718)	-
Net Cash Provided (Used) by Investing Activities	<u>4,514,440</u>	<u>(4,134,810)</u>	<u>604,231</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(575,775)	(37,839)	102,602
Cash and Cash Equivalents - Beginning of Year As Restated	<u>3,515,411</u>	<u>3,638,524</u>	<u>54,074</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,939,636</u></u>	<u><u>\$ 3,600,685</u></u>	<u><u>\$ 156,676</u></u>
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 495,703	\$ 3,600,685	\$ 156,676
Restricted assets	2,443,933	-	-
Total	<u><u>\$ 2,939,636</u></u>	<u><u>\$ 3,600,685</u></u>	<u><u>\$ 156,676</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 10,341,692	\$ (470,393)	\$ (1,745,247)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	6,953,659	4,272,176	583,740
Other revenue	442,942	15,500	-
Decrease (Increase) in Assets			
Accounts Receivable	(214,470)	353,509	637,628
Due from Other Elected Officials	-	-	-
Due from Other Governments	(1,247,991)	1,077,240	(2)
Due from Other Funds	-	(50,000)	-
Inventories	37,815	9,469	-
Prepaid Expenses	24,797	(424)	4,440
Deferred Outflows	(365,260)	(168,717)	(724,498)

Exhibit VII

<u>- Enterprise Funds</u>		
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities -- Internal Service Funds</u>
271,563	4,873,486	1,569
46,391	888,047	2,086
-	(4,459,718)	(131,518)
<u>317,954</u>	<u>1,301,815</u>	<u>(127,863)</u>
22,847	(488,165)	(19,357)
<u>126,583</u>	<u>7,334,592</u>	<u>21,166</u>
<u>\$ 149,430</u>	<u>\$ 6,846,427</u>	<u>\$ 1,809</u>
\$ 126,172	\$ 4,379,236	\$ 1,809
23,258	2,467,191	-
<u>\$ 149,430</u>	<u>\$ 6,846,427</u>	<u>\$ 1,809</u>
\$ 603,998	\$ 8,730,050	\$ (2,390,366)
282,232	12,091,807	67,004
-	458,442	-
(325,662)	451,005	(50,687)
-	-	(519)
(39,868)	(210,621)	403,721
(605,000)		
-	47,284	14,884
(2,740)	26,073	(568)
(158,794)	(1,417,269)	(133,982)

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017**

	Business-type Activities		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities - Continued			
Increase (Decrease) in Liabilities			
Accounts Payable	681,695	150,242	79,678
Service Contracts Payable	(735,149)	(900,237)	73,676
Due to Other Funds	4	586	-
Due to Other Elected Officials	(140)	118	591
Due to Other Governments	(19,352)	(109,806)	(34,261)
Compensated Absences Payable	84,659	(20,306)	75,164
Closure Cost Payable	-	-	-
Claims and Judgments Payable	-	-	-
Other Accrued Liabilities	2,447	(25,266)	7,137
Deposits	22,576	3,000	-
Unearned Revenue	(678,795)	(62,093)	10,935
Other Post Employment Benefits	31,124	7,838	33,660
Net Pension Liability	941,142	237,029	1,017,828
Deferred Inflows	365,739	92,113	395,541
Total Adjustments	<u>6,327,442</u>	<u>4,881,971</u>	<u>2,161,257</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 16,669,134</u>	<u>\$ 4,411,578</u>	<u>\$ 416,010</u>

SUPPLEMENTAL DISCLOSURES OF NON CASH TRANSACTIONS:

Amortization of Loan Costs and Refunding Losses	\$ 304,651	\$ -	\$ -
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Exhibit VII

<u>- Enterprise Funds</u>		Governmental Activities -- Internal Service Funds
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
(23,992)	887,623	2,857
81,714	(1,479,996)	125,463
-	590	(155,000)
-	569	239
11,710	(151,709)	(8,704)
36,237	175,754	5,498
(324,888)	(324,888)	-
-	-	1,747,954
3,357	(12,325)	(3,410)
(2,250)	23,326	-
(663)	(730,616)	11,525
7,378	80,000	6,225
223,085	2,419,084	188,229
86,694	940,087	73,147
<u>(751,450)</u>	<u>13,274,220</u>	<u>2,293,876</u>
<u>\$ (147,452)</u>	<u>\$ 22,004,270</u>	<u>\$ (96,490)</u>
\$ -	\$ 304,651	\$ -

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Okaloosa County is a political subdivision of the State of Florida, governed by a five member Board of County Commissioners (the Board), 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.

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

The following is a summary of the more significant accounting policies of the Board:

A. The Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Board consists of all funds, departments, boards, and agencies of the Board that are not legally separate from the Board. Component units are legally separate organizations for which the Board is financially accountable.

In evaluating the Board as a reporting entity, management has considered all potential component units for which the Board may or may not be financially accountable and, as such, be included within the Board's financial statements. Management utilized criteria set forth in GASB No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB No. 61, the Board (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Board. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Board evaluated the Emerald Coast Bridge Authority (the Authority) in accordance with GASB No. 61. The Authority has been dormant for several years. The Board does not believe it is financially accountable with respect to the Authority or that financial burden relationship exists based on an evaluation of GASB No. 61. As such, the Authority is not included as part of the Board's reporting entity.

The Board is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Board's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basis of Presentation - Fund Financial Statements

These financial statements are intended to present only the financial position of changes in financial position of that portion of Okaloosa County, Florida, that relate to transactions of the Board and are not intended to present the financial position and changes in financial position of Okaloosa County, Florida. The Board segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and proprietary funds of the Board. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining 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 Board building. Non-exchange transactions are those in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is property tax revenue received by the Board which is used to fund various general governmental services. The revenue from these exchange and non-exchange transactions is recognized in the financial statements in varying ways depending on the basis of accounting used.

2. Governmental Fund Financial Statements

All governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. 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 Board 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 Board, special assessments, licenses, interest revenue and charges for service. Current year property taxes uncollected at the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and are not recorded as a receivable on the balance sheet. All other revenue items are considered to be measurable and available only when the government receives cash.

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

3. Proprietary Fund Financial Statements

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. The principal operating revenues for the proprietary funds are fees and charges for water and sewer, airports, solid waste, inspection services, emergency medical services, convention center, self-insurance, 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.

4. Other Financial Statement Presentation Information

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

The Board reports the following major governmental funds:

General Fund

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

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 Board's tourist industry as authorized by 125.0104, F.S., and Okaloosa Board Ordinance No. 89-23 as amended by 91-20, 92-52, 95-10, 99-07, 07-58, 12-21, 13-19, 13-20, 14-08, 16-13 and 16-20.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

4. Other Financial Statement Presentation Information - Continued

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 Board, Florida.

The Board 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 Board.

Airport Enterprise Fund

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

Emergency Medical Services Enterprise Fund

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

The Board 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund 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 Board has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the Board'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 Board adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which establishes registration procedures for securities and dealers.

The Board of Board 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.

The Day to Day fund is a "2a-7 like" fund. The fund is carried at amortized cost, which includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for amortization of discount or premium over the period from purchase to maturity. Thus, the value in the fund approximates fair value. A "2a-7 like" fund is not registered with the SEC as an investment company but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. The Day to Day fund is reported at fair value, determined by the fair value per share of the pool's underlying portfolio.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

1. Deposits and Investments - Continued

Unlike the Day to Day fund, the Short-Term Bond fund is accounted for as a fluctuating Net Asset Value (NAV) pool, not a “2a-7 like” money market fund. Accounting valuations reflect estimates of the market value of the securities rather than their amortized cost. Securities listed on generally recognized securities exchanges are valued at the last sales price as reported by such exchanges on the date of valuation. If no sale has been reported, the securities are valued at the average of the bid and ask price for the date of valuation. If neither a sale nor bid and ask price have been reported, then the most recent sales price is used. Securities not listed on generally recognized securities exchanges are valued at the most recent published bid quotation if market quotations are available. Other investments are valued based on quotations obtained from one or more recognized broker/dealers regularly dealing in such securities.

The fair value of investments of both the Short-Term Bond Fund and Day to Day Fund is determined on a daily basis.

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 Board invests. The pools either meet the “2A-7 like” criteria of GASB 31 or value investments at fair value. Therefore, fair value of the position in these pools is the same as the value of the pool shares.

The Board maintains a cash and investment management pool in which each fund participates on a dollar equivalent and daily transaction basis. The Board’s cash and investment management pool is considered to be cash equivalent for reporting purposes because it is an internally managed fund, which allows individual funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty. The Board’s cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, certificates of deposit, and pooled investments of the Local Government Surplus Trust Fund. Interest income (which includes unrealized gains and losses) is distributed monthly based on balance at date of distribution.

2. Interfund 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 non-spendable fund balance account that indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

3. Accounts Receivable

Accounts receivable are shown net of an allowance for uncollectible accounts. The Emergency Medical Services Enterprise Fund, Airport Enterprise Fund, and Water and Sewer Enterprise Fund are the only funds of Okaloosa Board 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

4. Property Taxes

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 Board bills and collects its own property taxes, as well as taxes for the Board School District and taxes for municipalities and special districts within the Board in accordance with the laws of the State of Florida. No accrual has been made for 2017 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, 2017
Levy Date	November 1, 2017
Due Date	November 1, 2017
Delinquent Date	April 1, 2018

Discounts of 1% for each month taxes are paid prior to March 2018 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.

5. 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 net realizable value in the proprietary funds. The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used to account for the prepaid items. Under the consumption method, prepaid items are recorded as expenditures during the period in which they are used.

6. Restricted Assets

Certain proceeds of the 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

7. 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 position of the Board. 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 acquisition value as of the date received. The Board’s capitalization levels are \$1,000 on tangible personal property and \$5,000 on buildings, improvements other than buildings and infrastructure. 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

8. Compensated Absences

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

9. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in 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 obligations 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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance – Continued

10. Self-insurance Claims

Liabilities for reported claims and incurred but not reported claims (IBNR) are estimated based on an actuarial review of claims pending and historical experience.

11. Landfill Closure and Post Closure Care Payable

The Board recognizes municipal solid waste landfill closure and post closure care costs under the State of Florida's Solid Waste Management Act of 1988, regulations of the Federal Environmental Protection agency and the GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs*. The Board is required to place a final cover on closed landfills and to provide long-term care for up to thirty years after final cover. These obligations for closure and post closure are recognized in the Solid Waste Fund over the active life of the landfill, based on landfill capacity used to date.

12. Net Pension Liability

The Board participates in the Florida Retirement System (FRS) and the Health Insurance Subsidy Program (HIS) which are administered by the Florida Division of Retirement. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, pension expense, additions to/deduction, and information about the fiduciary's net position have been determined on the same basis as they are reported by the cost-sharing plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Bond Premiums, Discounts and Issuance Costs

On the proprietary fund type statement of net position, bond premiums and discounts 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. Unamortized losses on bonds are presented as deferred outflows.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period the debt is issued. 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.

14. Deferred Outflows/Inflows of Resources

In addition to assets, deferred outflows of resources represent a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. The Board has \$2,662,901 of deferred outflows on Water and Sewer, Series 2015 bonds, and \$45,081,040 of deferred outflows for pension as of September 30, 2017. Amortization expense of the deferred outflow related to the Water and Sewer, Series 2015 bonds totaled \$304,651 for the year ended September 30, 2017, and is included in interest expense on the Statements of Revenues, Expenses and Changes in Net Position.

In addition to liabilities, deferred inflows of resources represent an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Board has \$7,010,465 of deferred inflows for pension as of September 30, 2017. No other such material items were applicable to the Board as of September 30, 2017.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Balance – Continued

15. 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 upon 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 Board’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Board Commissioners or (b) a body (for example: a budget or finance committee) or official to which the Board has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in those funds are at a minimum, intended to be used for the purposes of that fund. The Board has delegated to the Board Administrator and Finance Officer in accordance with the Board’s fund balance policy.

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.

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. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned. The Board 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance – Continued

16. 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.

17. Net Position

The net positions of proprietary funds are made up of three components. Net Investment in Capital Assets which represents net capital assets less related long-term liabilities; unspent debt proceeds will increase this amount. The Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The restricted component represents assets that are legally restricted. They include reserve funds, special revenues restricted by statute or ordinance, bond proceeds, and other sources restricted for capital or improvements. The unrestricted component of net position is the balance not included in the determination of net investment in capital assets or the restricted component of net position.

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 Board 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, 2017

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 Board 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.

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 \$73,110,087 representing a 19.82% 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/NET POSITION

The Solid Waste Enterprise Fund reported deficit net position of \$175,971 as of September 30, 2017. The deficit is caused by changes in reporting closure costs and long-term care costs for the solid waste landfills of the Board. Further description of these costs and methods of funding them are discussed in Note 8.

The Emergency Medical Service Enterprise Fund reported a deficit net position of \$670,356 as of September 30, 2017. This is primarily a result of forgoing the ad valorem taxes in 2017 and increase the enterprise fund’s fee structure. This deficit will be cured by increased fees in the provision of services or allocations of ad valorem taxes may need to be considered.

The Self Insurance Internal Service Fund reported deficit net position of \$3,718,585. 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 Garage Services Internal Service Fund reported a deficit net position of \$1,523,560. Vehicle maintenance and centralized distribution of gasoline and special fuel are funded by monthly billing of services. This funding method results in a deficit fund equity which will be charged back to the other funds so that service fund revenues and expenses will be equal.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2017, the Board's carrying value of cash and cash equivalents totaled \$10,160,951.

The Board maintains a cash and investment management pool in which each fund participates on a dollar equivalent and daily transaction basis. The Board's cash and investment management pool is considered to be cash equivalent for reporting purposes because it is an internally managed fund, which allows individual funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty. The Board's cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, certificates of deposit, and pooled investments of the Local Government Surplus Trust Fund. Interest income (which includes unrealized gains and losses) is distributed monthly based on balance at date of distribution.

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

At September 30, 2017, the carrying amount of the Board's cash deposits totaled \$10,160,951 and cash in money market funds totaled \$4,450,629.

Investments

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

The investment policy manual details the methods used to manage the risks inherent to the investment process. The authority for investment of Board funds rests with the Clerk of the Circuit Court who has delegated management of the investment program to the Director of Treasury & Board Services. Although the policies allow investments in many types of instruments, the Clerk 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 third party custody and safekeeping.

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Investments - Continued

Credit risk. As of September 30, 2017, Standard & Poor’s rated the investment in Florida Local Government Investment Trust investment pool AAAf, Florida Local Government Investment Day to Day AAAM, and Florida Local Government Surplus Fund Trust AAAM. As of September 30, 2017, all U.S. Instrumentalities held by the Board were rated AAA. The investment policies of the Board 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 Board 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. As of September 30, 2017, 13.92% of the Board’s investments are in the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Government National Mortgage Association. These investments are 3.33%, 2.63%, 7.64% and 0.33% respectively, of the Board’s total investments.

Custodial credit risk. Federated Money Market, U.S. Treasury bills, and U.S. instrumentalities are held by the Board’s agent in the Board’s name in accordance with the Okaloosa Board Investment Policy requiring third party custody and safekeeping.

The Board had the following investment types by issuer and effective duration presented in terms of years:

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>	<u>Credit Rating</u>	<u>Percentage of Portfolio</u>
Long Term Investments:				
United States Treasury Securities	\$ 22,527,679	0.740	AAA	13.92%
Total long term investments	<u>22,527,679</u>			<u>13.92%</u>
Total Fair Value	<u>\$ 22,527,679</u>			<u>13.92%</u>
Portfolio Weighted Average Duration		0.740		

NOTE 4 – FAIR VALUE OF INVESTMENTS

The Board measures and records its investments using fair value measurements guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follow:

Level 1 – Quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.

Level 3 – Unobservable inputs for an asset.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 4 – FAIR VALUE OF INVESTMENTS - CONTINUED

Okaloosa Board has the following recurring fair value measurements as of September 30, 2017:

- Day-to-Day Fund – FLGIT – Maximum of 75% of the total portfolio. Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds held by FLGIT are deemed to be actively traded.
- Short-Term Bond Fund- FLGIT – Maximum of 75% of the total investment portfolio. Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds held by FLGIT are deemed to be actively traded.
- US Treasuries/Agencies/Instrumentalities – Maximum of 50% of the total investment portfolio. Valued at market prices for similar assets in active markets.

At September 30, 2017, Okaloosa Board had the following recurring fair value measurements:

	Fair Value	Level 1	Level 2	Level 3
Federal Home Loan Bank	\$ 5,380,830	\$ -	\$ 5,380,830	\$ -
Federal Home Loan Mortgage Corporation	4,248,091	-	4,248,091	-
Federal National Mortgage Assocation	12,360,013	-	12,360,013	-
Governmental National Mortgage Association	538,745	-	538,745	-
	<u>22,527,679</u>	<u>\$ -</u>	<u>\$ 22,527,679</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Florida Local Government Investment Trust - Day-to-Day Fund	7,714,372			
Florida Local Government Investment Trust - Investment Pool	<u>39,598,746</u>			
Total investments measured at fair value	69,840,797			
Total investments measured at amortized cost	<u>89,640,112</u>			
Total investments at September 30, 2017	<u>\$ 159,480,909</u>			

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 5 – RECEIVABLES / UNEARNED AND UNAVAILABLE REVENUE

Receivables as of September 30, 2017 for the government’s individual major funds and nonmajor governmental, nonmajor enterprise and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Funds	Accounts Receivable	Due From Other Governments	Total Receivables	Less: Allowance for Doubtful Accounts	Net Total Receivables Sept. 30, 2017
General	\$ 184,758	\$ 4,644,418	\$ 4,829,176	\$ -	\$ 4,829,176
Tourist Development	542	3,718,942	3,719,484	-	3,719,484
Water and Sewer	3,334,769	1,339,803	4,674,572	(278,455)	4,396,117
Airport	1,840,680	1,868,320	3,709,000	(408,101)	3,300,899
Emergency Medical Services	8,552,350	2	8,552,352	(4,444,260)	4,108,092
Nonmajor and Other Funds	1,088,965	2,814,589	3,903,554	-	3,903,554
Total	\$ 15,002,064	\$ 14,386,074	\$ 29,388,138	\$ (5,130,816)	\$ 24,257,322

Governmental funds report unavailable revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources received, but not yet earned. Unearned / unavailable revenues as of September 30, 2017 for the government’s individual major funds and nonmajor governmental, nonmajor enterprise and internal service funds in the aggregate are as follows:

<u>Funds</u>	<u>Unearned</u>
General	\$ 402,927
Tourist Development	65,923
Water and Sewer	1,241,246
Airport	68,299
Emergency Medical Services	10,935
Nonmajor and Other Funds	920,738
Total	\$ 2,710,068

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers and Adjustments	Ending Balance
Governmental Activities					
Capital assets, not being depreciated/amortized:					
Land	\$ 11,803,905	\$ 30,598	\$ -	\$ -	\$ 11,834,503
Intangibles	1,146,905	-	-	-	1,146,905
Construction in progress	4,748,405	14,235,020	-	(4,210,699)	14,772,726
Works of art	29,195	-	-	-	29,195
Total capital assets not being depreciated/amortized	<u>17,728,410</u>	<u>14,265,618</u>	<u>-</u>	<u>(4,210,699)</u>	<u>27,783,329</u>
Capital assets, being depreciated/amortized:					
Buildings	106,060,359	190,168	-	-	106,250,527
Improvement other than buildings	36,797,863	1,159,693	-	-	37,957,556
Intangibles	524,311	71,276	-	-	595,587
Machinery and equipment	31,898,021	1,788,192	(1,067,549)	1,004,189	33,622,853
Infrastructure	154,472,778	4,498,009	-	-	158,970,787
Total capital assets being depreciated/amortized	<u>329,753,332</u>	<u>7,707,338</u>	<u>(1,067,549)</u>	<u>1,004,189</u>	<u>337,397,310</u>
Less accumulated depreciation/amortization for:					
Buildings	(35,158,838)	(2,761,565)	-	-	(37,920,403)
Improvement other than buildings	(11,999,341)	(999,450)	-	-	(12,998,791)
Intangibles	(477,913)	(13,222)	-	-	(491,135)
Machinery and equipment	(25,024,418)	(2,204,448)	1,060,693	(989,929)	(27,158,102)
Infrastructure	(87,038,835)	(2,222,595)	-	-	(89,261,430)
Total accumulated depreciated/amortized	<u>(159,699,345)</u>	<u>(8,201,280)</u>	<u>1,060,693</u>	<u>(989,929)</u>	<u>(167,829,861)</u>
Total capital assets, being depreciated/amortized, net	<u>170,053,987</u>	<u>(493,942)</u>	<u>(6,856)</u>	<u>14,260</u>	<u>169,567,449</u>
Governmental Activities capital assets, net	<u>\$ 187,782,397</u>	<u>\$ 13,771,676</u>	<u>\$ (6,856)</u>	<u>\$ (4,196,439)</u>	<u>\$ 197,350,778</u>

Depreciation expense was charged to functions/programs as follows:

	Depreciation	Amortization
Governmental Activities		
General government	\$ 1,880,883	\$ 8,353
Public safety	1,086,907	-
Physical environment	130,756	-
Transportation, incl. depreciation of general infrastructure assets	3,278,210	959
Economic environmental	39,221	-
Human services	269,056	-
Culture and recreation	1,270,747	1,960
Court related	165,274	1,950
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>67,004</u>	<u>-</u>
Total depreciation expense - governmental activities	<u>\$ 8,188,058</u>	<u>\$ 13,222</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 6 – CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Transfers and Adjustments	Ending Balance
Business-type Activities					
Capital assets, not being depreciated/amortized:					
Land	\$ 14,765,162	\$ -	\$ -	\$ -	\$ 14,765,162
Construction in progress	21,258,934	19,886,076	-	(18,658,906)	22,486,104
Works of art	69,865	-	-	-	69,865
Total capital assets not being depreciated/amortized	<u>36,093,961</u>	<u>19,886,076</u>	<u>-</u>	<u>(18,658,906)</u>	<u>37,321,131</u>
Capital assets, being depreciated/amortized:					
Buildings	73,475,227	-	-	14,053,913	87,529,140
Improvement other than buildings	276,776	-	-	-	276,776
Intangibles	932,505	6,000	-	-	938,505
Machinery and equipment	20,964,448	2,521,858	(559,956)	(999,478)	21,926,872
Infrastructure	346,414,997	1,865,550	-	4,377,957	352,658,504
Total capital assets being depreciated/amortized	<u>442,063,953</u>	<u>4,393,408</u>	<u>(559,956)</u>	<u>17,432,392</u>	<u>463,329,797</u>
Less accumulated depreciation/amortization for:					
Buildings	(20,099,524)	(2,011,522)	-	-	(22,111,046)
Improvement other than buildings	(182,991)	(9,226)	-	-	(192,217)
Intangibles	(856,094)	(22,315)	-	-	(878,409)
Machinery and equipment	(14,606,693)	(1,653,723)	553,915	892,880	(14,813,621)
Infrastructure	(126,778,725)	(8,395,021)	-	-	(135,173,746)
Total accumulated depreciated/amortized	<u>(162,524,027)</u>	<u>(12,091,807)</u>	<u>553,915</u>	<u>892,880</u>	<u>(173,169,039)</u>
Total capital assets, being depreciated/amortized, net	<u>279,539,926</u>	<u>(7,698,399)</u>	<u>(6,041)</u>	<u>18,325,272</u>	<u>290,160,758</u>
Business-type Activities capital assets, net	<u>\$ 315,633,887</u>	<u>\$ 12,187,677</u>	<u>\$ (6,041)</u>	<u>\$ (333,634)</u>	<u>\$ 327,481,889</u>

Depreciation expense was charged to enterprise funds as follows:

	Depreciation	Amortization
Business-type Activities		
Water and sewer	\$ 6,931,644	\$ 22,015
Airport	4,271,876	300
Emergency Management Services	583,740	-
Other enterprise funds	282,232	-
Total depreciation expense - business-type activities	<u>\$ 12,069,492</u>	<u>\$ 22,315</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

6 – CAPITAL ASSETS – CONTINUED

Construction Commitments

Crestview Courthouse Remodel

The Board initially entered into a contract to design and remodel the Crestview Courthouse. After consideration, the Board direction changed to full redevelopment of the parcel with estimated costs of \$26 million. The contract in place at September 30, 2017 totals \$21,477,995. Cumulative expenditures total \$9,341,277, with \$12,136,718 remaining liability outstanding at September 30, 2017.

Water and Sewer Expansion and Renovation

The Water and Sewer System is continuing significant expansion and renovations throughout the Board. Based on the fiscal year 2018 capital budget, total expenditures will approximate \$7,462,551 on projects, which include \$4,300,000 for year 2 of a three-year mass meter change out program, and \$3,162,551 for diversion, and multiple smaller projects.

NOTE 7 – COMPENSATED ABSENCES

Board of County Commissioners

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

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

	<u>Years of Service</u>	<u>40 hours/ week</u>	<u>45 hours/ week</u>	<u>24 hours on/ 48 hours off</u>
<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		
Maximum 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 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 7 – COMPENSATED ABSENCES - CONTINUED

Compensatory Time

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

The total amounts of accumulated annual leave and other compensated absences for the Board as of September 30, 2017 are as follows:

<u>Elected Official</u>	<u>Current Portion</u>	<u>Long -Term Portion</u>	<u>Totals</u>
Board of County Commissioners	\$ 2,692,691	\$ 2,058,032	\$ 4,750,723

NOTE 8 - LANDFILL 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 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, which is at 100% capacity as of September 30, 2017. The 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 \$324,888. The estimated liability for post closure care costs has a balance of \$3,701,392 as of September 30, 2017.

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2017 is as follows:

	<u>Receivable from Other Funds</u>	<u>Payable to Other Funds</u>
Major Fund		
General Fund	\$ 212,960	\$ 78,569
Tourist Development	78,401	-
Capital Outlay	167	-
Airport Enterprise Fund	50,000	584
Non-major Funds		
Special Revenue Funds	72	2,447
Internal Service Funds	-	865,000
Solid Waste Fund	325,000	-
Inspection and Code Enforcement Fund	280,000	-
	<u>\$ 946,600</u>	<u>\$ 946,600</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 9 – INTERFUND BALANCES AND ACTIVITY - CONTINUED

The composition of interfund balances related to Elected Officials as of September 30, 2017 is as follows:

	Receivable from Other Elected Official	Payable to Other Elected Official
Major Fund		
General Fund	\$ 1,132,567	\$ 234,109
Capital Outlay Construction Trust Fund	128,684	-
Airport Enterprise Fund	-	162
Emergency Medical Services	-	742
Non-major Funds		
Special Revenue Funds	101,792	3
Internal Service Funds	999	341
Constitutional Officers		
Clerk of Courts	4,538	155,639
Sheriff	230,581	387,165
Supervisor of Elections	-	50
Tax Collector	238	138,001
Property Appraiser	-	683,187
	<u>\$ 1,599,399</u>	<u>\$ 1,599,399</u>

Interfund receivables at the fund and elected official level result primarily from revenue accrued in certain funds that are transferred to other funds. Interfund receivables and payables at the fund level also include short term cash advances.

Interfund transfers activity for the year ended September 30, 2017 consisted of the following:

	Transfers In	Transfers Out
Major Fund		
General	\$ 3,829,016	\$ 45,028,124
Tourist Development	-	2,460,161
Capital Outlay	100,000	230,342
Airport Enterprise	-	758,465
Emergency Medical Services Enterprise	33,000	-
Non-major Funds		
Governmental	3,837,395	4,273,075
Internal Service	170,000	-
Constitutional Officers		
Clerk of Courts	1,526,370	-
Sheriff	38,923,356	-
Supervisor of Elections	1,737,861	-
Tax Collector	-	8,287
Property Appraiser	2,601,456	-
	<u>\$ 52,758,454</u>	<u>\$ 52,758,454</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 10 - LEASES

Operating Leases – Lessor

The Board leases three 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 \$2,798,621 has been recorded as of September 30, 2017. 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. In 2016, one of the leases was renegotiated to have incremental increases from 2% to 3.5% for five (5) year periods 2039. The second renegotiated lease contains a contingent rent fee of 15% of gross revenue if that amount is greater than the set rent amount. To date, the contingent rent option has not been needed. The remaining terms of the leases range from 1 to 23 years.

The Board leases land and a building to a convenience store company. Capitalized investment in the building is \$132,488. Accumulated depreciation of \$61,276 has been recorded as of September 30, 2017. 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. In 2010, the lease was assigned and the lease term extended through June 2015. The first of four five year renewals executed in 2015; the optional lease term remaining is through 2039.

The Board leases space in a building to six (6) lessees. Capitalized investment in the building is \$546,688. In 2014, new leases were negotiated for one (1) year with two (2) one-year renewals through 2017. During 2017 there were 4 tenants for a portion of the year. Leases for two of the four expired and were not renewed, the other two ran through December 2017 and were not renewed.

The Board 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. Annual rental fees began at \$10,000 with a 15% increase at each renewal. There is no capitalized investment related to this lease.

The Board has entered into operating leases with various lessees and concessionaires for lease of space and facilities at the Destin-Fort Walton Beach Airport, the Bob Sikes Airport and the Destin Executive Airport. Lease periods vary with expiration dates through 2049.

The Board 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.

The Board leases land on Okaloosa Island to a company to operate 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.

The Board leases office space at the Fort Walton Beach Water and Sewer building. Capitalized investment in these assets is \$2,995,873. Accumulated depreciation of \$1,835,177 has been recorded as of September 30, 2017. The one-year lease expires in June 2016 with optional three (3) one (1) year extensions. Rental fees total \$18,563 annually.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 10 – LEASES - CONTINUED

Operating Leases – Lessor - Continued

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

Fiscal Year Ended September 30,	
2018	\$ 10,140,595
2019	10,024,498
2020	9,878,060
2021	9,040,625
2022	6,808,669
Thereafter	<u>38,327,724</u>
	<u>\$ 84,220,171</u>

Operating Leases – Lessee

The Board 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, subsequently Amendment 1 extends the term until December 9, 2038. 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 \$12,255,344 over the life time of the lease. Lease expense for fiscal year 2017 was \$414,918.

The Board 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 \$9,625,967 over the life time of the lease. Lease expense for fiscal year 2017 was \$388,405.

The Board leases eight Volvo G930 Motor Graders used by public works department for the Board through January 2017. The two three (3) year leases are based on monthly payments of \$5,326 with a balloon payment of \$595,868 in October 2016 and \$595,868 in January 2017. The final payment under the lease was issued in March 2017. Lease expenditure for fiscal year 2017 was \$15,977.

The Board leases 10 Airport fleet vehicles from Enterprise Leasing under a lease agreement initially expiring in December 2014. The leases were renegotiated to closed-end walkaway leases in August 2014, subsequently amended for a duration terminating December 31, 2018. The lease amendments included a reduction in vehicles from ten (10) to seven (7) at a rate of \$2,877 per month. Lease expenditure for fiscal year 2017 was \$38,019.

The Board leases cardiac monitors from Phillips Medical Capital LLC under a lease agreement which expires March 2019. The three (3) year lease are based on monthly payments of \$8,505. Future lease payment total \$153,090 for the remaining term of the lease. Lease expenditure for fiscal year 2017 was \$102,060.

The Board leases four (4) 670G motor graders from John Deere Financial provided by Beard Equipment for the Public Works Department for 48 months beginning May 2017. The monthly lease payment is \$7,795 with a purchase option price of \$624,708. The future minimum lease payments total \$327,410. Lease expense for fiscal year 2017 was \$46,773.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 10 – LEASES – CONTINUED

Operating Leases – Lessee - Continued

Total lease expenditure/expense for material operating leases in which the Board is the lessee for fiscal year ended September 30, 2017 amounted to \$1,009,584. Future minimum lease payments for these leases are as follows:

Fiscal Year Ended September 30,	
2018	\$ 1,019,144
2019	988,859
2020	959,117
2021	934,189
2022	909,835
2023-2027	4,906,610
2028-2032	5,562,470
2033-2037	6,309,718
2038	771,870
	<u>\$ 22,361,812</u>

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Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT

Primary Government

The following debt issues are outstanding for September 30, 2017:

Governmental Activities:

REVENUE BONDS

<p>\$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 were used to finance the construction of a new judicial center complex in the County. This issue is subject to federal arbitrage regulations.</p>	\$23,220,000		
<p>\$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.</p>	2,883,000		
<p>\$22,165,000 Sales Tax Revenue Bonds, Series 2014, serial and term bonds with stated interest rates ranging from 3.0 percent to 5.0 percent compounded semi-annually through October 1, 2034; issued in dominations of \$5,000 maturity value due in annual installments of \$760,000 to \$1,720,000 from October 1, 2016 through October 1, 2034 and interest only payments October 1, 2015 - September 30, 2016. Sales tax revenues were pledged for payment of the bonds. Proceeds of the bonds will be used to finance the construction of Crestview courthouse, Administration building and refunding the Sales Tax Revenue Bond Anticipation Note, Series 2014. The issue is subject to federal arbitrage regulations.</p>	21,405,000		
<p>\$12,960,000 Sales Tax Revenue Bonds, Series 2016, serial and term bonds with stated interest rates ranging from 3.0 percent to 5.0 percent compounded semi-annually through October 1, 2046; issued in dominations of \$5,000 maturity value due in annual installments of \$235,000 to \$715,000 from October 1, 2017 through October 1, 2046. Sales tax revenues were used for payment of the bonds. Proceeds of the bonds will be used to finance the acquisition and construction of improvements to County facilities, including additional improvements to the Crestview courthouse. The issue is subject to federal arbitrage regulations.</p>	12,960,000		
<p>Total Governmental Activities Revenue Bonds</p>	<table border="0"> <tr> <td style="text-align: right;">\$</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">60,468,000</td> </tr> </table>	\$	60,468,000
\$	60,468,000		

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Governmental Activities - Continued

LOANS AND NOTES

\$5,000,000 Private Bank Loan from Hancock Bank with fixed interest rate of 1.79 percent compounded semi-annually through October 1, 2020; principal due in annual installments of \$591,000 and \$664,000 from October 1, 2013 to October 1, 2020. The loan finances the County's portion of a joint beach renourishment project with the City of Destin and is payable from a special assessment levied for beach renourishment as well as Tourist Development taxes.

2,586,000

Total Governmental Activities Loans and Notes

\$ 2,586,000

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Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Business-type Activities:

REVENUE BONDS

Airport

\$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.

\$ 7,800,000

\$8,920,000 Taxable Airport Revenue Refunding Bonds, Series 2014, due in annual installments of \$360,000 to \$740,000 through October 1, 2028; interest rate of 3.15 percent per annum. Proceeds from the bond were used to refund Airport Revenue Revenue Bonds, Series 2003 and Commercial Paper Loan. This issue is not subject to federal arbitrage regulations.

7,550,000

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.

\$67,595,000 Water and Sewer Revenue Bonds, Series 2015, due in annual installments of \$760,000 to \$3,940,000 through July 1, 2036; interest ranging from 2.00 percent to 3.75 percent per annum. Proceeds from the bond were used to refund Water and Sewer Revenue Bonds, Series 2004; Water and Sewer Revenue Bonds, Series 2006; and Water and Sewer Revenue Note, Series 2012, as well as constructing additions to the water and sewer system. This issue is subject to federal arbitrage regulations.

62,380,000

Total Business-type Revenue Bonds

\$ 77,730,000

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

\$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.

42,586

\$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.

4,381,748

Total Loans - State of Florida

4,424,334

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Business-type Activities - Continued:

OTHER LOANS

\$3,500,000 Commercial Paper Loan from the Florida Local Government Finance Commission Pooled Commercial Paper Loan Program; interest and fee payments are made monthly beginning October 1, 2015; the entire principal balance of the loan is due on March 1, 2020. The loan finances construction of the Destin Air Traffic Control Tower and the Foy Shaw Access Road at Bob Sikes Airport and is payable from net revenues of the Airport.

	3,500,000
Total Business-type Loans and Notes	\$ 7,924,334

The following is a summary of the changes in long-term debt of the Board for the fiscal year ended September 30, 2017:

	Balance Due October 1, 2016	Increases	Decreases	Balance Due September 30, 2017	Due Within One Year
Governmental Activities:					
Revenue Bonds					
Sales Tax Revenue Bonds,					
Series 2009	\$ 23,220,000	\$ -	\$ -	\$ 23,220,000	\$ 675,000
Series 2011	3,037,000	-	(154,000)	2,883,000	160,000
Series 2014	21,405,000	-	-	21,405,000	780,000
Series 2016	12,960,000	-	-	12,960,000	235,000
Less deferred amounts					
For issuance discounts/premiums	3,277,514	12,364	(389,341)	2,900,537	-
Total Revenue Bonds	63,899,514	12,364	(543,341)	63,368,537	1,850,000
Loans and Notes					
Private bank note	2,586,000	-	-	2,586,000	629,000
Total Notes	2,586,000	-	-	2,586,000	629,000

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

	Balance Due October 1, 2016	Increases	Decreases	Balance Due September 30, 2017	Due Within One Year
Governmental Activities - Continued:					
Accrued compensated absences	\$ 2,563,085	\$ 1,845,151	\$ (1,498,770)	\$ 2,909,466	\$ 1,694,566
Estimated claims payable	3,973,982	2,436,693	(505,955)	5,904,720	1,905,436
Other post employment benefits	5,480,214	582,664	(172,219)	5,890,659	-
Net Pension Liability	69,358,388	13,712,047	(5,534,562)	77,535,873	-
Total Governmental Activities	\$ 147,861,183	\$ 18,588,919	\$ (8,254,847)	\$ 158,195,255	\$ 6,079,002
Business-type Activities:					
Revenue Bonds					
Airport Taxable Revenue Bonds,					
Series 2007	\$ 8,130,000	\$ -	\$ (330,000)	\$ 7,800,000	\$ 350,000
Series 2014	8,060,000	-	(510,000)	7,550,000	530,000
Water and Sewer Revenue,					
Series 2015	65,085,000	-	(2,705,000)	62,380,000	2,785,000
Less deferred amounts	-	-	-	-	-
For issuance discounts/premiums	8,936,360	23,180	(455,561)	8,503,979	-
Total Revenue Bonds	90,211,360	23,180	(4,000,561)	86,233,979	3,665,000
Loans and Notes					
State of Florida Revolving Loan					
Fund, September 15, 1999 through March 15, 2017	55,465	-	(55,465)	-	-
State of Florida Revolving Loan					
Fund, February 15, 2001 through August 15, 2019	62,892	-	(20,306)	42,586	20,957
State of Florida Revolving Loan					
Fund, beginning June 15, 2007 through December 15, 2023	4,779,740	-	(397,992)	4,381,748	409,109
State Infrastructure Bank Loan					
State Infrastructure Bank Loan	-	-	-	-	-
Airport Commercial Paper Loan					
Airport Commercial Paper Loan	3,500,000	-	-	3,500,000	-
Total Loans and Notes	8,398,097	-	(473,763)	7,924,334	430,066
Accrued compensated absences	1,665,503	1,092,121	(916,367)	1,841,257	998,125
Estimated closure costs payable	4,026,280	3,221	(328,110)	3,701,391	361,126
Other post employment benefits	435,110	157,372	(77,372)	515,110	-
Net Pension Liability	25,252,952	4,056,333	(1,637,250)	27,672,035	-
Total Business-type Activities	\$ 129,989,302	\$ 5,332,227	\$ (7,433,423)	\$ 127,888,106	\$ 5,454,317

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, \$184,465 of internal service funds compensated absences, \$5,215,981 of estimated claims, \$37,616 of other post-employment benefits, and \$2,004,205 of net pension liability are included in the above amounts.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Compensated absences, other post-employment benefits and net pension liability are liquidated by the general and other governmental funds incurring the expenditure. Claims liabilities are liquidated in the internal service fund.

Debt service requirements to maturity on long-term debt at September 30, 2017 are as follows:

Year Ending September 30,	Governmental Activities			
	Revenue Bonds		Loans, Notes, and Leases	
	Principal	Interest	Principal	Interest
2018	\$ 1,850,000	\$ 2,950,597	\$ 629,000	\$ 40,660
2019	1,911,000	2,874,022	641,000	29,293
2020	1,977,000	2,792,819	652,000	17,721
2021	2,049,000	2,701,519	664,000	5,943
2022	2,136,000	2,601,736	-	-
2023-2027	12,123,000	11,301,009	-	-
2028-2032	14,792,000	7,841,990	-	-
2033-2037	13,380,000	4,085,056	-	-
2038-2042	6,995,000	1,456,428	-	-
2043-2047	3,255,000	422,375	-	-
	<u>\$ 60,468,000</u>	<u>\$ 39,027,551</u>	<u>\$ 2,586,000</u>	<u>\$ 93,617</u>

Year Ending September 30,	Business-type Activities					
	Revenue Bonds		Loans and Notes		Landfill Closure Costs	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 3,665,000	\$ 3,787,065	\$ 430,066	\$ 121,691	\$ 361,126	\$ -
2019	3,820,000	3,635,296	442,165	109,596	361,126	-
2020	3,995,000	3,447,893	3,932,285	96,323	361,126	-
2021	4,195,000	3,248,438	444,362	83,514	361,126	-
2022	4,395,000	3,039,010	456,776	71,099	361,126	-
2023-2027	23,775,000	11,650,200	2,218,680	156,762	1,805,630	-
2028-2032	19,215,000	6,085,726	-	-	90,131	-
2033-2037	14,670,000	1,681,750	-	-	-	-
	<u>\$ 77,730,000</u>	<u>\$ 36,575,378</u>	<u>\$ 7,924,334</u>	<u>\$ 638,985</u>	<u>\$3,701,391</u>	<u>\$ -</u>

NOTE 12 - CONDUIT DEBT

Since 1984, the Board has authorized eight industrial development revenue bond issues that are still outstanding. The original issues totaled \$55,814,025 and as of September 30, 2017, \$16,829,025 was the principal liability. These bonds do not constitute an indebtedness of the Board 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, 2017

NOTE 13 - FUND BALANCES/RESTRICTED BALANCE

A schedule of the governmental fund balances for September 30, 2017 is provided below:

	Major Funds				Total
	General Fund	Tourist Development	Capital Outlay	Other	
Fund Balances:					
Nonspendable:					
Prepays	\$ 244,992	\$ 8,125	\$ -	\$ 115,681	\$ 368,798
Restricted for:					
Tourist Development BP Projects	-	7,303	-	-	7,303
Tourist Development 1st Cent	-	16,700,890	-	-	16,700,890
Tourist Development 2nd Cent	-	2,268,179	-	-	2,268,179
Tourist Development 3rd Cent	-	5,559,376	-	-	5,559,376
Tourist Development 4th Cent	-	17,234,320	-	-	17,234,320
Tourist Development 5th Cent	-	4,921,804	-	-	4,921,804
Florida Boating Improvements	-	-	491,215	-	491,215
Capital Projects	-	-	14,533,760	-	14,533,760
Emergency and Disaster Relief	-	-	-	936,795	936,795
Housing and Urban Development	-	-	-	318,719	318,719
E-911 Operations	-	-	-	1,024,922	1,024,922
Radio Communications	-	-	-	115,833	115,833
Law Enforcement Trust Fund	-	-	-	215,489	215,489
Police Academy	-	-	-	48,601	48,601
Park Projects	-	-	-	3,491,858	3,491,858
Prisoner Benefit Fund	-	-	-	1,009,242	1,009,242
Judicial Innovations	-	-	-	460,751	460,751
Drug Abuse Trust Fund	-	-	-	74,129	74,129
Domestic Violence Trust Fund	-	-	-	5,409	5,409
Traffic Education	-	-	-	174,504	174,504
Debt Service	-	-	-	435,115	435,115
Transportation Projects	-	-	-	9,589,642	9,589,642
Committed to:					
Planning Projects	35,829	-	73	-	35,902
Municipal Benefits Service Units	-	-	-	525,364	525,364
Assigned to:					
FY 2018 Budget Appropriations	1,074,730	-	-	-	1,074,730
Transportation Projects	-	-	-	3,857,271	3,857,271
Emergency and Disaster Relief	-	-	-	66,131	66,131
Health Department	-	-	-	186	186
Unassigned:					
Unassigned	6,268,994	(8,125)	-	(115,681)	6,145,188
Total Fund Balances	<u>\$ 7,624,545</u>	<u>\$ 46,691,872</u>	<u>\$ 15,025,048</u>	<u>\$ 22,349,961</u>	<u>\$ 91,691,426</u>

The proprietary fund balance sheet contains the line item "Net Position Restricted for Other Purposes". Following is a list of the detail balances contained in that line item for September 30, 2017.

Fund	Amount	Purpose
Airport Enterprise Fund	\$ 9,965,183	Passenger Facility Charges Program
Airport Enterprise Fund	4,812,434	Customer Facility Charges Program
Total Net Position Restricted for Other Purposes	<u>\$ 14,777,617</u>	

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 14 – ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2017, is as follows:

	Amount
Governmental Funds	
General Fund	\$ 1,115,912
Tourist Development	804,946
Capital Outlay	2,012,812
Other Governmental	353,302
Total	\$ 4,286,972

Encumbrances at year end do not constitute expenditures or liabilities; therefore, they are not reflected in the financial statements.

NOTE 15 - PENSION PLAN

The County participates in the Florida Retirement System (FRS) which is a cost sharing multiple employer contributory retirement system administered by the State of Florida (State). The FRS was established in 1970 by Chapter 121, Florida Statutes. In 2002 the FRS was amended to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. Chapter 112, Florida Statutes established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any state- administered retirement system in paying the cost of health insurance.

The State of Florida Retirement System issues a publicly available stand-alone financial report (CAFR) which includes financial statements and required supplementary information. Also available are the pension systems actuarial reports to support the schedules of employer allocations and schedules of pension amounts by employer. These reports are available on the division’s website at <http://www.dms.myflorida.com> or by email at rep@dms.myflorida.com. The CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

State of Florida Department of Management Services
Division of Retirement
Research and Education Section
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free 877-377-1737

There are six classes of membership applicable to the Board. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

- ***Regular Class, Senior Management Service Class, and Elected Officers’ Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

- ***Special Risk Class and Special Risk Administrative Support Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty- five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.
- **The Deferred Retirement Option Program (DROP)** is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months.

FRS Membership and Plan Benefits - The FRS Pension Plan provides retirement and disability benefits, death benefits and survivor's benefits. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are established by State Statutes. Retirement benefits are based on a formula comprised of age, average compensation, length of FRS service, and membership class. Average compensation is computed as the average of an individual's five highest years of earnings for employees hired before July 1, 2011 or eight highest years of earnings for employees hired on or after July 1, 2011. The amount of benefit payments is also affected by the retirement income option chosen by the plan participant.

Pension plan participants may choose to receive benefit in retirement under one of four options which will include a 3% cost-of-living adjustment each July (adjustments are only applicable for FRS service earned prior to July 1, 2011).

If a pension plan participant leaves FRS-covered employment, the pension plan benefit is frozen until the employee returns to FRS-covered employment or begins receiving early or normal retirement benefit.

HIS Membership and Plan Benefits - The HIS membership is available to all members within the FRS and defined contribution Investment Plan. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month, pursuant to section Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirements systems must provide proof of eligible health insurance coverage, which can include Medicare.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

Contribution Requirements -The Board is required to contribute at an actuarially determined rate; these rates are a percent of annual covered payroll. Employees are required to contribute 3% of their annual salary, while members participating in DROP are not required to make the 3% contribution. The Board's contractually required contribution rate includes the HIS contribution, .06% administrative and educational fee and any applicable unfunded actuarial liability "UAL" rates. The HIS required contribution rate is 1.66% for the 2016 and 2017 FRS plan years. This contribution when combined with the employee contribution is expected to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Descriptions and contribution rates in effect during the period ended September 30, 2017 and two preceding FRS fiscal years are as follows:

	September 30, 2017	June 30, 2017	June 30, 2016	June 30, 2015
Regular Class	7.92%	7.52%	7.26%	7.37%
Senior Management	22.71%	21.77%	21.43%	21.14%
Elected Officials	45.50%	42.47%	42.27%	43.23%
Deferred Retirement Option Program	13.26%	12.99%	12.88%	12.28%
Special Risk Regular	23.27%	22.57%	22.04%	19.82%
Special Risk Administrative Support	34.63%	28.06%	32.95%	42.07%

For the years ending September 30, 2017, 2016, 2015, the Board contributed \$9,467,107, \$8,820,596 and \$8,063,625 respectively, equal to 100% of the required contributions for each year.

The Florida Legislature has the authority for establishing or amending retirement legislation and related bills of significance to members of the Florida Retirement System (FRS). Passed bills are presented to the Governor and approved before they may be enacted into law.

Net pension liability, deferred outflows/inflows of resources and pension expense related to the Board defined benefit pension plan - At September 30, 2017, the Board reported a liability of \$105,207,909 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's long-term share of contributions to the FRS relative to the contributions of all participating governments. At June 30, 2017, the Board's change in proportion was an increase from its proportion measured as of June 30, 2016. The following table presents the information on the Board's proportionate share of the FRS and HIS:

	FRS	HIS	County Total
Proportionate share of Net Pension			
Liability at June 30, 2017	\$ 83,966,718	\$ 21,241,191	\$ 105,207,909
County's proportion at June 30, 2017	0.00283869579	0.00198655761	
County's proportion at June 30, 2016	0.00283557756	0.00197456901	
Change in proportion during current year	<u>0.00000311823</u>	<u>0.00001198860</u>	

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

For the fiscal year ended September 30, 2017, the Board recognized pension expense of \$7,171,812.

At September 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS		County Total Deferred Outflow (Deferred Inflow)
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	
Differences between expected and actual experience	\$ 7,706,124	\$ 465,132	\$ -	\$ 44,228	\$ 7,196,764
Changes in assumptions	28,218,745	-	2,985,781	1,836,748	29,367,778
Net difference between projected and actual earnings on pension plan investments	-	2,080,905	11,780	-	(2,069,125)
Changes in proportion and differences between County contributions and proportionate share of contributions	3,174,736	2,298,002	550,809	285,450	1,142,093
County contributions subsequent to the measurement date	2,145,651	-	287,414	-	2,433,065
	<u>\$ 41,245,256</u>	<u>\$ 4,844,039</u>	<u>\$ 3,835,784</u>	<u>\$ 2,166,426</u>	<u>\$ 38,070,575</u>

\$2,433,065 reported as deferred outflows related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Reporting year Ending June 30,	FRS	HIS	County Total Deferred Outflow (Deferred Inflow)
2018	\$ 4,519,151	\$ 390,885	\$ 4,910,036
2019	11,742,399	388,656	12,131,055
2020	8,259,136	387,586	8,646,722
2021	1,816,722	301,290	2,118,012
2022	5,757,761	144,737	5,902,498
Thereafter	2,160,397	(231,210)	1,929,187
Totals	<u>\$ 34,255,566</u>	<u>\$ 1,381,944</u>	<u>\$ 35,637,510</u>

The total FRS pension liability in the June 30, 2017 actuarial valuation was determined based on the discount rate using the following actuarial assumptions, applied to all periods included in the measurement. The total pension liability is calculated using the Individual Entry Age Normal cost allocation method, which differs from the Ultimate Entry Age Normal cost allocation method used in the funding valuation for the system.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

FRS actuarial methods and assumptions are:

Actuarial cost allocation method	Individual Entry Age Cost
Amortization method	Level Percentage of Pay, Closed
Equivalent single amortization period	30 years
Asset valuation method	Fair market value
Actuarial Assumptions:	
Discount rate	7.10%
Long Term expected rate of return, net of investment expense, including inflation	7.10%
Municipal bond rate	N/A
Inflation	2.60%
Salary increases including inflation	3.25%
Cost of living adjustment	3.00%

Mortality rates were based on Generational RP-2000 with projections scale

HIS actuarial methods and assumptions are:

Actuarial Assumptions:	
Discount rate	7.65%
Long Term expected rate of return, net of investment expense, including inflation	N/A
Municipal bond rate	2.85%
Inflation	2.60%
Salary increases including inflation	3.25%

Mortality rates were based on Generational RP-2000 with projections scale

The Actuarial assumptions that determined the total pension liability as of June 30, 2017 were based on the results of an actuarial experience study for the period of July 1, 2008 – June 30, 2013.

The discount rate used for calculating the total FRS pension liability was 7.10%, The FRS plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long term expected rate of return. The discount rate used for calculating the total HIS pension liability is equal to the single rate that results in the same actuarial present value as would be calculated by using two different discount rates for the discount at the long-term expected rate of return for benefit payments prior to the projected depletion of the fiduciary net pension (trust assets) and the discount at a municipal bond rate for benefit payments after the projected depletion date. The HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 15 - PENSION PLAN - CONTINUED

The long term expected rate of return on Pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation ⁽¹⁾	Annual Arithmetic Return	Compound Annual (Geometric)	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate (property)	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
	100.0%			
Assumed Inflation - Mean			2.6%	1.9%

⁽¹⁾ As outlined in the Plan's investment policy

Sensitivity of the Board's proportionate share of the pension liability to changes in the discount rate is calculated using discount rate for the respective plans, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
6.10%	7.10%	8.10%	2.58%	3.58%	4.58%
\$151,974,686	\$83,966,718	\$27,504,521	\$24,239,012	\$21,241,191	\$18,744,172

Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS financial report.

NOTE 16 - POSTEMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described, the Board and all other elected officials except for the Sheriff and Tax Collector 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 Board 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS – CONTINUED

Board of Board Commissioners - Continued

Plan Description - Continued

The Board 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 Board’s Self Insurance Fund with approval by the Board. The plan does not issue a separate report.

Benefits Provided

The Board provides post-employment health care and dental benefits to its retirees. To be eligible for benefits an employee must retire under the Board’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 Board’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 Board’s plan becomes secondary.

Membership

At September 30, 2017, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	28
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	-
Active Employees	722
Total	750
Participating Employers	1

Funding Policy

The Board contracted Insurance Broker negotiates the premium rates with BCBSFL. The Board has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB 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 2017 was \$405,019. The Board contributes the remainder to cover the costs of providing the benefits to the retirees via the insured plan. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The Board 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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS – CONTINUED

Board of Board Commissioners - Continued

Annual OPEB Costs and Net OPEB Obligation - Continued

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 Board's net OPEB obligation:

Annual Required Contribution	\$	524,461
Interest on Prior Year Net OPEB Obligation		60,015
Adjustment to Annual Required Contribution		(86,767)
Annual OPEB Costs		515,709
Estimated Employer Contributions made		(263,491)
Increase (Decrease) in Net OPEB Obligation		252,218
Net OPEB Obligation , Beginning of Year		1,500,385
Estimated Net OPEB Obligation, End of Year	\$	1,752,603

The Board had an actuarial valuation performed for the plan as of September 30, 2016 to determine the employer's ARC for the fiscal year ended September 30, 2017. The Board's annual OPEB cost (expense) of \$515,709 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 31, 2007. The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the prior two (2) years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2015	\$450,001	68.30%	\$1,253,195	\$ 31,944,218	14.45%
9/30/2016	\$499,378	50.50%	\$1,500,385	\$ 32,818,887	14.06%
9/30/2017	\$515,709	51.09%	\$1,752,603	\$ 33,517,532	14.59%

Funded Status and Funding Progress

As of September 30, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$4,795,778 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,795,778. 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 Board, 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, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS – 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, 2017, 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 4.5% initially, increased by increments to an ultimate rate of 5.2% in 2026. The assumed inflation rate is 2.6% compounded annually. 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, 2017, was 20 years.

NOTE 17 - RISK MANAGEMENT

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

A. Method of Risk Management

Public Liability

Florida Statutes 768.28(5) limits the maximum Board liability for claims and judgments by any one person and any one incident to \$200,000 and \$300,000, respectively. The Board self-insures public liability claims for automobile, general and professional liability. A third party administrator manages claims. Currently, the Board retains the risk for the first \$50,000 for automobile liability, and \$100,000 for general and professional liability for each claim or incident. A third party administrator manages the claims.

Property Insurance

The Board self-insures the risk of physical loss to its real property, business property and equipment. The Board retains the risk of the first \$100,000 of physical damage to Board property. In the case of a named storm, the self-insurance retention changes to a 5% deductible on each structure with a minimum deductible of \$100,000 on all damaged structures for a capped deductible of \$5,000,000 per storm. Effective October 2015, the Board insures vehicles valued at \$25,000 and above and retains the risk for the first \$10,000 of physical damage.

Workers' Compensation

The Board contracts with a Third Party Administrator to have its workers' compensation claims processed. The Board retains risk for all claims up to \$500,000 per incident. Excess insurance is purchased to cover losses up to a statutory limit for workers' compensation and \$1,000,000 for employers' liability.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 17 - RISK MANAGEMENT - CONTINUED

Employee Medical Benefits

The Board 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 or elected official pays the premiums for the employees while the individual pays for dependent and retiree coverage. The Board bears no risk of loss under this type of coverage.

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 \$105,000 plus an additional corridor of \$296,500. 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.

Special Risk Policies

The Board purchases commercial crime coverage against theft of money and securities with a \$25,000 deductible. All of the other elected officials, except the Sheriff, are covered under the policy. Florida Statute requires certain classes of employees (law enforcement) be provided with a special death and disability benefit. The Board purchases a commercial policy. The Board bears no risk of loss under this type of coverage.

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, 2017. 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 at September 30, 2017 were as follows:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Workers' compensation	\$ 1,131,544	\$ 3,835,748	\$ 4,967,292
General liability	55,785	134,434	190,219
Automobile liability	<u>29,368</u>	<u>29,102</u>	<u>58,470</u>
Total claims liability recognized	<u>\$ 1,216,697</u>	<u>\$ 3,999,284</u>	<u>\$ 5,215,981</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, 2017

NOTE 17 - RISK MANAGEMENT - CONTINUED

D. Reconciliation of Claims Liabilities

	As of September 30, 2017				As of September 30, 2016			
	Workers' Compensation	Liability	Property	Total	Workers' Compensation	Liability	Property	Total
Unpaid claims and adjustment expenses at beginning of year	\$ 3,048,686	\$ 396,433	\$ 22,908	\$ 3,468,027	\$ 2,888,718	\$ 661,775	\$ -	\$ 3,550,493
Incurred claims and claim adjustment expenses								
A) Provision for insured events of current fiscal year	1,370,214	161,988	27,682	1,559,884	1,222,327	116,509	30,093	1,368,929
B) Increases (decreases) in provision for insured events of prior fiscal years	1,812,490	(192,945)	13,166	1,632,711	28,076	304,309	29,915	362,300
Total incurred claims and claim adjustment expenses	<u>3,182,704</u>	<u>(30,957)</u>	<u>40,848</u>	<u>3,192,595</u>	<u>1,250,403</u>	<u>420,818</u>	<u>60,008</u>	<u>1,731,229</u>
Payments								
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	186,247	25,907	6,478	218,632	269,176	31,345	22,645	323,166
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	1,077,851	149,350	(1,192)	1,226,009	821,259	654,815	14,455	1,490,529
Total payments	<u>1,264,098</u>	<u>175,257</u>	<u>5,286</u>	<u>1,444,641</u>	<u>1,090,435</u>	<u>686,160</u>	<u>37,100</u>	<u>1,813,695</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 4,967,292</u>	<u>\$ 190,219</u>	<u>\$ 58,470</u>	<u>\$ 5,215,981</u>	<u>\$ 3,048,686</u>	<u>\$ 396,433</u>	<u>\$ 22,908</u>	<u>\$ 3,468,027</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Wastewater Service Interlocal Agreement with Fort Walton Beach

In 2009, the Board adopted the Wastewater Service Interlocal Agreement (Agreement) with the City of Fort Walton Beach (City). The Agreement outlines a long-term association for the treatment of the City’s influent wastewater flow at a set percentage of the Board’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 Board 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 \$2,513,276 paid by the City during 2017 are reflected as Charges for Services in the Water and Sewer fund. The minimum commitment to the Board under the Agreement is as follows:

Fiscal Year Ending September 30,		
2018	\$	56,173
2019		57,858
2020		59,594
2021		61,382
2022-2026		335,662
2027-2031		389,130
2032-2036		451,112
2037-2039		304,460
Total	<u>\$</u>	<u>1,715,371</u>

Customer Facility Charge Agreement

As of December 1, 2004, the Board entered into a Customer Facility Charge Agreement with the on-airport rental car companies. In accordance with Ordinance No. 04-64, the Board imposes and the rental car companies collect on behalf of the Board, 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 Board 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, 2017 were \$2,177,186 and will be used for debt service on the Series 2007 taxable airport revenue bonds.

Grants

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 18 – COMMITMENTS AND CONTINGENCIES - CONTINUED

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.

Arbitrage Rebate

Section 148(f) of the Internal Revenue Code of 1986, as amended, and the proposed and temporary regulations issued by the Internal Revenue Service on May 15, 1989, and made final effective May 18, 1992, require the rebate to the United States government of the excess of earnings on non-purpose investments over earnings which would have been made on such investments if they had been made at bond yield, together with earnings on all future rebate amounts. Although rebates need not be remitted until five years after issuance of the bonds and each five (5) years thereafter, computations must be made annually to show financial position at fiscal year-end. Okaloosa Board has four (4) 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; \$22,165,000 Sales Tax Revenue Bonds, Series 2014; \$67,595,000 Water and Sewer Revenue Bonds, Series 2015; and \$12,960,000 Sales Tax Revenue Bonds, Series 2016.

According to the calculations, the Board has no rebate liability with respect to the bonds at September 30, 2017. 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.

Tax Refunds and Abatements

Pursuant to Article VII, Section 3 of the Constitution of the State of Florida, and section 196.1995, Florida Statutes, the Board is empowered to grant Economic Development Ad Valorem Tax Exemptions after the electors of the Board, voting on the question in a referendum, authorize such exemptions. In a referendum held on August 26, 2014, the voters of Okaloosa Board authorized the Board to grant Economic Development Ad Valorem Tax Exemptions (EDATE) to new businesses and expansions of existing businesses for economic development purposes.

The Board may grant an ad valorem tax exemption to eligible new businesses, or improvements to real property which additions are made to facilitate the expansion of an existing business for up to 100% of the assessed value of all improvements to real property made by or for the use of the new or expanded business and tangible personal property of such business for up to 10 years. When the criteria for eligibility is confirmed, the Taxable Value is reduced per the agreement, reducing the taxes levied.

For Fiscal year ended September 30, 2017, Okaloosa County abated tangible and real property taxes totaling \$33,833 under two programs:

- A real property and personal tangible property tax abatement to an existing hospital for the creation of new jobs and capital investments. The abatement amounted to \$26,550. The amount of this abatement is based on the capital investment made by the Company at the beginning of the agreement.
- A real property and personal tangible property tax abatement to a manufacturing facility for the retention of jobs, creation of new jobs and local capital investment. The abatement amounted to \$7,284. The formula for the abatement amount is the amount of Local Financial Support required based on the state's calculations for the Qualified Target Industry Tax Refund with High-Impact Sector Bonus for a company located in an Enterprise Zone.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 18 – COMMITMENTS AND CONTINGENCIES - CONTINUED

Inmate Health Services Agreement

The Board has in place an Inmate Health Service Agreement for which a contractor has assumed the responsibilities of the provision for certain health care services to be delivered to individuals in the custody and control of the Board. The annual compensation is based on an average daily population of the inmates served; however there is an annual limited exposure of \$2,562,322 in the contract. Health service expenses above these amounts are the responsibility of the Board. During the year ended September 30, 2017 the Board incurred additional expenses of \$740,000 as actual costs exceeded the annual exposure amount.

NOTE 19– RELATED ORGANIZATION

Library Cooperative

The Board 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 Board agreed to provide annual funding to the cooperative.

The current agreement was entered into January 2017 and shall end or be renewed December 2017. The Board's contribution to the library cooperative for the year ended September 30, 2017 was \$587,198. In addition, approximately \$83,759 of allocable indirect costs was charged to the fund. These charges were treated as an in-kind contribution by the Board during the year ended September 30, 2017. The future commitment to the library cooperative in 2018 is \$785,394.

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Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

Board of County Commissioners

County Transportation Trust Fund

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

Natural Disaster Fund

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

Local Housing Assistance Trust Fund

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

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.

Nonmajor Governmental Funds (Continued)

SPECIAL REVENUE FUNDS (Continued)

Board of County Commissioners (Continued)

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.

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.

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 Sales Tax Revenue Bonds, Series 2009, 2011, 2014, and 2016 and Toursit Development note.

CAPITAL PROJECTS FUNDS

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

Board of County Commissioners

Road and Bridge Construction Fund

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

Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	County Transportation Trust Special Revenue Fund	Natural Disaster Special Revenue Fund	Local Housing Assistance Trust Fund	E-911 Operations Special Revenue Fund
ASSETS				
Cash and Cash Equivalents	\$ 62,111	\$ 1,777	\$ 393,387	\$ 75,058
Investments	3,330,844	1,938	927,569	873,291
Accounts Receivable	707	-	-	-
Due from Other Funds	-	72	-	-
Due from Other Elected Officials	-	-	-	-
Due from Other Governments	721,308	1,047,249	-	-
Prepays	6,250	-	-	109,346
Total Assets	\$ 4,121,220	\$ 1,051,036	\$ 1,320,956	\$ 1,057,695
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 51,377	\$ -	\$ -	\$ 27,086
Contracts Payable	37,789	-	162,343	107
Other Accrued Liabilities	115,437	-	-	5,580
Due to Other Funds	72	-	-	-
Due to Other Elected Officials	3	-	-	-
Due to Other Governments	(824)	-	-	-
Due to Depositors	60,095	-	-	-
Unearned Revenue	-	48,110	839,894	-
Total Liabilities	263,949	48,110	1,002,237	32,773
Fund Balances				
Nonspendable	6,250	-	-	109,346
Restricted	-	936,795	318,719	1,024,922
Committed	-	-	-	-
Assigned	3,857,271	66,131	-	-
Unassigned	(6,250)	-	-	(109,346)
Total Fund Balances	3,857,271	1,002,926	318,719	1,024,922
Total Liabilities and Fund Balances	\$ 4,121,220	\$ 1,051,036	\$ 1,320,956	\$ 1,057,695

Statement A-1

Radio Communications Special Revenue Fund	Law Enforcement Trust Special Revenue Fund	Police Academy Special Revenue Fund	County Public Health Special Revenue Fund	Municipal Services Benefit Unit Special Revenue Fund	Unincorporated County Parks Special Revenue Fund
\$ 65,528	\$ 50,753	\$ 35,333	\$ 48,690	\$ 11,067	\$ 121,540
55,626	164,736	11,752	3,854	511,878	3,471,144
-	-	-	-	-	300
-	-	-	-	-	-
5,684	-	1,533	-	16	106
-	-	-	29	41,997	3
-	-	-	-	-	-
<u>\$ 126,838</u>	<u>\$ 215,489</u>	<u>\$ 48,618</u>	<u>\$ 52,573</u>	<u>\$ 564,958</u>	<u>\$ 3,593,093</u>
\$ 11,005	\$ -	\$ -	\$ 50,137	\$ 39,594	\$ 33,276
-	-	-	-	-	55,360
-	-	-	-	-	12,474
-	-	-	2,250	-	125
-	-	-	-	-	-
-	-	17	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,005</u>	<u>-</u>	<u>17</u>	<u>52,387</u>	<u>39,594</u>	<u>101,235</u>
-	-	-	-	-	-
115,833	215,489	48,601	-	-	3,491,858
-	-	-	-	525,364	-
-	-	-	186	-	-
-	-	-	-	-	-
<u>115,833</u>	<u>215,489</u>	<u>48,601</u>	<u>186</u>	<u>525,364</u>	<u>3,491,858</u>
<u>\$ 126,838</u>	<u>\$ 215,489</u>	<u>\$ 48,618</u>	<u>\$ 52,573</u>	<u>\$ 564,958</u>	<u>\$ 3,593,093</u>

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Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Prisoner Benefit Special Revenue Fund	Additional Court Cost Special Revenue Fund	Drug Abuse Trust Special Revenue Fund	Domestic Violence Trust Special Revenue Fund
ASSETS				
Cash and Cash Equivalents	\$ 6,221	\$ 97	\$ 62,591	\$ 595
Investments	1,076,709	433,224	11,774	2,875
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Elected Officials	-	86,645	785	1,939
Due from Other Governments	-	-	-	-
Prepays	-	85	-	-
Total Assets	\$ 1,082,930	\$ 520,051	\$ 75,150	\$ 5,409
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 3,763	\$ 31,317	\$ 1,021	\$ -
Contracts Payable	20,318	21,729	-	-
Other Accrued Liabilities	3,320	6,254	-	-
Due to Other Funds	-	-	-	-
Due to Other Elected Officials	-	-	-	-
Due to Other Governments	-	-	-	-
Due to Depositors	46,287	-	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	73,688	59,300	1,021	-
Fund Balances				
Nonspendable	-	85	-	-
Restricted	1,009,242	460,751	74,129	5,409
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(85)	-	-
Total Fund Balances	1,009,242	460,751	74,129	5,409
Total Liabilities and Fund Balances	\$ 1,082,930	\$ 520,051	\$ 75,150	\$ 5,409

Traffic Education Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit I)
\$ 25,423	\$ 23,030	\$ 693,126	\$ 1,676,327
143,997	412,085	8,427,750	19,861,046
-	-	-	1,007
-	-	-	72
5,084	-	-	101,792
-	-	834,413	2,644,999
-	-	-	115,681
<u>\$ 174,504</u>	<u>\$ 435,115</u>	<u>\$ 9,955,289</u>	<u>\$ 24,400,924</u>
\$ -	\$ -	\$ 22,244	\$ 270,820
-	-	343,403	641,049
-	-	-	143,065
-	-	-	2,447
-	-	-	3
-	-	-	(807)
-	-	-	106,382
-	-	-	888,004
<u>-</u>	<u>-</u>	<u>365,647</u>	<u>2,050,963</u>
-	-	-	115,681
174,504	435,115	9,589,642	17,901,009
-	-	-	525,364
-	-	-	3,923,588
-	-	-	(115,681)
<u>174,504</u>	<u>435,115</u>	<u>9,589,642</u>	<u>22,349,961</u>
<u>\$ 174,504</u>	<u>\$ 435,115</u>	<u>\$ 9,955,289</u>	<u>\$ 24,400,924</u>

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	County Transportation Trust Special Revenue Fund	Natural Disaster Special Revenue Fund	Local Housing Assistance Trust Fund	E-911 Operations Special Revenue Fund
Revenues				
Taxes	\$ 4,601,159	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	1,870,291	526,945	1,461,043	1,007,241
Charges for Services	634,637	-	-	5,747
Fines	-	-	-	-
Miscellaneous	52,664	1,950	31,581	11,185
Total Revenues	7,158,751	528,895	1,492,624	1,024,173
Expenditures				
Current				
Public Safety	-	-	-	901,463
Physical Environment	1,215,116	-	-	-
Transportation	7,399,145	-	-	-
Economic Environment	-	-	1,489,045	-
Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	412,400	94,346	-	50,435
Total Expenditures	9,026,661	94,346	1,489,045	951,898
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,867,910)	434,549	3,579	72,275
Other Financing Sources (Uses)				
Transfers In	2,380,280	-	-	-
Transfers Out	-	(450,000)	-	-
Transfers Among Constitutional Officers	-	-	-	-
Total Other Financing Sources (Uses)	2,380,280	(450,000)	-	-
Net Change in Fund Balances	512,370	(15,451)	3,579	72,275
Fund Balances - Beginning	3,344,901	1,018,377	315,140	952,647
Fund Balances - Ending	<u>\$ 3,857,271</u>	<u>\$ 1,002,926</u>	<u>\$ 318,719</u>	<u>\$ 1,024,922</u>

Statement A-2

Radio Communications Special Revenue Fund	Law Enforcement Trust Special Revenue Fund	Police Academy Special Revenue Fund	County Public Health Special Revenue Fund	Municipal Services Benefit Unit Special Revenue Fund	Unincorporated County Parks Special Revenue Fund
\$ -	\$ -	\$ -	\$ 595,282	\$ -	\$ 2,131,546
-	-	-	-	445,639	-
-	-	-	-	56,321	-
-	-	19,027	-	-	19,570
68,716	126,229	-	-	-	-
695	2,024	522	286,385	11,579	55,308
<u>69,411</u>	<u>128,253</u>	<u>19,549</u>	<u>881,667</u>	<u>513,539</u>	<u>2,206,424</u>
76,244	-	7,646	-	-	-
-	-	-	-	-	-
-	-	-	-	543,795	-
-	-	-	-	-	-
-	-	-	601,661	-	-
-	-	-	-	-	990,310
-	-	-	284,794	22,177	339,804
<u>76,244</u>	<u>-</u>	<u>7,646</u>	<u>886,455</u>	<u>565,972</u>	<u>1,330,114</u>
(6,833)	128,253	11,903	(4,788)	(52,433)	876,310
-	-	-	4,000	-	-
-	-	-	-	-	(1,293,462)
-	(54,202)	(13,804)	-	16	106
<u>-</u>	<u>(54,202)</u>	<u>(13,804)</u>	<u>4,000</u>	<u>16</u>	<u>(1,293,356)</u>
(6,833)	74,051	(1,901)	(788)	(52,417)	(417,046)
122,666	141,438	50,502	974	577,781	3,908,904
<u>\$ 115,833</u>	<u>\$ 215,489</u>	<u>\$ 48,601</u>	<u>\$ 186</u>	<u>\$ 525,364</u>	<u>\$ 3,491,858</u>

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Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	Prisoner Benefit Special Revenue Fund	Additional Court Cost Special Revenue Fund	Drug Abuse Trust Special Revenue Fund	Domestic Violence Trust Special Revenue Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	931,079	1,157,852	-	-
Fines	-	-	19,429	28,822
Miscellaneous	11,817	87,946	764	154
Total Revenues	942,896	1,245,798	20,193	28,976
Expenditures				
Current				
General Government	-	-	-	-
Public Safety	783,779	-	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Court-Related	-	849,895	5,403	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Costs	-	-	-	-
Total Expenditures	783,779	849,895	5,403	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	159,117	395,903	14,790	28,976
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	(428,294)	-	(31,752)
Transfers Among Constitutional Officers	-	-	-	-
Total Other Financing Sources (Uses)	-	(428,294)	-	(31,752)
Net Change in Fund Balances	159,117	(32,391)	14,790	(2,776)
Fund Balances - Beginning	850,125	493,142	59,339	8,185
Fund Balances - Ending	<u>\$ 1,009,242</u>	<u>\$ 460,751</u>	<u>\$ 74,129</u>	<u>\$ 5,409</u>

Traffic Education Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit II)
\$ -	\$ -	\$ 1,868,723	\$ 9,196,710
-	-	-	445,639
-	5,438,172	2,940,356	13,300,369
-	-	9,943	2,777,855
62,782	-	-	305,978
2,187	433,689	21,256	1,011,706
<u>64,969</u>	<u>5,871,861</u>	<u>4,840,278</u>	<u>27,038,257</u>
-	190,750	-	190,750
-	-	-	1,769,132
-	-	-	1,215,116
-	-	1,645,124	9,588,064
-	-	-	1,489,045
-	-	-	601,661
-	-	-	990,310
58,459	-	-	913,757
-	-	4,356,678	5,560,634
-	154,000	-	154,000
-	1,575,012	-	1,575,012
-	3,622	-	3,622
<u>58,459</u>	<u>1,923,384</u>	<u>6,001,802</u>	<u>24,051,103</u>
<u>6,510</u>	<u>3,948,477</u>	<u>(1,161,524)</u>	<u>2,987,154</u>
-	1,098,115	355,000	3,837,395
-	(1,961,935)	-	(4,165,443)
<u>(39,748)</u>	<u>-</u>	<u>-</u>	<u>(107,632)</u>
<u>(39,748)</u>	<u>(863,820)</u>	<u>355,000</u>	<u>(435,680)</u>
(33,238)	3,084,657	(806,524)	2,551,474
<u>207,742</u>	<u>(2,649,542)</u>	<u>10,396,166</u>	<u>19,798,487</u>
<u>\$ 174,504</u>	<u>\$ 435,115</u>	<u>\$ 9,589,642</u>	<u>\$ 22,349,961</u>

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL OUTLAY CONSTRUCTION TRUST CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ 213	\$ 213
Intergovernmental	120,000	120,000	128,684	8,684
Charges for Services	-	72,331	72,331	-
Miscellaneous	90,000	155,000	322,578	167,578
Total Revenues	210,000	347,331	523,806	176,475
Expenditures				
Current				
Culture and Recreation	220,290	224,490	211,771	12,719
Capital Outlay	25,429,010	25,455,995	10,635,999	14,819,996
Total Expenditures	25,649,300	25,680,485	10,847,770	14,832,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,439,300)	(25,333,154)	(10,323,964)	15,009,190
Other Financing Sources (Uses)				
Transfers In	100,000	100,000	100,000	-
Transfers Out	(246,200)	(246,200)	(230,342)	15,858
Issuance of Debt	-	-	-	-
Original Issue Premium	-	-	-	-
Total Other Financing Sources (Uses)	(146,200)	(146,200)	(130,342)	15,858
Net Change in Fund Balance	(25,585,500)	(25,479,354)	(10,454,306)	15,025,048
Fund Balance - Beginning	25,585,500	25,479,354	25,479,354	-
Fund Balance - Ending	\$ -	\$ -	\$ 15,025,048	\$ 15,025,048

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY TRANSPORTATION TRUST SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 4,725,000	\$ 4,725,000	\$ 4,601,159	\$ (123,841)
Intergovernmental	1,765,300	2,155,035	1,870,291	(284,744)
Charges for Services	609,368	609,368	634,637	25,269
Miscellaneous	31,000	48,735	52,664	3,929
Total Revenues	<u>7,130,668</u>	<u>7,538,138</u>	<u>7,158,751</u>	<u>(379,387)</u>
Expenditures				
Current				
Physical Environment	1,239,500	1,270,651	1,215,116	55,535
Transportation	8,704,017	9,372,852	7,399,145	1,973,707
Capital Outlay	2,212,431	2,615,608	412,400	2,203,208
Total Expenditures	<u>12,155,948</u>	<u>13,259,111</u>	<u>9,026,661</u>	<u>4,232,450</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,025,280)</u>	<u>(5,720,973)</u>	<u>(1,867,910)</u>	<u>3,853,063</u>
Other Financing Sources (Uses)				
Transfers In	2,380,280	2,380,280	2,380,280	-
Total Other Financing Sources (Uses)	<u>2,380,280</u>	<u>2,380,280</u>	<u>2,380,280</u>	<u>-</u>
Net Change in Fund Balance	(2,645,000)	(3,340,693)	512,370	3,853,063
Fund Balance - Beginning	<u>2,645,000</u>	<u>3,340,693</u>	<u>3,344,901</u>	<u>4,208</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,857,271</u>	<u>\$ 3,857,271</u>

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
NATURAL DISASTER SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 835,977	\$ 526,945	\$ (309,032)
Miscellaneous	-	-	1,950	1,950
Total Revenues	-	835,977	528,895	(307,082)
Expenditures				
Current				
Economic Environment	-	1,246,138	-	1,246,138
Capital Outlay	-	108,216	94,346	13,870
Total Expenditures	-	1,354,354	94,346	1,260,008
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(518,377)	434,549	952,926
Other Financing Sources (Uses)				
Transfers Out	(500,000)	(500,000)	(450,000)	(50,000)
Total Other Financing Sources (Uses)	(500,000)	(500,000)	(450,000)	(50,000)
Net Change in Fund Balance	(500,000)	(1,018,377)	(15,451)	902,926
Fund Balance - Beginning	500,000	1,018,377	1,018,377	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,002,926	\$ 902,926

**Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL HOUSING ASSISTANCE TRUST FUND
For the Fiscal Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 2,272,823	\$ 1,461,043	\$ (811,780)
Miscellaneous	2,500	43,814	31,581	(12,233)
Total Revenues	2,500	2,316,637	1,492,624	(824,013)
Expenditures				
Current				
Economic Environment	314,766	2,631,777	1,489,045	1,142,732
Total Expenditures	314,766	2,631,777	1,489,045	1,142,732
Excess (Deficiency) of Revenues Over (Under) Expenditures	(312,266)	(315,140)	3,579	318,719
Net Change in Fund Balance	(312,266)	(315,140)	3,579	318,719
Fund Balance - Beginning	312,266	315,140	315,140	-
Fund Balance - Ending	\$ -	\$ -	\$ 318,719	\$ 318,719

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
E-911 OPERATIONS SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 932,000	\$ 932,000	\$ 1,007,241	\$ 75,241
Charges for Services	5,250	5,250	5,747	497
Miscellaneous	13,000	13,000	11,185	(1,815)
Total Revenues	950,250	950,250	1,024,173	73,923
Expenditures				
Current				
Public Safety	1,723,250	1,854,508	901,463	953,045
Capital Outlay	27,000	51,505	50,435	1,070
Total Expenditures	1,750,250	1,906,013	951,898	954,115
Excess (Deficiency) of Revenues Over (Under) Expenditures	(800,000)	(955,763)	72,275	1,028,038
Net Change in Fund Balance	(800,000)	(955,763)	72,275	1,028,038
Fund Balance - Beginning	800,000	955,763	952,647	(3,116)
Fund Balance - Ending	\$ -	\$ -	\$ 1,024,922	\$ 1,024,922

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
RADIO COMMUNICATIONS SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fines	\$ 100,000	\$ 100,000	\$ 68,716	\$ (31,284)
Miscellaneous	1,000	1,000	695	(305)
Total Revenues	<u>101,000</u>	<u>101,000</u>	<u>69,411</u>	<u>(31,589)</u>
Expenditures				
Current				
Public Safety	121,000	121,000	76,244	44,756
Capital Outlay	-	102,666	-	102,666
Total Expenditures	<u>121,000</u>	<u>223,666</u>	<u>76,244</u>	<u>147,422</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20,000)</u>	<u>(122,666)</u>	<u>(6,833)</u>	<u>115,833</u>
Net Change in Fund Balance	(20,000)	(122,666)	(6,833)	115,833
Fund Balance - Beginning	<u>20,000</u>	<u>122,666</u>	<u>122,666</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,833</u>	<u>\$ 115,833</u>

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LAW ENFORCEMENT TRUST FUND SPEACIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines	\$ -	\$ 123,976	\$ 126,229	\$ 2,253
Miscellaneous	-	-	2,024	2,024
Total Revenues	-	123,976	128,253	4,277
Expenditures				
Current				
Public Safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	123,976	128,253	4,277
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(38,890)	(265,414)	(54,202)	211,212
Total Other Financing Sources (Uses)	(38,890)	(265,414)	(54,202)	211,212
Net Change in Fund Balance	(38,890)	(141,438)	74,051	215,489
Fund Balance - Beginning	38,890	141,438	141,438	-
Fund Balance - Ending	\$ -	\$ -	\$ 215,489	\$ 215,489

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
POLICE ACADEMY SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 25,000	\$ 25,000	\$ 19,027	\$ (5,973)
Miscellaneous	400	400	522	122
Total Revenues	25,400	25,400	19,549	(5,851)
Expenditures				
Current				
Public Safety	8,382	13,550	7,646	5,904
Total Expenditures	8,382	13,550	7,646	5,904
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,018	11,850	11,903	53
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(22,018)	(62,352)	(13,804)	48,548
Total Other Financing Sources (Uses)	(22,018)	(62,352)	(13,804)	48,548
Net Change in Fund Balance	(5,000)	(50,502)	(1,901)	48,601
Fund Balance - Beginning	5,000	50,502	50,502	-
Fund Balance - Ending	\$ -	\$ -	\$ 48,601	\$ 48,601

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY PUBLIC HEALTH SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 695,661	\$ 595,661	\$ 595,282	\$ (379)
Miscellaneous	2,000	87,346	286,385	199,039
Total Revenues	697,661	683,007	881,667	198,660
Expenditures				
Current				
Human Services	701,661	601,661	601,661	-
Capital Outlay	-	86,320	284,794	(198,474)
Total Expenditures	701,661	687,981	886,455	(198,474)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,000)	(4,974)	(4,788)	186
Other Financing Sources (Uses)				
Transfers In	4,000	4,000	4,000	-
Total Other Financing Sources (Uses)	4,000	4,000	4,000	-
Net Change in Fund Balance	-	(974)	(788)	186
Fund Balance - Beginning	-	974	974	-
Fund Balance - Ending	\$ -	\$ -	\$ 186	\$ 186

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2017 due to amounts that were funded
from revenues that exceeded budgeted amounts.

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL SERVICES BENEFIT UNIT SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Licenses and Permits	\$ 439,627	\$ 439,627	\$ 445,639	\$ 6,012
Intergovernmental	-	80,320	56,321	(23,999)
Miscellaneous	700	4,700	11,579	6,879
Total Revenues	440,327	524,647	513,539	(11,108)
Expenditures				
Current				
Transportation	1,059,086	1,060,450	543,795	516,655
Capital Outlay	12,150	41,957	22,177	19,780
Total Expenditures	1,071,236	1,102,407	565,972	536,435
Excess (Deficiency) of Revenues Over (Under) Expenditures	(630,909)	(577,760)	(52,433)	525,327
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	-	16	16
Total Other Financing Sources (Uses)	-	-	16	16
Net Change in Fund Balance	(630,909)	(577,760)	(52,417)	525,343
Fund Balance - Beginning	630,909	577,760	577,781	21
Fund Balance - Ending	\$ -	\$ -	\$ 525,364	\$ 525,364

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
UNINCORPORATED COUNTY PARKS SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,131,825	\$ 2,131,825	\$ 2,131,546	\$ (279)
Charges for Services	11,700	11,700	19,570	7,870
Miscellaneous	50,000	50,000	55,308	5,308
Total Revenues	2,193,525	2,193,525	2,206,424	12,899
Expenditures				
Current				
Culture and Recreation	1,110,171	1,110,171	990,310	119,861
Capital Outlay	3,589,892	3,698,796	339,804	3,358,992
Total Expenditures	4,700,063	4,808,967	1,330,114	3,478,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,506,538)	(2,615,442)	876,310	3,491,752
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(1,293,462)	(1,293,462)	(1,293,462)	-
Transfers Among Constitutional Officers	-	-	106	106
Total Other Financing Sources (Uses)	(1,293,462)	(1,293,462)	(1,293,356)	106
Net Change in Fund Balance	(3,800,000)	(3,908,904)	(417,046)	3,491,858
Fund Balance - Beginning	3,800,000	3,908,904	3,908,904	-
Fund Balance - Ending	\$ -	\$ -	\$ 3,491,858	\$ 3,491,858

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PRISONER BENEFIT SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$ 700,000	\$ 880,000	\$ 931,079	\$ 51,079
Miscellaneous	7,000	7,000	11,817	4,817
Total Revenues	707,000	887,000	942,896	55,896
Expenditures				
Current				
Public Safety	1,357,000	1,737,125	783,779	953,346
Capital Outlay	-	-	-	-
Total Expenditures	1,357,000	1,737,125	783,779	953,346
Excess (Deficiency) of Revenues Over (Under) Expenditures	(650,000)	(850,125)	159,117	1,009,242
Net Change in Fund Balance	(650,000)	(850,125)	159,117	1,009,242
Fund Balance - Beginning	650,000	850,125	850,125	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,009,242	\$ 1,009,242

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ADDITIONAL COURT COST SPECIAL REVENUE FUD
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 1,240,100	\$ 1,240,100	\$ 1,157,852	\$ (82,248)
Miscellaneous	44,000	44,000	87,946	43,946
Total Revenues	1,284,100	1,284,100	1,245,798	(38,302)
Expenditures				
Current				
Court-Related	1,373,313	1,466,687	849,895	616,792
Capital Outlay	2,000	2,000	-	2,000
Total Expenditures	1,375,313	1,468,687	849,895	618,792
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,213)	(184,587)	395,903	580,490
Other Financing Sources (Uses)				
Transfers In	-	100,000	-	100,000
Transfers Out	(550,000)	(550,000)	(428,294)	(121,706)
Total Other Financing Sources (Uses)	(550,000)	(450,000)	(428,294)	21,706
Net Change in Fund Balance	(641,213)	(634,587)	(32,391)	602,196
Fund Balance - Beginning	641,213	634,587	493,142	(141,445)
Fund Balance - Ending	\$ -	\$ -	\$ 460,751	\$ 460,751

**Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRUG ABUSE TRUST SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fines	\$ 10,000	\$ 20,000	\$ 19,429	\$ (571)
Miscellaneous	500	500	764	264
Total Revenues	<u>10,500</u>	<u>20,500</u>	<u>20,193</u>	<u>(307)</u>
Expenditures				
Current				
Court-Related	<u>60,500</u>	<u>79,839</u>	<u>5,403</u>	<u>74,436</u>
Total Expenditures	<u>60,500</u>	<u>79,839</u>	<u>5,403</u>	<u>74,436</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(50,000)</u>	<u>(59,339)</u>	<u>14,790</u>	<u>74,129</u>
Net Change in Fund Balance	(50,000)	(59,339)	14,790	74,129
Fund Balance - Beginning	<u>50,000</u>	<u>59,339</u>	<u>59,339</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,129</u>	<u>\$ 74,129</u>

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DOMESTIC VIOLENCE TRUST SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fines	\$ 34,000	\$ 34,000	\$ 28,822	\$ (5,178)
Miscellaneous	-	-	154	154
Total Revenues	34,000	34,000	28,976	(5,024)
Expenditures				
Current				
Court-Related	5,255	5,255	-	5,255
Total Expenditures	5,255	5,255	-	5,255
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,745	28,745	28,976	231
Other Financing Sources (Uses)				
Transfers Out	(34,000)	(36,930)	(31,752)	(5,178)
Total Other Financing Sources (Uses)	(34,000)	(36,930)	(31,752)	5,178
Net Change in Fund Balance	(5,255)	(8,185)	(2,776)	5,409
Fund Balance - Beginning	5,255	8,185	8,185	-
Fund Balance - Ending	\$ -	\$ -	\$ 5,409	\$ 5,409

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRAFFIC EDUCATION SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fines	\$ 85,000	\$ 85,000	\$ 62,782	\$ (22,218)
Miscellaneous	6,500	6,500	2,187	(4,313)
Total Revenues	<u>91,500</u>	<u>91,500</u>	<u>64,969</u>	<u>(26,531)</u>
Expenditures				
Current				
Court-Related	<u>170,750</u>	<u>222,771</u>	<u>58,459</u>	<u>164,312</u>
Total Expenditures	<u>170,750</u>	<u>222,771</u>	<u>58,459</u>	<u>164,312</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(79,250)</u>	<u>(131,271)</u>	<u>6,510</u>	<u>137,781</u>
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	<u>(45,750)</u>	<u>(76,471)</u>	<u>(39,748)</u>	<u>36,723</u>
Total Other Financing Sources (Uses)	<u>(45,750)</u>	<u>(76,471)</u>	<u>(39,748)</u>	<u>36,723</u>
Net Change in Fund Balance	(125,000)	(207,742)	(33,238)	174,504
Fund Balance - Beginning	<u>125,000</u>	<u>207,742</u>	<u>207,742</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,504</u>	<u>\$ 174,504</u>

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
OKALOOSA DEBT SERVICE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 5,446,500	\$ 5,446,500	\$ 5,438,172	\$ (8,328)
Miscellaneous	486,148	486,148	433,689	(52,459)
Total Revenues	5,932,648	5,932,648	5,871,861	(60,787)
Expenditures				
Current				
General Government	590,750	590,750	190,750	400,000
Debt Service				
Principal	2,187,000	2,187,000	154,000	2,033,000
Interest	3,011,784	3,011,784	1,575,012	1,436,772
Other Debt Service Costs	1,000	1,000	3,622	(2,622)
Total Expenditures	5,790,534	5,790,534	1,923,384	3,867,150
Excess (Deficiency) of Revenues Over (Under) Expenditures	142,114	142,114	3,948,477	3,806,363
Other Financing Sources (Uses)				
Transfers In	1,219,821	1,219,821	1,098,115	121,706
Transfers Out	(1,961,935)	(1,961,935)	(1,961,935)	-
Original Issue Premium	-	-	-	-
Total Other Financing Sources (Uses)	(742,114)	(742,114)	(863,820)	(121,706)
Net Change in Fund Balance	(600,000)	(600,000)	3,084,657	3,684,657
Fund Balance - Beginning	600,000	600,000	(2,649,542)	(3,249,542)
Fund Balance - Ending	\$ -	\$ -	\$ 435,115	\$ 435,115

Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE CONSTRUCTION CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,868,723	\$ (31,277)
Intergovernmental	2,000,000	9,617,188	2,940,356	(6,676,832)
Charges for Services	-	-	9,943	9,943
Miscellaneous	100,000	114,698	21,256	(93,442)
Total Revenues	4,000,000	11,631,886	4,840,278	(6,791,608)
Expenditures				
Current				
Transportation	2,963,057	4,043,848	1,645,124	2,398,724
Capital Outlay	10,757,663	18,339,204	4,356,678	13,982,526
Total Expenditures	13,720,720	22,383,052	6,001,802	16,381,250
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,720,720)	(10,751,166)	(1,161,524)	9,589,642
Other Financing Sources (Uses)				
Transfers In	355,000	355,000	355,000	-
Total Other Financing Sources (Uses)	355,000	355,000	355,000	-
Net Change in Fund Balance	(9,365,720)	(10,396,166)	(806,524)	9,589,642
Fund Balance - Beginning	9,365,720	10,396,166	10,396,166	-
Fund Balance - Ending	\$ -	\$ -	\$ 9,589,642	\$ 9,589,642

NONMAJOR ENTERPRISE FUNDS

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

Inspection and Code Enforcement Fund

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

Solid Waste Fund

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

**Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT ON NET POSITION
NONMAJOR ENTERPRISE FUNDS
September 30, 2017**

	Business-type Activities		
	Inspection and Code Enforcement	Solid Waste	Total Nonmajor Enterprise Funds (Exhibit V)
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 63,956	\$ 62,216	\$ 126,172
Investments	740,769	2,785,697	3,526,466
Receivables, Net of Allowance for Uncollectible	172,098	839,785	1,011,883
Due from Other Funds	280,000	325,000	605,000
Due from Other Governments	-	41,044	41,044
Inventory	-	-	-
Prepays	3,035	-	3,035
Restricted Assets			
Customer Deposits	-	23,258	23,258
Total Restricted Assets	-	23,258	23,258
Total Current Assets	1,259,858	4,077,000	5,336,858
Capital Assets			
Land	-	133,301	133,301
Buildings	-	115,363	115,363
Improvements Other Than Buildings	-	276,776	276,776
Intangible	42,425	-	42,425
Machinery and Equipment	380,646	3,272,655	3,653,301
Less Accumulated Depreciation/Amortization	(329,665)	(2,285,382)	(2,615,047)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	93,406	1,512,713	1,606,119
Total Noncurrent Assets	93,406	1,512,713	1,606,119
Total Assets	\$ 1,353,264	\$ 5,589,713	\$ 6,942,977
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 414,394	\$ 459,478	\$ 873,872
Total Deferred Outflows of Resources	\$ 414,394	\$ 459,478	\$ 873,872

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT ON NET POSITION
NONMAJOR ENTERPRISE FUNDS
September 30, 2017

	Business-type Activities		
	Inspection and Code Enforcement	Solid Waste	Total Nonmajor Enterprise Funds (Exhibit V)
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 8,288	\$ 26,655	\$ 34,943
Contracts Payable	491	1,071,270	1,071,761
Accrued Liabilities			
Compensated Absences	119,208	53,581	172,789
Closure Costs Payable	-	361,126	361,126
Other Accrued Liabilities	24,632	15,841	40,473
Due to Other Governments	33,716	24	33,740
Deferred Revenue	13,134	-	13,134
Current Liabilities Payable from Restricted Assets			
Customer Deposits Payable	-	23,258	23,258
Total Current Liabilities Payable from Restricted Assets	-	23,258	23,258
Total Current Liabilities	199,469	1,551,755	1,751,224
Noncurrent Liabilities			
Compensated Absences	105,520	40,444	145,964
Closure Costs Payable	-	3,340,266	3,340,266
Other Post Employment Benefits	22,784	22,965	45,749
Net Pension Liability	1,026,503	1,163,892	2,190,395
Total Noncurrent Liabilities	1,154,807	4,567,567	5,722,374
Total Liabilities	\$ 1,354,276	\$ 6,119,322	\$ 7,473,598
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 101,944	\$ 105,840	\$ 207,784
Total Deferred Inflows of Resources	\$ 101,944	\$ 105,840	\$ 207,784
NET POSITION			
Net Investment in Capital Assets	\$ 93,406	\$ 1,512,712	\$ 1,606,118
Unrestricted (Deficit)	218,032	(1,688,683)	(1,470,651)
Total Net Position (Deficit)	311,438	(175,971)	135,467
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	\$ 1,767,658	\$ 6,049,191	\$ 7,816,849

**Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2017**

	Business-type Activities		
	Inspection and Code Enforcement	Solid Waste	Total Nonmajor Enterprise Funds (Exhibit VI)
Operating Revenues			
Licenses and Permits	\$ 1,921,205	\$ -	\$ 1,921,205
Charges for Services	260,556	9,446,964	9,707,520
Miscellaneous	1,163	1,668	2,831
Total Operating Revenues	2,182,924	9,448,632	11,631,556
Operating Expenses			
Personal services	1,266,101	889,142	2,155,243
Contractual Services	598,040	7,376,711	7,974,751
Supplies	23,270	87,145	110,415
Utilities	-	14,467	14,467
Other Operating Expenses	69,955	420,495	490,450
Depreciation/Amortization	17,380	264,852	282,232
Total Operating Expenses	1,974,746	9,052,812	11,027,558
Operating Income (Loss)	208,178	395,820	603,998
Nonoperating Revenues (Expenses)			
Intergovernmental	-	237,835	237,835
Investment Income	9,964	32,284	42,248
Total Nonoperating Revenues (Expenses)	9,964	270,119	280,083
Income (Loss) Before Contributions and Transfers	218,142	665,939	884,081
Change in Net Position	218,142	665,939	884,081
Total Net Position (Deficit) - Beginning	93,296	(841,910)	(748,614)
Total Net Position (Deficit) - Ending	\$ 311,438	\$ (175,971)	\$ 135,467

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type Activities		
	Inspection and Code Enforcement	Solid Waste	Total Nonmajor Enterprise Funds (Exhibit VII)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,826,224	\$ 8,832,552	\$ 10,658,776
Payments to Suppliers	(682,908)	(8,165,371)	(8,848,279)
Payments to Employees	(1,122,167)	(835,782)	(1,957,949)
Net Cash Provided (Used) by Operating Activities	<u>21,149</u>	<u>(168,601)</u>	<u>(147,452)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Subsidy - Intergovernmental Revenue	-	237,835	237,835
Transfers In	-	-	-
Net Interfund Activity	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>-</u>	<u>237,835</u>	<u>237,835</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(48,631)	(336,859)	(385,490)
Proceeds from Disposal of Capital Assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(48,631)</u>	<u>(336,859)</u>	<u>(385,490)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	50,902	220,661	271,563
Interest Income	11,015	35,376	46,391
Net Cash Provided (Used) by Investing Activities	<u>61,917</u>	<u>256,037</u>	<u>317,954</u>
Net Increase (Decrease) in Cash and Cash Equivalents	34,435	(11,588)	22,847
Cash and Cash Equivalents - Beginning of Year - Restated	<u>29,521</u>	<u>97,062</u>	<u>126,583</u>
Cash and Cash Equivalents - End of Year	<u>\$ 63,956</u>	<u>\$ 85,474</u>	<u>\$ 149,430</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type Activities		
	Inspection and Code Enforcement	Solid Waste	Total Nonmajor Enterprise Funds (Exhibit VII)
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 63,956	\$ 62,216	\$ 126,172
Restricted assets	-	23,258	23,258
Total	<u>\$ 63,956</u>	<u>\$ 85,474</u>	<u>\$ 149,430</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 208,178	\$ 395,820	\$ 603,998
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	17,380	264,852	282,232
Decrease (Increase) in Assets			
Accounts Receivables	(76,700)	(248,962)	(325,662)
Due from Other Elected Officials	-	-	-
Due from Other Funds	(280,000)	(325,000)	(605,000)
Due from Other Governments	-	(39,868)	(39,868)
Prepaid Expenses	(2,740)	-	(2,740)
Deferred Outflows	(84,359)	(74,435)	(158,794)
Increase (Decrease) in Liabilities			
Accounts Payable	1,083	(25,075)	(23,992)
Service Contracts Payable	(2,169)	83,883	81,714
Due to Other Elected Officials	-	-	-
Due to Other Governments	12,183	(473)	11,710
Compensated Absences Payable	54,374	(18,137)	36,237
Other Accrued Liabilities	6,093	(2,736)	3,357
Deposits	-	(2,250)	(2,250)
Closure Costs Payable	-	(324,888)	(324,888)
Unearned Revenue	(663)	-	(663)
Other Post Employment Benefits	3,919	3,459	7,378
Net Pension Liability	118,514	104,571	223,085
Deferred Inflows	46,056	40,638	86,694
Net Cash Provided (Used) by Operating Activities	<u>\$ 21,149</u>	<u>\$ (168,601)</u>	<u>\$ (147,452)</u>

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INTERNAL SERVICE FUNDS

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

Self Insurance

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

Garage Service Fund

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

**Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2017**

	Governmental Activities		Total Internal Service Funds (Exhibit V)
	Self Insurance	Garage Services	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,180	\$ 629	\$ 1,809
Investments	1,663,722	234	1,663,956
Receivables, Net of Allowance for Uncollectible	70,075	6,000	76,075
Due from Other Elected Officials	-	999	999
Due from Other Governments	7,262	121,284	128,546
Inventory	-	239,131	239,131
Prepays	-	7,996	7,996
	<u>1,742,239</u>	<u>376,273</u>	<u>2,118,512</u>
Noncurrent Assets			
Capital Assets			
Land	-	316,861	316,861
Buildings	-	900,466	900,466
Improvements Other Than Buildings	-	257,345	257,345
Machinery and Equipment	12,726	3,194,940	3,207,666
Less Accumulated Depreciation/Amortization	(9,245)	(4,021,942)	(4,031,187)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	<u>3,481</u>	<u>647,670</u>	<u>651,151</u>
Total Noncurrent Assets	<u>3,481</u>	<u>647,670</u>	<u>651,151</u>
Total Assets	<u>\$ 1,745,720</u>	<u>\$ 1,023,943</u>	<u>\$ 2,769,663</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 102,358	\$ 691,693	\$ 794,051
Total Deferred Outflows of Resources	<u>\$ 102,358</u>	<u>\$ 691,693</u>	<u>\$ 794,051</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2017**

	Governmental Activities		Total Internal Service Funds (Exhibit V)
	Self Insurance	Garage Services	
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 12,517	\$ 88,271	\$ 100,788
Contracts Payable	8,874	154,024	162,898
Accrued Liabilities			
Compensated Absences	10,979	94,458	105,437
Claims and Judgments	1,216,697	-	1,216,697
Other Accrued Liabilities	4,510	25,534	30,044
Due to Other Funds	-	865,000	865,000
Due to Other Elected Officials	318	23	341
Due To Other Governments	-	-	-
Capital Lease Payable	-	-	-
Revenue Bonds Payable	-	-	-
Deferred Revenue	19,600	-	19,600
Total Current Liabilities	1,273,495	1,227,310	2,500,805
Noncurrent Liabilities			
Compensated Absences	9,092	69,936	79,028
Claims and Judgments	3,999,284	-	3,999,284
Other Post Employment Benefits	5,103	32,513	37,616
Net Pension Liability	254,882	1,749,323	2,004,205
Total Noncurrent Liabilities	4,268,361	1,851,772	6,120,133
Total Liabilities	\$ 5,541,856	\$ 3,079,082	\$ 8,620,938
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 24,807	\$ 160,114	\$ 184,921
Total Deferred Inflows of Resources	\$ 24,807	\$ 160,114	\$ 184,921
NET POSITION			
Net Investment in Capital Assets	\$ 3,481	\$ 647,669	\$ 651,150
Unrestricted (Deficit)	(3,722,066)	(2,171,229)	(5,893,295)
Total Net Position (Deficit)	(3,718,585)	(1,523,560)	(5,242,145)
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	\$ 1,848,078	\$ 1,715,636	\$ 3,563,714

**Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2017**

	Governmental Activities		Total Internal Service Funds (Exhibit VI)
	Self Insurance	Garage Services	
Operating Revenues			
Charges for Services	\$ 12,905,729	\$ 4,481,120	\$ 17,386,849
Miscellaneous	152,855	12,345	165,200
Total Operating Revenues	13,058,584	4,493,465	17,552,049
Operating Expenses			
Personal Services	225,170	1,481,091	1,706,261
Contractual Services	162,609	28,937	191,546
Supplies	6,905	3,165,366	3,172,271
Insurance Premiums and Claims	14,461,488	-	14,461,488
Utilities	-	3,327	3,327
Other Operating Expenses	13,542	326,976	340,518
Depreciation/Amortization	1,413	65,591	67,004
Total Operating Expenses	14,871,127	5,071,288	19,942,415
Operating Income (Loss)	(1,812,543)	(577,823)	(2,390,366)
Nonoperating Revenues (Expenses)			
Investment Income (Loss)	17,889	(16,096)	1,793
Gain/Loss on Disposal of Capital Assets	-	47,277	47,277
Total Nonoperating Revenues (Expenses)	17,889	31,181	49,070
Income (Loss) Before Contributions and Transfers	(1,794,654)	(546,642)	(2,341,296)
Operating Transfers In	170,000	-	170,000
Change in Net Position	(1,624,654)	(546,642)	(2,171,296)
Total Net Position (Deficit) - Beginning	(2,093,931)	(976,918)	(3,070,849)
Total Net Position (Deficit) - Ending	\$ (3,718,585)	\$ (1,523,560)	\$ (5,242,145)

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2017

	Governmental Activities		
	Self- Insurance	Garage Services	Total Internal Service Funds (Exhibit VII)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 14,762,411	\$ 4,902,151	\$ 19,664,562
Payments to Suppliers	(14,637,006)	(3,553,492)	(18,190,498)
Payments to Employees	(202,354)	(1,368,200)	(1,570,554)
Net Cash Provided (Used) by Operating Activities	<u>(76,949)</u>	<u>(19,541)</u>	<u>(96,490)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers In	<u>170,000</u>	<u>-</u>	<u>170,000</u>
Net Cash Provided (Used) by Non-capital Financing Activities	<u>170,000</u>	<u>-</u>	<u>170,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	-	(12,281)	(12,281)
Proceeds from Disposal of Capital Assets	-	47,277	47,277
Capital Contributions	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>34,996</u>	<u>34,996</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	-	1,569	1,569
Interest Income	19,984	(17,898)	2,086
Purchases of Investments	(131,518)	-	(131,518)
Net Cash Provided (Used) by Investing Activities	<u>(111,534)</u>	<u>(16,329)</u>	<u>(127,863)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(18,483)	(874)	(19,357)
Cash and Cash Equivalents - Beginning of Year As Restated	<u>19,663</u>	<u>1,503</u>	<u>21,166</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,180</u>	<u>\$ 629</u>	<u>\$ 1,809</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2017**

	Governmental Activities		
	Self- Insurance	Garage Services	Total Internal Service Funds (Exhibit VII)
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 1,180	\$ 629	\$ 1,809
Total	<u>\$ 1,180</u>	<u>\$ 629</u>	<u>\$ 1,809</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (1,812,543)	\$ (577,823)	\$ (2,390,366)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	1,413	65,591	67,004
Other revenue	-	-	-
Decrease (Increase) in Assets			
Accounts Receivable	(48,390)	(2,297)	(50,687)
Due from Other Elected Officials	-	(519)	(519)
Due from Other Governments	(7,262)	410,983	403,721
Inventories	-	14,884	14,884
Prepaid Expenses	-	(568)	(568)
Deferred Outflows	(19,849)	(114,133)	(133,982)
Increase (Decrease) in Liabilities			
Accounts Payable	9,615	(6,758)	2,857
Service Contracts Payable	5,883	119,580	125,463
Due to Other Funds	-	(155,000)	(155,000)
Due to Other Elected Officials	228	11	239
Due to Other Governments	(8,188)	(516)	(8,704)
Compensated Absences Payable	2,537	2,961	5,498
Claims and Judgments Payable	1,747,954	-	1,747,954
Other Accrued Liabilities	483	(3,893)	(3,410)
Unearned Revenues	11,525	-	11,525
Other Post Employment Benefits	923	5,302	6,225
Net Pension Liability	27,886	160,343	188,229
Deferred Inflows	10,836	62,311	73,147
Total Adjustments	<u>1,735,594</u>	<u>558,282</u>	<u>2,293,876</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (76,949)</u>	<u>\$ (19,541)</u>	<u>\$ (96,490)</u>

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Other Reports

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Okaloosa County, Florida (hereinafter referred to as the "Board of County Commissioners"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Board of County Commissioners' financial statements, and have issued our report thereon dated April 27, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described as finding 2017-1 in the accompany schedule of findings and responses, to be significant deficiency.

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated April 27, 2018 which should be considered in assessing the results of our audit.

Response to Findings

The Board of County Commissioners' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Board of County Commissioners' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

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

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

We have examined the Board of County Commissioners of Okaloosa County, Florida's (hereinafter referred to as the "Board") compliance with the following requirements for the year ended September 30, 2017:

- (1) Florida Statute 218.415 in regards to investments
- (2) Florida Statute 288.8018 in regards to the Deepwater Horizon Oil spill receipts and expenditures
- (3) Florida Statute 365.12 and 365.173 in regards to the E911 revenues and expenditures

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

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

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF RECEIPTS AND
EXPENDITURES OF FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL**

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

We have audited the financial statements of Board of County Commissioners of Okaloosa County, Florida as of and for the year ended September 30, 2017, and have issued our report thereon dated April 27, 2018 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds related to the Deepwater Horizon Oil Spill on page 92 is presented for the purpose of additional analysis as required by Florida Statute 288.8018 and the Rules of the Auditor General Chapter 10.557(3)(f), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

**Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
RELATED TO DEEPWATER HORIZON OIL SPILL
For the Fiscal Year Ended September 30, 2017**

<u>Source</u>	<u>Amounts Received in the 2016-2017 Fiscal Year</u>	<u>Amounts Expended in the 2016-2017 Fiscal Year</u>
British Petroleum:		
Litigation Settlement	\$-	\$850,000
Funds relating to proceeds specified for advertising and tourist related media campaigns	\$-	\$ 1,122

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the major funds and aggregate remaining fund information of the Board of County Commissioners of Okaloosa County, Florida (hereinafter referred to as "Board") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2018.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Receipts and Expenditures of Funds Related to Deepwater Horizon Oil Spill; and Independent Accountants' Report on an Examination Conducted in Accordance with Chapter 10.550, Rules of the Auditor General, and Independent Auditors' Report on the Schedule of Receipts and Expenditures of Funds Related to Deepwater Horizon Oil Spill. Disclosures in those reports and schedule, which are dated April 27, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations in the preceding annual financial report except as noted below under the heading Prior Year Findings and Recommendations.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2015-16 FY Finding #	2014-15 FY Finding #
2017-1	2016-1	2015-2

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name of official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Board of County Commissioners, Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e), as part of the primary government of Okaloosa County, Florida. As of September 30, 2017, the Board of County Commissioners of Okaloosa County, Florida, had no component units, as defined by GASB 61, with a significant operational or financial relationship with the County.

Financial Management

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we did not have any such recommendations other than those described *Schedule of Findings and Responses* related to our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

Additional Matters

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

Purpose of this Letter

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

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



Fort Walton Beach, Florida
April 27, 2018

**Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended September 30, 2017**

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

FINDING 2017-1 PUBLIC WORKS AND FACILITY MAINTENANCE INVENTORY (BCC)

Criteria

The public works department to include its divisions of Engineering, Traffic Operations, Roads, Environmental Services, Parks Division and Administrative services and its subsidiary facility maintenance division, has substantial amounts of inventory on hand in order to fulfill its mission to internal and external customers. The inventory is not counted and reconciled on a routine basis to perpetual inventory records. The inventory has also not been physically recorded in the general ledger as its value was assumed to be immaterial. Costs are allocated to projects based on work order systems, but the value of any residual inventory has not been captured in the accounting records. In a properly designed system of internal control surrounding inventory, key controls should be in place for existence, completeness, rights or obligations, valuation, and classification and accuracy of significant inventory balances.

Condition

The following conditions exist:

- Physical counts of the inventory is not performed routinely
- The nature of the inventory is diverse since public works serves many different functions
- Physical custody of assets is not segregated from the recordkeeping function
- Two separate platforms are used to account for work orders and inventory, an off the shelf package used by Public Works and an internally developed software used by Facilities Maintenance
- The valuation of inventory at year end per the reports generated indicate the residual balances may be significant; however due to controls lacking in other areas, there is limited confidence in the quantities reported and valuation of inventory due to concerns of potential items that could be slow moving or obsolete.

Cause

The system of internal control surrounding this inventory is not properly designed.

Effect

Fraud or errors in reporting could occur with respect to this inventory and not be detected in a timely manner.

Recommendation

Management should evaluate the current design of the system of internal control and personnel available to ensure key controls are in place for the assertions outlined above.

**Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended September 30, 2017**

***FINDING 2017-2 PUBLIC WORKS AND FACILITY MAINTENANCE INVENTORY (BCC)
(CONTINUED)***

Views of responsible officials and planned corrective action:

We agree with the recommendation. Public Works is using a version of Cartegraph that is no longer supported. We have completed the purchase of Cartegraph OMS and it will be implemented throughout the Public Works Divisions, to include Facility Maintenance (excluding Fleet). We have started the implementation process to create a consolidated process approach throughout the department.

The Supply Supervisor, who came on board April 24, 2018, is currently working with Public Works data management staff to ensure proper separation of duties. Control considerations are being evaluated to determine defined tasks for staff to meet recommended separation of duties.

The Supply Supervisor will schedule periodic inventory counts to pre-determine any probable single points of failure. These periodic counts will define if additional staff is needed and/or the need for compensated controls to achieve proper checks and balances.

County staff is currently evaluating a purchase of acreage and a building formerly utilized by FedEx (14 acres/60,000 sq ft warehouse). If the decision is to purchase this facility, all Public Works functions will be relocated to this site. The proposed plan will be to consolidate all Public Works functions under one roof to include Supply functions. The probability of this purchase has driven a focus on a consolidated process approach until a determination can be made regarding a "physical" consolidated approach. The determination of the purchase will be within the next 4 to 6 months.

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CLERK OF THE
CIRCUIT COURT

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**OKALOOSA COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
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Basic Financial Statements



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Fort Walton Beach, FL 32548
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INDEPENDENT AUDITORS' REPORT

Honorable JD Peacock II
Clerk of the Circuit Court and Comptroller
Okaloosa County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of each major fund and the aggregate remaining fund information of the Office of the Clerk of the Circuit Court and Comptroller of Okaloosa County, Florida, ("Clerk") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Clerk's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Clerk, as of September 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Courts Special Revenue Fund, the Public Records Modernization Trust Special Revenue Fund, the Public Records Courts Special Revenue Fund and the Public Records 10% Fine Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with Rules of the Auditor General, State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Okaloosa County, Florida that is attributable to the Clerk. They do not purport to, and do not, present fairly the financial position of Okaloosa County, Florida as of September 30, 2017 and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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 special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Clerk'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 included under the heading "*Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards*". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clerk's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

**Clerk of the Circuit Court
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017**

	General Fund	Courts Special Revenue Fund
ASSETS		
Cash and Cash Equivalents	\$ 3,061	\$ 157,434
Investments	5,272	409,000
Accounts Receivable	261	-
Due from Other Funds	43,953	1,032
Due from Other Elected Officials	1,738	-
Due from Other Governments	129,702	-
Prepays	871	-
	\$ 184,858	\$ 567,466
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 36,555	\$ 4,399
Accrued Liabilities	65,997	51,773
Due to Other Funds	38,638	-
Due to Other Elected Officials	37,700	61
Due to Other Governments	1,703	461,233
Due to Depositors	4,265	50,000
	184,858	567,466
Total Liabilities	184,858	567,466
Fund Balance		
Nonspendable	871	-
Spendable		
Restricted	-	-
Unassigned	(871)	-
	-	-
Total Fund Balances	-	-
Total Liabilities and Fund Balances	\$ 184,858	\$ 567,466

Exhibit I

Public Records Modernization Trust Special Revenue Fund	Public Records Courts Special Revenue Fund	Public Records 10% Fine Special Revenue Fund	Total Governmental Funds
\$ 90,681	\$ 131,593	\$ -	\$ 382,769
100,000	150,000	-	664,272
-	-	-	261
9,502	28,996	-	83,483
-	-	-	1,738
-	-	-	129,702
-	85,000	-	85,871
<u>\$ 200,183</u>	<u>\$ 395,589</u>	<u>\$ -</u>	<u>\$ 1,348,096</u>
\$ 12,602	\$ 19,711	\$ -	\$ 73,267
-	-	-	117,770
-	13,898	-	52,536
-	-	-	37,761
-	-	-	462,936
-	-	-	54,265
<u>12,602</u>	<u>33,609</u>	<u>-</u>	<u>798,535</u>
-	85,000	-	85,871
187,581	361,980	-	549,561
-	(85,000)	-	(85,871)
<u>187,581</u>	<u>361,980</u>	<u>-</u>	<u>549,561</u>
<u>\$ 200,183</u>	<u>\$ 395,589</u>	<u>\$ -</u>	<u>\$ 1,348,096</u>

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

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017**

	General Fund	Courts Special Revenue Fund
Revenues		
Intergovernmental	\$ 840,549	\$ 105,356
Charges for Services	1,309,671	2,913,613
Fines	-	787,383
Miscellaneous	24,272	-
Total Revenues	2,174,492	3,806,352
Expenditures		
Current		
General Government	3,320,269	-
Human Services	409,056	-
Court-Related	-	3,858,667
Capital Outlay	72,159	864
Total Expenditures	3,801,484	3,859,531
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,626,992)	(53,179)
Other Financing Sources (Uses)		
Transfers From Other Funds	100,622	53,179
Transfers Among Constitutional Officers	1,526,370	-
Total Other Financing Sources (Uses)	1,626,992	53,179
Net Change in Fund Balances	-	-
Fund Balances - Beginning	-	-
Fund Balances - Ending	\$ -	\$ -

Exhibit II

Public Records Modernization Trust Special Revenue Fund	Public Records Courts Special Revenue Fund	Public Records 10% Fine Special Revenue Fund	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 945,905
123,788	373,149	-	4,720,221
-	-	140,965	928,348
296	894	-	25,462
<u>124,084</u>	<u>374,043</u>	<u>140,965</u>	<u>6,619,936</u>
136,301	-	-	3,456,570
-	-	-	409,056
-	532,416	175,987	4,567,070
64,448	94,078	942	232,491
<u>200,749</u>	<u>626,494</u>	<u>176,929</u>	<u>8,665,187</u>
<u>(76,665)</u>	<u>(252,451)</u>	<u>(35,964)</u>	<u>(2,045,251)</u>
-	-	-	153,801
-	-	-	1,526,370
-	-	-	1,680,171
<u>(76,665)</u>	<u>(252,451)</u>	<u>(35,964)</u>	<u>(365,080)</u>
<u>264,246</u>	<u>614,431</u>	<u>35,964</u>	<u>914,641</u>
<u>\$ 187,581</u>	<u>\$ 361,980</u>	<u>\$ -</u>	<u>\$ 549,561</u>

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

**Clerk of the Circuit Court
Okaloosa County, Florida**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 760,000	\$ 760,000	\$ 840,549	\$ 80,549
Charges for Services	1,192,900	1,192,900	1,309,671	116,771
Miscellaneous	300	13,300	24,272	10,972
Total Revenues	1,953,200	1,966,200	2,174,492	208,292
Expenditures				
Current				
General Government	3,267,894	3,212,855	3,320,269	(107,414)
Human Services	246,536	246,536	409,056	(162,520)
Capital Outlay	33,400	70,495	72,159	(1,664)
Total Expenditures	3,547,830	3,529,886	3,801,484	(271,598)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,594,630)	(1,563,686)	(1,626,992)	(63,306)
Other Financing Sources (Uses)				
Transfers From Other Funds	-	-	100,622	100,622
Transfers Among Constitutional Officers	1,594,630	1,563,686	1,526,370	(37,316)
Total Other Financing Sources (Uses)	1,594,630	1,563,686	1,626,992	63,306
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2017 due to amounts that were funded
from revenues that exceeded budgeted amounts.

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

**Clerk of the Circuit Court
Okaloosa County, Florida**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COURTS SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 105,356	\$ 105,356
Charges for Services	2,619,169	2,619,169	2,913,613	294,444
Fines	655,000	655,000	787,383	132,383
Miscellaneous	-	-	-	-
Total Revenues	3,274,169	3,274,169	3,806,352	532,183
Expenditures				
Current				
Court-Related	3,274,169	3,274,169	3,858,667	(584,498)
Capital Outlay	-	-	864	(864)
Total Expenditures	3,274,169	3,274,169	3,859,531	(585,362)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(53,179)	(53,179)
Other Financing Sources (Uses)				
Transfers From Other Funds	-	-	53,179	53,179
Total Other Financing Sources	-	-	53,179	53,179
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual expenditures exceed legally budgeted amounts at September 30, 2017 due to amounts were funded from revenues that exceeded budgeted amounts.

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

**Clerk of the Circuit Court
Okaloosa County, Florida**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC RECORDS MODERNIZATION TRUST SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 110,000	\$ 110,000	\$ 123,788	\$ 13,788
Miscellaneous	800	800	296	(504)
Total Revenues	110,800	110,800	124,084	13,284
Expenditures				
Current				
General Government	-	78,000	136,301	(58,301)
Capital Outlay	-	28,000	64,448	(36,448)
Total Expenditures	-	106,000	200,749	(94,749)
Excess (Deficiency) of Revenues Over (Under) Expenditures	110,800	4,800	(76,665)	(81,465)
Net Change in Fund Balance	110,800	4,800	(76,665)	(81,465)
Fund Balance - Beginning	-	-	264,246	264,246
Fund Balance - Ending	\$ 110,800	\$ 4,800	\$ 187,581	\$ 182,781

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2017 due to the use of available fund
balance for annual expenditures.

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

**Clerk of the Circuit Court
Okaloosa County, Florida**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC RECORDS COURTS SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 340,000	\$ 340,000	\$ 373,149	\$ 33,149
Miscellaneous	1,200	1,200	894	(306)
Total Revenues	341,200	341,200	374,043	32,843
Expenditures				
Current				
Court-Related	-	144,000	532,416	(388,416)
Capital Outlay	-	40,000	94,078	(54,078)
Total Expenditures	-	184,000	626,494	(442,494)
Excess (Deficiency) of Revenues Over (Under) Expenditures	341,200	157,200	(252,451)	(409,651)
Net Change in Fund Balance	341,200	157,200	(252,451)	(409,651)
Fund Balance - Beginning	-	-	614,431	614,431
Fund Balance - Ending	\$ 341,200	\$ 157,200	\$ 361,980	\$ 204,780

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual Expenditures exceeded legally budgeted amounts at September 30, 2017 due to the use of available fund balance for annual expenditures.

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

**Clerk of the Circuit Court
Okaloosa County, Florida**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC RECORDS 10% FINE SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines	\$ 171,640	\$ 171,640	\$ 140,965	\$ (30,675)
Miscellaneous	-	-	-	-
Total Revenues	171,640	171,640	140,965	(30,675)
Expenditures				
Current				
Court-Related	-	-	175,987	(175,987)
Capital Outlay	-	-	942	(942)
Total Expenditures	-	-	176,929	(176,929)
Excess (Deficiency) of Revenues Over (Under) Expenditures	171,640	171,640	(35,964)	(207,604)
Net Change in Fund Balance	171,640	171,640	(35,964)	(207,604)
Fund Balance - Beginning	-	-	35,964	35,964
Fund Balance - Ending	\$ 171,640	\$ 171,640	\$ -	\$ (171,640)

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2017 due to the transfer of fund balance to cover expenditures.

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

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2017**

		Compensated Absences Internal Service Fund
		Fund
ASSETS		
Cash and Cash Equivalents		\$ -
LIABILITIES AND NET POSITION		
Liabilities		\$ -
Net Position		
Unrestricted		-
Total Liabilities and Net Position		\$ -

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

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2017**

	Compensated Absences Internal Service Funds
	Funds
Operating Revenues	
Charges for Services	\$ -
Total Operating Revenues	-
Operating Expenses	
Personal services	(153,801)
Total Operating Expenses	(153,801)
Operating Income (Loss)	153,801
Nonoperating Revenues (Expenses)	
Transfers Out	(153,801)
Change in Net Position	-
Net Position - Beginning	-
Net Position - Ending	\$ -

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

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2017**

	<u>Compensated Absences Internal Service Funds</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds	<u>\$ (153,801)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(153,801)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(153,801)
Cash and Cash Equivalents - Beginning of Year	<u>153,801</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ -</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 153,801
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Increase (Decrease) in Liabilities	(153,801)
Compensated Absences Payable	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ -</u></u>

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

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,162,593
Investments	1,590,000
Accounts Receivable	7,317
Due from Other Funds	140
Due from Other Elected Officials	2,800
Due from Other Governments	375,138
	<u>6,137,988</u>
Total Assets	<u>6,137,988</u>
LIABILITIES	
Liabilities	
Due to Other Funds	\$ 31,087
Due to Other Elected Officials	117,878
Due to Other Governments	827,083
Due to Depositors	5,161,940
	<u>6,137,988</u>
Total Liabilities	<u>6,137,988</u>
NET POSITION	<u>\$ -</u>

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

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Clerk of the Circuit Court (Clerk) is an elected official established pursuant to the Constitution of the State of Florida. The Clerk is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

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

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

A. The Reporting Entity

The Clerk is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Clerk's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County:

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Basis of Presentation – Fund Financial Statements

The financial statements have been prepared for the purpose of complying with *Rules of the Auditor General, State of Florida*, which require presentation of the *fund level* only financial statements and permit omission of entity-wide full accrual financial statements and management's discussion and analysis. Therefore, these financial statements are intended to present only the financial position and changes in financial position of that portion of Okaloosa County, Florida, that relate to transactions of the Clerk and are not intended to present the financial position and changes in financial position of Okaloosa County, Florida.

The Clerk segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds, the proprietary fund and the fiduciary funds of the Clerk. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is a charge for service, a fee, in exchange for a specific service, recording a document. Non-exchange transactions are those in which the Clerk gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is the Title IV-D funds received by the Clerk which are used to fund the support, collection and distribution function of the Clerk. The revenue from these exchange and non-exchange transactions is recognized in the financial statements in varying ways depending on the basis of accounting used.

2. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Clerk considers all revenues reported in the governmental funds to be available if the revenues are collected within 30 days after year-end as the Clerk must remit excess appropriations and fees back to the Board of County Commissioners by October 31. Those revenues susceptible to accrual are interest, charges for service, and intergovernmental.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Proprietary and Fiduciary Fund Financial Statements

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. The principal operating revenues for the proprietary fund are charges to the general fund for funding the operating expenses of the fund which are for accrual of the short term portion of the Clerk’s compensated absence liability.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

3. Proprietary and Fiduciary Fund Financial Statements - Continued

Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The Clerk's proprietary fund usually does not have this type of revenue.

The only fiduciary funds of the Clerk are agency funds and as such do not record revenues and expenses.

4. Financial Statement Presentation

The Clerk reports the following major governmental funds:

General Fund

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

Courts Special Revenue Fund

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

Public Records Modernization Trust Special Revenue Fund

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

Public Records Courts Special Revenue Fund

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

Public Records 10% Fine Special Revenue Fund

This fund is used to account for 10% of the base fines collected by the Clerk as per Florida Statute 28.37(2) to be used exclusively for additional clerk court-related operational needs and program enhancements.

The Clerk reports the following fund types:

Internal Service Fund

This fund was used to account for the funding of short-term compensated absence debt provided to the general fund of the Clerk on a cost reimbursement basis. During 2017, the Clerk elected to close the internal service fund for compensated absences. The residual balance was transferred to the General Fund and Courts Special Revenue Fund.

Agency Funds

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

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The Clerk maintains a pooled cash account available for use by all funds. Some agency funds maintain individual deposit type investment accounts. Each fund's portion of the pooled cash and individual deposit type investments are displayed on the balance sheet as "cash and cash equivalents." For purposes of these statements and the cash flows statement of the internal service fund, all highly liquid investments with maturity of 90 days or less when purchased are considered to be cash equivalents.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds or elected officials for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" or "due to/from other elected officials" on the balance sheet.

The Clerk maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Prepaid Items

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

4. Capital Assets

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

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Fund Balance - Continued

4. Capital Assets - Continued

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. The Clerk’s capitalization levels are \$1,000 on tangible personal property and \$5,000 on intangible assets. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation/amortization on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Intangibles	5
Equipment	3 - 7
Vehicles	2 - 15

5. Compensated Absences

The liability for compensated absences consisting of unpaid accumulated Paid Time Off (PTO) balances is reported on the government-wide statement of net position of Okaloosa County. A liability for these amounts is reported in the governmental funds financial statements of the Clerk only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred Outflows/Inflows of Resources

In addition to assets, deferred outflows of resources represent a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, deferred inflows of resources represent an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources(revenue) until that time.

No such items were applicable to the Clerk as of September 30, 2017.

7. 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.

The Clerk has non-spendable fund balance for amounts representing prepaid items. All other fund balance of the Clerk is considered restricted due to spending constraints on the resources imposed by Florida State statues. The Clerk does not have a formal minimum fund balance policy.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Fund Balance – Continued

8. Estimates

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

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Appropriated Budget

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from the Supervisor of Elections and Sheriff, 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.

The Clerk of Circuit Court's budget is prepared in two parts. The first part, which relates to the state court system functions, is submitted to the Florida Clerks of Court Operations Corporation by June 1 of each year. The second part, which relates to the duties as Clerk to the Board of County Commissioners, County Auditor, Custodian, Treasurer of all County funds and the recording function, is submitted to the Board of County Commissioners.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

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

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) is 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. The Supervisor of Elections and Sheriff is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 2 – LEGAL COMPLIANCE BUDGETS – CONTINUED

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. There were no supplemental budgetary appropriations necessary during the fiscal year for the Clerk.

All excess fees and appropriations received by the Clerk in the funds supported by the Board appropriated budget must be returned to the Okaloosa County Board of County Commissioners by October 31 following the end of the fiscal year.

Court-Related Budget

All court-related functions of the Clerk are reported in the Courts Special Revenue Fund. On or before June 1st, a budget is prepared according to Florida Statute 28.36 for that fund for the next fiscal year. It must be prepared and submitted to the Clerks of Court Operations Corporation (CCOC). The CCOC Finance & Budget Committee determines the budget policy for all Clerks and recommends each individual budget amount to the CCOC Executive Council. The CCOC then submits the combined Legislative Budget Request to the Legislative Budget Commission by August 1st. The budgets are then approved or rejected as a whole by October 1st. The Clerks are allowed to retain, to fund operations, 1/12th of the CCOC approved budget monthly from the collection of all court-related fines, fees, costs, and service charges. Any excess over the 1/12th amount must be remitted to the FL Department of Revenue “Clerk Trust Fund” on or before the 10th of the following month. All excess court-related annual collections must be remitted to the Department of Revenue by January 25th following the end of that fiscal year.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

The investment policy manual details the methods used to manage the risks inherent to the investment process. The authority for investment of County funds rests with the Clerk who has delegated management of the investment program to the Director of Treasury and Board Services. Although the policies allow investments in many types of instruments, the Clerk has chosen to limit investment risks by investing mainly in allowed investment pools. Investments in the Local Government State Investment Pool are accounted for in the books and records of the Clerk during the fiscal year ended September 30, 2017.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 4 – CAPITAL ASSETS

The following capital asset activity for the Clerk of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2017:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, being depreciated/amortized:					
Intangibles	\$ 1,522,671	\$ 20,320	\$ -	\$ -	\$ 1,542,991
Machinery and equipment	2,470,087	212,171	(21,718)	(35,688)	2,624,852
Total Capital assets, being depreciated/amortized	3,992,758	232,491	(21,718)	(35,688)	4,167,843
Less accumulated depreciation/amortization for:					
Intangibles	(1,287,280)	(72,071)	-	-	(1,359,351)
Machinery and equipment	(1,741,451)	(249,908)	21,718	35,688	(1,933,953)
Total accumulated depreciation/amortization	(3,028,731)	(321,979)	21,718	35,688	(3,293,304)
Governmental activities capital assets, net	<u>\$ 964,027</u>	<u>\$ (89,488)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,539</u>

Depreciation/amortization expense was charged to functions/programs as follows:

	Depreciation	Amortization
Governmental activities:		
General government	\$ 110,442	\$ 44,654
Court-related	139,466	27,417
Total depreciation/amortization expenses - governmental activities	<u>\$ 249,908</u>	<u>\$ 72,071</u>

NOTE 5 – COMPENSATED ABSENCES

The policy of the Clerk for annual and sick leave was changed June 1, 2015 to Paid Time Off (PTO). An employee can now accumulate and carry forward 1,000 hours of PTO from year to year. Any PTO in excess of 1,000 hours will be forfeited after the first pay period of the calendar year. PTO is accrued based on the schedule below. Upon retirement or termination, the employee may be paid up to a maximum of the following schedule.

Years of Service	Hours Earned per Pay Period (26)	Years of Service	Balance Paid Upon Separation
0 – 1	6.25	2 – 5	20% of PTO
2 – 5	7.00	6 – 10	25% of PTO
6 – 10	7.75	11 – 15	30% of PTO
11 – 15	8.50	16 – 20	40% of PTO
16 – 20	9.25	21+	50% of PTO
21+	10.00		

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 5 – COMPENSATED ABSENCES - CONTINUED

The vested portion of compensated absences for the Clerk as of September 30, 2017 follows:

	Current Portion	Long-Term Portion	Totals
Compensated absences	\$ 156,173	\$ 270,509	\$ 426,682

NOTE 6 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2017 is as follows:

Due to/from other funds and elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Other Funds			
General	Public Records Court	\$ 13,898	Software
General	Fiduciary Funds	30,055	Fees collected
Courts Special Revenue	Fiduciary Funds	1,032	Deposit transfer
Public Records Modernization	General	9,502	Restricted fees
Public Records Court	General	28,996	Restricted fees
Fiduciary Funds	General	140	Fees collected
Total		\$ 83,623	
Other Elected Officials			
General	Board of County Commissioners	\$ 1,738	Fees collected
Fiduciary Fund	Board of County Commissioners	2,800	Fines
Board of County Commissioners	General	37,700	Excess fees, maintenance
Board of County Commissioners	Courts Special Revenue	61	Fuel and maintenance
Board of County Commissioners	Fiduciary Fund	117,878	Fines and fees collected
Total		\$ 160,177	
Transfer In			
Transfer In	Transfer Out	Amount	Purpose
Other Funds			
General	Compensated Absences Internal Service Fund	\$ 100,622	Closing of fund
Court Special Revenue	Compensated Absences Internal Service Fund	53,179	Closing of fund
Total		\$ 153,801	
Other Elected Officials			
General	Board of County Commissioners	\$ 1,563,686	Appropriations
Board of County Commissioners	General	37,316	Excess fees
Total		\$ 1,601,002	

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 7 – OPERATING LEASES

The Clerk of the Circuit Court leases copier equipment under a non-cancelable operating leases effective for four years. Monthly payments under the lease were \$4,414 thru 10/30/16. The monthly payment was \$4,014 effective 11/01/16. Future minimum lease payments for the equipment lease totals \$12,042 through December 2017. Total lease expenditure for fiscal year ended September 30, 2017 was \$48,568.

The Clerk leases postal equipment for the Crestview office under an operating lease effective for 60 months. Monthly payments under the lease are \$395. Future minimum lease payments for the equipment lease totals \$7,110 through December 2019. Total lease expenditure for fiscal year ended September 30, 2017 was \$4,740.

The Clerk of the Circuit Court entered a new lease January 30, 2015 for postal equipment for the Fort Walton Beach office under an operating lease effective for five years. Monthly payments under the lease was \$376. Future minimum lease payments total \$10,152 through December 2019. Total lease expenditure for fiscal year ended September 30, 2017 was \$4,512.

Total lease expenditure/expense for operating leases in which the Clerk is the lessee for fiscal year ended September 30, 2017 was \$57,820. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended September 30</u>		
2018	\$	21,294
2019		6,882
2020		1,128
		\$ 29,304

NOTE 8 – LONG-TERM DEBT

The following long-term debt activity for the Clerk of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2017:

	Balance Due October 1, 2016	Increases	Decreases	Balance Due September 30, 2017	Due Within One Year
Governmental Activities:					
Notes payable	\$ -	\$ 278,529	\$ -	\$ 278,529	\$ 24,396
Accrued compensated absences	454,673	30,363	(58,354)	426,682	156,173
Other post employment benefits	152,594	47,140	(24,086)	175,648	-
Total Governmental Activities	\$ 607,267	\$ 356,032	\$ (82,440)	\$ 602,330	\$ 180,569

Compensated absences typically have been liquidated in the general fund.

In October 2017, the Clerk received notice from the Florida Department of Revenue, Child Support Enforcement Program that its contractor, Maximus, had completed an analysis of allowable indirect costs rates for 2016 and determined the rate that was being used by Okaloosa Clerk of Court was too high resulting in overpayments by the Department of Revenue to the Clerk. The indirect cost rate being used also created overpayments in 2017. The Clerk agreed to repay the estimated amount of \$278,529 for 2016 and set up monthly installments to repay this amount and is being shown above as a note payable. The balance estimated for 2017 is under review.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 9 - RESTRICTED FUND BALANCES

The governmental fund balance sheet contains the line item “Restricted for Other Purposes”. The following is a list of the detail balances contained in that line item for September 30, 2017:

Fund	Amount	Purpose
Special Revenue Funds		
Public Record Modernization	\$ 187,581	General Information Technology
Public Records Courts	361,980	Judicial Information Technology
Total Restricted for Other Purposes	<u>\$ 549,561</u>	

NOTE 10 – PENSION PLAN

The Clerk of Courts participates in the Florida Retirement System (FRS) which is a cost sharing multiple employer contributory retirement system administered by the State of Florida (State). The FRS was established in 1970 by Chapter 121, Florida Statutes. In 2002 the FRS was amended to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. Chapter 112, Florida Statutes established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any state- administered retirement system in paying the cost of health insurance.

The State of Florida Retirement System issues a publicly available stand-alone financial report (CAFR) which includes financial statements and required supplementary information. Also available are the pension systems actuarial reports to support the schedules of employer allocations and schedules of pension amounts by employer. These reports are available on the division’s website at <http://www.dms.myflorida.com> or by email at rep@dms.myflorida.com. The CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

**State of Florida Division of Retirement Department of Management Services
Bureau of Research and Member Contributions
P.O. Box 9000
Tallahassee, FL 32315-9000
850-907-6500 or toll free 844-377-1888**

There are six classes of membership applicable to the Clerk of Courts. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

- **Regular Class, Senior Management Service Class, and Elected Officers’ Class Members** – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.
- **Special Risk Class and Special Risk Administrative Support Class Members** – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty- five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 10 – PENSION PLAN - CONTINUED

• ***Special Risk Class and Special Risk Administrative Support Class Members - Continued***

and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

• **The Deferred Retirement Option Program (DROP)** is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months.

FRS Membership and Plan Benefits - The FRS Pension Plan provides retirement and disability benefits, death benefits and survivor's benefits. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are established by State Statutes. Retirement benefits are based on a formula comprised of age, average compensation, length of FRS service, and membership class. Average compensation is computed as the average of an individual's five highest years of earnings for employees hired before July 1, 2011 or eight highest years of earnings for employees hired on or after July 1, 2011. The amount of benefit payments is also affected by the retirement income option chosen by the plan participant.

Pension plan participants may choose to receive benefit in retirement under one of four options which will include a 3% cost-of-living adjustment each July (adjustments are only applicable for FRS service earned prior to July 1, 2011).

If a pension plan participant leaves FRS-covered employment, the pension plan benefit is frozen until the employee returns to FRS-covered employment or begins receiving early or normal retirement benefit.

HIS Membership and Plan Benefits - The HIS membership is available to all members within the FRS and defined contribution Investment Plan. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month, pursuant to section 112.363 Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirements systems must provide proof of eligible health insurance coverage, which can include Medicare.

Contribution Requirements -The Clerk of Courts is required to contribute at an actuarially determined rate; these rates are a percent of annual covered payroll. Employees are required to contribute 3% of their annual salary, while members participating in DROP are not required to make the 3% contribution. The Clerk of Courts' contractually required contribution rate includes the HIS contribution, .06% administrative and educational fee and any applicable unfunded actuarial liability "UAL" rates. The HIS required contribution rate is 1.66% for the 2016 and 2017 FRS plan years. This contribution when combined with the employee contribution is expected to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Descriptions and contribution rates in effect during the period ended September 30, 2017 and two preceding FRS fiscal years are as follows:

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 10 – PENSION PLAN - CONTINUED

	September 30, 2017	June 30, 2017	June 30, 2016	June 30, 2015
Regular Class	7.92%	7.52%	7.26%	7.37%
Senior Management	22.71%	21.77%	21.43%	21.14%
Elected Officials	45.50%	42.47%	42.27%	43.23%
Deferred Retirement Option Program	13.26%	12.99%	12.88%	12.28%
Special Risk Regular	23.27%	22.57%	22.04%	19.82%
Special Risk Administrative Support	34.63%	28.06%	32.95%	42.07%

For the years ending September 30, 2017, 2016, 2015, the Clerk of Courts contributed \$575,411, \$542,082 and \$497,539 respectively, equal to 100% of the required contributions for each year.

The Florida Legislature has the authority for establishing or amending retirement legislation and related bills of significance to members of the Florida Retirement System (FRS). Passed bills are presented to the Governor and approved before they may be enacted into law.

Net Pension Liability – Proportionate Share

The Clerk of Courts has a net FRS pension liability determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This long-term liability is only reported in the county-wide financial statements and is not a current liability of the General Fund. All required disclosures and schedules may be found in the county-wide financial statements of Okaloosa County, Florida.

NOTE 11 – POSTEMPLOYMENT BENEFITS

The Clerk has chosen to participate in the Board of County Commissioners’ plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Clerk is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

NOTE 12 - RISK MANAGEMENT

The Clerk is exposed to risk of loss for claims and judgments for public liability, workers’ compensation, and other special risks. Special risks are covered by commercial insurance policies that are accounted for in the Clerk’s general fund. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

The Clerk has chosen to participate in a group medical insurance plan along with all other elected official offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits.

The Clerk has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers’ compensation. The Self-Insurance Internal Service Fund charges the Clerk a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Clerk.

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Agency Funds

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

Fine and Forfeiture Fund

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

Jury and Witness Fund

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

Tax Deed Fund

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

Support Fund

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

Registry of Court Fund

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

Board of County Commissioners Trust Fund

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

State Trust Fund

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

Documentary Stamp taxes are paid by individuals at the time of recording deeds, mortgages and some contracts.

Intangible Tax is paid by individuals at the time of recording mortgages and some deeds.

Marriage License fees are collected on each marriage license issued and remitted to the State of Florida for funding of dispatched homemaker programs, domestic violence centers and vital statistic collection.

Court Education Trust Service Charge is an additional \$2.50 service charge for each civil action brought in Circuit or County Court.

Civil Action Service Charge is an additional \$7.00 service charge for each civil action brought in Circuit Court.

Mediation fees are paid in connection with initial divorce filing or divorce modification filings. Of the fees charged, \$1.00 in each instance is forwarded to the State Court Administration.

Probation Fee Trust Fund

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

Escrow Trust Fund

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

Juvenile Trust Fund

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

Foreclosure Escrow Trust Fund

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

Cash Bond Trust Fund

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

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
September 30, 2017**

	Fine and Forfeiture	Jury and Witness	Tax Deed	Support	Registry of Court	BCC Trust
ASSETS						
Cash and Cash Equivalents	\$ 34,886	\$ 24,813	\$ 131,860	\$ 92,466	\$ 2,422,240	\$ 30,522
Investments	315,000	-	1,175,000	-	-	-
Accounts Receivable	-	-	-	7,177	-	-
Due from Other Funds	-	-	-	-	-	-
Due from Other Elected Officials	2,800	-	-	-	-	-
Due from Other Governments	8	-	-	-	-	-
Total Assets	\$ 352,694	\$ 24,813	\$ 1,306,860	\$ 99,643	\$ 2,422,240	\$ 30,522
LIABILITIES						
Liabilities						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 7,850	\$ 1,032	\$ -
Due to Other Elected Officials	87,356	-	-	-	-	30,522
Due to Other Governments	264,708	-	-	802	-	-
Due to Depositors	630	24,813	1,306,860	90,991	2,421,208	-
Total Liabilities	352,694	24,813	1,306,860	99,643	2,422,240	30,522
NET POSITION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
September 30, 2017**

	State Trust	Probation Fee Trust	Escrow Trust	Juvenile Trust	Foreclosure Escrow Trust	Cash Bond Trust	Total
ASSETS							
Cash and Cash Equivalents	\$ 86,443	\$ 1,174	\$ 157,267	\$ 696	\$ 904,903	\$ 275,323	\$ 4,162,593
Investments	100,000	-	-	-	-	-	1,590,000
Accounts Receivable	-	-	-	-	140	-	7,317
Due from Other Funds	-	-	-	-	140	-	140
Due from Other Elected Officials	-	-	-	-	-	-	2,800
Due from Other Governments	375,130	-	-	-	-	-	375,138
Total Assets	\$ 561,573	\$ 1,174	\$ 157,267	\$ 696	\$ 905,183	\$ 275,323	\$ 6,137,988
LIABILITIES							
Liabilities							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 22,205	\$ -	\$ 31,087
Due to Other Elected Officials	-	-	-	-	-	-	117,878
Due to Other Governments	561,573	-	-	-	-	-	827,083
Due to Depositors	-	1,174	157,267	696	882,978	275,323	5,161,940
Total Liabilities	561,573	1,174	157,267	696	905,183	275,323	6,137,988
NET POSITION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN NET POSITION
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2017**

	Balances October 1, 2016	Additions	Deletions	Balances September 30, 2017
FINE AND FORFEITURE AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 404,469	\$ 4,934,748	\$ 5,304,331	\$ 34,886
Investments	-	315,000	-	315,000
Due from other Governments	-	8	-	8
Due from Other Elected Officials	370	3,330	900	2,800
Total Assets	<u>\$ 404,839</u>	<u>\$ 5,253,086</u>	<u>\$ 5,305,231</u>	<u>\$ 352,694</u>
LIABILITIES				
Due to Other Elected Officials	\$ 104,812	\$ 1,284,772	\$ 1,302,228	\$ 87,356
Due to Other Governments	300,027	5,178,755	5,214,074	264,708
Due to Depositors	-	1,942	1,312	630
Total Liabilities	<u>\$ 404,839</u>	<u>\$ 6,465,469</u>	<u>\$ 6,517,614</u>	<u>\$ 352,694</u>
JURY AND WITNESS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 32,027	\$ 14,853	\$ 22,067	\$ 24,813
LIABILITIES				
Due to Depositors	\$ 32,027	\$ 29,483	\$ 36,697	\$ 24,813
Total Liabilities	<u>\$ 32,027</u>	<u>\$ 29,483</u>	<u>\$ 36,697</u>	<u>\$ 24,813</u>
TAX DEED AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 1,185,525	\$ 1,435,970	\$ 2,489,635	\$ 131,860
Investments	-	1,175,000	-	1,175,000
Total Assets	<u>\$ 1,185,525</u>	<u>\$ 2,610,970</u>	<u>\$ 2,489,635</u>	<u>\$ 1,306,860</u>
LIABILITIES				
Due to Depositors	\$ 1,185,525	\$ 2,680,226	\$ 2,558,891	\$ 1,306,860
Total Liabilities	<u>\$ 1,185,525</u>	<u>\$ 2,680,226</u>	<u>\$ 2,558,891</u>	<u>\$ 1,306,860</u>
SUPPORT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 116,657	\$ 3,487,802	\$ 3,511,993	\$ 92,466
Accounts Receivable	3,677	7,611	4,111	7,177
Total Assets	<u>\$ 120,334</u>	<u>\$ 3,495,413</u>	<u>\$ 3,516,104</u>	<u>\$ 99,643</u>
LIABILITIES				
Due to Other Funds	\$ 22,453	\$ 3,739	\$ 18,342	\$ 7,850
Due to Other Governments	991	9,424	9,613	802
Due to Depositors	96,890	3,431,677	3,437,576	90,991
Total Liabilities	<u>\$ 120,334</u>	<u>\$ 3,444,840</u>	<u>\$ 3,465,531</u>	<u>\$ 99,643</u>

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN NET POSITION
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2017**

	Balances October 1, 2016	Additions	Deletions	Balances September 30, 2017
REGISTRY OF COURT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 2,039,620	\$ 14,152,043	\$ 13,769,423	\$ 2,422,240
Due from Other Funds	550	-	550	-
Total Assets	<u>\$ 2,040,170</u>	<u>\$ 14,152,043</u>	<u>\$ 13,769,973</u>	<u>\$ 2,422,240</u>
LIABILITIES				
Due to Other Funds	\$ 1,032	\$ 6,068	\$ 6,068	\$ 1,032
Due to Depositors	2,039,138	14,146,507	13,764,437	2,421,208
Total Liabilities	<u>\$ 2,040,170</u>	<u>\$ 14,152,575</u>	<u>\$ 13,770,505</u>	<u>\$ 2,422,240</u>
BOARD OF COUNTY COMMISSIONERS TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 34,512	\$ 485,752	\$ 489,742	\$ 30,522
LIABILITIES				
Accounts Payable	\$ -	\$ 428,378	\$ 428,378	\$ -
Due to Other Elected Officials	34,512	485,752	489,742	30,522
	<u>\$ 34,512</u>	<u>\$ 914,130</u>	<u>\$ 918,120</u>	<u>\$ 30,522</u>
STATE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 419,605	\$ 26,647,232	\$ 26,980,394	\$ 86,443
Investments	-	475,000	375,000	100,000
Due from Other Governments	-	375,130	-	375,130
Total Assets	<u>\$ 419,605</u>	<u>\$ 27,497,362</u>	<u>\$ 27,355,394</u>	<u>\$ 561,573</u>
LIABILITIES				
Due to Other Governments	\$ 419,605	\$ 26,346,603	\$ 26,204,635	\$ 561,573
PROBATION FEE TRUST FUND				
ASSETS				
Cash and Cash Equivalents	\$ 150	\$ 2,019	\$ 995	\$ 1,174
LIABILITIES				
Accounts Payable	\$ -	\$ 995	\$ 995	\$ -
Due to Depositors	150	2,019	995	1,174
Total Liabilities	<u>\$ 150</u>	<u>\$ 3,014</u>	<u>\$ 1,990</u>	<u>\$ 1,174</u>
ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 180,715	\$ 678,692	\$ 702,140	\$ 157,267
LIABILITIES				
Due to Depositors	\$ 180,715	\$ 820,369	\$ 843,817	\$ 157,267

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN NET POSITION
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2017**

	Balances October 1, 2016	Additions	Deletions	Balances September 30, 2017
JUVENILE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 130	\$ 4,715	\$ 4,149	\$ 696
LIABILITIES				
Due to Depositors	130	4,715	4,149	696
FORECLOSURE ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 1,001,970	\$ 12,550,726	\$ 12,647,793	\$ 904,903
Investments	-	500,000	500,000	-
Accounts Receivable	140	-	-	140
Due from Other Funds	140	-	-	140
	<u>\$ 1,002,250</u>	<u>\$ 13,050,726</u>	<u>\$ 13,147,793</u>	<u>\$ 905,183</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 64,229	\$ 64,229	\$ -
Due to Other Funds	672	24,410	2,877	22,205
Due to Depositors	1,001,578	12,301,065	12,419,665	882,978
	<u>\$ 1,002,250</u>	<u>\$ 12,389,704</u>	<u>\$ 12,486,771</u>	<u>\$ 905,183</u>
CASH BOND TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 442,752	\$ 764,951	\$ 932,380	\$ 275,323
LIABILITIES				
Due to Depositors	\$ 442,752	\$ 764,951	\$ 932,380	\$ 275,323
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 5,858,132	\$ 65,159,503	\$ 66,855,042	\$ 4,162,593
Investments	-	2,465,000	875,000	1,590,000
Accounts Receivable	3,817	7,611	4,111	7,317
Due from Other Funds	690	-	550	140
Due from Other Elected Officials	370	3,330	900	2,800
Due from Other Governments	-	375,138	-	375,138
Total Assets	<u>\$ 5,863,009</u>	<u>\$ 68,010,582</u>	<u>\$ 67,735,603</u>	<u>\$ 6,137,988</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 493,602	\$ 493,602	\$ -
Due to Other Funds	24,157	34,217	27,287	31,087
Due to Other Elected Officials	139,324	1,770,524	1,791,970	117,878
Due to Other Governments	720,623	31,534,782	31,428,322	827,083
Due to Depositors	4,978,905	34,182,954	33,999,919	5,161,940
Total Liabilities	<u>\$ 5,863,009</u>	<u>\$ 68,016,079</u>	<u>\$ 67,741,100</u>	<u>\$ 6,137,988</u>

Other Reports

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

Honorable JD Peacock II
Clerk of the Circuit Court and Comptroller
Okaloosa County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the special-purpose financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Office of the Clerk of the Circuit Court and Comptroller of Okaloosa County, Florida (hereinafter referred to as the "Clerk"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Clerk's financial statements, and have issued our report thereon dated April 27, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described as finding 2017-1 in the accompanying schedule of findings and responses that we consider to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

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

We have examined the Office of the Clerk of the Circuit Court and Comptroller of Okaloosa County, Florida's (hereinafter referred to as the "Clerk") compliance with Florida Statutes 218.415 in regards to investments, Florida Statutes 28.35 and 28.36 in regards to certain court-related functions, and 61.181 in regards to operation of a depository for alimony and child support for the year ended September 30, 2017.

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

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

In our opinion, the Clerk complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Warren Averett, LLC

Fort Walton Beach, Florida
April 27, 2018

MANAGEMENT LETTER

Honorable JD Peacock II
Clerk of Circuit Court and Comptroller
Okaloosa County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Clerk of the Circuit Court and Comptroller of Okaloosa County, Florida (hereinafter referred to as "Clerk") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2018.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports which are dated April 27, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name of official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Clerk was established by the Constitution of the State of Florida, Article VIII, Section 1(e), as part of the primary government of Okaloosa County, Florida. There are no component units related to the Clerk.

Financial Management

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Clerk, and 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

Fort Walton Beach, Florida
April 27, 2018

**Clerk of the Circuit Clerk and Comptroller
Okaloosa County, Florida
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended September 30, 2017**

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

FINDING 2017-1 INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria

Under *Government Auditing Standards*, the auditor is required to obtain an understanding of the entity's internal control relevant to the audit. *Internal control* is defined as a process effected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regards to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition

Accounting processes were changed throughout the year due to changes in the structure of the organization. The policy changes were not always documented which lead to uncertainties by staff as to appropriate processes. Material audit adjustments were proposed by the auditors' and accepted by management for the financial statements to be prepared in accordance with U.S. GAAP. In addition due to delays in reconciling accounting information during the year, year-end financial reporting was significantly delayed which ultimately reduces the decision making value of the financial information. The following contributed to the conditions noted:

- Capital assets activity was not reconciled in a timely manner during the year to general ledger activity
- Bank reconciliations were not performed timely. Significant unknown variances were identified during the reconciliation process but were not researched in a timely manner.
- Information used to support the recorded amounts for compensated absences was not complete and accurate, resulting in a material adjustment to increase the balance.
- Several control accounts in the accounting system are not reconciled to subsidiary ledgers on a timely basis, causing secondary schedules to be generated and maintained, specifically related to receivables of the enterprise funds
- Critical elements of subsidiary ledgers are not incorporated into year-end work papers
- Multiple entries were needed to reconcile appropriations and inter fund balances between the Board and other elected officials.
- Duplicate posting of entries was identified.

Cause

The Clerk's comptroller function was changed during the year under audit to combine financial processes for the Clerk's accounting function and the Board's accounting function as one system to increase efficiency due to continued funding pressure. Previously it operated as two separate accounting functions. In addition the Clerk's comptroller function underwent significant personnel changes during the year end September 30, 2017 also contributing to the conditions above.

**Clerk of the Circuit Clerk and Comptroller
Okaloosa County, Florida
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended September 30, 2017**

Effect

The internal control during the period under audit, as designed and placed in operation, does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct a material misstatement on a timely basis

Recommendation

The Clerk of the Circuit and Comptroller should document and communicate its accounting policies and procedures to reflect its current organizational structure. As part of that documentation, segregation of duties and compliance with Florida Statue should be considered. Further all material accounts of both the Clerk and Board should be reconciled to subsidiary records and the reconciliations' should reviewed by appropriate supervisory personnel on a monthly basis. Due to the volume of financial information and the complexity of the enterprise fund reporting, additional evaluation of responsibilities and time constraint of staff should be considered.

Views of responsible officials and planned corrective action

We agree with the recommendations offered and have already begun the process of establishing updated policies and procedures while considering appropriate segregation of duties. We will continue to reach out and work with our enterprise funds to insure there is a timely reconciliation of the subsidiary ledgers to our accounting system. There was a major reorganization and change over in staff this past year which did result in reconciliations falling behind. We are now fully staffed and making timely reconciliations and reporting.

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SHERIFF

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**OKALOOSA COUNTY, FLORIDA
SHERIFF
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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Basic Financial Statements

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INDEPENDENT AUDITORS' REPORT

The Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the Office of the Sheriff of Okaloosa County, Florida (the "Sheriff"), as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Sheriff, as of September 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and Special Revenue Funds (Law Enforcement Trust Fund, Teen Driver Challenge Fund, and Second Dollar Program Fund) for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and the aggregate remaining fund information of Okaloosa County, Florida that is attributable to the Sheriff. They do not purport to, and do not, present fairly the financial position of Okaloosa County, Florida as of September 30, 2017, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters under the heading "*Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards*". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheriff's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida

April 20, 2018

Sheriff
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	General Fund	Law Enforcement Trust Fund
ASSETS		
Cash and Cash Equivalents	\$ 854,503	\$ 240,200
Accounts Receivable	2,578	-
Due from Other Elected Officials	230,581	-
Due from Other Governments	259,631	-
	<u>1,347,293</u>	<u>240,200</u>
Total Assets	<u>\$ 1,347,293</u>	<u>\$ 240,200</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 215,456	\$ -
Other Accrued Liabilities	498,568	-
Due to Other Funds	131,204	-
Due to Other Elected Officials	380,385	-
Due to Other Governments	92,945	-
Unearned Revenue	28,735	240,200
	<u>1,347,293</u>	<u>240,200</u>
Total Liabilities	<u>1,347,293</u>	<u>240,200</u>
Fund Balance		
Unassigned	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 1,347,293</u>	<u>\$ 240,200</u>

Exhibit I

Teen Driver Challenge Fund	Second Dollar Program Fund	Total Governmental Funds
\$ -	\$ -	\$ 1,094,703
-	-	2,578
-	-	230,581
-	-	259,631
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,587,493</u>
\$ -	\$ -	\$ 215,456
-	-	498,568
-	-	131,204
-	-	380,385
-	-	92,945
-	-	268,935
<u>-</u>	<u>-</u>	<u>1,587,493</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,587,493</u>

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

Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	General Fund	Law Enforcement Trust Fund
Revenues		
Miscellaneous	\$ -	\$ 43,090
Total Revenues	-	43,090
Expenditures		
Current		
Public Safety	34,584,190	97,292
Court-Related	1,780,045	-
Capital Outlay	2,451,367	-
Total Expenditures	38,815,602	97,292
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,815,602)	(54,202)
Other Financing Sources (Uses)		
Transfers Among Constitutional Officers	38,815,602	54,202
Total Other Financing Sources (Uses)	38,815,602	54,202
Net Change in Fund Balance	-	-
Fund Balance - Beginning	-	-
Fund Balance - Ending	\$ -	\$ -

Exhibit II

Teen Driver Challenge Fund	Second Dollar Program Fund	Total Governmental Funds
\$ -	\$ -	\$ 43,090
-	-	43,090
39,748	13,804	34,735,034
-	-	1,780,045
-	-	2,451,367
39,748	13,804	38,966,446
(39,748)	(13,804)	(38,923,356)
39,748	13,804	38,923,356
39,748	13,804	38,923,356
-	-	-
-	-	-
\$ -	\$ -	\$ -

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

Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Public Safety	33,512,824	35,426,515	34,584,190	842,325
Court-Related	1,892,074	1,892,074	1,780,045	112,029
Capital Outlay	2,151,931	2,274,192	2,451,367	(177,175)
Total Expenditures	37,556,829	39,592,781	38,815,602	777,179
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,556,829)	(39,592,781)	(38,815,602)	777,179
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	37,556,829	39,592,781	38,815,602	(777,179)
Total Other Financing Sources (Uses)	37,556,829	39,592,781	38,815,602	(777,179)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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

Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LAW ENFORCEMENT TRUST FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 43,090	\$ 43,090	\$ 43,090	\$ -
Total Revenues	43,090	43,090	43,090	-
Expenditures				
Current				
Public Safety	97,292	97,292	97,292	-
Capital Outlay	-	-	-	-
Total Expenditures	97,292	97,292	97,292	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(54,202)	(54,202)	(54,202)	-
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	54,202	54,202	54,202	-
Total Other Financing Sources (Uses)	54,202	54,202	54,202	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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

Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TEEN DRIVER CHALLENGE FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Public Safety	66,090	66,090	39,748	26,342
Total Expenditures	66,090	66,090	39,748	26,342
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,090)	(66,090)	(39,748)	26,342
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	66,090	66,090	39,748	(26,342)
Total Other Financing Sources (Uses)	66,090	66,090	39,748	(26,342)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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

Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SECOND DOLLAR PROGRAM FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Public Safety	13,804	13,804	13,804	-
Total Expenditures	13,804	13,804	13,804	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,804)	(13,804)	(13,804)	-
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	-	13,804	13,804
Total Other Financing Sources (Uses)	-	-	13,804	13,804
Net Change in Fund Balance	(13,804)	(13,804)	-	13,804
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ (13,804)</u>	<u>\$ (13,804)</u>	<u>\$ -</u>	<u>\$ 13,804</u>

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

**Sheriff
Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017**

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 3,121,510
Receivables, Net of Allowance for Uncollectible	166,081
Due from Other Funds	<u>131,204</u>
Total Assets	<u><u>\$ 3,418,795</u></u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accrued Liabilities	
Compensated Absences	\$ 1,155,821
Claims and Judgments	<u>688,739</u>
Total Current Liabilities	<u>1,844,560</u>
Noncurrent Liabilities	
Other Post Employment Benefits	<u>4,653,166</u>
Total Noncurrent Liabilities	<u>4,653,166</u>
Total Liabilities	<u>6,497,726</u>
Net Position	
Unrestricted (Deficit)	<u>(3,078,931)</u>
Total Net Position	<u>(3,078,931)</u>
Total Liabilities and Net Position	<u><u>\$ 3,418,795</u></u>

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

Sheriff
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

	Governmental Activities
	Internal Service Funds
Operating Revenues	
Charges for Services	\$ 4,965,418
Total Operating Revenues	4,965,418
Operating Expenses	
Personal Services	273,072
Contractual Services	388,600
Insurance Premiums and Claims	4,962,052
Total Operating Expenses	5,623,724
Operating Income (Loss)	(658,306)
Nonoperating Revenues (Expenses)	
Investment Income	7,526
Income (Loss) Before Contributions and Transfers	(650,780)
Change in Net Position	(650,780)
Total Net Position (Deficit) - Beginning	(2,428,151)
Total Net Position (Deficit) - Ending	\$ (3,078,931)

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

Sheriff
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Interfund Services Provided	\$ 5,231,793
Payments to Suppliers	(5,167,868)
Net Cash Provided (Used) by Operating Activities	63,925
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	7,526
Net Increase (Decrease) in Cash and Cash Equivalents	71,451
Cash and Cash Equivalents - Beginning of Year	3,050,059
Cash and Cash Equivalents - End of Year	\$ 3,121,510
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (658,306)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Increase in Assets	
Receivables	204,863
Due from General Fund	(34,846)
Increase (Decrease) in Liabilities	
Compensated Absences Payable	131,204
Claims and Judgments Payable	182,784
Other Post Employment Benefits	238,226
Net Cash Provided (Used) by Operating Activities	\$ 63,925

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

**Sheriff
Okaloosa County, Florida
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 11,359
Total Assets	11,359
LIABILITIES	
Due to Other Elected Officials	6,780
Due to Depositors	4,579
Total Liabilities	11,359
NET POSITION	\$ -

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

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sheriff is an elected official established pursuant to the Constitution of the State of Florida. The Sheriff is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

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

The following is a summary of the more significant accounting policies of the Sheriff of Okaloosa County, Florida.

A. The Reporting Entity

The Sheriff is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Sheriff's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County.

Board of County Commissioners
Clerk of the Circuit Court
Sheriff
Tax Collector
Property Appraiser
Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Basis of Presentation - Fund Financials Statements

The financial statements have been prepared for the purpose of complying with *Rules of the Auditor General, State of Florida*, which require presentation of the fund level only financial statements and permit omission of entity-wide full accrual financial statements and management's discussion and analysis. Therefore, these financial statements are intended to present only the financial position and changes in financial position of that portion of Okaloosa County, Florida, that relate to transactions of the Sheriff and are not intended to present the financial position and changes in financial position of Okaloosa County, Florida.

The Sheriff segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds.

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

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is a purchase of equipment in exchange for cash or in exchange for another asset such as a used car. Non-exchange transactions are those in which the Sheriff gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

1. Exchange and Non-exchange Transactions

the fines revenue received by the Sheriff from specific citizens which is used to fund various police services provided to the citizens of the County. The revenue from these exchange and non-exchange transactions are recognized in the financial statements in varying ways depending on the basis of accounting used.

2. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Sheriff considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are fines, charges for service, and intergovernmental revenue.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Proprietary and Fiduciary Fund Financial Statements

The proprietary fund financial statements are reported using the *economic resources measurement focus*. Under this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The statement of revenue, expenses and changes in net position 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 self-insurance, and compensated absences internal service operations. Operating expenses for the internal service funds include the cost of providing services and administrative expenses.

Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. On an accrual basis, revenue from interest is recorded when earned. The only fiduciary funds of the Sheriff are agency funds and as such do not record revenues and expenses.

4. Financial Statement Presentation

The Sheriff reports the following major governmental funds:

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

General Fund

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

Law Enforcement Trust Fund

This fund is used to account for confiscated merchandise and funds and is expended for Law Enforcement Purposes. Funds cannot be used for normal operating expenses.

Teen Challenge Driver Fund

This fund is used to account for revenues restricted by the Florida Sheriffs Association and is expended to support a new safety program for teen drivers. Funds cannot be used for normal operating expenses.

Second Dollar Program Fund

This fund is used to account for revenues restricted from local County moving violation tickets and is expended to support a new safety program for teen drivers. Funds cannot be used for normal operating expenses.

The Sheriff reports the following fund types:

Internal Service Fund

These funds account for the funding of short-term compensated absence debt provided to the general fund of the Sheriff on a cost reimbursement basis, for risks from medical benefit claims of the self-funded health insurance plan, and for postretirement benefits other than pensions.

Agency Funds

These funds account for monies held on behalf of individuals and companies. The funds account for the collection and disbursement of statutory fees for services performed by the Sheriff or monies collected and disbursed pursuant to levies.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund 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

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

1. Deposits and Investments – Continued

repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Sheriff adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers. Investments are reported at fair value.

The Sheriff maintains separate cash accounts available for use by all funds. Each account is displayed on the balance sheet as “cash and cash equivalents.” For purposes of these statements, all highly liquid investments with maturity of ninety days or less when purchased are considered to be cash equivalents.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds or elected officials” or “due to other funds or elected officials” on the balance sheet. Short-term interfund loans are also classified as “inter-fund receivables/payables.”

The Sheriff maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Capital Assets

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

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Sheriff’s capitalization level is \$1,000 on tangible personal property and \$5,000 on building improvements. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Equipment	3-7
Vehicles	2-15
Building Improvements	20

4. Compensated Absences

The liability for compensated absences reported in the governmental and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances. A liability for these amounts is reported in governmental funds financial statements only if they have matured, for example, as a result of employee resignations and retirements. The liability is accrued when incurred in the proprietary fund financial statements. The Sheriff uses an internal service fund to accumulate the resources to fund the short-term portion of this compensated absences liability. The long-term liability is also reported on the government-wide statement of net position of Okaloosa County.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance – Continued

5. Unearned Revenues

Unearned revenues include amounts collected before revenue recognition criteria are met. Expenditure driven grants (to include forfeiture funds) are reported as unearned at the end of the fiscal year.

6. Deferred outflows/inflows of resources

In additions to assets, deferred outflows of resources represent a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, deferred inflows of resources represent an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

No such items were applicable to the Sheriff as of September 30, 2017.

7. Fund Balance

Governmental funds report zero or deficit unassigned fund balance at year end as all excess appropriations must be returned to the Board of County Commissioners. The Sheriff, in its general fund, presents nonspendable fund balance for prepaid items which is offset by the deficit residual unassigned fund balance. When both restricted and unrestricted resources are available for use, it is the policy of the Sheriff to use restricted resources first, and then unrestricted resources as they are needed.

8. 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. Budget Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from the Supervisor of Elections and Sheriff, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

A. Budget Information – Continued

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

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each 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 \$2,035,952 representing a 5.4% increase over the original adopted budget were necessary during the fiscal year.

B. Deficit Net Position

The Sheriff's Internal Service Fund is reflecting a deficit fund net position of \$3,078,931. 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, 2017.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1. The Sheriff maintained no investment accounts during the fiscal year ended September 30, 2017.

NOTE 4 – UNEARNED REVENUE

At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 4 – UNEARNED REVENUE - CONTINUED

General Fund	\$	28,735
Law Enforcement Trust Fund		240,200
Total Unearned Revenue	<u>\$</u>	<u>268,935</u>

NOTE 5 - CAPITAL ASSETS

The following capital asset activity for the Sheriff of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2017.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Building improvements	\$ 496,976	\$ 34,168	\$ -	\$ 531,144
Machinery and equipment	<u>17,323,103</u>	<u>2,417,199</u>	<u>(1,998,419)</u>	<u>17,741,883</u>
Total Capital assets, being depreciated	17,820,079	2,451,367	(1,998,419)	18,273,027
Less accumulated depreciation for:				
Building improvements	(39,903)	(26,638)	-	(66,541)
Machinery and equipment	<u>(12,848,832)</u>	<u>(1,593,864)</u>	<u>1,958,568</u>	<u>(12,484,128)</u>
Total accumulated depreciation	(12,888,735)	(1,620,502)	1,958,568	(12,550,669)
Governmental activities capital assets, net	<u>\$ 3,794,741</u>	<u>\$ 830,865</u>	<u>\$ (39,851)</u>	<u>\$ 5,722,358</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Public safety	<u>\$ 1,620,502</u>

NOTE 6 – COMPENSATED ABSENCES

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:

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

Sick leave 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. Certain employees are also eligible to bank over time hours for future leave up to 120 hours.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 6 – COMPENSATED ABSENCES - CONTINUED

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.

The vested portion of accumulated annual leave for the Sheriff as of September 30, 2017 follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Totals</u>
Annual Leave	<u>\$ 1,155,821</u>	<u>\$ 1,501,239</u>	<u>\$ 2,657,060</u>

The compensated absences internal service fund, established in 2004, was designated to record and accumulate funds for the estimated short-term liability related to OCSO compensated absences policies.

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Other Funds			
Internal Service	General	<u>\$ 131,204</u>	Internal services
Other Elected Officials			
General	Board of County Commissioners	\$ 230,581	Grant revenue
Board of County Commissioners	General	(11,656)	Excess appropriations
Board of County Commissioners	General	(368,729)	Reimbursements
Board of County Commissioners	Fiduciary Fund Type	<u>(6,780)</u>	Court fees
Total		<u>\$ (156,584)</u>	

Interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Other Elected Officials			
General	Board of County Commissioners	\$ 38,236,278	Budget appropriations
General	Board of County Commissioners	579,324	Grant appropriations
Law Enforcement Trust Fund	Board of County Commissioners	54,202	Appropriations
Teen Driver Challenge	Board of County Commissioners	39,748	Appropriations
2nd Dollar	Board of County Commissioners	<u>13,804</u>	Appropriations
Total		<u>\$ 38,923,356</u>	

NOTE 8 – LONG-TERM DEBT

The following long-term debt activity for the Sheriff of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2017.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 8 – LONG-TERM DEBT - CONTINUED

The Sheriff had no outstanding debt issues at September 30, 2017. The following is a summary of long-term debt transactions of the Sheriff for the fiscal year ended September 30, 2017:

	Balance Due October 1, 2016			Balance Due September 30, 2017		Due Within One Year
		Increases	Decreases			
Governmental Activities:						
Accrued Compensated Absences	\$ 2,468,957	\$ 188,103	\$ -	\$ 2,657,060		\$ 1,155,821
Estimated Claims Payable	505,955	688,739	(505,955)	688,739		-
Net OPEB Obligation	4,414,940	238,226	-	4,653,166		-
Total Governmental Activities						
Long-Term Debt	<u>\$ 7,389,852</u>	<u>\$ 1,115,068</u>	<u>\$ (505,955)</u>	<u>\$ 7,998,965</u>		<u>\$ 1,155,821</u>

Internal service funds predominantly serve the governmental funds. Accordingly, liabilities for them are included as part of the above totals for governmental activities. At year end \$2,657,060 of internal service fund compensated absences, \$688,739 of internal service fund estimated claims payable, \$4,653,166 of internal service fund net OPEB obligations are included in the above amounts.

The short-term portion of compensated absences typically have been liquidated in the general fund while the estimated claims and OPEB obligations are liquidated from the internal service self-insurance fund.

NOTE 9 - PENSION PLAN

The Sheriff participates in the Florida Retirement System (FRS) which is a cost sharing multiple employer contributory retirement system administered by the State of Florida (State). The FRS was established in 1970 by Chapter 121, Florida Statutes. In 2002 the FRS was amended to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. Chapter 112, Florida Statutes established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any state-administered retirement system in paying the cost of health insurance.

The State of Florida Retirement System issues a publicly available stand-alone financial report (CAFR) which includes financial statements and required supplementary information. Also available are the pension systems actuarial reports to support the schedules of employer allocations and schedules of pension amounts by employer. These reports are available on the division's website at <http://www.dms.myflorida.com> or by email at rep@dms.myflorida.com. The CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

**State of Florida Division of Retirement Department of Management Services
Bureau of Research and Member Contributions
P.O. Box 9000
Tallahassee, FL 32315-9000
850-907-6500 or toll free 844-377-1888**

There are six classes of membership applicable to the Sheriff. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 9 - PENSION PLAN - CONTINUED

- **Regular Class, Senior Management Service Class, and Elected Officers' Class Members** – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

- **Special Risk Class and Special Risk Administrative Support Class Members** – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

- **The Deferred Retirement Option Program (DROP)** is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months.

FRS Membership and Plan Benefits - The FRS Pension Plan provides retirement and disability benefits, death benefits and survivor's benefits. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are established by State Statutes. Retirement benefits are based on a formula comprised of age, average compensation, length of FRS service, and membership class. Average compensation is computed as the average of an individual's five highest years of earnings for employees hired before July 1, 2011 or eight highest years of earnings for employees hired on or after July 1, 2011. The amount of benefit payments is also affected by the retirement income option chosen by the plan participant.

Pension plan participants may choose to receive benefit in retirement under one of four options which will include a 3% cost-of-living adjustment each July (adjustments are only applicable for FRS service earned prior to July 1, 2011).

If a pension plan participant leaves FRS-covered employment, the pension plan benefit is frozen until the employee returns to FRS-covered employment or begins receiving early or normal retirement benefit.

HIS Membership and Plan Benefits - The HIS membership is available to all members within the FRS and defined contribution Investment Plan. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month, pursuant to section 112.363 Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirements systems must provide proof of eligible health insurance coverage, which can include Medicare.

Contribution Requirements -The Sheriff is required to contribute at an actuarially determined rate; these rates are a percent of annual covered payroll. Employees are required to contribute 3% of their annual salary, while members participating in DROP are not required to make the 3% contribution. The Sheriff's contractually required contribution

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 9 - PENSION PLAN – CONTINUED

rate includes the HIS contribution, .06% administrative and educational fee and any applicable unfunded actuarial liability “UAL” rates. The HIS required contribution rate is 1.66% for the 2016 and 2017 FRS plan years. This contribution when combined with the employee contribution is expected to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Descriptions and contribution rates in effect during the period ended September 30, 2016 and two preceding FRS fiscal years are as follows:

	September 30, 2017	June 30, 2017	June 30, 2016	June 30, 2015
Regular Class	7.92%	7.52%	7.26%	7.37%
Senior Management	22.71%	21.77%	21.43%	21.14%
Elected Officials	45.50%	42.47%	42.27%	43.23%
Deferred Retirement Option Program	13.26%	12.99%	12.88%	12.28%
Special Risk Regular	23.27%	22.57%	22.04%	19.82%
Special Risk Administrative Support	34.63%	28.06%	32.95%	42.07%

For the years ending September 30, 2017, 2016, 2015, the Sheriff contributed \$3,824,211, \$3,452,672, and \$3,027,745 respectively, equal to 100% of the required contributions for each year.

The Florida Legislature has the authority for establishing or amending retirement legislation and related bills of significance to members of the Florida Retirement System (FRS). Passed bills are presented to the Governor and approved before they may be enacted into law.

Net Pension Liability – Proportionate Share

The Sheriff has a net FRS pension liability determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This long-term liability is only reported in the county-wide financial statements and is not a current liability of the General Fund. All required disclosures and schedules may be found in the county-wide financial statements of Okaloosa County, Florida.

NOTE 10- POSTEMPLOYMENT BENEFITS

Background

Certain Other Post-Employment Benefits (OPEB) are available to all employees eligible for disability, early or normal retirement after terminating employment with Okaloosa County Sheriff’s Office (OCSO). The OPEB benefits include lifetime coverage for the retiree and dependents in the medical/prescription plans as well as participation in the dental group plan sponsored by the Sheriff’s Office for employees. Beginning in fiscal year 2008, the Sheriff implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for the OPEB offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the Sheriff’s retiree health benefit subsidy.

The Sheriff’s subsidy is funded on a pay-as-you-go basis and 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.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 10- POSTEMPLOYMENT BENEFITS - CONTINUED

Plan Description

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

Benefits Provided

Eligible retirees may choose among the same medical plan options available for active employees of the employer. Dependents of retirees may be covered, at the retiree’s option, the same as dependents of active employees. Prescription drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the medical plan options. Covered retirees and their dependents are subject to all the same medical and prescription benefits and rules for coverage as are active employees. Retirees and their dependents are eligible to participate in the employer-sponsored dental plans. Retirees may elect any combination of plans (i.e. only dental, medical/prescription, etc.). Retirees and their dependents 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, 2017, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	41
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	-
Active Employees	388
Total	429
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 25 years. The following shows the components of the Sheriff’s net OPEB obligation as of September 30, 2017:

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 10- POSTEMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Costs and Net OPEB Obligation – Continued

Annual Required Contribution	\$ 509,848
Interest on Prior Year Net OPEB Obligation	176,598
Adjustment to Annual Required Contribution	(210,235)
Annual OPEB Costs	476,211
Estimated Employer Contributions made	237,985
Increase (Decrease) in Net OPEB Obligation	238,226
Net OPEB Obligation , Beginning of Year	4,414,940
Estimated Net OPEB Obligation, End of Year	\$ 4,653,166

The Sheriff's annual OPEB cost (expense) was \$476,211 for the year ended September 30, 2017. The Sheriff's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the prior two (2) years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Estimated Amount Contributed	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2015	\$377,890	\$236,031	62.46%	\$4,148,209	\$ 17,466,290	23.75%
9/30/2016	\$464,845	\$198,113	42.62%	\$4,414,940	\$ 14,482,863	30.48%
9/30/2017	\$476,211	\$237,985	49.97%	\$4,653,166	\$ 15,062,177	30.89%

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability of benefits of \$3,400,380 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, 2013, 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 7.3% initially, reduced by decrements to reach 5% in 2018 and increase to the ultimate level of 5.5% in 2023. The Unfunded Actuarial Liability (UAAL) is being amortized assuming 30 level annual payments. The remaining amortization period at September 30, 2017, was 22 years.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 11 - RISK MANAGEMENT

The Sheriff is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Public liability and special risks are covered by commercial insurance policies which are accounted for in the Sheriff's general fund. The Sheriff bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years. The Sheriff participates in the Florida Sheriff's Association Workers' Compensation Program. It is a fully insured, guaranteed cost program with a deductible trust fund and insurance with a commercial carrier. The Sheriff retains no risk.

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

Excess insurance is purchased from a commercial carrier to provide a specific claim and aggregate limits coverage. Specific claim coverage benefits the covered individual by providing unlimited coverage to begin when a specific claim exceeds \$105,000 plus an additional corridor of \$275,000. 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 the costs of 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, 2017, the amount of these liabilities was \$688,739. 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, 2017. 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

	As of September 30, 2017	As of September 30, 2016
Unpaid claims and adjustment expenses at beginning of year	\$ 505,955	\$ 587,412
Incurred claims and claim adjustment expenses		
A) Provision for insured events of current fiscal year	4,962,052	4,372,346
B) Increases (decreases) in provision for insured events of prior fiscal years	-	-
Total incurred claims and claim adjustment expenses	<u>5,468,007</u>	<u>4,959,758</u>
Payments		
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	4,779,268	4,453,803
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	-	-
Total payments	<u>4,779,268</u>	<u>4,453,803</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 688,739</u>	<u>\$ 505,955</u>

INTERNAL SERVICE FUNDS

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

Compensated Absences Fund

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

Health Benefits Self Insurance Fund

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

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
September 30, 2017

	Compensated Absences	Health Benefits Self Insurance	Total Internal Service Funds
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,024,617	\$ 2,096,893	\$ 3,121,510
Receivables, Net of Allowance for Uncollectible	-	166,081	166,081
Due from Other Funds	131,204	-	131,204
Total Current Assets	\$ 1,155,821	\$ 2,262,974	\$ 3,418,795
LIABILITIES AND NET POSITION			
Liabilities			
Current Liabilities			
Accrued Liabilities			
Compensated Absences	\$ 1,155,821	\$ -	\$ 1,155,821
Claims and Judgments	-	688,739	688,739
Total Current Liabilities	1,155,821	688,739	1,844,560
Noncurrent Liabilities			
Other Post Employment Benefits	-	4,653,166	4,653,166
Noncurrent Liabilities	-	4,653,166	4,653,166
Total Liabilities	1,155,821	5,341,905	6,497,726
Net Position			
Unrestricted (Deficit)	-	(3,078,931)	(3,078,931)
Total Net Position	-	(3,078,931)	(3,078,931)
Total Liabilities and Net Position	\$ 1,155,821	\$ 2,262,974	\$ 3,418,795

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2017

	Compensated Absences	Health Benefits Self Insurance	Total Internal Service Funds
Operating Revenues			
Charges for Services	\$ 34,846	\$ 4,930,572	\$ 4,965,418
Total Operating	34,846	4,930,572	4,965,418
Operating Expenses			
Personal Services	34,846	238,226	273,072
Contractual Services	-	388,600	388,600
Insurance Premiums and Claims	-	4,962,052	4,962,052
Total Operating Expenses	34,846	5,588,878	5,623,724
Operating Income (Loss)	-	(658,306)	(658,306)
Nonoperating Revenues (Expenses)			
Investment Income	-	7,526	7,526
Income (Loss) Before Contributions and Transfers	-	(650,780)	(650,780)
Change in Net Assets	-	(650,780)	(650,780)
Total Net Position (Deficit) - Beginning	-	(2,428,151)	(2,428,151)
Total Net Position (Deficit) - Ending	\$ -	\$ (3,078,931)	\$ (3,078,931)

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2017

	Compensated Absences	Health Benefits Self Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Interfund Services Provided	\$ 96,358	\$ 5,135,435	\$ 5,231,793
Payments to Suppliers	-	(5,167,868)	(5,167,868)
Net Cash Provided (Used) by Operating Activities	96,358	(32,433)	63,925
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	-	7,526	7,526
Net Increase (Decrease) in Cash and Cash Equivalents	96,358	(24,907)	71,451
Cash and Cash Equivalents - Beginning of Year	928,259	2,121,800	3,050,059
Cash and Cash Equivalents - End of Year	<u>\$ 1,024,617</u>	<u>\$ 2,096,893</u>	<u>\$ 3,121,510</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ -	\$ (658,306)	\$ (658,306)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Increase in Assets			
Receivables	-	204,863	204,863
Due from General Fund	(34,846)	-	(34,846)
Increase in Liabilities			
Compensated Absences Payable	131,204	-	131,204
Claims and Judgments Payable	-	182,784	182,784
Other Post Employment Benefits	-	238,226	238,226
Net Cash Provided (Used) by Operating Activities	<u>\$ 96,358</u>	<u>\$ (32,433)</u>	<u>\$ 63,925</u>

AGENCY FUNDS

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

Individual Depositors Fund

This fund is used to account for the collection and disbursement of statutory fees for services performed by the Sheriff.

Suspense (Levies) Fund

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

Sheriff
Okaloosa County, Florida
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
September 30, 2017

	Individual Depositors	Suspense (Levies)	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,780	\$ 4,579	\$ 11,359
LIABILITIES			
Due to Other Elected Officials	6,780	-	6,780
Due to Depositors	-	4,579	4,579
Total Liabilities	6,780	4,579	11,359
NET POSITION	\$ -	\$ -	\$ -

Sheriff
Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN NET POSITION
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2017

	Balances September 30, 2016	Additions	Deletions	Balances September 30, 2017
INDIVIDUAL DEPOSITORS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 5,890	\$ 890	\$ -	\$ 6,780
LIABILITIES				
Due to Other Elected Officials	\$ 5,890	\$ 890	\$ -	\$ 6,780
SUSPENSE (LEVIES) AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 4,409	\$ 170	\$ -	\$ 4,579
LIABILITIES				
Due to Depositors	\$ 4,409	\$ 170	\$ -	\$ 4,579
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 10,299	\$ 1,060	\$ -	\$ 11,359
LIABILITIES				
Due to Other Elected Officials	\$ 5,890	\$ 890	\$ -	\$ 6,780
Due to Depositors	4,409	170	-	4,579
Total Liabilities	\$ 10,299	\$ 1,060	\$ -	\$ 11,359

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Other Reports

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

The Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund, and aggregate remaining fund information of the Office of the Sheriff of Okaloosa County, Florida (the "Sheriff"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements, and have issued our report thereon dated April 20, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

April 20, 2018
Fort Walton Beach, Florida



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

The Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

We have examined the Office of the Sheriff of Okaloosa County, Florida's (the "Sheriff") compliance with Section 218.415, Florida Statutes, in regards to investment policies during the year ended September 30, 2017. Management is responsible for the Sheriff's compliance with those requirements. Our responsibility is to express an opinion on the Sheriff's compliance based on our examination.

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

In our opinion, the Sheriff complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and the use of the Florida Auditor General and the Sheriff and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

April 20, 2018
Fort Walton Beach, Florida

MANAGEMENT LETTER

The Honorable Larry Ashley
Sheriff
Okaloosa County, Florida

Report on the Financial Statements

We have audited the financial statements of the Office of the Sheriff of Okaloosa County, Florida (the "Sheriff"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated April 20, 2018.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated April 20, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Sheriff of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e), as part of the primary government of Okaloosa County, Florida. There are no component units related to the Sheriff of Okaloosa County.

Financial Management

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Sheriff, and the Okaloosa County Board of County Commissioners, 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

April 20, 2018
Fort Walton Beach, Florida

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SUPERVISOR OF ELECTIONS

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**OKALOOSA COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
SECTIONS 11.45 and 218.39(8) AND RULES OF THE AUDITOR
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Basic Financial Statements

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INDEPENDENT AUDITORS' REPORT

Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the General Fund of the Office of the Supervisor of Elections of Okaloosa County, Florida ("Supervisor of Elections"), as of and for the year ended September 30, 2017, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Supervisor of Elections, as of September 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the General Fund attributable solely to the operation of the Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of Okaloosa County, Florida as of September 30, 2017, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2017, on our consideration of the Supervisor of Elections'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 included under the heading "*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Warren Averett, LLC

April 2, 2018
Fort Walton Beach, Florida

**SUPERVISOR OF ELECTIONS
Okaloosa County, Florida
BALANCE SHEET
GENERAL FUND
September 30, 2017**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 507
Investments	53,122
Accounts Receivable	10
Prepays	35,587
Total Assets	\$ 89,226
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 13,768
Other Accrued Liabilities	25,938
Due to Other Elected Officials	50
Due to Other Governments	50
Unearned Revenue	49,420
Total Liabilities	89,226
Fund Balances	
Nonspendable	35,587
Unassigned	(35,587)
Total Fund Balance	-
Total Liabilities and Fund Balance	\$ 89,226

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

**SUPERVISOR OF ELECTIONS
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended September 30, 2017**

	General Fund
Revenues	
Intergovernmental	\$ 208,131
Charges for Services	34,340
Miscellaneous	1,151
Total Revenues	243,622
Expenditures	
Current	
General Government	1,776,808
Capital Outlay	204,675
Total Expenditures	1,981,483
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,737,861)
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	1,737,861
Total Other Financing Sources (Uses)	1,737,861
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

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

**SUPERVISOR OF ELECTIONS
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 857,950	\$ 208,131	\$ (649,819)
Charges for Services	32,620	32,620	34,340	1,720
Miscellaneous	-	-	1,151	1,151
Total Revenues	32,620	890,570	243,622	(646,948)
Expenditures				
Current				
General Government	1,765,116	2,350,545	1,776,808	573,737
Capital Outlay	37,375	309,896	204,675	105,221
Total Expenditures	1,802,491	2,660,441	1,981,483	678,958
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,769,871)	(1,769,871)	(1,737,861)	32,010
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	1,769,871	1,769,871	1,737,861	(32,010)
Total Other Financing Sources (Uses)	1,769,871	1,769,871	1,737,861	(32,010)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Supervisor of Elections is an elected official established pursuant to the Constitution of the State of Florida. The Supervisor of Elections is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

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

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

A. The Reporting Entity

The Supervisor of Elections is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Supervisor of Elections' individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County:

- Board of County Commissioners
- Clerk of the Circuit Court
- Sheriff
- Tax Collector
- Property Appraiser
- Supervisor of Elections

Financial statements of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Basis of Presentation – Fund Financial Statements

The financial statements have been prepared for the purpose of complying with Rules of the *Auditor General, State of Florida*, which require presentation of the *fund level* only financial statements and permit omission of entity-wide full accrual financial statements and management's discussion and analysis. Therefore, these financial statements are intended to present only the financial position and changes in financial position of that portion of Okaloosa County, Florida, that relate to transactions of the Supervisor of Elections and are not intended to present the financial position and changes in financial position of Okaloosa County, Florida.

The Supervisor of Elections segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Supervisor of Elections is the General Fund.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

1. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is rent, in exchange for a specific service, use of a County building. Non-exchange transactions are those in which the Supervisor of Elections gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is grant revenue received from the federal or state government used to fund governmental services for the citizens of Okaloosa County. The revenue from these exchange and non-exchange transactions is recognized in the financial statements of the Supervisor of Elections using the modified accrual basis of accounting.

2. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Supervisor of Elections considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are charges for service and intergovernmental revenue.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Presentation

The Supervisor of Elections reports the following major governmental fund:

General Fund

This is the Supervisor of Elections’ only operating fund. It accounts for all financial resources of the Supervisor of Elections.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Fund 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; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance. Currently authorized are

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Fund Balance - Continued

1. Deposits and Investments - Continued

investments in term repurchase agreements with primary broker/dealers collateralized in the County’s name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers’ acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Supervisor of Elections adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which establishes registration procedures for securities and dealers.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds of the primary government of Okaloosa County for goods provided or services rendered. These receivables and payables are classified as “due from other elected officials” or “due to other elected officials” on the balance sheet of the Supervisor of Elections, if applicable. Short-term interfund loans are also classified as “interfund receivables/payables.”

The Supervisor of Elections maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Capital Assets

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

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. The Supervisor of Elections’ capitalization level is \$1,000 on tangible personal property. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Equipment	3-7
Vehicles	2-15

4. Compensated Absences

The liability for compensated absences consisting of unpaid, accumulated annual and sick leave and compensatory time balances is reported on the government-wide statement of net position of Okaloosa County. The liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the general fund of the Supervisor of Elections under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Fund Balance-Continued

5. Deferred outflows/inflows of resources

In addition to assets, deferred outflows of resources represent a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. In addition to liabilities, deferred inflows of resources represent an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

No such items were applicable to the Supervisor of Elections as of September 30, 2017.

6. Fund Balance

The general fund reports zero or deficit unassigned fund balance at year end as all excess appropriations must be returned to the Board of County Commissioners. The Supervisor of Elections, in its general fund, presents nonspendable fund balance for prepaid items which is offset by the deficit residual unassigned fund balance. When both restricted and unrestricted resources are available for use, it is the policy of the Supervisor of Elections to use restricted resources first, and then unrestricted resources as they are needed.

7. Estimates

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

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year-end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from the Supervisor of Elections and the Sheriff, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

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

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 2 – LEGAL COMPLIANCE BUDGETS – CONTINUED

approve any revisions that alter the total expenditures of any fund. The Supervisor of Elections and the Sheriff is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. No supplemental budgetary appropriations to the original adopted budget were necessary during the fiscal year for the Supervisor of Elections.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

As of September 30, 2017, the Supervisor of Elections had the following investments:

Florida Local Government Investment Trust investment pool	\$ 193
Florida Local Government Surplus Funds Trust investment pool	52,929
Total Investments	\$ 53,122

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

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

Credit risk. As of September 30, 2017, the investments in Florida Local Government Investment Trust investment pool was rated AA Af by Standard and Poor’s.

Concentration of credit risk. The investment policies of the County diversify the portfolio by limiting the maximum percentage of various types of investments that can be purchased.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 4 – UNEARNED REVENUE

Governmental funds report *unavailable 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 *unavailable revenue* and *unearned revenue* reported in the governmental fund were as follows:

	Unearned
General Fund	
Grant revenue	\$ 49,420

NOTE 5 – CAPITAL ASSETS

The following capital asset activity for the Supervisor of Elections of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2017:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, being depreciated:					
Machinery and equipment	\$ 1,188,217	\$ 324,675	\$ (325,623)	\$ -	\$ 1,187,269
Less accumulated depreciation	(484,485)	(187,764)	221,803	-	(450,446)
Governmental activities capital assets, net	\$ 703,732	\$ 136,911	\$ (103,820)	\$ -	\$ 736,823

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 187,764

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 6 – COMPENSATED ABSENCES

The policy of the Supervisor of Elections for annual and sick leave and compensatory time is as follows. Employees may accrue an unlimited amount of annual and sick leave according to the following schedule:

	Years of Service	Leave Accrual Per Month
<u>Annual Leave</u>		
Full time employees	0-5	8 hours
	6-10	10 hours
	11-15	12 hours
	16-20	14 hours
	21-25	16 hours
	26+	18 hours
Part time employees	-	4 hours
Maximum amount paid upon separation from service		240 hours
		Leave Accrual Per Month
<u>Sick Leave</u>		
Full time employees		8 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. Employees may accrue up to 240 hours. Unused amounts will be paid upon termination or retirement.

The total amounts of accumulated compensated absences for the Supervisor of Elections as of September 30, 2017 follow:

	Current Portion	Long-Term Portion	Totals
Compensated absences	\$ 62,574	\$ 56,784	\$ 119,358

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2017 is as follows:

Due to/from elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Board of County Commissioners	General Fund	\$ 50	Reimbursements

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Board of County Commissioners	\$ 1,737,861	Budget appropriations

NOTE 8 – LONG-TERM DEBT

The following long-term debt activity for the Supervisor of Elections of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2017:

CAPITAL LEASES

The County has entered into a lease agreement for financing the acquisition of election equipment for the Supervisor of Elections. The lease agreement qualifies as capital lease for accounting purposes as a result of the transfer of title or bargain purchase option and therefore have been recorded at the present value of the future minimum lease payments as of the inception date in the General Fund.

The assets acquired through capital leases are as follows:

	Balance Due October 1, 2016	Increases	Decreases	Balance Due September 30, 2017	Due Within One Year
Governmental Activities:					
Capital Lease ⁽¹⁾	\$ 416,292	\$ -	\$ (208,146)	\$ 208,146	\$ 208,146
Accrued compensated absences	133,166	-	(13,808)	119,358	62,574
Other post employment benefits	22,222	7,071	(3,613)	25,680	-
Total Governmental Activities	<u>\$ 571,680</u>	<u>\$ 7,071</u>	<u>\$ (225,567)</u>	<u>\$ 353,184</u>	<u>\$ 270,720</u>

⁽¹⁾ Principal payments on the capital lease are made directly by the Board of County Commissioners.

Compensated absences typically have been liquidated in the general fund.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 8 – LONG-TERM DEBT – CONTINUED

Debt service requirements to maturity on long-term debt at September 30, 2017 are as follows.

<u>Year Ending September 30,</u>	Capital Lease	
	Principal	Interest
2018	208,146	-
	\$ 208,146	\$ -

NOTE 9 - PENSION PLAN

The Supervisor of Elections participates in the Florida Retirement System (FRS) which is a cost sharing multiple employer contributory retirement system administered by the State of Florida (State). The FRS was established in 1970 by Chapter 121, Florida Statutes. In 2002 the FRS was amended to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. Chapter 112, Florida Statutes established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any state- administered retirement system in paying the cost of health insurance.

The State of Florida Retirement System issues a publicly available stand-alone financial report (CAFR) which includes financial statements and required supplementary information. Also available are the pension systems actuarial reports to support the schedules of employer allocations and schedules of pension amounts by employer. These reports are available on the division’s website at <http://www.dms.myflorida.com> or by email at rep@dms.myflorida.com. The CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

**State of Florida Division of Retirement Department of Management Services
Bureau of Research and Member Contributions
P.O. Box 9000
Tallahassee, FL 32315-9000
850-907-6500 or toll free 844-377-1888**

There are six classes of membership applicable to the Supervisor of Elections. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

- ***Regular Class, Senior Management Service Class, and Elected Officers’ Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 9 - PENSION PLAN - CONTINUED

- ***Special Risk Class and Special Risk Administrative Support Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty- five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.
- **The Deferred Retirement Option Program (DROP)** is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months.

FRS Membership and Plan Benefits - The FRS Pension Plan provides retirement and disability benefits, death benefits and survivor's benefits. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are established by State Statutes. Retirement benefits are based on a formula comprised of age, average compensation, length of FRS service, and membership class. Average compensation is computed as the average of an individual's five highest years of earnings for employees hired before July 1, 2011 or eight highest years of earnings for employees hired on or after July 1, 2011. The amount of benefit payments is also affected by the retirement income option chosen by the plan participant.

Pension plan participants may choose to receive benefit in retirement under one of four options which will include a 3% cost-of-living adjustment each July (adjustments are only applicable for FRS service earned prior to July 1, 2011).

If a pension plan participant leaves FRS-covered employment, the pension plan benefit is frozen until the employee returns to FRS-covered employment or begins receiving early or normal retirement benefit.

HIS Membership and Plan Benefits - The HIS membership is available to all members within the FRS and defined contribution Investment Plan. The benefit is a monthly payment to assist retirees of the state- administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month, pursuant to section 112.363 Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state- administered retirements systems must provide proof of eligible health insurance coverage, which can include Medicare.

Contribution Requirements -The Supervisor of Elections is required to contribute at an actuarially determined rate; these rates are a percent of annual covered payroll. Employees are required to contribute 3% of their annual salary, while members participating in DROP are not required to make the 3% contribution. The Supervisor of Elections' contractually required contribution rate includes the HIS contribution, .06% administrative and educational fee and any applicable unfunded actuarial liability "UAL" rates. The HIS required contribution rate is 1.66% for the 2016 and 2017 FRS plan years. This contribution when combined with the employee contribution

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 9 - PENSION PLAN - CONTINUED

is expected to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Descriptions and contribution rates in effect during the period ended September 30, 2017 and two preceding FRS fiscal years are as follows:

	September 30, 2017	June 30, 2017	June 30, 2016	June 30, 2015
Regular Class	7.92%	7.52%	7.26%	7.37%
Senior Management	22.71%	21.77%	21.43%	21.14%
Elected Officials	45.50%	42.47%	42.27%	43.23%
Deferred Retirement Option Program	13.26%	12.99%	12.88%	12.28%
Special Risk Regular	23.27%	22.57%	22.04%	19.82%
Special Risk Administrative Support	34.63%	28.06%	32.95%	42.07%

For the years ending September 30, 2017, 2016, 2015, the Supervisor of Elections contributed \$104,886, \$93,318 and \$93,123 respectively, equal to 100% of the required contributions for each year.

The Florida Legislature has the authority for establishing or amending retirement legislation and related bills of significance to members of the Florida Retirement System (FRS). Passed bills are presented to the Governor and approved before they may be enacted into law.

Net Pension Liability – Proportionate Share

The Supervisor of Elections has a net FRS pension liability determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This long-term liability is only reported in the county-wide financial statements and is not a current liability of the General Fund. All required disclosures and schedules may be found in the county-wide financial statements of Okaloosa County, Florida.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The Supervisor of Elections has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Supervisor of Elections is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

NOTE 11 - RISK MANAGEMENT

The Supervisor of Elections is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Special risks are covered by commercial insurance policies that are accounted for in the Supervisor of Elections' general fund. The Supervisor of Elections bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years. The Supervisor of Elections has chosen to participate in a group medical insurance plan along with all other elected officials' offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Supervisor of Elections bears no risk of loss under this type of coverage.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 11 - RISK MANAGEMENT – CONTINUED

The Supervisor of Elections has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Supervisor of Elections a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Supervisor of Elections.

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

Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements (hereinafter referred to as "financial statements") of the General Fund of the Office of the Supervisor of Elections of Okaloosa County, Florida (hereinafter referred to as "Supervisor of Elections"), as of and for the year ended September 30, 2017, and the notes to the financial statements, which collectively comprise the Supervisor of Elections's financial statements, and have issued our report thereon dated April 2, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

April 2, 2018
Fort Walton Beach, Florida

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

Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

We have examined the Office of the Supervisor of Elections of Okaloosa County, Florida's (hereinafter referred to as the "Supervisor of Elections") compliance with Florida Statutes 218.415 in regards to investments for the year ended September 30, 2017.

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

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

In our opinion, the Supervisor of Elections complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Warren Averett, LLC

April 2, 2018
Fort Walton Beach, Florida

MANAGEMENT LETTER

Honorable Paul Lux
Supervisor of Elections
Okaloosa County, Florida

Report on the Financial Statements

We have audited the financial statements of the General Fund of the Supervisor of Elections of Okaloosa County, Florida (hereinafter referred to as "Supervisor of Elections"), as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements and have issued our report thereon dated April 2, 2018.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated April 2, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Supervisor of Elections of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(d), as part of the primary government of Okaloosa County, Florida. There are no component units related to the Supervisor of Elections of Okaloosa County.

Financial Management

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

Additional Matters

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

Purpose of this Letter

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

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

Warren Averett, LLC

April 2, 2018
Fort Walton Beach, Florida

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TAX COLLECTOR

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**OKALOOSA COUNTY, FLORIDA
TAX COLLECTOR
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
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INDEPENDENT AUDITORS' REPORT

Honorable Benjamin F. Anderson
Tax Collector
Okaloosa County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the Office of the Tax Collector of Okaloosa County, Florida ("Tax Collector"), as of and for the fiscal year ended September 30, 2017, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information for the Tax Collector as of September 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparisons for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with Rules of the Auditor General, State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate fund information of Okaloosa County, Florida that is attributable to the Tax Collector. They do not purport to, and do not, present fairly the financial position of Okaloosa County, Florida as of September 30, 2017 and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements. The accompanying statement of changes in net position – agency fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose 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 special-purpose financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters included under the heading "*Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards*". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Warren Averett, LLC

Fort Walton Beach, Florida
April 4, 2018

Basic Financial Statements

**Tax Collector
Okaloosa County, Florida
BALANCE SHEET
GENERAL FUND
September 30, 2017**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 410,764
Due from Other Elected Officials	238
Prepaid	20,245
Total Assets	\$ 431,247
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 89,000
Other Accrued Liabilities	197,647
Due to Other Elected Officials	138,001
Due to Other Governments	1,596
Due to Depositors	5,003
Total Liabilities	431,247
Fund Balance	
Nonspendable	20,245
Unassigned	(20,245)
Fund Balance	-
Total Liabilities and Fund Balance	\$ 431,247

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

**Tax Collector
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended September 30, 2017**

	<u>General Fund</u>
Revenues	
Charges for Services	\$ 5,937,478
Miscellaneous	309,740
	6,247,218
Total Revenues	6,247,218
Expenditures	
Current	
General Government	5,676,682
Capital Outlay	53,782
Debt Service	
Principal	428,753
Interest	79,714
	6,238,931
Total Expenditures	6,238,931
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,287
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	(8,287)
	(8,287)
Total Other Financing Sources (Uses)	(8,287)
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

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

Tax Collector
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Charges for Services	\$ 6,353,975	\$ 6,353,975	\$ 5,937,478	\$ (416,497)
Miscellaneous	320,000	320,000	309,740	(10,260)
Total Revenues	6,673,975	6,673,975	6,247,218	(426,757)
Expenditures				
Current				
General Government	6,178,101	6,059,101	5,676,682	382,419
Capital Outlay	443,438	562,438	53,782	508,656
Debt Service				
Principal	-	-	428,753	(428,753)
Interest	-	-	79,714	(79,714)
Total Expenditures	6,621,539	6,621,539	6,238,931	382,608
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,436	52,436	8,287	(44,149)
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(52,436)	(52,436)	(8,287)	44,149
Total Other Financing Sources (Uses)	(52,436)	(52,436)	(8,287)	44,149
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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

**Tax Collector
Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2017**

	Business-type Activities
	Building Maintenance Enterprise Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 90,232
Total Assets	\$ 90,232
NET POSITION	
Unrestricted	\$ 90,232
Total Liabilities and Net Position	\$ 90,232

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

**Tax Collector
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2017**

	Business-type Activities <hr/> Building Maintenance Enterprise Fund
Operating Revenues	
Miscellaneous	<u>\$ 47,250</u>
Total Operating Revenues	<u>47,250</u>
Operating Income	<u>47,250</u>
Income (Loss) Before Contributions and Transfers	<u>47,250</u>
Capital Contributions	<u>-</u>
Change in Net Position	47,250
Total Net Position - Beginning	<u>42,982</u>
Total Net Position - Ending	<u><u>\$ 90,232</u></u>

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

**Tax Collector
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2017**

	<u>Business-type Activities</u> <u>Building Maintenance Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Users	<u>\$ 47,250</u>
Net Cash Provided (Used) by Operating Activities	<u>47,250</u>
Net Increase (Decrease) in Cash and Cash Equivalents	47,250
Cash and Cash Equivalents - Beginning of Year	<u>42,982</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 90,232</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	<u>\$ 47,250</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 47,250</u></u>

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

**Tax Collector
Okaloosa County, Florida
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2017**

	Disbursements Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 2,032,508
Accounts Receivable	4,281
Total Assets	\$ 2,036,789
LIABILITIES	
Due to Other Governments	\$ 12,600
Due to Depositors	14,963
Taxes Collected in Advance	2,009,226
Total Liabilities	2,036,789
NET POSITION	\$ -

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

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tax Collector is an elected official established pursuant to the Constitution of the State of Florida. The Tax Collector is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

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

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

A. The Reporting Entity

The Tax Collector is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Tax Collector's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County:

- Board of County Commissioners
- Clerk of the Circuit Court
- Sheriff
- Tax Collector
- Property Appraiser
- Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Basis of Presentation – Fund Financial Statements

The financial statements have been prepared for the purpose of complying with Rules of the *Auditor General, State of Florida*, which require presentation of the *fund level* only financial statements and permit omission of entity-wide full accrual financial statements and management's discussion and analysis. Therefore, these financial statements are intended to present only the financial position and changes in financial position of that portion of Okaloosa County, Florida, that relate to transactions of the Tax Collector and are not intended to present the financial position and changes in financial position of Okaloosa County, Florida.

The Tax Collector segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and fiduciary funds. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Tax Collector is the General Fund.

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

1. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

1. Governmental Fund Financial Statements - Continued

available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Tax Collector considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are interest revenue and charges for service. Current year property taxes uncollected at the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and are not recorded as a receivable on the balance sheet.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Exchange and Non-exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. An example of an exchange transaction is an auto license, in exchange for a specific license fee. Non-exchange transactions are those in which the Tax Collector gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is grant revenue received from the federal or state government used to fund governmental services for the citizens of Okaloosa County. The revenue from these exchange and non-exchange transactions is recognized in the financial statements of the Tax Collector using the modified accrual basis of accounting.

3. 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.

Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. On an accrual basis, revenue from interest is recorded when earned.

4. Fiduciary Fund Financial Statements

The only fiduciary funds of the Tax Collector are agency funds and as such do not record revenues and expenses.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

5. Financial Statement Presentation

The Tax Collector reports the following major governmental fund:

General Fund

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

The Tax Collector reports the following fund types:

Enterprise Fund

The Enterprise Fund accounts for certain common area maintenance charges billed to all tenants who occupy space in the building in Niceville, Florida in which the Tax Collector is the landlord. The common area maintenance fees accumulated for future repairs and maintenance to the building are accounted for in this fund.

Agency Fund

The Disbursements Agency Fund accounts for the collection of both current and delinquent property tax assessments as well as licenses and fees, tourist tax, birth certificate fees, and concealed weapon licenses collected on behalf of Okaloosa County, municipalities other taxing districts, and state agencies. Effective March 31, 2017, the Tax Collector was no longer responsible for the collection of tourist taxes, as the Florida Department of Revenue took over collection of those bed tax collections for the Tourist Development Special Revenue Fund.

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

The Tax Collector maintains a pooled cash account available for use by all funds. Each fund's portion of the pooled cash is displayed on the balance sheet as "cash and cash equivalents."

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Balance – Continued

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds or elected officials for goods provided or services rendered. These receivables and payables are classified as “due from other funds or elected officials” or “due to other funds or elected officials” on the balance sheet. Short-term inter-fund loans are also classified as “interfund receivables/payables.”

The Tax Collector maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

3. Capital Assets

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

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Tax Collector’s capitalization level is \$1,000 on tangible personal property and \$5,000 on buildings and improvements. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings and improvements	8-50
Intangibles	5
Equipment	3-7
Vehicles	2-15

4. Compensated Absences

The liability for compensated absences consisting of unpaid, accumulated annual compensatory time balances is reported on the government-wide statement of net position of Okaloosa County. The liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the general fund of the Tax Collector under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

5. Deferred outflows/inflows of resources

In addition to assets, deferred outflows of resources represent a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. In addition to liabilities, deferred inflows of resources represent an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

No such items were applicable to the Tax Collector as of September 30, 2017.

6. 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 upon the use of the resources reported in governmental funds. Fund balance classifications under GASB 54 are

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Balance – Continued

6. Fund Balance – Continued

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. The Tax Collector has non-spendable fund balance for amounts representing prepaid items.

7. Estimates

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

NOTE 2 - LEGAL COMPLIANCE BUDGETS

The Okaloosa County Tax Collector submits its budget, for approval, to the State of Florida Department of Revenue, and files a copy with the Board of County Commissioners by August 1st of each year for the upcoming budget year. The Florida Department of Revenue sets the Tax Collector's budget.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The Tax Collector may transfer budget amounts between line items within his budget without approval but may not reallocate amounts between personal services, capital outlay and operating expenditures. The Department of Revenue must approve transfer of amounts between these major groups of budgetary items, and any modification of the budget that increases the total of the budget. The Department of Revenue notifies the Board of County Commissioners of all budget modifications approved by the Department. In the current year there were no supplemental budgetary appropriations.

The Department of Revenue directs the Tax Collector to budget the annual debt service principal and interest payments on the Niceville office building as capital outlay expenditures. The actual debt service payments are classified appropriately for financial reporting purposes which results in significant variances in the budget to actual information presented between capital outlay and debt service.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1.D.1. In accordance with Tax Collector's policy, no investment accounts were held during the fiscal year ended September 30, 2017.

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 4 – CAPITAL ASSETS

The following capital asset activity for the Tax Collector of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2017:

	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Governmental					
Capital assets, being depreciated/amortized:					
Buildings and improvements	\$ 2,860,027	\$ -	\$ -	\$ -	\$ 2,860,027
Machinery and equipment	988,000	53,782	(12,354)	35,563	1,064,991
Intangibles	114,197	-	-	-	114,197
Total Capital assets, being depreciated/amortized	<u>3,962,224</u>	<u>53,782</u>	<u>(12,354)</u>	<u>35,563</u>	<u>4,039,215</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(92,318)	(78,503)	-	-	(170,821)
Machinery and equipment	(752,920)	(73,795)	12,354	(35,563)	(849,924)
Intangibles	(70,144)	(10,269)	-	-	(80,413)
Total accumulated depreciation/amortization	<u>(915,382)</u>	<u>(162,567)</u>	<u>12,354</u>	<u>(35,563)</u>	<u>(1,101,158)</u>
Governmental activities capital assets, net	<u>\$ 3,046,842</u>	<u>\$ (108,785)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,938,057</u>

Depreciation expense was charged to functions/programs as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Governmental Activities:		
General government	<u>\$ 152,298</u>	<u>\$ 10,269</u>

NOTE 5– COMPENSATED ABSENCES

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.

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 5– COMPENSATED ABSENCES - CONTINUED

The total amounts of accumulated annual leave for the Tax Collector as of September 30, 2017 follow:

	Current Portion	Long-Term Portion	Totals
Annual Leave	\$ 97,523	\$ 172,334	\$ 269,857

NOTE 6 – INTERFUND BALANCES AND ACTIVITY

The composition of inter-fund balances as of September 30, 2017 is as follows:

Due to/from other funds and elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Other Elected Officials			
General	Board of County Commissioners	\$ (238)	Delq. Real & TPP, Regist
Board of County Commissioners	General	475	Bank fees
Board of County Commissioners	General	555	Prepaid occupancy
Board of County Commissioners	General	8,287	Excess fees
Board of County Commissioners	General	128,684	Vessel commissions
Total		<u>\$ 137,763</u>	

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
Other Elected Officials			
Board of County Commissioners	General	<u>\$ 8,287</u>	Excess fees

NOTE 7 – OPERATING LEASES

Operating Leases - Lessor

The Tax Collector leases space in its Niceville building to third parties under lease agreements with varying terms. Lease income earned during the year ending September 30, 2017 was \$109,429. Future minimum rents to be earned under the terms of the lease agreement are as follows:

Fiscal Year Ended September 30	
2018	\$ 42,195
2019	<u>24,000</u>
	<u>\$ 66,195</u>

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 8 – LONG-TERM DEBT

Primary Government

The following debt issue is outstanding for September 30, 2017:

Governmental Activities:

LOAN

\$2,300,000 Private Bank Loan from Summit Bank with fixed rate of interest of 4.25% through February 25, 2025; principal and interest of \$17,372 due beginning March 26, 2015, with a final balloon payment of \$953,676 due at maturity. Collateral for loan is specific revenue within the Tax Collector’s annual budget earmarked for loan repayment, until loan is paid in full.

Total Governmental Activities Loans \$ 1,476,227

The following is a summary of the changes in long-term debt of the Tax Collector for fiscal year ended September 30, 2017.

	October 1, 2016	Increases	Decreases	September 30, 2017	Due Within One Year
Governmental Activities:					
Notes Payable	\$ 1,904,980	\$ -	\$ (428,753)	\$ 1,476,227	\$ 147,525
Accrued compensated absences	273,972	327,290	(331,405)	269,857	97,523
Other post employment benefits	85,650	-	-	85,650	-
Total Governmental Activities	<u>\$ 2,264,602</u>	<u>\$ 327,290</u>	<u>\$ (760,158)</u>	<u>\$ 1,831,734</u>	<u>\$ 245,048</u>

Compensated absences typically have been liquidated in the general fund.

Debt service requirements to maturity on long-term debt at September 30, 2017 are as follows:

Year ending September 30,	Loans	
	Principal	Interest
2018	\$ 147,525	\$ 60,943
2019	154,009	54,459
2020	160,645	47,822
2021	167,145	41,322
2022-2025	846,903	92,627
Total	<u>\$ 1,476,227</u>	<u>\$ 297,173</u>

The Tax Collector made additional principal payments of \$300,000 to reduce the balance on the note payable during the year ended September 30, 2017.

NOTE 9 – RESERVES FOR RENEWAL AND REPLACEMENTS

During fiscal year 2017, the Tax Collector assessed common area maintenance charges to all occupants of the Niceville building designated for future repairs and replacements. Monthly assessments are charged to tenants based on management’s estimate of future replacement costs of the related repairs or replacements. During the year ended

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 9 – RESERVES FOR RENEWAL AND REPLACEMENTS - CONTINUED

September 30, 2017 \$34,179 of the assessments were charged to the Tax Collector’s general fund and \$13,071 were assessed to third party tenants. Accumulated funds are held in a separate bank account and reported in the Building Enterprise Fund.

The following is a summary of the financial activity of the assessments during the year:

Component	October 1, 2016	Assessments	Charges to Fund	Interest	September 30, 2017
Parking Lot Resurface	\$ 6,065	\$ 6,667	\$ -	\$ -	\$ 12,732
Re-strip and Seal Parking Lot	2,729	3,000	-	-	5,729
Building Sealed & Painted	1,592	1,750	-	-	3,342
Roof Resurface	2,275	2,500	-	-	4,775
Circuit Breakers Panels	1,055	1,160	-	-	2,215
HVAC	11,826	13,000	-	-	24,826
Air Handlers	2,365	2,600	-	-	4,965
Elevator Controls	3,184	3,500	-	-	6,684
Hot Water Heater	364	400	-	-	764
Irrigation/Landscaping	1,737	1,910	-	-	3,647
VAV Controls	910	1,000	-	-	1,910
Fire Systems	3,032	3,333	-	-	6,365
Plumbing	3,411	3,750	-	-	7,161
Carpet (all floors)	2,437	2,680	-	-	5,117
	<u>\$ 42,982</u>	<u>\$ 47,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,232</u>

NOTE 10 - PENSION PLAN

The Tax Collector participates in the Florida Retirement System (FRS) which is a cost sharing multiple employer contributory retirement system administered by the State of Florida (State). The FRS was established in 1970 by Chapter 121, Florida Statutes. In 2002 the FRS was amended to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. Chapter 112, Florida Statutes established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any state- administered retirement system in paying the cost of health insurance.

The State of Florida Retirement System issues a publicly available stand-alone financial report (CAFR) which includes financial statements and required supplementary information. Also available are the pension systems actuarial reports to support the schedules of employer allocations and schedules of pension amounts by employer. These reports are available on the division’s website at <http://www.dms.myflorida.com> or by email at rep@dms.myflorida.com. The CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

State of Florida Division of Retirement Department of Management Services
Bureau of Research and Member Contributions
P.O. Box 9000
Tallahassee, FL 32315-9000
850-907-6500 or toll free 844-377-1888

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 10 - PENSION PLAN – CONTINUED

There are six classes of membership applicable to the Tax Collector. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

- ***Regular Class, Senior Management Service Class, and Elected Officers' Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

- ***Special Risk Class and Special Risk Administrative Support Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

- **The Deferred Retirement Option Program (DROP)** is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months.

FRS Membership and Plan Benefits - The FRS Pension Plan provides retirement and disability benefits, death benefits and survivor's benefits. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are established by State Statutes. Retirement benefits are based on a formula comprised of age, average compensation, length of FRS service, and membership class. Average compensation is computed as the average of an individual's five highest years of earnings for employees hired before July 1, 2011 or eight highest years of earnings for employees hired on or after July 1, 2011. The amount of benefit payments is also affected by the retirement income option chosen by the plan participant.

Pension plan participants may choose to receive benefit in retirement under one of four options which will include a 3% cost-of-living adjustment each July (adjustments are only applicable for FRS service earned prior to July 1, 2011).

If a pension plan participant leaves FRS-covered employment, the pension plan benefit is frozen until the employee returns to FRS-covered employment or begins receiving early or normal retirement benefit.

HIS Membership and Plan Benefits - The HIS membership is available to all members within the FRS and defined contribution Investment Plan. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month, pursuant to section 112.363 Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirements systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 10 - PENSION PLAN – CONTINUED

Contribution Requirements -The Tax Collector is required to contribute at an actuarially determined rate; these rates are a percent of annual covered payroll. Employees are required to contribute 3% of their annual salary, while members participating in DROP are not required to make the 3% contribution. The Tax Collector’s contractually required contribution rate includes the HIS contribution, .06% administrative and educational fee and any applicable unfunded actuarial liability “UAL” rates. The HIS required contribution rate is 1.66% for the 2016 and 2017 FRS plan years. This contribution when combined with the employee contribution is expected to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Descriptions and contribution rates in effect during the period ended September 30, 2017 and two preceding FRS fiscal years are as follows:

	September 30, 2017	June 30, 2017	June 30, 2016	June 30, 2015
Regular Class	7.92%	7.52%	7.26%	7.37%
Senior Management	22.71%	21.77%	21.43%	21.14%
Elected Officials	45.50%	42.47%	42.27%	43.23%
Deferred Retirement Option Program	13.26%	12.99%	12.88%	12.28%
Special Risk Regular	23.27%	22.57%	22.04%	19.82%
Special Risk Administrative Support	34.63%	28.06%	32.95%	42.07%

For the years ending September 30, 2017, 2016, 2015, the Tax Collector contributed \$469,130, \$454,644 and \$452,326 respectively, equal to 100% of the required contributions for each year.

The Florida Legislature has the authority for establishing or amending retirement legislation and related bills of significance to members of the Florida Retirement System (FRS). Passed bills are presented to the Governor and approved before they may be enacted into law.

Net Pension Liability – Proportionate Share

The Tax Collector has a net FRS pension liability determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This long-term liability is only reported in the county-wide financial statements and is not a current liability of the General Fund. All required disclosures and schedules may be found in the county-wide financial statements of Okaloosa County, Florida.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The Tax Collector is required by Florida Statue to provide post-employment health care benefits to eligible retired employees and their spouses. The retirees are responsible for the monthly premiums if they chose to participate. The Tax Collector provides health insurance coverage to its current employees and retirees through a commercial policy. A valuation of the OPEB benefits caused by the implicit rate subsidy since retirees can participate in the health insurance plan was estimated when the Tax Collector’s office participated in the Board of County Commissioners health insurance plan. A valuation of the implicit rate subsidiary liability under the current separate health insurance plan of the Tax Collector’s office has not been considered necessary due to the existing estimate recorded and the limited number of retired employees that currently participate in the plan.

NOTE 12 - RISK MANAGEMENT

The Tax Collector is exposed various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee medical benefits and natural disasters. The Tax Collector purchases

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017

NOTE 12 - RISK MANAGEMENT - CONTINUED

insurance through commercial carriers. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

Special risks and employee medical benefits are covered by commercial insurance policies that are accounted for in the Tax Collector's general fund. The Tax Collector bears no risk of loss under this type of coverage.

The Tax Collector has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service fund charges the Tax Collector a fee to participate based upon actuarially projected budget requirements for cash payouts. No claim for this self-insurance program is recognized in the financial statements of the Tax Collector.

AGENCY FUNDS

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

Disbursements Fund

This fund is used to account for the collection of current and delinquent tax assessments; business tax receipts for Okaloosa County, municipalities and other taxing districts; automobile and boat tags, titles and other related fees for the Florida Department of Motor Vehicles; and, to account for the collection of hunting and fishing licenses fees for the Florida Department of Natural Resources.

Tax Collector
Okaloosa County, Florida
STATEMENT OF CHANGES IN NET POSITION
AGENCY FUND
For the Fiscal Year Ended September 30, 2017

	Balances October 1, 2016	Additions	Deletions	Balances September 30, 2017
DISBURSEMENTS AGENCY FUND				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,937,562	\$ 249,102,726	\$ 249,007,780	\$ 2,032,508
Accounts Receivable	6,360	4,281	6,360	4,281
Total Assets	<u>\$ 1,943,922</u>	<u>\$ 249,107,007</u>	<u>\$ 249,014,140</u>	<u>\$ 2,036,789</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ -	\$ 187,340,576	\$ 187,340,576	\$ -
Due to Other Elected Officials	-	5,717,618	5,717,618	-
Due to Other Governments	14,748	51,868,686	51,870,834	12,600
Due to Depositors	38,080	14,963	38,080	14,963
Taxes Collected in Advance	1,891,094	4,165,164	4,047,032	2,009,226
Total Liabilities	<u>\$ 1,943,922</u>	<u>\$ 249,107,007</u>	<u>\$ 249,014,140</u>	<u>\$ 2,036,789</u>

Other Reports

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

Honorable Benjamin F. Anderson
Tax Collector
Okaloosa County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements (hereinafter referred to as "financial statements") of each major fund and aggregate remaining fund information of the Office of the Tax Collector of Okaloosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Tax Collector's financial statements, and have issued our report thereon dated April 4, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

April 4, 2018
Fort Walton Beach, Florida



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Fort Walton Beach, FL 32548
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**INDEPENDENT ACCOUNTANTS' REPORT ON EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL**

Honorable Benjamin F. Anderson
Tax Collector
Okaloosa County, Florida

We have examined the Office of the Tax Collector of Okaloosa County, Florida's (hereinafter referred to as the "Tax Collector") compliance with Florida Statutes 218.415 in regards to investments for the year ended September 30, 2017.

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

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

In our opinion, the Tax Collector complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Warren Averett, LLC

April 4, 2018
Fort Walton Beach, Florida

MANAGEMENT LETTER

Honorable Benjamin F. Anderson
Tax Collector
Okaloosa County, Florida

Report on the Financial Statements

We have audited the financial statements (hereinafter referred to as “financial statements”) of the general fund and the aggregate remaining fund information of the Office of the Tax Collector of Okaloosa County, Florida (hereinafter referred to as “Tax Collector”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 4, 2018.

Auditors’ Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors’ Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants’ Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of Auditor General*. Disclosures in those reports, which are dated April 4, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Tax Collector of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e), as part of the primary government of Okaloosa County, Florida. There are no component units related to the Tax Collector of Okaloosa County.

Financial Management

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

Additional Matters

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

Purpose of this Letter

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

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

Warren Averett, LLC

April 4, 2018

Fort Walton Beach, Florida

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PROPERTY APPRAISER

**OKALOOSA COUNTY, FLORIDA
PROPERTY APPRAISER
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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Basic Financial Statements

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INDEPENDENT AUDITORS' REPORT

Honorable Mack Busbee
Property Appraiser
Okaloosa County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the General Fund of the Office of the Property Appraiser of Okaloosa County, Florida ("Property Appraiser") as of and for the year ended September 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Property Appraiser, as of September 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with Rules of the Auditor General, State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the General Fund of Okaloosa County, Florida that is attributable to the Property Appraiser. They do not purport to, and do not, present fairly the financial position of Okaloosa County, Florida as of September 30, 2017 and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters included under the heading "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Property Appraiser's internal control over financial reporting and compliance.

Warren Averett, LLC

March 28, 2018
Fort Walton Beach, Florida

**Property Appraiser
Okaloosa County, Florida
BALANCE SHEET
GENERAL FUND
September 30, 2017**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>784,565</u>
Total Assets	\$ <u><u>784,565</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 20,524
Other Accrued Liabilities	6,517
Due to Other Elected Officials	683,187
Due to Other Governments	<u>74,337</u>
Total Liabilities	<u>784,565</u>
Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	\$ <u><u>784,565</u></u>

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

**Property Appraiser
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended September 30, 2017**

	General Fund
Revenues	
Charges for Services	\$ 283,323
Miscellaneous	29,147
	312,470
Total Revenues	312,470
Expenditures	
Current	
General Government	2,719,713
Capital Outlay	194,213
	2,913,926
Total Expenditures	2,913,926
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,601,456)
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	2,601,456
	2,601,456
Total Other Financing Sources (Uses)	2,601,456
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

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

**Property Appraiser
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$ 310,695	\$ 310,695	\$ 283,323	\$ (27,372)
Miscellaneous	-	-	29,147	29,147
Total Revenues	310,695	310,695	312,470	1,775
Expenditures				
Current				
General Government	3,531,125	3,462,963	2,719,713	743,250
Capital Outlay	109,300	178,713	194,213	(15,500)
Total Expenditures	3,640,425	3,641,676	2,913,926	727,750
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,329,730)	(3,330,981)	(2,601,456)	729,525
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	3,329,730	3,330,981	2,601,456	(729,525)
Total Other Financing Sources (Uses)	3,329,730	3,330,981	2,601,456	(729,525)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Property Appraiser is an elected official established pursuant to the Constitution of the State of Florida. The Property Appraiser is elected by the citizenry at-large and functions independently of the Board of County Commissioners of Okaloosa County, Florida.

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

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

A. The Reporting Entity

The Property Appraiser is part of the legal entity of Okaloosa County, Florida and is, therefore, reported as part of the primary government. The Property Appraiser's individual financial statements do not purport to reflect the financial position or the results of operations of the primary government of Okaloosa County, Florida taken as a whole. The combined financial statements of the primary government of Okaloosa County, Florida include the individual statements of the following elected officials and those of separately administered organizations that are controlled by or are dependent upon the County:

- Board of County Commissioners
- Clerk of the Circuit Court
- Sheriff
- Tax Collector
- Property Appraiser
- Supervisor of Elections

Financial activities of other component units that form the reporting entity of the primary government of Okaloosa County are not included in these financial statements.

B. Basis of Presentation – Fund Financial Statements

The financial statements have been prepared for the purpose of complying with *Rules of the Auditor General, State of Florida*, which require presentation of the *fund level* only financial statements and permit omission of entity-wide full accrual financial statements and management's discussion and analysis. Therefore, these financial statements are intended to present only the financial position and changes in financial position of that portion of Okaloosa County, Florida, that relate to transactions of the Property Appraiser and are not intended to present the financial position and changes in financial position of Okaloosa County, Florida.

The Property Appraiser segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Property Appraiser is the General Fund.

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

1. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

1. Governmental Fund Financial Statements - Continued

this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Property Appraiser considers all revenues reported in the general fund to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are interest revenue and charges for service.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Exchange and Non-exchange Transactions

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

3. Financial Statement Presentation

The Property Appraiser reports the following major governmental fund:

General Fund

This is the Property Appraiser’s primary operating fund. It accounts for all financial resources of the general government.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund 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; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02; direct obligations of the United States Treasury, federal agencies and instrumentalities; and securities of or other interest in certain investment companies or investment trusts the portfolio of which is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such obligations. Because the County has adopted written investment policies as provided in subsection (1) through (15) of s. 218.415, other investments may be authorized by resolution or ordinance.

Currently authorized are investments in term repurchase agreements with primary broker/dealers collateralized in the County’s name by securities of the United States Government or any agency or instrumentality thereof; overnight repurchase agreements with collateral held by the custodian bank or its trust department; tax exempt bonds, notes or obligations rated in the two highest classifications; inventory-based domestic bankers’

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance - Continued

1. Deposits and Investments - Continued

acceptances eligible to qualify for use as collateral at the Federal Reserve Bank; SEC registered open-end mutual funds whose portfolios consist of United States Government securities and repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The Property Appraiser adheres strictly to the provisions of those cited Statutes and investments authorized by resolution or ordinance, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers.

2. Receivables and Payables

During the course of operations, numerous transactions occur between the Property Appraiser or elected officials for goods provided or services rendered. These receivables and payables are classified as “due from other funds or elected officials or “due to other funds or elected officials” on the balance sheet.

3. Capital Assets

Capital assets are not capitalized in the general fund. Instead, capital acquisition and construction are reflected as expenditures and the related assets are reported on the government-wide statement of net position of Okaloosa County.

Property, plant, equipment, and intangible assets purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Property Appraiser’s capitalization level is \$1,000 on tangible personal property and \$5,000 on intangible assets. Costs incurred for repairs and maintenance is expensed as incurred. Depreciation and amortization on all assets is provided on the government-wide statement of activities of Okaloosa County using the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings and improvements	5
Intangibles	5
Equipment	3 - 7
Vehicles	2 - 15

4. Compensated Absences

The liability for compensated absences consisting of unpaid, accumulated paid days off balances is reported on the government-wide statement of net position of Okaloosa County. A liability for these amounts is reported in general fund of the Property Appraiser under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

5. Deferred outflows/inflows of resources

In addition to assets, deferred outflows of resources represent a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. In addition to liabilities, deferred inflows of resources represent an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

No such items were applicable to the Property Appraiser as of September 30, 2017.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance - Continued

6. Estimates

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

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All appropriations lapse at fiscal year-end.

Budgetary data reflected in the financial statements are established by the following Board procedures:

On or about June 1 of each year, proposed budgets are received by the Board of County Commissioners from its department heads, from all other elected officials, and from other agencies requesting funding for the ensuing fiscal year. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the Board of County Commissioners in a series of workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed mileages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

No later than June 1 of each year, the Property Appraiser submits his budget to the State of Florida Department of Revenue. Tentative approval must be given to the Property Appraiser by July 15. The Department of Revenue issues their approval of the Property Appraiser's final budget and simultaneously notifies the Board of County Commissioners of their approval no later than August 15.

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

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each elected official is authorized to make line item transfers but must request approval from the Board for increases in appropriations.

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. Supplemental budgetary appropriations of \$1,251 representing a 0.04% increase over the original adopted budget were necessary during the fiscal year for the Property Appraiser. All amendments to originally adopted amounts were made in a legally permissible manner.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Property Appraiser maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS - CONTINUED

association designated by the State Chief Financial Officer as a “Qualified Public Depository”. All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess loss over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Property Appraiser deposits, including certificates of deposit, are considered fully insured.

State Statutes restrict the types of investments that can be made by Okaloosa County and its agencies. A description of the requirements and the types of investments allowed as well as information about valuation and other investment policies can be found in Note 1. D.1. The Property Appraiser maintained no investment accounts during the fiscal year ended September 30, 2017.

NOTE 4 – CAPITAL ASSETS

The following capital asset activity for the Property Appraiser of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2017:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, being depreciated/amortized:					
Buildings and improvements	\$ 31,800	\$ -	\$ -	\$ -	\$ 31,800
Intangible	45,577	-	-	-	45,577
Machinery and equipment	617,800	194,213	(108,086)	-	703,927
Total capital assets, being depreciated/amortized	<u>695,177</u>	<u>194,213</u>	<u>(108,086)</u>	<u>-</u>	<u>781,304</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(29,823)	(1,977)	-	-	(31,800)
Intangible	(45,577)	-	-	-	(45,577)
Machinery and equipment	(427,157)	(61,928)	108,086	-	(380,999)
Total accumulated depreciation/amortization	<u>(502,557)</u>	<u>(63,905)</u>	<u>108,086</u>	<u>-</u>	<u>(458,376)</u>
Governmental activities capital assets, net	<u>\$ 192,620</u>	<u>\$130,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,928</u>

Depreciation/amortization expense was charged to functions/programs as follows:

	Depreciation	Amortization
Governmental Activities:		
General government	<u>\$ 63,905</u>	<u>\$ -</u>

NOTE 5 – COMPENSATED ABSENCES

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

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 5 – COMPENSATED ABSENCES - 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 paid days off for the Property Appraiser as of September 30, 2017 follow:

	Current Portion	Long-Term Portion	Totals
Compensated absences	\$ 53,433	\$ 66,525	\$ 119,958

NOTE 6– INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2017 is as follows:

Due to/from other elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Board of County Commissioners	General	\$ 683,187	Excess appropriations

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
General	Board of County Commissioners	\$ 2,601,456	Budget appropriations

NOTE 7 – LONG-TERM DEBT

The following long-term debt activity for the Property Appraiser of Okaloosa County, Florida is included in the government-wide financial statements of Okaloosa County, Florida for the year ended September 30, 2017:

	Balance Due October 1, 2016			Balance Due September 30, 2017		Due Within One Year
	Increases	Decreases	2017	2017	2017	2017
Governmental Activities						
Accrued compensated absences	\$ 120,264	\$ -	\$ (306)	\$ 119,958	\$ 53,433	\$ -
Other post employment benefit	54,572	-	-	54,572	-	-
Total Governmental Activities	\$ 174,836	\$ -	\$ (306)	\$ 174,530	\$ 53,433	\$ -

Compensated absences typically have been liquidated in the general fund.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 8 - PENSION PLAN

The Property Appraiser participates in the Florida Retirement System (FRS) which is a cost sharing multiple employer contributory retirement system administered by the State of Florida (State). The FRS was established in 1970 by Chapter 121, Florida Statutes. In 2002 the FRS was amended to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. Chapter 112, Florida Statutes established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any state- administered retirement system in paying the cost of health insurance.

The State of Florida Retirement System issues a publicly available stand-alone financial report (CAFR) which includes financial statements and required supplementary information. Also available are the pension systems actuarial reports to support the schedules of employer allocations and schedules of pension amounts by employer. These reports are available on the division's website at <http://www.dms.myflorida.com> or by email at rep@dms.myflorida.com. The CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

**State of Florida Division of Retirement Department of Management Services
Bureau of Research and Member Contributions
P.O. Box 9000
Tallahassee, FL 32315-9000
850-907-6500 or toll free 844-377-1888**

There are six classes of membership applicable to the Property Appraiser. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

- ***Regular Class, Senior Management Service Class, and Elected Officers' Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.
- ***Special Risk Class and Special Risk Administrative Support Class Members*** – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty- five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.
- **The Deferred Retirement Option Program (DROP)** is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 8 - PENSION PLAN - CONTINUED

FRS Membership and Plan Benefits - The FRS Pension Plan provides retirement and disability benefits, death benefits and survivor's benefits. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are established by State Statutes. Retirement benefits are based on a formula comprised of age, average compensation, length of FRS service, and membership class. Average compensation is computed as the average of an individual's five highest years of earnings for employees hired before July 1, 2011 or eight highest years of earnings for employees hired on or after July 1, 2011. The amount of benefit payments is also affected by the retirement income option chosen by the plan participant.

Pension plan participants may choose to receive benefit in retirement under one of four options which will include a 3% cost-of-living adjustment each July (adjustments are only applicable for FRS service earned prior to July 1, 2011).

If a pension plan participant leaves FRS-covered employment, the pension plan benefit is frozen until the employee returns to FRS-covered employment or begins receiving early or normal retirement benefit.

HIS Membership and Plan Benefits - The HIS membership is available to all members within the FRS and defined contribution Investment Plan. The benefit is a monthly payment to assist retirees of the state- administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month, pursuant to section 112.363 Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state- administered retirements systems must provide proof of eligible health insurance coverage, which can include Medicare.

Contribution Requirements -The Property Appraiser is required to contribute at an actuarially determined rate; these rates are a percent of annual covered payroll. Employees are required to contribute 3% of their annual salary, while members participating in DROP are not required to make the 3% contribution. The Property Appraiser's contractually required contribution rate includes the HIS contribution, .06% administrative and educational fee and any applicable unfunded actuarial liability "UAL" rates. The HIS required contribution rate is 1.66% for the 2016 and 2017 FRS plan years. This contribution when combined with the employee contribution is expected to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Descriptions and contribution rates in effect during the period ended September 30, 2017 and two preceding FRS fiscal years are as follows:

	September 30, 2017	June 30, 2017	June 30, 2016	June 30, 2015
Regular Class	7.92%	7.52%	7.26%	7.37%
Senior Management	22.71%	21.77%	21.43%	21.14%
Elected Officials	45.50%	42.47%	42.27%	43.23%
Deferred Retirement Option Program	13.26%	12.99%	12.88%	12.28%
Special Risk Regular	23.27%	22.57%	22.04%	19.82%
Special Risk Administrative Support	34.63%	28.06%	32.95%	42.07%

For the years ending September 30, 2017, 2016, 2015, the Property Appraiser contributed \$224,192, \$196,028 and \$184,293 respectively, equal to 100% of the required contributions for each year.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2017**

NOTE 8 - PENSION PLAN – CONTINUED

The Florida Legislature has the authority for establishing or amending retirement legislation and related bills of significance to members of the Florida Retirement System (FRS). Passed bills are presented to the Governor and approved before they may be enacted into law.

Net Pension Liability – Proportionate Share

The Property Appraiser has a net FRS pension liability determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This long-term liability is only reported in the county-wide financial statements and is not a current liability of the General Fund. All required disclosures and schedules may be found in the county-wide financial statements of Okaloosa County, Florida.

NOTE 9 – POST EMPLOYMENT BENEFITS

The Property Appraiser has chosen to participate in the Board of County Commissioners' plan providing post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses. The OPEB plan provided by the Property Appraiser is adequately disclosed in the footnotes of the government-wide financial statements of Okaloosa County, Florida.

NOTE 10 - RISK MANAGEMENT

The Property Appraiser is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

Special risks are covered by commercial insurance policies that are accounted for in the Property Appraiser's general fund.

The Property Appraiser has chosen to participate in a group medical insurance plan along with all other elected officials' offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits.

The Property Appraiser has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Property Appraiser a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Property Appraiser.

NOTE 11 – LITIGATION

The Property Appraiser is occasionally involved with lawsuits or other claims filed in the ordinary course of operations. In the opinion of management, based on the advice of legal counsel, there are no lawsuits or claims outstanding which might have a material adverse effect on the financial position of the Property Appraiser.

Other Reports

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

Honorable Mack Busbee
Property Appraiser
Okaloosa County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements (hereinafter referred to as "financial statements") of the General Fund of the Office of the Property Appraiser of Okaloosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Property Appraiser's financial statements, and have issued our report thereon dated March 28, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach,
Florida March 28, 2018

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

Honorable Mack Busbee
Property Appraiser
Okaloosa County, Florida

We have examined the Office of the Property Appraiser of Okaloosa County, Florida's (hereinafter referred to as the "Property Appraiser") compliance with Florida Statutes 218.415 in regards to investments for the year ended September 30, 2017.

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

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

In our opinion, the Property Appraiser complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Warren Averett, LLC

Fort Walton Beach,
Florida March 28, 2018

MANAGEMENT LETTER

Honorable Mack Busbee
Property Appraiser
Okaloosa County, Florida

Report on the Financial Statements

We have audited the financial statements of the General Fund of the Office of the Property Appraiser of Okaloosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements and have issued our report thereon dated March 28, 2018.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, regarding compliance requirements in accordance with in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 28, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Property Appraiser of Okaloosa County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(d), as part of the primary government of Okaloosa County, Florida. There are no component units related to the Property Appraiser of Okaloosa County.

Financial Management

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

Additional Matters

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

Purpose of this Letter

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

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

Warren Averett, LLC

March 28, 2018
Fort Walton Beach, Florida