



Okaloosa County, Florida

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2018

Prepared by the Clerk of the Circuit Court and Comptroller
Department of Finance



Comprehensive
Annual
Financial
Report

Okaloosa County, Florida

For the year ended
September 30, 2018

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

INTRODUCTORY SECTION

**OKALOOSA COUNTY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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Okaloosa County Tax Collector		
Okaloosa County Property Appraiser		



Board of County Commissioners

State of Florida

April 19, 2019

To the Citizens of Okaloosa County:

The Comprehensive Annual Financial Report of Okaloosa County, Florida (the County) for the fiscal year ended September 30, 2018, 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 generally accepted accounting principles in the United States (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, 2018, 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, 2018, 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.

■ 302 N. Wilson St • Crestview, FL 32536 • (850) 689-5030 • Fax: 689-5059

■ 1250 N. Eglin Pkwy, Suite 100 • Shalimar, FL 32579 • (850) 651-7105 • Fax: 651-7142

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 estimated population was 198,152, 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.



Tourism is the leading private income producing source for Okaloosa County. Direct visitor spending exceeds \$3.1 billion annually with total employment of over 33,000 in tourism related businesses, comprising 42% of County employment. The revenue generated by businesses from Tourism totals over \$5.0 billion dollars. The Tourism industry generates nearly \$600 million in



tax revenues per-year. Tourists may visit Okaloosa County's Welcome Centers on Okaloosa Island or at the Destin-Fort Walton Beach Airport for information on lodging, local activities, area information, sightseeing and all other things to do during their visit. More than 5.0 million visitors are estimated to have come to the Emerald Coast in 2017/2018.

Residents and tourists in Okaloosa County have a full range of natural attractions and recreational opportunities. Mile after mile of beautiful sugar-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 2018 and the 2018 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 4.3 percent. New construction activity in 2018 increased over the prior year to a value of \$213.6 million.

MAJOR FUNCTIONAL INITIATIVES



General Government Initiatives The Courthouse, located in the county seat of Crestview, was nearing completion by the end of fiscal 2018 at a cost of \$21M. This facility will house the clerk of court along with the judicial processes and will have adequate capacity to serve our citizens far into the future. About \$66,000,000 was spent on General Government initiatives, or approximately 26% 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 continue to deal with population growth, while trying their best to mitigate those increases and 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 \$71,750,000 of Public Safety initiatives, or approximately 28% of total expenditures, in 2018.

Okaloosa County
Department of Corrections



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 remediation and monitoring of the 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. The solid waste contract services generated over \$10M in revenue and managed over 175,000 tons of residential and commercial waste. Stormwater assessments are levied in order to meet the growing needs of certain deteriorating infrastructure, while attempting to determine some long-term resolution. About \$52,850,000 was spent in the area of Physical Environment initiatives, or approximately 21% of total expenditures, for 2018.

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. Okaloosa Lane was completed in 2018 which improved traffic flow to Shoal River Middle School as well as the surrounding subdivisions. 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 and a Crestview By-Pass that will help alleviate traffic congestion on Highway 85. The

area of mass transit operations and capital acquisitions continues to be addressed with significant amounts of grant-funded projects. The Destin-Fort Walton Beach 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 Destin-Fort Walton Beach Airport and Destin Airport related to Aircraft Rescue and Fire Fighting Facility and the Destin Control Tower. About \$37,750,000, or approximately 15% of total spent, was spent on transportation expenditures in 2018.



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 visitors to Okaloosa County throughout 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 \$11,000,000 or approximately 4% was spent in the area of economic environment in 2018.



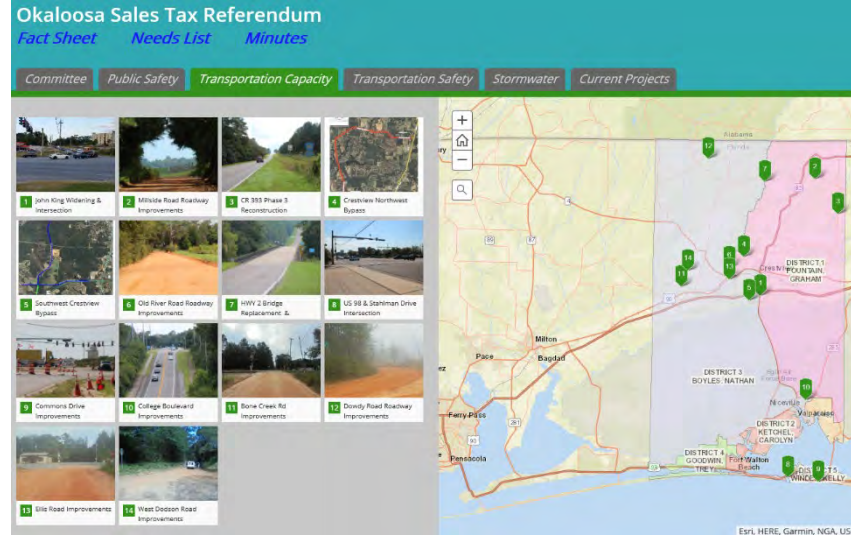
Human Service Initiatives The funding for human service activities in the County include mosquito control, animal welfare, health care, Medicaid, elder services, day care service, mental health services and court-related child protection services expenditures. These activities, particularly state aid 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 2018. Mosquito control, which covers 418,000 acres, funding is supplemented by grant funding which aides in management of Zika control initiatives.

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. A horse arena attracts equestrian enthusiasts for rodeos and other competitive events. 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. Improvements, like Artificial Reefs in the Gulf of Mexico, and other parks, like the Holt Community Park in the north end continue to utilize these resources. The Holt Community Park is under construction and will be a cooperative effort with the Holt Fire Department. 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 the Tourist Development Tax continues to be collected to provide funding. U.S. News & World Report ranked Destin the #1 best beach in Florida and the #2 beach vacation destination in the United States in June 2018. About \$10,500,000 or approximately 4% 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. 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.



Various county owned office spaces were utilized by the Clerk and judiciary staff during the construction of the Crestview Courthouse. Clerk and judicial staff are currently being settled into the new Crestview Courthouse. The vacated areas will be renovated 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. A one half cent sales surtax recently passed and will go into effect on January 1, 2019. This referendum will provide funding of critical needs including essential law enforcement/public safety facilities and vital equipment; reduce traffic congestion: construction and repairing of roads and bridges: flood control and water quality improvements and construct other public facility improvements and pay debt, subject to oversight by a citizens' committee.

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.

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, 2017.

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

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

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

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



Government Finance Officers Association

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

Presented to

**Okaloosa County
Florida**

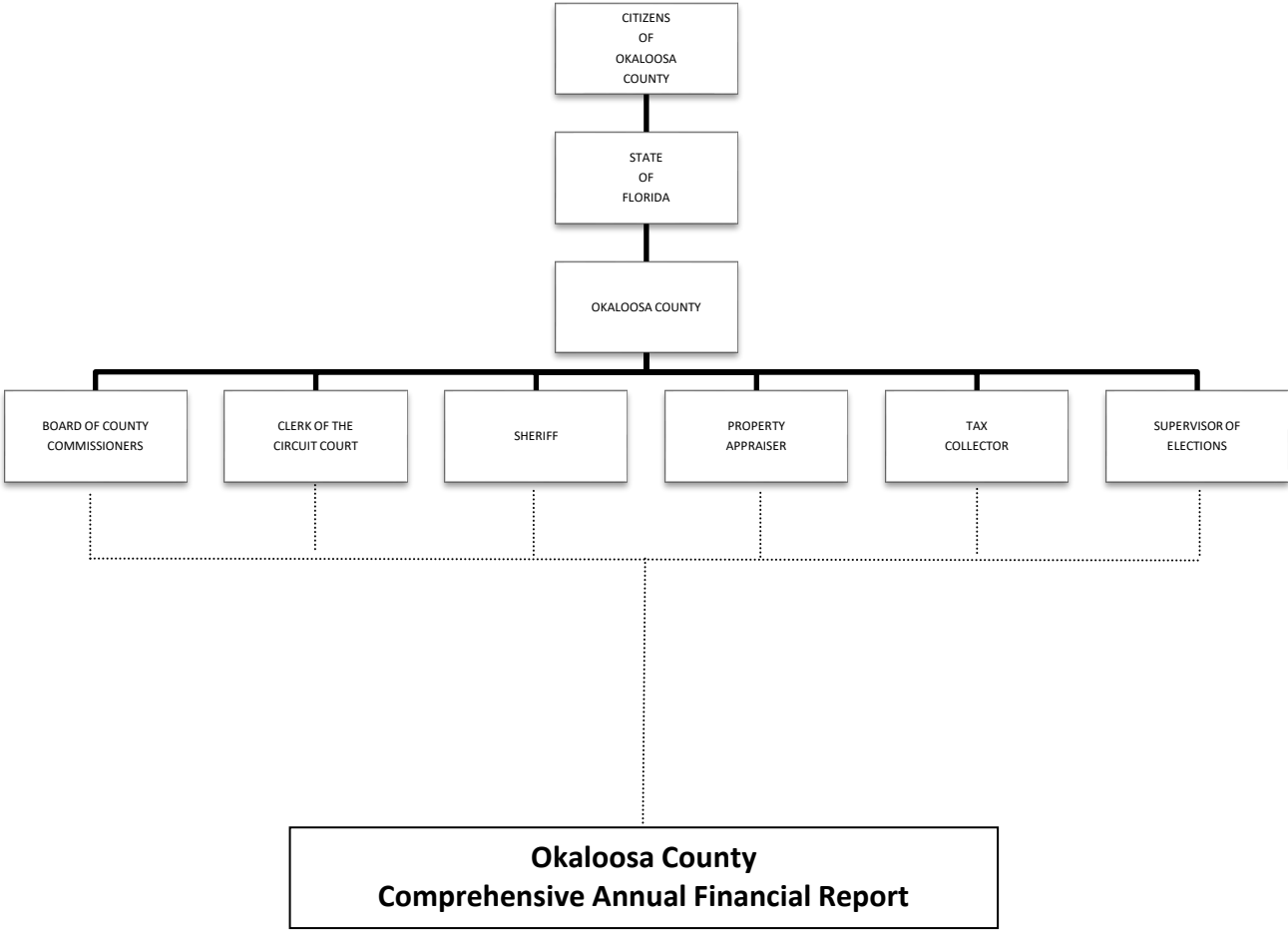
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

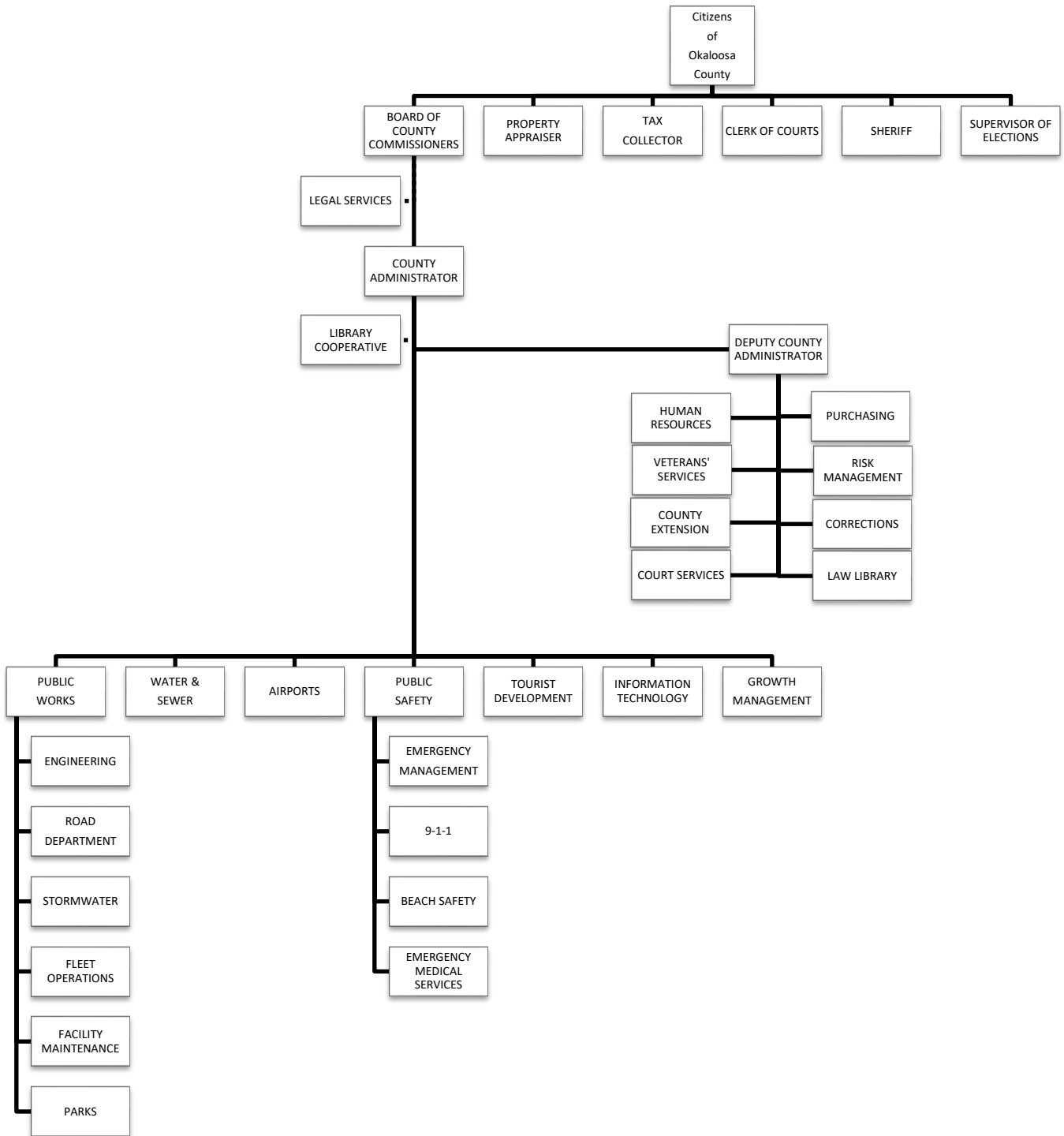
Christopher P. Morrill

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, 2018**

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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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, 2018, 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, 2018, 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 changes in the County's total OPEB liability and related ratios, 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 19, 2019, 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 19, 2019

Okaloosa County, Florida

Management Discussion and Analysis

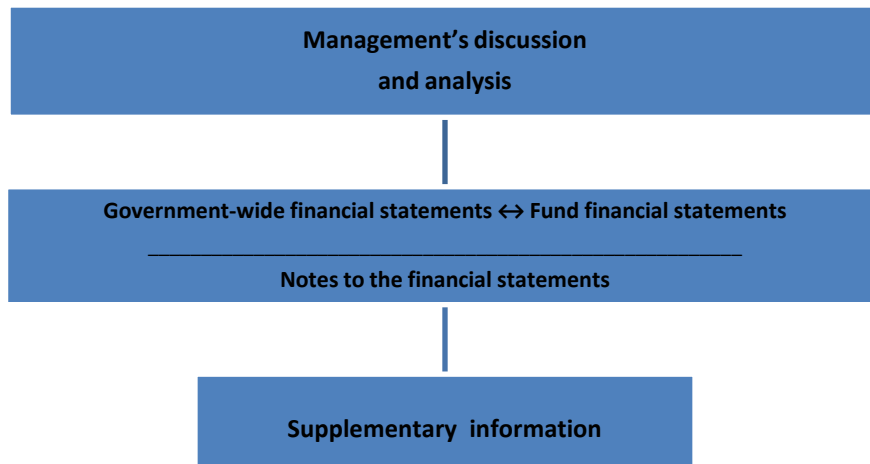
This discussion and analysis of Okaloosa County's (the County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2018. This analysis, in conjunction with additional 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 2018 the County's assets and deferred outflows exceeded its liabilities and deferred inflows, resulting in net position of \$481,348. Governmental and business-type assets exceeded its liabilities by \$175,899 and \$305,449, respectively.
- The County's total net position increased \$21,667, or 4.7 percent, in comparison to the prior year.
- The County had **(\$19,350)** of unrestricted net position (deficit) at the close of this year compared to **(\$18,158)** last year.
- Total revenues increased \$18,307 or 8.2 percent, from \$223,593 to \$241,901.
- Total expenses increased \$9,731, or 4.6 percent, from \$210,502 to \$220,234.
- The County's governmental activities reported total net position of \$175,899, which is an increase of \$9,556, or 5.7 percent, in comparison to the prior year. A deficit in the unrestricted net asset position of **(\$58,760)** exists in the governmental activities.
- The County's business-type activities reported total net position of \$305,449, which is an increase of \$12,111, or 4.1 percent, in comparison to prior year. Approximately 12.9 percent of the total, or \$39,410, 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 Trust Fund and Capital Outlay Construction Fund are classified as major funds. All other governmental funds are combined into a single column on the governmental fund financial statements. Individual fund data for the non-major funds is found in combining statements presented as supplemental financial data.

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

Proprietary Fund Financial Statements

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

The County reports the Water and Sewer, Airport and Emergency Medical Services Enterprise 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, 2018, the County's total net position or total assets less liabilities, was \$481,348. A significant portion of the County's net position, 84.8 percent, is identified as an investment in capital assets (such as land, buildings, equipment, infrastructure), less related debt outstanding that was used to acquire those assets. Since the County uses capital assets to provide services to its residents, the net 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 \$408,198 increased \$17,219 or 4.4 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 \$92,500 (19.2 percent of total net position) increased \$5,640 or 6.5 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 **(\$19,350)** primarily as a result of recording its proportionate share of the pension and change in the OPEB liability of the State of Florida's retirement system. These liabilities are actuarially determined and provided by the State of Florida Retirement System (FRS) and the contracted actuarial firm. The Governmental Activities overall net position increased by \$9,556. This increase was mainly due to an increase in taxes, state revenue sharing, offset by a decline in operating and capital grants. The unrestricted net deficit in the Governmental Activities increased by \$4,650 over the prior year due to an increase in pension and change in the OPEB liabilities. Net Position in the County's Business-type activities increased \$12,111 due to increased charges for services. Unrestricted Net Position of \$39,410 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 2018 and 2017.

Okaloosa County, Florida						
Summary of Net Assets						
September 30, 2018 and 2017						
	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 102,613	\$ 109,568	\$ 101,348	\$ 93,898	\$ 203,960	\$ 203,466
Capital Assets	227,586	207,925	327,950	327,482	555,537	535,407
Total Assets	\$ 330,199	\$ 317,493	\$ 429,298	\$ 421,380	\$ 759,497	\$ 738,873
Total Deferred Outflows	\$ 35,231	\$ 34,140	\$ 13,565	\$ 13,604	\$ 48,796	\$ 47,744
Current and Other Liabilities	21,429	22,470	14,725	15,908	36,155	38,378
Noncurrent Liabilities	159,644	158,266	119,181	123,281	278,825	281,547
Total Liabilities	\$ 181,073	\$ 180,736	\$ 133,907	\$ 139,189	\$ 314,980	\$ 319,925
Total Deferred Inflows	\$ 8,458	\$ 4,554	\$ 3,508	\$ 2,457	\$ 11,966	\$ 7,011
Net Position:						
Investment in Capital						
Assets, Net of Related Debt	167,159	153,520	241,039	237,459	408,199	390,979
Restricted for						
Debt Service	467	435	4,156	5,150	4,623	5,585
Capital Projects	-	4,377	-	-	-	4,377
Public Safety	3,620	3,604	-	-	3,620	3,604
Transportation	8,742	9,590	20,844	14,777	29,585	24,367
Eco Environment	50,836	44,425	-	-	50,836	44,425
Culture Recreation	3,140	3,492	-	-	3,140	3,492
Court-Related	695	1,010	-	-	695	1,010
Unrestricted	(58,761)	(54,110)	39,410	35,952	(19,350)	(18,158)
Total Net Position	\$ 175,899	\$ 166,343	\$ 305,450	\$ 293,338	\$ 481,349	\$ 459,681

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, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 25,811	\$ 26,126	\$ 70,497	\$ 64,962	\$ 96,308	\$ 91,088
Operating Grants and Contributions	9,173	10,769	628	892	9,801	11,661
Capital Grants and Contributions	3,288	1,047	7,737	9,059	11,024	10,106
General Revenues:						
Taxes	92,802	82,104	1	2	92,803	82,106
State Shared Revenue	25,795	22,969	-	-	25,795	22,969
Grant and Contributions not Restricted Specific Programs	-	-	-	-	-	-
Other	4,773	4,365	1,396	1,298	6,169	5,663
Total Revenues	161,641	147,380	80,259	76,213	241,900	223,593
Expenses:						
Program Activities:						
General Government	33,716	33,618	-	-	33,716	33,618
Public Safety	62,277	59,792	-	-	62,277	59,792
Physical Environment	1,993	1,861	-	-	1,993	1,861
Transportation	17,752	17,753	-	-	17,752	17,753
Economic Environment	10,333	10,705	-	-	10,333	10,705
Human Services	5,011	5,312	-	-	5,011	5,312
Culture and Recreation	10,488	9,461	-	-	10,488	9,461
Court-Related	9,405	9,119	-	-	9,405	9,119
Interest and Fiscal Charges	2,716	2,595	-	-	2,716	2,595
Business-type Activities:						
Water and Sewer	-	-	29,224	26,832	29,224	26,832
Airport	-	-	14,618	13,134	14,618	13,134
Solid Waste	-	-	9,907	9,053	9,907	9,053
Inspections	-	-	1,917	1,975	1,917	1,975
Emergency Medical	-	-	10,877	9,292	10,877	9,292
Total Expenses	153,691	150,216	66,543	60,286	220,234	210,502
Inc in Net Position Before Trf Transfers	7,951	(2,836)	13,715	15,927	21,666	13,091
Transfers	1,605	725	(1,605)	(725)	-	-
Inc/(Dec) in Net Position	9,556	(2,111)	12,110	15,202	21,666	13,091
Net Position October 1, as restated	166,343	168,454	293,338	278,136	459,681	446,590
Net Position September 30	\$ 175,899	\$ 166,343	\$ 305,448	\$ 293,338	\$ 481,347	\$ 459,681

Revenues increased by \$14,262 or 9.7 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. Revenues in business-type activity increased by \$4,046 or 5.3 percent from the prior year, mainly due to an increase in service use. Expenses increased by \$3,475 or 2.3 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 7.1% to 7.0% resulting in an increase in pension expense recognized in FY18. Expenses increased \$6,257 or 10.4 percent also in business-type expenses due mainly to increases in Airport activities and Emergency Medical Services activities along with the impact of FRS as described above. Overall net position increased by 4.7 percent, from \$459,681 in 2017 to \$481,348 in 2018.

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.

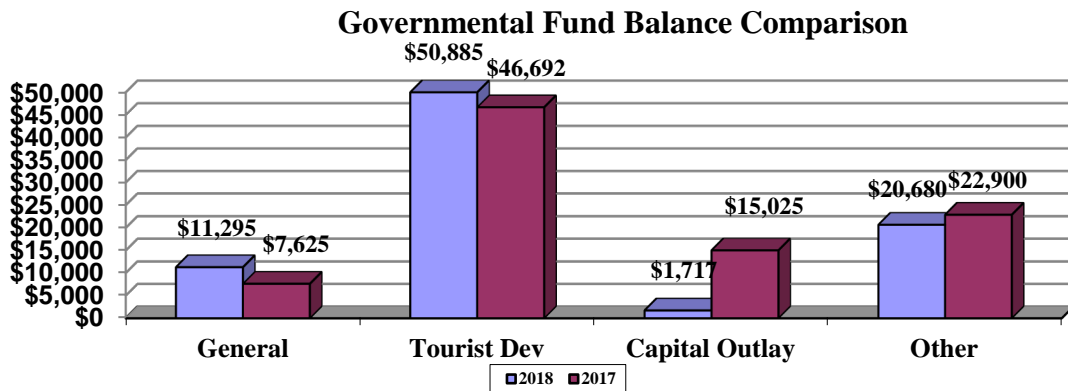
As of September 30, 2018, the County governmental funds reported combined fund balances of \$84,578, a decrease of **(\$7,663)** over the prior year balances, due mainly to continued decreases in the Capital Projects activity related to construction of the new Courthouse and road improvements.

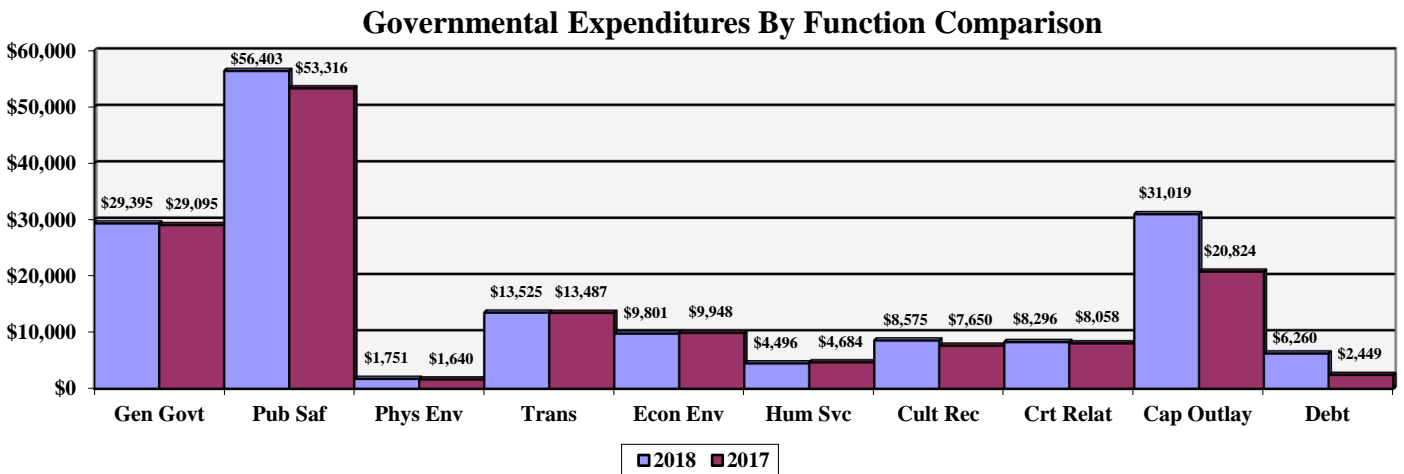
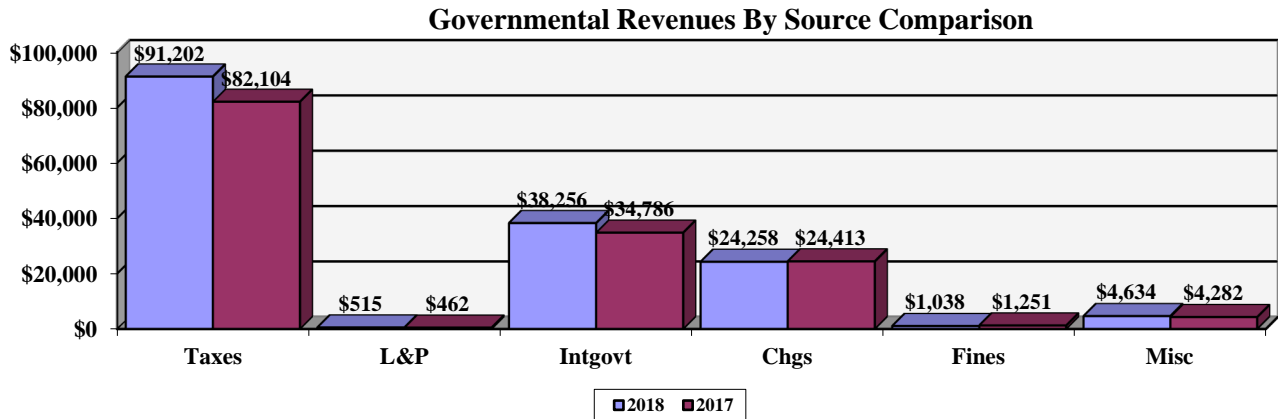
The General Fund is the chief operating fund of the County. At September 30, 2018, total fund balance in the general fund was \$11,295 of which \$10,577 was unassigned. The general fund expenditures for the fiscal year exceeded revenues by \$265. The increase in fiscal year 2018 fund balance was mainly due to increased revenue from taxes exceeding expenditures.

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 \$4,193. The increase in fund balance is primarily due to increased revenue from 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 **(\$13,308)** 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 2018 and 2017.





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, 2018, total net position amounted to \$305,449 as compared to \$293,338 at September 30, 2017. 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 \$12,111. Major components of this increase are as follows:

- The Water and Sewer Fund increased its net position by \$6,177, or 4.1% to \$158,656. Net operating income was \$7,749 during the year which was 25.1% less than last year due a decline in revenue and increases in repairs and maintenance of water systems, sewer plants, and tanks. The overall increase in net position for the current year relates primarily to investment in capacity expansion as a result of construction activity.

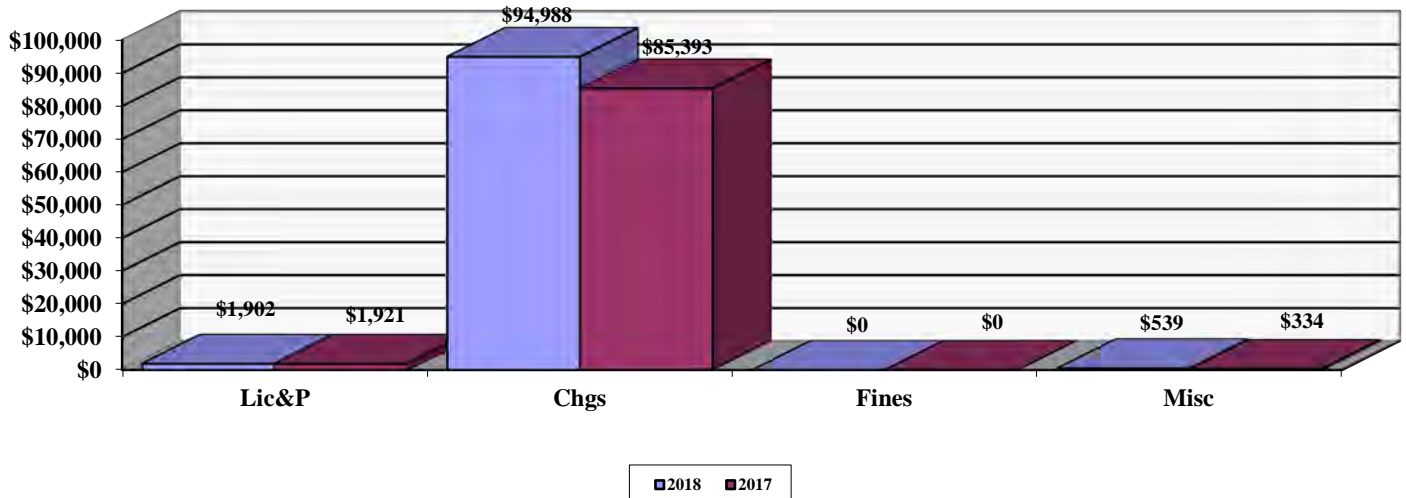
- The Airport Fund increased its net position by \$5,254, or 3.7% to \$146,972. The Airport has experienced significant growth which resulted in additional operating revenue of \$1,951 or 16.5% over the prior year. Passenger and customer facility charges increased 19.5% over the prior year while capital grants decreased 50.9% all of which contributed to the overall change in net position.
- The Emergency Medical Services Fund decreased its net position by **(\$827)**. The most significant factor in this decrease was an increase in the personnel and other operating expenses.

The net operating income of the enterprise funds for fiscal years 2018 and 2017, is as follows:

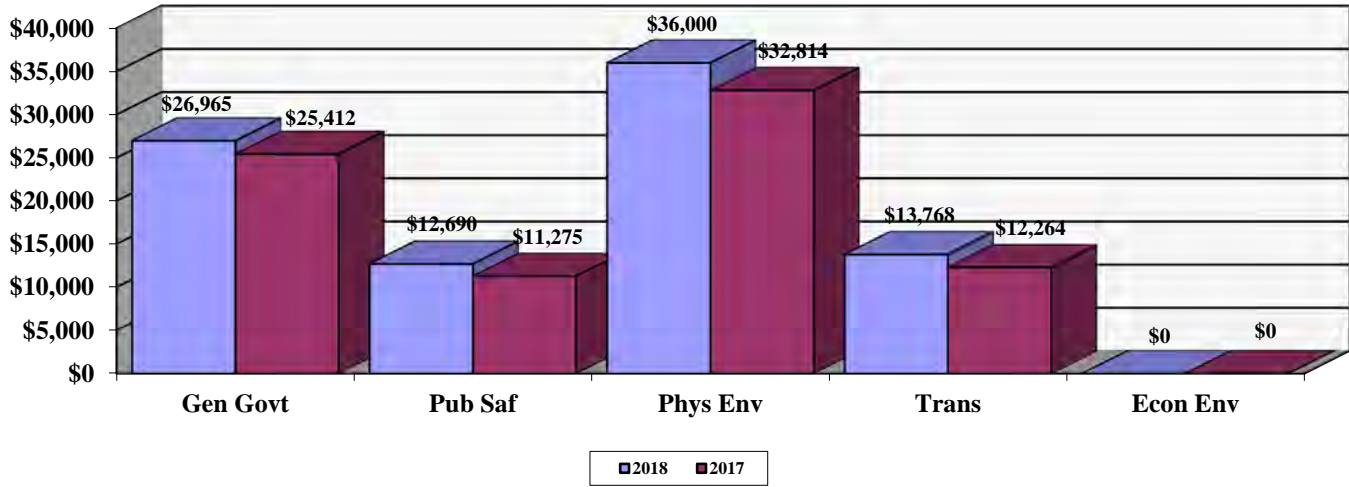
Enterprise Net Operating Income (Loss)

	2018	2017
Water and Sewer	\$ 7,749	\$ 10,342
Airport	(24)	(470)
Solid Waste	773	396
Inspections	370	208
Emergency Medical Services	(777)	(1,745)
Tax Collector Building Maintenance	47	47
	\$ 8,138	\$ 8,778

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 2018 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 \$14,703 of which \$12,797 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 \$16,683 most significantly in the areas of transportation and capital outlay related to the anticipated grant activity.
- The County increased budgeted financing sources by approximately \$1,263 related to transfers out to funds and constitutional officers.

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

- A variance of \$6,581 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 \$17,152 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 \$627 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, 2018 amounts to \$555,536 (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 \$19,661 or 9.5 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 amounted to \$468, mainly due to machinery and equipment.

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

Okaloosa County, Florida
 Capital Assets
 September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 12,418	\$ 11,835	\$ 14,765	\$ 14,765	\$ 27,183	\$ 26,600
Buildings	110,150	109,673	88,013	87,529	198,163	197,202
Improvements other than buildings	39,563	37,958	277	277	39,840	38,235
Intangibles	3,495	3,425	998	939	4,493	4,364
Mach/Equipment	58,991	56,944	23,093	21,927	82,084	78,871
Const in Progress	34,409	14,773	15,537	22,486	49,946	37,259
Infrastructure	161,091	158,971	369,870	352,656	530,961	511,627
Art	29	29	70	70	99	99
Total Capital Assets	420,146	393,608	512,623	500,649	932,769	894,257
Accum Deprec	(192,560)	(185,683)	(184,673)	(173,167)	(377,233)	(358,850)
Total	<u>\$ 227,586</u>	<u>\$ 207,925</u>	<u>\$ 327,950</u>	<u>\$ 327,482</u>	<u>\$ 555,536</u>	<u>\$ 535,407</u>

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 \$143,322. Of this amount, \$61,187 comprises governmental activities bonds payable while the remaining \$82,135 in revenue bonds and \$7,494 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, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital Lease	-	208	-	-	-	208
Revenue Bonds	61,187	63,369	82,135	86,234	143,322	149,603
Revolv & Comm Loan	3,605	4,341	7,494	7,924	11,099	12,265
Total	\$ 64,792	\$ 67,918	\$ 89,629	\$ 94,158	\$ 154,421	\$ 162,076

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, 2018

Type of Debt Issue:	<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 91,409 in 2016 to 93,435 in 2018, an increase of 2.2 percent. Stable labor force coupled with somewhat improving economic times led to the County's unemployment rate falling to 2.9 percent in 2018 compared to 3.5 percent for 2017. The County's unemployment rate still remains extremely favorable compared to the state and national rates of 3.6 and 3.9 percent, respectively for 2018.
- The assessed value of real property located in the County after exemptions increased from \$15.600 billion in 2017 to \$16.605 billion, while the total assessed value of the County increased from \$16.415 billion to \$17.454 billion in 2018. This represented an increase of \$1.038 billion or 6.3 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 2018, total value of new residential construction in the County was valued at \$171 million and total value of new non-residential construction was valued at \$43 million for a total of just \$214 million in new construction. The total construction figure for 2018 represented a \$40 million increase from the 2017 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
102 East James Lee Blvd.
Crestview, Florida, 32536.

Okaloosa County, Florida
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		Total
	Government Activities	Business-type Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 7,296,039	\$ 3,962,039	\$ 11,258,078
Investments	79,689,780	53,008,687	132,698,467
Receivables, Net of Allowance for Uncollectibles	989,147	11,155,628	12,144,775
Internal Balances	(265,297)	265,297	-
Due from (to) Fiduciary Funds	53,589	-	53,589
Due from Other Governments	11,300,450	1,898,106	13,198,556
Inventories	1,147,755	1,954,850	3,102,605
Prepaid Expenses	684,356	1,544,972	2,229,328
Restricted Assets			
Cash and Cash Equivalents			
Customer Deposits	-	1,426,604	1,426,604
Other Deposits	-	1,055,384	1,055,384
Investments	1,716,817	25,076,248	26,793,065
Total Current Assets	102,612,636	101,347,815	203,960,451
Capital Assets			
Land	12,417,804	14,765,162	27,182,966
Buildings	110,150,498	88,013,371	198,163,869
Improvements Other Than Buildings	39,563,262	276,776	39,840,038
Intangibles	3,494,647	997,815	4,492,462
Machinery and Equipment	58,991,325	23,093,227	82,084,552
Construction in Progress	34,408,630	15,536,761	49,945,391
Infrastructure	161,090,996	369,870,676	530,961,672
Works of Art	29,195	69,865	99,060
Accumulated Depreciation	(192,560,089)	(184,673,196)	(377,233,285)
Total Noncurrent Assets	227,586,268	327,950,457	555,536,725
Total Assets	\$ 330,198,904	\$ 429,298,272	\$ 759,497,176
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 34,844,422	\$ 11,138,112	\$ 45,982,534
Deferred Charges on Refunding	-	2,358,250	2,358,250
Deferred Charges Related to OPEB	386,596	68,380	454,976
Total Deferred Outflows of Resources	\$ 35,231,018	\$ 13,564,742	\$ 48,795,760
Total Assets and Deferred Outflows of Resources	\$ 365,429,922	\$ 442,863,014	\$ 808,292,936

Continued...

Okaloosa County, Florida
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		Total
	Government Activities	Business-type Activities	
LIABILITIES			
Current Liabilities			
Accounts Payable and			
Other Accrued Liabilities	\$ 9,022,171	\$ 5,081,542	\$ 14,103,713
Due to Other Governments	757,809	80,183	837,992
Unearned Revenue	2,397,832	1,349,470	3,747,302
Due to Depositors	121,124	-	121,124
Liabilities Payable from			
Restricted Assets			
Customer Deposits	-	1,431,104	1,431,104
Interest Payable	1,511,683	1,126,175	2,637,858
Current Portion of			
Long-term Obligations			
Compensated Absences	3,264,506	1,028,837	4,293,343
Closure Costs Payable	-	365,821	365,821
Claims and Judgments	1,559,695	-	1,559,695
Notes Payable	883,394	442,166	1,325,560
Revenue Bonds Payable	1,911,000	3,820,000	5,731,000
Total Current Liabilities	<u>21,429,214</u>	<u>14,725,298</u>	<u>36,154,512</u>
Noncurrent Liabilities			
Noncurrent Portion of			
Long-term Obligations			
Compensated Absences	4,439,754	871,993	5,311,747
Closure Costs Payable	-	3,017,869	3,017,869
Claims and Judgments	3,936,341	-	3,936,341
Notes Payable	2,721,777	3,500,000	6,221,777
Loans and Bonds Payable,			
Net of Unamortized Loan Costs	59,276,380	81,866,964	141,143,344
Other Post Employment Benefits	8,790,750	1,435,500	10,226,250
Net Pension Liability	80,478,686	28,489,150	108,967,836
Total Noncurrent Liabilities	<u>159,643,688</u>	<u>119,181,476</u>	<u>278,825,164</u>
Total Liabilities	<u>\$ 181,072,902</u>	<u>\$ 133,906,774</u>	<u>\$ 314,979,676</u>

Continued...

Okaloosa County, Florida
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		Total
	Government Activities	Business-type Activities	
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 8,081,572	\$ 3,446,445	\$ 11,528,017
Deferred Charges Related to OPEB	376,395	61,123	437,518
Total Deferred Inflows of Resources	<u>\$ 8,457,967</u>	<u>\$ 3,507,568</u>	<u>\$ 11,965,535</u>
NET POSITION			
Net Investment in Capital Assets	167,159,445	241,039,379	408,198,824
Restricted for			
Debt Service	466,663	4,156,471	4,623,134
Public Safety	3,619,845	-	3,619,845
Transporation	8,741,827	20,842,598	29,584,425
Economic Environment	50,836,176	-	50,836,176
Culture and Recreation	3,140,388	-	3,140,388
Court-Related	695,382	-	695,382
Unrestricted (Deficit)	<u>(58,760,673)</u>	<u>39,410,224</u>	<u>(19,350,449)</u>
Total Net Position (Deficit)	<u>\$ 175,899,053</u>	<u>\$ 305,448,672</u>	<u>\$ 481,347,725</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 365,429,922</u>	<u>\$ 442,863,014</u>	<u>\$ 808,292,936</u>

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

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Okaloosa County, Florida
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2018

	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	\$ 33,715,665	\$ 19,913,872	\$ 544,122	\$ -	\$ (13,257,671)
Public Safety	62,277,004	3,383,655	3,808,857	-	(55,084,492)
Physical Environment	1,992,582	-	-	-	(1,992,582)
Transportation	17,751,928	485,160	3,140,052	3,157,186	(10,969,530)
Economic Environment	10,332,783	-	974,424	-	(9,358,359)
Human Services	5,011,261	-	33,010	-	(4,978,251)
Culture and Recreation	10,488,458	504,660	78,960	130,444	(9,774,394)
Court-Related	9,404,565	1,523,442	593,588	-	(7,287,535)
Interest and Fiscal Charges	2,716,439	-	-	-	(2,716,439)
Total Governmental Activities	153,690,685	25,810,789	9,173,013	3,287,630	(115,419,253)
Business-type Activities					
Water & Sewer	29,224,143	33,819,091	7,659	839,593	5,442,200
Airport	14,618,181	13,744,584	385,679	6,897,061	6,409,143
Emergency Medical Services	10,876,415	9,996,360	10,686	-	(869,369)
Other Programs	11,823,563	12,936,909	223,932	-	1,337,278
Total Business- type Activities	66,542,302	70,496,944	627,956	7,736,654	12,319,252
Total Primary Government	\$ 220,232,987	\$ 96,307,733	\$ 9,800,969	\$ 11,024,284	\$ (103,100,001)

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, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Changes in Net Position			
Net (Expenses) Revenue (From Exhibit II-A)	\$ (115,419,253)	\$ 12,319,252	\$ (103,100,001)
Unrestricted General Revenues			
Taxes			
Ad Valorem Tax	62,941,344	757	62,942,101
Tourist Development Tax	21,252,688	-	21,252,688
Local Option Fuel Tax	5,653,340	-	5,653,340
Communication Services Tax	1,646,991	-	1,646,991
Ninth-Cent Voted Fuel Tax	1,093,007	-	1,093,007
Local Business Tax	215,021	-	215,021
State Revenue Sharing			
Miscellaneous Revenue	5,796,953	-	5,796,953
Local Government Sales Tax	16,298,202	-	16,298,202
Gas Tax	3,699,724	-	3,699,724
Investment Earnings	1,210,407	1,122,856	2,333,263
Miscellaneous	3,562,388	273,459	3,835,847
Transfers - Internal Activities	1,605,107	(1,605,107)	-
Total Unrestricted-General Revenues and Transfers	124,975,172	(208,035)	124,767,137
Change in Net Position	9,555,919	12,111,217	21,667,136
Net Position - Beginning as restated	166,343,134	293,337,455	459,680,589
Net Position - Ending	\$ 175,899,053	\$ 305,448,672	\$ 481,347,725

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

Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	General Fund	Tourist Development Special Revenue Fund
ASSETS		
Cash and Cash Equivalents	\$ 3,238,454	\$ 173,179
Investments	6,910,453	51,258,162
Accounts Receivable	205,893	708
Due from Other Funds	1,416,119	-
Due from Other Elected Officials	2,064,154	-
Due from Other Governments	4,800,896	3,957,442
Inventory	201,436	-
Prepays	482,862	15,079
	<u>19,320,267</u>	<u>55,404,570</u>
Total Assets	<u>\$ 19,320,267</u>	<u>\$ 55,404,570</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 577,128	\$ 81,840
Contracts Payable	789,828	2,482,683
Other Accrued Liabilities	1,721,883	60,949
Due to Other Funds	1,187,021	132,260
Due to Other Elected Officials	2,170,341	892
Due to Other Governments	359,699	13,008
Due to Depositors	10,270	-
Unearned Revenue	1,208,797	147,658
	<u>8,024,967</u>	<u>2,919,290</u>
Total Liabilities	<u>8,024,967</u>	<u>2,919,290</u>
Deferred Inflow of Resources		
Unavailable Revenue	-	1,600,000
	<u>-</u>	<u>1,600,000</u>
Fund Balances		
Nonspendable	684,298	15,079
Restricted	-	50,870,201
Committed	33,732	-
Assigned	-	-
Unassigned	10,577,270	-
	<u>11,295,300</u>	<u>50,885,280</u>
Total Fund Balances	<u>11,295,300</u>	<u>50,885,280</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 19,320,267</u>	<u>\$ 55,404,570</u>

Exhibit III-A

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 30,891	\$ 1,464,267	\$ 4,906,791
2,924,600	18,737,374	79,830,589
-	13,880	220,481
167	6,603	1,422,889
130,444	100,442	2,295,040
-	2,380,619	11,138,957
-	666,174	867,610
-	142,549	640,490
<u>\$ 3,086,102</u>	<u>\$ 23,511,908</u>	<u>\$ 101,322,847</u>
\$ 121,995	\$ 113,256	\$ 894,219
1,247,217	974,885	5,494,613
-	225,125	2,007,957
-	10,004	1,329,285
-	846	2,172,079
-	385,102	757,809
-	110,854	121,124
-	1,011,494	2,367,949
<u>1,369,212</u>	<u>2,831,566</u>	<u>15,145,035</u>
<u>-</u>	<u>-</u>	<u>1,600,000</u>
-	808,723	1,508,100
1,716,817	16,987,080	69,574,098
73	485,941	519,746
-	2,398,598	2,398,598
-	-	10,577,270
<u>1,716,890</u>	<u>20,680,342</u>	<u>84,577,812</u>
<u>\$ 3,086,102</u>	<u>\$ 23,511,908</u>	<u>\$ 101,322,847</u>

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

Okaloosa County, Florida
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2018

Fund balances - total governmental funds (Exhibit III-A) \$ 84,577,812

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	47,685,673	
Governmental depreciable/amortizable assets	368,715,487	
Less accumulated depreciation/amortization	<u>(189,505,899)</u>	
		226,895,261

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: (9,189,017)

Unavailable revenues in governmental funds are susceptible to full accrual on the entity-wide statements. 1,600,000

Deferred outflows and inflows of resources related to pensions and other postemployment benefits 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	34,034,799	
Deferred inflows of resources - Pensions	(7,818,617)	
Deferred outflows of resources - OPEB	154,868	
Deferred inflow of resources - OPEB	<u>(138,433)</u>	
		26,232,617

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 at September 30, 2018 are:

Accrued interest on bonds	(1,511,683)	
Revenue bonds payable	(61,187,380)	
Notes payable	(3,605,171)	
Compensated absences	(6,218,960)	
Other Post Employment Benefits	(3,284,393)	
Net Pension Liability, proportionate share	<u>(78,410,033)</u>	
Total long-term liabilities		(154,217,620)

Net position of governmental activities (Exhibit I) \$ 175,899,053

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

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Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2018

	<u>General Fund</u>	<u>Tourist Development Special Revenue Fund</u>
Revenues		
Taxes	\$ 61,340,793	\$ 19,652,688
Licenses and Permits	19,500	-
Intergovernmental	22,559,805	236,724
Charges for Services	17,255,150	876,643
Fines	20,261	-
Miscellaneous	2,400,195	1,058,932
	<hr/>	<hr/>
Total Revenues	103,595,704	21,824,987
	<hr/>	<hr/>
Expenditures		
Current		
General Government	29,023,190	-
Public Safety	54,578,137	-
Physical Environment	663,600	-
Transportation	3,918,350	211,785
Economic Environment	1,924,623	6,910,485
Human Services	3,894,289	-
Culture and Recreation	1,847,654	5,552,794
Court-Related	2,677,868	-
Capital Outlay	4,543,593	2,267,733
Debt Service		
Principal	728,112	-
Interest	60,902	-
Other Debt Service Costs	-	-
	<hr/>	<hr/>
Total Expenditures	103,860,318	14,942,797
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(264,614)	6,882,190
	<hr/>	<hr/>

Exhibit IV-A

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 639,651	\$ 9,569,259	\$ 91,202,391
-	495,011	514,511
130,444	15,328,549	38,255,522
-	6,126,203	24,257,996
-	1,018,021	1,038,282
136,185	1,038,771	4,634,083
<u>906,280</u>	<u>33,575,814</u>	<u>159,902,785</u>
-	372,269	29,395,459
-	1,824,898	56,403,035
-	1,087,146	1,750,746
-	9,394,562	13,524,697
-	965,457	9,800,565
-	601,661	4,495,950
62,958	1,112,006	8,575,412
-	5,618,480	8,296,348
14,101,298	10,105,953	31,018,577
-	2,479,000	3,207,112
-	2,990,959	3,051,861
-	1,305	1,305
<u>14,164,256</u>	<u>36,553,696</u>	<u>169,521,067</u>
<u>(13,257,976)</u>	<u>(2,977,882)</u>	<u>(9,618,282)</u>

Continued...

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2018

	<u>General Fund</u>	<u>Tourist Development Special Revenue Fund</u>
Other Financing Sources (Uses)		
Transfers In	4,817,112	-
Transfers Out	(850,000)	(2,688,782)
Transfers Among Constitutional Officers	(31,743)	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	3,935,369	(2,688,782)
	<hr/>	<hr/>
Net Change in Fund Balances	3,670,755	4,193,408
	<hr/>	<hr/>
Fund Balances - Beginning	7,624,545	46,691,872
	<hr/>	<hr/>
Fund Balances - Ending	<u>\$ 11,295,300</u>	<u>\$ 50,885,280</u>

Exhibit IV-A

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
50,000	3,859,437	8,726,549
(100,182)	(3,132,478)	(6,771,442)
-	31,743	-
(50,182)	758,702	1,955,107
(13,308,158)	(2,219,180)	(7,663,175)
15,025,048	22,899,522	92,240,987
\$ 1,716,890	\$ 20,680,342	\$ 84,577,812

The notes to the financial statements are an intergral 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, 2018

Net change in fund balances - total governmental funds (Exhibit IV-A)	\$	(7,663,175)
<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	31,018,577	
Less current year depreciation/amortization	(11,330,545)	19,688,032
<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>		
		(66,402)
<p>Revenues that do not provide current financial resources are not reported as revenues in the funds (deferred inflows) but are recognized as revenue in the statement of activities.</p>		
		1,600,000
<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	3,207,112	
Amortization of premiums/discounts	331,157	
Increase in long-term liability to other governments	(413,381)	3,124,888
<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	(1,056,864)	
Other Post Employment Benefits	(158,436)	
Changes in accrued interest on long term debt	5,570	(1,209,730)
<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		(5,640,044)
<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>		
		(277,650)
Change in net position of governmental activities (Exhibit II-B)	\$	9,555,919

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 61,409,204	\$ 61,409,204	\$ 61,340,793	\$ (68,411)
Licenses and Permits	17,600	17,600	19,500	1,900
Intergovernmental	16,684,975	29,481,740	22,559,805	(6,921,935)
Charges for Services	15,371,725	16,887,423	17,255,150	367,727
Fines	13,000	14,485	20,261	5,776
Miscellaneous	1,977,185	2,366,105	2,400,195	34,090
Total Revenues	95,473,689	110,176,557	103,595,704	(6,580,853)
Expenditures				
Current				
General Government	31,200,593	31,276,913	29,023,190	2,253,723
Public Safety	58,970,916	62,769,822	54,578,137	8,191,685
Physical Environment	757,191	760,691	663,600	97,091
Transportation	103,398	6,235,530	3,918,350	2,317,180
Economic Environment	1,791,453	1,923,533	1,924,623	(1,090)
Human Services	3,925,834	3,981,254	3,894,289	86,965
Culture and Recreation	1,826,889	2,269,004	1,847,654	421,350
Court-Related	2,626,039	3,063,401	2,677,868	385,533
Capital Outlay	2,918,308	8,524,195	4,543,593	3,980,602
Debt Service				
Principal	208,147	208,147	728,112	(519,965)
Interest	-	-	60,902	(60,902)
Total Expenditures	104,328,768	121,012,490	103,860,318	17,152,172
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,855,079)	(10,835,933)	(264,614)	10,571,319
Other Financing Sources (Uses)				
Transfers In	4,874,303	4,992,633	4,817,112	(175,521)
Transfers Out	(870,025)	(895,025)	(850,000)	(45,025)
Transfers Among Constitutional Officers	(2,049,199)	(879,450)	(31,743)	847,707
Total Other Financing Sources (Uses)	1,955,079	3,218,158	3,935,369	627,161
Net Change in Fund Balance	(6,900,000)	(7,617,775)	3,670,755	11,198,480
Fund Balance - Beginning	6,900,000	7,617,775	7,624,545	6,770
Fund Balance - Ending	\$ -	\$ -	\$ 11,295,300	\$ 11,205,250

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 20,500,000	\$ 20,500,000	\$ 19,652,688	\$ (847,312)
Intergovernmental	-	2,648,656	236,724	(2,411,932)
Charges for Services	829,750	829,750	876,643	46,893
Miscellaneous	2,058,050	2,756,120	1,058,932	(1,697,188)
Total Revenues	<u>23,387,800</u>	<u>26,734,526</u>	<u>21,824,987</u>	<u>(4,909,539)</u>
Expenditures				
Current				
Transportation	-	211,785	211,785	-
Economic Environment	12,949,000	14,535,210	6,910,485	7,624,725
Culture and Recreation	45,584,453	47,710,339	5,552,794	42,157,545
Capital Outlay	5,553,824	7,962,246	2,267,733	5,694,513
Total Expenditures	<u>64,087,277</u>	<u>70,419,580</u>	<u>14,942,797</u>	<u>55,476,783</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(40,699,477)</u>	<u>(43,685,054)</u>	<u>6,882,190</u>	<u>50,567,244</u>
Other Financing Sources (Uses)				
Transfers Out	(2,269,746)	(2,269,746)	(2,688,782)	(419,036)
Transfers Among Constitutional Officers	(574,000)	(574,000)	-	574,000
Total Other Financing Sources (Uses)	<u>(2,843,746)</u>	<u>(2,843,746)</u>	<u>(2,688,782)</u>	<u>154,964</u>
Net Change in Fund Balance	(43,543,223)	(46,528,800)	4,193,408	50,722,208
Fund Balance - Beginning	<u>43,543,223</u>	<u>46,528,800</u>	<u>46,691,872</u>	<u>163,072</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,885,280</u>	<u>\$ 50,885,280</u>

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

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Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 93,260	\$ 3,064,402	\$ 54,823
Investments	37,362,594	10,977,177	192,852
Receivables, Net of Allowance for Uncollectible	3,202,626	1,725,100	5,242,615
Due from Other Funds	-	266,805	-
Due from Other Elected Officials	-	-	-
Due from Other Governments	151,123	1,689,671	-
Inventory	1,756,701	65,651	132,498
Prepays	138,276	1,405,179	1,517
Restricted Assets			
Cash and Cash Equivalents			
Customer Deposits	1,403,346	-	-
Other Deposits	1,055,384	-	-
Investments	3,870,572	21,205,676	-
Total Restricted Assets	6,329,302	21,205,676	-
Total Current Assets	49,033,882	40,399,661	5,624,305
Capital Assets			
Land	8,180,380	6,451,481	-
Buildings	6,437,702	81,460,306	-
Improvements Other Than Buildings	-	-	-
Intangibles	824,840	100,400	30,150
Machinery and Equipment	12,122,638	2,000,311	5,133,554
Construction in Progress	12,262,768	3,273,993	-
Infrastructure	282,788,622	87,082,054	-
Works of Art	-	69,865	-
Less Accumulated Depreciation/Amortization	(128,360,695)	(50,407,938)	(3,071,196)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	194,256,255	130,030,472	2,092,508
Total Noncurrent Assets	194,256,255	130,030,472	2,092,508
Total Assets	\$ 243,290,137	\$ 170,430,133	\$ 7,716,813

Exhibit VII

Activities		Governmental Activities -- Internal Service Funds	
Other Enterprise Funds	Total Enterprise Funds		
\$ 749,554	\$ 3,962,039	\$ 2,389,248	
4,476,064	53,008,687	1,576,008	
985,287	11,155,628	768,666	
-	266,805	736,829	
-	-	1,965	
57,312	1,898,106	161,493	
-	1,954,850	280,145	
-	1,544,972	43,866	
		-	
23,258	1,426,604	-	
-	1,055,384	-	
-	25,076,248	-	
<u>23,258</u>	<u>27,558,236</u>	<u>-</u>	
<u>6,291,475</u>	<u>101,349,323</u>	<u>5,958,220</u>	
133,301	14,765,162	316,861	
115,363	88,013,371	900,466	
276,776	276,776	257,345	
42,425	997,815	-	
3,836,724	23,093,227	2,270,525	
-	15,536,761	-	
-	369,870,676	-	
-	69,865	-	
<u>(2,833,367)</u>	<u>(184,673,196)</u>	<u>(3,054,190)</u>	
1,571,222	327,950,457	691,007	
<u>1,571,222</u>	<u>327,950,457</u>	<u>691,007</u>	
<u>\$ 7,862,697</u>	<u>\$ 429,299,780</u>	<u>\$ 6,649,227</u>	

Continued...

Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 4,226,691	\$ 1,637,558	\$ 4,381,082
Deferred Charges on Refunding	2,358,250	-	-
Deferred Charges Related to OPEB	27,476	7,473	27,476
Total Deferred Outflows of Resources	\$ 6,612,417	\$ 1,645,031	\$ 4,408,558
Total Assets and Deferred Outflows of Resources	\$ 249,902,554	\$ 172,075,164	\$ 12,125,371
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,178,701	\$ 118,132	\$ 31,385
Contracts Payable	1,085,648	1,455,754	120,459
Accrued Liabilities			
Compensated Absences	502,227	117,640	247,547
Closure Costs Payable	-	-	-
Claims and Judgments	-	-	-
Other Accrued Liabilities	186,844	50,422	198,062
Due to Other Funds	-	-	-
Due to Other Elected Officials	95	1,088	325
Due to Other Governments	14,264	40,224	11,542
Notes Payable	-	-	-
Unearned Revenue	1,168,147	142,074	28,378
Notes Payable	442,166	-	-
Revenue Bonds Payable	2,900,000	920,000	-
Current Liabilities Payable from Restricted Assets			
Customer Deposits Payable	1,403,346	3,000	-
Interest Payable	769,485	356,690	-
Total Current Liabilities Payable from Restricted Assets	2,172,831	359,690	-
Total Current Liabilities	9,650,923	3,205,024	637,698

Exhibit VII

Activities		Governmental Activities -- Internal Service Funds	
Other Enterprise Funds	Total Enterprise Funds		
\$ 892,781	\$ 11,138,112	\$ 809,623	
-	2,358,250	-	
5,955	68,380	231,728	
<u>\$ 898,736</u>	<u>\$ 13,564,742</u>	<u>\$ 1,041,351</u>	
<u>\$ 8,761,433</u>	<u>\$ 442,864,522</u>	<u>\$ 7,690,578</u>	
\$ 17,377	\$ 1,345,595	\$ 504,630	
591,582	3,253,443	82,022	
161,423	1,028,837	1,397,744	
365,821	365,821	-	
-	-	1,559,695	
47,176	482,504	38,730	
-	-	1,166,805	
-	1,508	262	
14,153	80,183	-	
-	-	-	
10,871	1,349,470	29,883	
-	442,166	-	
-	3,820,000	-	
24,758	1,431,104	-	
-	1,126,175	-	
24,758	2,557,279	-	
<u>1,233,161</u>	<u>14,726,806</u>	<u>4,779,771</u>	

Continued...

Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Noncurrent Liabilities			
Compensated Absences	497,119	94,196	131,609
Closure Costs Payable	-	-	-
Claims and Judgments	-	-	-
Notes Payable			
(Net of Unamortized Discounts)	-	3,500,000	-
Loan- State of Florida			
(Net of Unamortized Discounts)	3,552,103	-	-
Revenue Bonds Payable			
(Net of Unamortized Discounts and Premiums)	64,895,096	13,419,765	-
Other Post Employment Benefits	580,887	158,001	570,704
Net Pension Liability	10,744,570	4,285,497	11,190,429
Total Noncurrent Liabilities	<u>80,269,775</u>	<u>21,457,459</u>	<u>11,892,742</u>
Total Liabilities	<u>\$ 89,920,698</u>	<u>\$ 24,662,483</u>	<u>\$ 12,530,440</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 1,301,680	\$ 434,350	\$ 1,407,877
Deferred Charges Related to OPEB	24,560	6,680	24,560
Total Deferred Inflows of Resources	<u>\$ 1,326,240</u>	<u>\$ 441,030</u>	<u>\$ 1,432,437</u>
NET POSITION			
Net Investment in Capital Assets	\$ 125,184,942	\$ 112,190,707	\$ 2,092,508
Restricted for Debt Service	4,156,471	-	-
Restricted for Other Purposes	-	20,842,598	-
Unrestricted (Deficit)	29,314,203	13,938,346	(3,930,014)
Total Net Position (Deficit)	<u>\$ 158,655,616</u>	<u>\$ 146,971,651</u>	<u>\$ (1,837,506)</u>
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	<u>\$ 249,902,554</u>	<u>\$ 172,075,164</u>	<u>\$ 12,125,371</u>

Exhibit VII

Activities		Governmental Activities -- Internal Service Funds
Other Enterprise Funds	Total Enterprise Funds	
149,069	871,993	87,556
3,017,869	3,017,869	-
-	-	3,936,341
-	3,500,000	-
-	3,552,103	-
-	78,314,861	-
125,908	1,435,500	5,506,357
2,268,654	28,489,150	2,068,653
<u>5,561,500</u>	<u>119,181,476</u>	<u>11,598,907</u>
<u>\$ 6,794,661</u>	<u>\$ 133,908,282</u>	<u>\$ 16,378,678</u>
\$ 302,538	\$ 3,446,445	\$ 262,955
5,323	61,123	237,962
<u>\$ 307,861</u>	<u>\$ 3,507,568</u>	<u>\$ 500,917</u>
\$ 1,571,222	\$ 241,039,379	\$ 691,008
-	4,156,471	-
-	20,842,598	-
87,689	39,410,224	(9,880,025)
<u>\$ 1,658,911</u>	<u>\$ 305,448,672</u>	<u>\$ (9,189,017)</u>
<u>\$ 8,761,433</u>	<u>\$ 442,864,522</u>	<u>\$ 7,690,578</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, 2018

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Operating Revenues			
Licenses and Permits	\$ -	\$ -	\$ -
Charges for Services	33,819,091	13,744,584	9,996,360
Miscellaneous	23,315	-	-
Total Operating Revenues	33,842,406	13,744,584	9,996,360
Operating Expenses			
Personal services	7,038,415	2,004,622	7,279,460
Contractual Services	3,430,155	3,619,606	691,881
Supplies	1,078,376	787,986	820,198
Insurance Premiums and Claims	-	-	-
Utilities	1,876,369	888,829	33,217
Other Operating Expenses	5,329,517	1,840,541	1,350,959
Depreciation/Amortization	7,340,899	4,626,865	597,573
Total Operating Expenses	26,093,731	13,768,449	10,773,288
Operating Income (Loss)	7,748,675	(23,865)	(776,928)
Nonoperating Revenues (Expenses)			
Taxes	-	-	757
Intergovernmental	7,659	385,679	10,686
Investment Income (Loss)	631,560	420,689	9,064
Other Non-Operating Revenue	33,071	59,096	-
Interest Expenses	(3,130,112)	(780,058)	-
Other Debt Services Costs	(300)	(69,674)	-
Gain/(Loss) on Disposal of Capital Assets	46,782	2,978	(103,127)
Total nonoperating Revenues (Expenses)	(2,411,340)	18,710	(82,620)
Income (Loss) Before Contributions and Transfers	5,337,335	(5,155)	(859,548)

Exhibit VIII

<u>Activities</u>			<u>Governmental Activities -- Internal Service Funds</u>
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>		
\$ 1,902,117	\$ 1,902,117	\$	-
11,034,792	68,594,827		26,393,263
76,517	99,832		438,696
<u>13,013,426</u>	<u>70,596,776</u>		<u>26,831,959</u>
2,068,627	18,391,124		2,020,468
8,583,764	16,325,406		554,883
133,087	2,819,647		3,601,760
-	-		20,259,964
15,615	2,814,030		5,617
669,363	9,190,380		443,173
353,107	12,918,444		78,858
<u>11,823,563</u>	<u>62,459,031</u>		<u>26,964,723</u>
<u>1,189,863</u>	<u>8,137,745</u>		<u>(132,764)</u>
-	757		-
223,932	627,956		-
61,543	1,122,856		12,641
-	92,167		-
-	(3,910,170)		-
-	(69,974)		-
<u>31,700</u>	<u>(21,667)</u>		<u>192,473</u>
<u>317,175</u>	<u>(2,158,075)</u>		<u>205,114</u>
<u>1,507,038</u>	<u>5,979,670</u>		<u>72,350</u>

Continued...

Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2018

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Capital Contributions	839,593	1,612,826	-
Passenger and Customer Facility Charges	-	5,284,235	-
Transfers In	-	-	33,000
Transfers Out	-	(1,638,107)	-
Change in Net Position	6,176,928	5,253,799	(826,548)
Total Net Position (Deficit) - Beginning as restated	<u>152,478,688</u>	<u>141,717,852</u>	<u>(1,010,958)</u>
Total Net Position (Deficit) - Ending	<u>\$ 158,655,616</u>	<u>\$ 146,971,651</u>	<u>\$ (1,837,506)</u>

Exhibit VIII

<u>Activities</u>		Governmental
Other	Total	Activities --
<u>Enterprise Funds</u>	<u>Enterprise Funds</u>	Internal
		<u>Service Funds</u>
-	2,452,419	-
-	5,284,235	-
-	33,000	-
-	<u>(1,638,107)</u>	<u>(350,000)</u>
1,507,038	12,111,217	(277,650)
151,873	293,337,455	(8,911,367)
<u>\$ 1,658,911</u>	<u>\$ 305,448,672</u>	<u>\$ (9,189,017)</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, 2018

	Business-type Activities		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 34,836,600	\$ 13,704,487	\$ 8,880,037
Receipts from Interfund Services Provided	-	-	-
Payments to Suppliers	(12,775,095)	(8,346,871)	(3,107,382)
Payments to Employees	(5,771,608)	(1,811,676)	(6,547,390)
Payments for Other Revenues	33,071	59,096	-
Net Cash Provided (Used) by Operating Activities	16,322,968	3,605,036	(774,735)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Subsidy - Intergovernmental Revenue	7,659	385,679	10,686
Transfers In	-	-	33,000
Transfers Out	-	(1,638,107)	-
Net Interfund Activity	-	(217,389)	-
Net Cash Provided (Used) by Non-capital Financing Activities	7,659	(1,469,817)	43,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(10,689,722)	(2,072,501)	(437,942)
Passenger and Customer Facility Charges	-	5,284,235	-
Proceeds from Disposal of Capital Assets	48,692	8,996	20,308
Net Borrowing (Repayments)			
Principal Paid on Capital Debt	(3,670,625)	(858,558)	-
Interest Paid on Capital Debt	(3,466,507)	(800,124)	-
Other Debt Service Costs	(300)	(69,674)	-
Capital Contributions	839,593	1,612,826	-
Net cash provided (used) by capital and related financing activities	(16,938,869)	3,105,200	(417,634)

Exhibit IV

<u>- Enterprise Funds</u>			Governmental Activities -- Internal Service Funds
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>		
\$ 13,022,991	\$ 70,444,115	\$ 20,227,195	
-	-	5,839,278	
(10,227,125)	(34,456,473)	(25,019,392)	
(1,917,083)	(16,047,757)	(1,517,026)	
-	92,167	-	
<u>878,783</u>	<u>20,032,052</u>	<u>(469,945)</u>	
223,932	627,956	-	
-	33,000	-	
-	(1,638,107)	(350,000)	
<u>605,000</u>	<u>387,611</u>	<u>(88,474)</u>	
<u>828,932</u>	<u>(589,540)</u>	<u>(438,474)</u>	
(343,710)	(13,543,875)	(119,634)	
-	5,284,235	-	
57,200	135,196	193,393	
-	(4,529,183)	-	
-	(4,266,631)	-	
-	(69,974)	-	
-	2,452,419	-	
<u>(286,510)</u>	<u>(14,537,813)</u>	<u>73,759</u>	
		Continued...	

Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2018

	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	-	-	1,037,766
Interest Income	631,560	420,689	9,064
Purchases of Investments	(410,964)	(6,197,391)	-
Net Cash Provided (Used) by Investing Activities	<u>220,596</u>	<u>(5,776,702)</u>	<u>1,046,830</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(387,646)	(536,283)	(101,853)
Cash and Cash Equivalents - Beginning of Year - As Restated	<u>2,939,636</u>	<u>3,600,685</u>	<u>156,676</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,551,990</u>	<u>\$ 3,064,402</u>	<u>\$ 54,823</u>
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 93,260	\$ 3,064,402	\$ 54,823
Restricted assets	2,458,730	-	-
Total	<u>\$ 2,551,990</u>	<u>\$ 3,064,402</u>	<u>\$ 54,823</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 7,748,675	\$ (23,865)	\$ (776,928)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	7,340,899	4,626,865	597,573
Other revenue	33,071	59,096	757
Decrease (Increase) in Assets			
Accounts Receivable	(146,312)	(292,521)	(1,134,525)
Due from Other Elected Officials	1,188,680	178,649	2
Due from Other Governments	-	-	-
Due from Other Funds	-	-	-
Inventories	(30,723)	19,602	(132,498)
Prepaid Expenses	(72,386)	(1,401,908)	513
Deferred Outflows	505,635	(28,607)	(108,671)

Exhibit IV

<u>- Enterprise Funds</u>		
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities -- Internal Service Funds</u>
-	1,037,766	87,948
61,543	1,122,856	12,641
(949,598)	(7,557,953)	-
<u>(888,055)</u>	<u>(5,397,331)</u>	<u>100,589</u>
533,150	(492,632)	(734,071)
<u>239,662</u>	<u>6,936,659</u>	<u>3,123,319</u>
<u>\$ 772,812</u>	<u>\$ 6,444,027</u>	<u>\$ 2,389,248</u>
\$ 749,554	\$ 3,962,039	\$ 2,389,248
23,258	2,481,988	-
<u>\$ 772,812</u>	<u>\$ 6,444,027</u>	<u>\$ 2,389,248</u>
\$ 1,189,863	\$ 8,137,745	\$ (132,764)
353,107	12,918,444	78,858
-	92,924	-
26,596	(1,546,762)	(526,510)
-	1,367,331	-
(16,268)	(16,268)	(32,947)
-	-	(216,312)
-	(143,619)	(41,014)
3,035	(1,470,746)	(35,870)
(24,864)	343,493	(9,315)

Continued...

Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2018

	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	(23,684)	(138,999)	(72,471)
Service Contracts Payable	(976,808)	281,452	(30,901)
Due to Other Funds	-	-	-
Due to Other Elected Officials	95	926	(417)
Due to Other Governments	5,735	15,907	(743)
Compensated Absences Payable	10,253	13,558	44,024
Closure Cost Payable	-	-	-
Claims and Judgments Payable	-	-	-
Other Accrued Liabilities	37,093	13,111	25,390
Deposits	24,925	-	-
Unearned Revenue	(73,099)	73,775	17,443
Other Post Employment Benefits	29,218	7,948	29,218
Net Pension Liability	315,337	87,465	336,053
Deferred Inflows	406,364	112,582	431,446
Total Adjustments	8,574,293	3,628,901	2,193
Net Cash Provided (Used) by Operating Activities	\$ 16,322,968	\$ 3,605,036	\$ (774,735)

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>		
(17,566)	(252,720)		403,842
(480,179)	(1,206,436)		(80,876)
-	-		126,513
-	604		(79)
(19,587)	1,312		-
(8,261)	59,574		18,501
(317,702)	(317,702)		-
-	-		(408,684)
6,703	82,297		8,686
1,500	26,425		-
(2,263)	15,856		10,283
6,333	72,717		240,848
78,259	817,114		64,448
100,077	1,050,469		62,447
<u>(311,080)</u>	<u>11,894,307</u>		<u>(337,181)</u>
<u>\$ 878,783</u>	<u>\$ 20,032,052</u>		<u>\$ (469,945)</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, 2018

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 6,142,363
Investments	1,655,000
Accounts Receivable	16,238
Due from Other Funds	450,025
Due from Other Elected Officials	60
Due from Other Governments	530
Total Assets	8,264,216
LIABILITIES	
Accrued Liabilities	\$ 2,126
Due to Other Funds	380,458
Due to Other Elected Officials	123,216
Due to Other Governments	983,104
Due to Depositors	4,545,481
Taxes Collected in Advance for Other Governments	2,229,831
Total Liabilities	8,264,216
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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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

The County maintains a cash and investment pool that is available for use by all funds. Earnings from the pooled investments are allocated to the respective funds based on applicable cash participation by each fund. The investment pool is managed such that all participating funds have the ability to deposit and withdraw cash as if they were demand deposit accounts. Therefore, all balances representing participants' equity in the investment pools are classified as cash and cash equivalents for financial statement purposes.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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

Except for where otherwise specified, the County's investments are reported at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. This standard requires investments reported in the Statement of Net Position to be measured at fair value consistent with an exchange-like transaction between willing parties, other than in a forced liquidation or sale. Paragraph 16 of GASB Statement No. 31 makes an exception for investments in 2a-7-like governmental external investment pools containing certain money market investments, which may be accounted for and reported at amortized cost, provided the investments have a remaining maturity of one year or less at the time of purchase. A 2a7-like pool is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Investments held by 2a7-like pools are of very high credit quality and short maturity. The high credit quality requirement is intended to limit the investment portfolio's credit risk, and the short maturity requirement is intended to limit interest rate risk. These two requirements are designed to keep the pool's measured fair value to be very close to the pool's value on an amortized cost basis. Governmental external investment pools may also report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In June 2010, the GASB issued Statement No. 59, Financial Instruments Omnibus, which clarified investments in 2a-7-like pools should be measured at the net asset value per share. The net asset value per share generally is calculated on a basis other than fair value, such as the amortized cost method.

In December, 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants, in response to the Securities and Exchange Commission's amendments to Rule 2a-7 in 2014 related to money market funds, which would become effective in April, 2016. As a result of the SEC's changes to Rule 2a-7, most notably with a change in fund transactions to be recorded at a floating instead of stable net asset value per share, as well as the ability of money market funds to now impose liquidity fees and redemption gates, external investment pools would subsequently lose the ability to report the pool's value at amortized cost. GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools, by creating an exception to allow for the continued reporting at amortized cost contingent upon adherence to the exceptions within Paragraph 4, and as further delineated in subsequent sections of the new standard.

The Florida Local Government Investment Trust (the Trust) was created and established under the laws of the state of Florida for the purpose of providing opportunities for the investment of excess public funds. The Trust is operated and administered by a Board of Trustees consisting of six members, three appointed by the Florida Association of Court Clerks, Inc., and three appointed by the Florida Association of Counties, Inc. The Trust is self-regulated and is not registered with the Securities and Exchange Commission.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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

The Trust offers two investment funds to its participants, the Short Term Bond Fund and the Day to Day Fund. The Short Term Bond Fund is a longer term, higher yielding fund, which is accounted for as a fluctuating Net Asset Value (NAV) pool. The Short Term Bond Fund does not meet the criteria as established by GASB Statement No. 79, Certain External Investment Pools and Pool Participants to be reported at amortized cost, and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's investments in the Short Term Bond Fund is determined at the NAV fair value per share in accordance with GASB Statement No. 31. Also, because the County's investment in the Short Term Bond Fund is measured at a NAV fair value per share, it is excluded from categorization within the fair value hierarchy of GASB Statement No. 72.

The Day to Day Fund is a highly liquid fund with underlying investments having a weighted average maturity of less than 90 days. The Day to Day Fund does meet the criteria as established by GASB Statement No. 79, Certain External Investment Pools and Pool Participants to be reported at amortized cost, and does have a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. However, because the fund is reported at amortized cost, it is also excluded from categorization within the fair value hierarchy of GASB Statement No. 72.

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 General Fund, 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, 2018

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 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, 2018
Levy Date	November 1, 2018
Due Date	November 1, 2018
Delinquent Date	April 1, 2019

Discounts of 1% for each month taxes are paid prior to March 2019 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, 2018

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 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.

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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 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.

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 County has \$2,358,250 of deferred outflows on Water and Sewer, Series 2015 bonds, and \$46,437,510 of deferred outflows for pension and OPEB as of September 30, 2018. Amortization expense of the deferred outflow related to the Water and Sewer, Series 2015 bonds totaled \$304,651 for the year ended September 30, 2018, and is included in interest expense on the Statements of Revenues, Expenses and Changes in Net Position.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

14. Deferred Outflows/Inflows of Resources – Continued

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 County has \$11,965,535 of deferred inflows for pension and OPEB as of September 30, 2018. The County recorded a deferred inflow for Tourist Development Taxes of \$1,600,000 as of September 30, 2018

No other such material items were applicable to the County as of September 30, 2018.

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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 – Continued

When both restricted and unrestricted resources are available for use, it is the policy of the County 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 County does target 10% of the General Fund budget to set aside for reserves during the annual Budget Policy meeting.

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

A. BUDGETARY 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 appropriations budget is adopted by resolution of the Board of County Commissioners.

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

Budget amounts are originally adopted amounts as amended by action of the Board of County Commissioners by revision of fund totals. Supplemental budgetary appropriations of \$79,397,768 representing a 18.47% 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 Emergency Medical Service Enterprise Fund reported a deficit net position of \$1,837,506 as of September 30, 2018. The fund increased charges for services in FY17 and the Board eliminated ad valorem taxes allocated to the fund to subsidize its activity. The deficit will be cured by the increased fees in the provision of services and the Board may need to reconsider allocations of ad valorem taxes in future budget periods.

The Self Insurance Internal Service Fund reported deficit net position of \$3,783,731. 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 \$1,371,371. 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 fund equity of \$4,033,915. This is the result of the implementation of GASB 75 which requires the unfunded liability for future employee benefits (OPEB) to be recorded at September 30, 2018.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2018, the County's carrying value of cash and cash equivalents totaled \$19,882,429, which is presented as \$13,740,066 in the statement of net position and \$6,142,363 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, 2018, the carrying amount of the County's cash deposits totaled \$19,695,523 and cash in money market funds totaled \$186,906.

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, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Credit risk. As of September 30, 2018, 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, 2018, 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, 2018, 16.9% 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 2.98%, 6.63%, 7.0% and 0.28% 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	\$ 30,205,164	0.798	AAA	16.90%
Total long term investments	<u>30,205,164</u>			<u>16.90%</u>
Total Fair Value	<u>\$ 30,205,164</u>			<u>16.90%</u>
Portfolio Weighted Average Duration		0.798		

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 hierarch 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, 2018

NOTE 4 – FAIR VALUE OF INVESTMENTS – CONTINUED

Okaloosa County has the following recurring fair value measurements as of September 30, 2018:

- 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, 2018, Okaloosa County had the following recurring fair value measurements:

	Fair Value	Level 1	Level 2	Level 3
Federal Home Loan Bank	\$ 5,333,010	\$ -	\$ 5,333,010	\$ -
Federal Home Loan Mortgage Corporation	11,858,892	-	11,858,892	-
Federal National Mortgage Association	12,514,165	-	12,514,165	-
Governmental National Mortgage Association	499,097	-	499,097	-
	<u>30,205,164</u>	<u>\$ -</u>	<u>\$ 30,205,164</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Florida Local Government Investment Trust - Investment Pool	39,777,409			
Total investments measured at fair value	69,982,573			
Total investments measured at amortized cost	<u>91,163,959</u>			
Total investments at September 30, 2018	<u>\$ 161,146,532</u>			

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 5 – RECEIVABLES / UNEARNED AND UNAVAILABLE REVENUE

Receivables as of September 30, 2018 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		Less: Allowance for Doubtful Accounts	Net Total Receivables Sept. 30, 2018
		Other Governments	Total Receivables		
General	\$ 305,538	\$ 4,800,896	\$ 5,106,434	\$ (99,645)	\$ 5,006,789
Tourist Development	708	3,957,442	3,958,150	-	3,958,150
Water and Sewer	3,492,228	151,123	3,643,351	(289,602)	3,353,749
Airport	2,167,806	1,689,671	3,857,477	(442,706)	3,414,771
Emergency Medical Services	10,898,262	-	10,898,262	(5,655,647)	5,242,615
Nonmajor and Other Funds	1,784,071	2,599,954	4,384,025	-	4,384,025
Total	<u>\$ 18,648,613</u>	<u>\$ 13,199,086</u>	<u>\$ 31,847,699</u>	<u>\$ (6,487,600)</u>	<u>\$ 25,360,099</u>

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, 2018 for the government’s individual major funds and nonmajor internal service, and fiduciary funds in the aggregate are as follows:

<u>Funds</u>	<u>Unavailable</u>	<u>Unearned</u>
General	\$ -	\$ 1,208,797
Tourist Development	1,600,000	147,658
Water and Sewer	-	1,168,147
Airport	-	142,074
Emergency Medical Services	-	28,378
Nonmajor and Other Funds	-	1,052,248
Total	<u>\$ 1,600,000</u>	<u>\$ 3,747,302</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers and Adjustments	Ending Balance
Governmental Activities					
Capital assets, not being depreciated/amortized:					
Land	\$ 11,834,505	\$ 579,549	\$ -	\$ 3,750	\$ 12,417,804
Intangibles	1,146,905	-	-	-	1,146,905
Construction in progress	14,772,726	21,232,931	-	(1,597,027)	34,408,630
Works of art	29,195	-	-	-	29,195
Total capital assets not being depreciated/amortized	<u>27,783,331</u>	<u>21,812,480</u>	<u>-</u>	<u>(1,593,277)</u>	<u>48,002,534</u>
Capital assets, being depreciated/amortized:					
Buildings	109,673,498	477,000	-	-	110,150,498
Improvement other than buildings	37,957,556	375,204	-	1,230,502	39,563,262
Intangibles	2,278,031	49,391	20,320	-	2,347,742
Machinery and equipment	56,944,381	6,674,274	(5,629,452)	1,002,122	58,991,325
Infrastructure	158,970,787	1,757,433	-	362,776	161,090,996
Total capital assets being depreciated/amortized	<u>365,824,253</u>	<u>9,333,302</u>	<u>(5,609,132)</u>	<u>2,595,400</u>	<u>372,143,823</u>
Less accumulated depreciation/amortization for:					
Buildings	(38,189,564)	(2,878,985)	-	-	(41,068,549)
Improvement other than buildings	(12,998,791)	(1,285,876)	-	-	(14,284,667)
Intangibles	(1,976,474)	(102,225)	(3,049)	-	(2,081,748)
Machinery and equipment	(43,256,543)	(4,691,549)	5,385,669	(850,504)	(43,412,927)
Infrastructure	(89,261,430)	(2,450,768)	-	-	(91,712,198)
Total accumulated depreciated/amortized	<u>(185,682,802)</u>	<u>(11,409,403)</u>	<u>5,382,620</u>	<u>(850,504)</u>	<u>(192,560,089)</u>
Total capital assets, being depreciated/amortized, net	<u>180,141,451</u>	<u>(2,076,101)</u>	<u>(226,512)</u>	<u>1,744,896</u>	<u>179,583,734</u>
Governmental Activities capital assets, net	<u>\$ 207,924,782</u>	<u>\$ 19,736,379</u>	<u>\$ (226,512)</u>	<u>\$ 151,619</u>	<u>\$ 227,586,268</u>

Depreciation expense was charged to functions/programs as follows:

	Depreciation	Amortization
Governmental Activities		
General government	\$ 2,711,205	\$ 71,620
Public safety	2,869,082	-
Physical environment	171,954	-
Transportation, incl. depreciation of general infrastructure assets	3,514,815	13,605
Economic environmental	43,050	-
Human services	305,668	-
Culture and recreation	1,421,918	1,960
Court related	190,628	15,040
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>78,858</u>	<u>-</u>
Total depreciation expense - governmental activities	<u>\$ 11,307,178</u>	<u>\$ 102,225</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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	22,486,104	5,936,075	-	(12,885,418)	15,536,761
Works of art	69,865	-	-	-	69,865
Total capital assets not being depreciated/amortized	<u>37,321,131</u>	<u>5,936,075</u>	<u>-</u>	<u>(12,885,418)</u>	<u>30,371,788</u>
Capital assets, being depreciated/amortized:					
Buildings	87,529,140	482,713	-	1,518	88,013,371
Improvement other than buildings	276,776	-	-	-	276,776
Intangibles	938,505	59,310	-	-	997,815
Machinery and equipment	21,926,872	2,736,243	(567,766)	(1,002,122)	23,093,227
Infrastructure	352,658,504	4,328,273	-	12,883,899	369,870,676
Total capital assets being depreciated/amortized	<u>463,329,797</u>	<u>7,606,539</u>	<u>(567,766)</u>	<u>11,883,295</u>	<u>482,251,865</u>
Less accumulated depreciation/amortization for:					
Buildings	(22,111,046)	(2,362,931)	-	-	(24,473,977)
Improvement other than buildings	(192,217)	(9,226)	-	-	(201,443)
Intangibles	(878,409)	(24,219)	-	-	(902,628)
Machinery and equipment	(14,813,621)	(1,994,916)	563,783	850,504	(15,394,250)
Infrastructure	(135,173,746)	(8,527,152)	-	-	(143,700,898)
Total accumulated depreciated/amortized	<u>(173,169,039)</u>	<u>(12,918,444)</u>	<u>563,783</u>	<u>850,504</u>	<u>(184,673,196)</u>
Total capital assets, being depreciated/amortized, net	<u>290,160,758</u>	<u>(5,311,905)</u>	<u>(3,983)</u>	<u>12,733,799</u>	<u>297,578,669</u>
Business-type Activities capital assets, net	<u>\$ 327,481,889</u>	<u>\$ 624,170</u>	<u>\$ (3,983)</u>	<u>\$ (151,619)</u>	<u>\$ 327,950,457</u>

Depreciation expense was charged to enterprise funds as follows:

	Depreciation	Amortization
Business-type Activities		
Water and sewer	\$ 7,317,880	\$ 23,019
Airport	4,625,665	1,200
Emergency Management Services	597,573	-
Other enterprise funds	<u>353,107</u>	<u>-</u>
Total depreciation expense - business-type activities	<u>\$ 12,894,225</u>	<u>\$ 24,219</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 6 – CAPITAL ASSETS – CONTINUED

Construction Commitments

Crestview Courthouse Remodel

The County initially entered into contract to design and remodel the Crestview Courthouse. After consideration, the County direction changed to full redevelopment of the parcel with estimated costs of \$26 million. The contract in place at September 30, 2018 totals \$20,727,106. Cumulative expenditures total \$19,772,852, with \$954,254 remaining liability outstanding at September 30, 2018.

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 2019 capital budget, total expenditures will approximate \$10,500,000 on projects, which include \$4,300,000 for year 3 of a three-year mass meter change out program, \$1,500,000 for the Water and Sewer Building/Site Work, \$1,500,000 for Reclaim Water Main Niceville/Eglin and another \$3,200,000 million 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, 2018

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, 2018

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, 2018 are as follows:

Elected Official	Current Portion	Long -Term Portion	Totals
Board of County Commissioners	\$ 2,757,451	\$ 2,010,206	\$ 4,767,657
Clerk of the Circuit Court	-	383,386	383,386
Sheriff	1,282,334	2,381,477	3,663,811
Tax Collector	100,946	213,108	314,054
Property Appraiser	-	114,624	114,624
Supervisor of Elections	152,612	208,946	361,558
Totals	<u>\$ 4,293,343</u>	<u>\$ 5,311,747</u>	<u>\$ 9,605,090</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, 2018

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, 2018. 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 \$317,702. The estimated liability for post closure care costs has a balance of \$3,383,690 as of September 30, 2018.

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2018 is as follows:

	Receivable from Other Funds	Payable to Other Funds
Major Fund		
General Fund	\$ 1,416,119	\$ 1,187,021
Tourist Development	-	132,260
Capital Outlay	167	-
Airport Enterprise Fund	266,805	-
Non-major Funds		
Special Revenue Funds	6,603	10,004
Internal Service Funds	736,829	1,166,805
Solid Waste Fund	-	-
Inspection and Code Enforcement Fund	-	-
Fiduciary Funds	450,025	380,458
	\$ 2,876,548	\$ 2,876,548

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 9 – INTERFUND BALANCES AND ACTIVITY – CONTINUED

The composition of interfund balances related to Elected Officials as of September 30, 2018 is as follows:

	Receivable from Other Elected Official	Payable to Other Elected Official
Major Fund		
General Fund	\$ 2,064,154	\$ 2,170,341
Tourist Development Special Revenue Fund	-	892
Capital Outlay Construction Trust Fund	130,444	-
Water and Sewer Enterprise Fund	-	95
Airport Enterprise Fund	-	1,088
Emergency Medical Services	-	325
Non-major Funds		
Governmental Funds	100,442	846
Proprietary Funds	-	-
Internal Service Funds	1,965	262
Fiduciary Funds	60	123,216
	<u>\$ 2,297,065</u>	<u>\$ 2,297,065</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, 2018 consisted of the following:

	Transfers In	Transfers Out
Major Fund		
General	\$ 4,817,112	\$ 881,743
Tourist Development	-	2,688,782
Capital Outlay	50,000	100,182
Airport Enterprise	-	1,638,107
Emergency Medical Services Enterprise	33,000	-
Non-major Funds		
Governmental	3,891,180	3,132,478
Internal Service	-	350,000
	<u>\$ 8,791,292</u>	<u>\$ 8,791,292</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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 \$2,975,854 has been recorded as of September 30, 2018. 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 increase 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 through 2012. 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 \$64,588 has been recorded as of September 30, 2018. The lease was renegotiated to a five year lease with four five-year renewals beginning in 2008. 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 has leased space on a water tower to a wireless communication company. The five year lease automatically renews for 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 began at \$75,000 with annual consumer price index increase.

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

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 \$1,910,074 has been recorded as of September 30, 2018. The one year lease expires in June 2019. Rental fees begin at \$18,563 and increase 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, 2018 was 42,195. Future minimum rents to be earned under the terms of the lease agreements are \$24,000.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 10 – LEASES – CONTINUED

Operating Leases – Lessor – Continued

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

<u>Fiscal Year Ended September 30</u>	
2019	6,290,024
2020	6,049,894
2021	4,794,946
2022	1,478,562
2023	1,319,793
Thereafter	<u>16,387,523</u>
	<u>\$ 36,320,742</u>

Operating Leases – Lessee

The Board leases the land, approximately 130 acres, on which airport facilities are located from the United States Government under a long-term lease agreement expiring in July 2063. The lease was renegotiated in April 2018. The amended agreement extends the expiration from December 9, 2038 to July 30, 2063 and removes a 3% annual escalation factor, which was replaced with an annual CPI adjustment. As part of the renegotiation, the Board agreed to a lump-sum \$1,200,000 payment in April 2018, which will be amortized over the remaining forty-five year life of the lease. The future minimum lease payments total \$19,375,695. Lease expense for fiscal year 2018 was \$443,880, which includes \$13,309 in amortization expense.

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 \$8,792,387 over the life time of the lease. Lease expense for fiscal year 2018 was \$396,173.

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 \$51,030 for the remaining term of the lease. Lease expenditure for fiscal year 2018 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 \$233,864. Lease expense for fiscal year 2018 was \$93,546.

The Clerk leases copier equipment under a non-cancelable operating lease effective for four years. Monthly payments under the lease are \$4,014 thru March 1, 2018. The new contract monthly payment will be \$2,468 effective April 1, 2018. Future minimum lease payments for the equipment lease total \$24,680 through December 2018. Lease expenditure for the fiscal year ended September 30, 2018 were \$37,346.

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 \$2,370 through March 2019. Total lease expenditure for fiscal year ended September 30, 2018 was \$4,740.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 10 – LEASES – CONTINUED

Operating Leases – Lessee – Continued

The Clerk 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 \$395. Future minimum lease payments for the equipment leases total \$5,640 through December 2019. Total lease expenditure for fiscal year ending September 30, 2018 were \$4,512.

Total lease expenditure/expense for material operating leases in which the County is the lessee for fiscal year ended September 30, 2018 amounted to \$1,065,742. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended September 30</u>	
2019	995,741
2020	960,245
2021	934,189
2022	909,835
2023	932,841
2024-2028	5,031,045
2029-2033	5,704,213
2034-2038	588,569
	<u>\$ 16,056,678</u>

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Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 11 – LONG-TERM DEBT

Primary Government

The following debt issues are outstanding for September 30, 2018:

Governmental Activities:

REVENUE BONDS

\$26,615,000 Sales Tax Revenue Bonds, Series 2009, serial and term bonds with stated interest rates ranging from 3.0 percent to 6.375 percent compounded semi-annually through October 1, 2039; issued in denominations of \$5,000 maturity value due in annual installments of \$315,000 to \$1,495,000 from October 1, 2011 through October 1, 2039. Sales tax revenues along with any direct federal subsidy payments received with respect to the Taxable Series 2009B Bonds (Direct Payment Build America Bonds) are pledged for payment of the bonds. Proceeds of the bonds were used to finance the construction of a new judicial center complex in the County. This issue is subject to federal arbitrage regulations. \$22,545,000

\$3,600,000 Capital improvement Revenue Bond, Series 2011, serial bonds with stated interest rate of 3.72 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$133,000 to \$259,000 from October 1, 2012 through October 1, 2030. General governmental revenues are pledged for the payment of the bonds. Proceeds of the bonds have been used to finance the purchase of the Newman C. Brackin Building to be used for office space. This issue is subject to federal arbitrage regulations. 2,723,000

\$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. 20,625,000

\$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. 12,725,000

Total Governmental Activities Revenue Bonds \$ 58,618,000

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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. 1,957,000

\$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. 956,261

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. During the review of the 2017 and 2018 indirect cost rates, the determination was made that the Clerk was overpaid an additional \$437,777. Monthly installment payments have been set up to repay this additional amount. 691,910

Total Governmental Activities Loans and Notes \$ 3,605,171

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Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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 Destin-Fort Walton Beach 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.

\$ 7,450,000

\$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.

7,020,000

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.

59,595,000

Total Business-type Revenue Bonds

\$ 74,065,000

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.

21,629

\$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.

3,972,641

Total Loans - State of Florida

3,994,270

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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	\$ 7,494,270

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	(267,706)
Assets acquired by lease, net	\$ 302,394

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, 2018:

	Balance Due October 1, 2017 (as restated)	Increases	Decreases	Balance Due September 30, 2018	Due Within One Year
Governmental Activities:					
Revenue Bonds					
Sales Tax Revenue Bonds,					
Series 2009	\$ 23,220,000	\$ -	\$ (675,000)	\$ 22,545,000	\$ 690,000
Series 2011	2,883,000	-	(160,000)	2,723,000	166,000
Series 2014	21,405,000	-	(780,000)	20,625,000	815,000
Series 2016	12,960,000	-	(235,000)	12,725,000	240,000
Less deferred amounts					
For issuance discounts/premiums	2,900,537	-	(331,157)	2,569,380	-
Total Revenue Bonds	63,368,537	-	(2,181,157)	61,187,380	1,911,000
Loans and Notes					
Private bank note	2,586,000	-	(629,000)	1,957,000	641,000
Private bank note, 2015	1,476,227	-	(519,966)	956,261	171,069
Other Payable	278,529	437,777	(24,396)	691,910	71,325
Total Notes	4,340,756	437,777	(1,173,362)	3,605,171	883,394

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

	Balance Due			Balance Due	
	October			September	Due Within
	1, 2017			30, 2018	One Year
	(as restated)	Increases	Decreases		
Capital leases	208,146	\$ -	\$ (208,146)	\$ -	\$ -
Accrued compensated absences	6,502,382	1,632,232	(430,354)	7,704,260	3,264,506
Estimated claims payable	5,904,720	-	(408,684)	5,496,036	1,559,695
Other post employment benefits	5,890,659	2,914,713	(14,622)	8,790,750	-
Net Pension Liability	<u>77,535,873</u>	<u>2,942,813</u>	<u>-</u>	<u>80,478,686</u>	<u>-</u>
Total Governmental Activities	<u>\$ 154,783,861</u>	<u>\$ 7,927,535</u>	<u>\$ (4,416,325)</u>	<u>\$ 167,262,283</u>	<u>\$ 7,475,122</u>
Business-type Activities:					
Revenue Bonds					
Airport Taxable Revenue Bonds,					
Series 2007	\$ 7,800,000	\$ -	\$ (350,000)	\$ 7,450,000	\$ 375,000
Series 2014	7,550,000	-	(530,000)	7,020,000	545,000
Water and Sewer Revenue,					
Series 2015	62,380,000	-	(2,785,000)	59,595,000	2,900,000
Less deferred amounts		-	-		-
For issuance discounts/premiums	8,503,979	21,442	(455,560)	8,069,861	-
Total Revenue Bonds	<u>86,233,979</u>	<u>21,442</u>	<u>(4,120,560)</u>	<u>82,134,861</u>	<u>3,820,000</u>
Loans and Notes					
State of Florida Revolving Loan					
Fund, February 15, 2001 through					
August 15, 2019	42,586	-	(20,956)	21,630	21,629
State of Florida Revolving Loan					
Fund, beginning June 15, 2007					
through December 15, 2023	4,381,748	-	(409,109)	3,972,639	420,537
State Infrastructure Bank Loan	-	-	-	-	-
State Infrastructure Bank Loan	-	-	-	-	-
Airport Commercial Paper Loan	<u>3,500,000</u>	<u>-</u>	<u>-</u>	<u>3,500,000</u>	<u>-</u>
Total Loans and Notes	<u>7,924,334</u>	<u>-</u>	<u>(430,065)</u>	<u>7,494,269</u>	<u>442,166</u>
Accrued compensated absences	1,841,257	72,070	(12,497)	1,900,830	1,028,837
Estimated closure costs payable	3,701,391	-	(317,701)	3,383,690	365,821
Other post employment benefits	515,110	926,649	(6,259)	1,435,500	-
Net Pension Liability	<u>27,672,035</u>	<u>817,115</u>	<u>-</u>	<u>28,489,150</u>	<u>-</u>
Total Business-type Activities	<u>\$ 127,888,106</u>	<u>\$ 1,837,276</u>	<u>\$ (4,887,082)</u>	<u>\$ 124,838,300</u>	<u>\$ 5,656,824</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$1,485,300 of internal service funds compensated absences, \$5,496,036 of estimated claims, \$5,506,357 of other post-employment benefits, and \$2,068,653 of net pension liability are included in the above amounts.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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, 2018 are as follows:

<u>Year Ending September 30,</u>	Governmental Activities			
	Revenue Bonds		Loans, Notes, and Leases	
	Principal	Interest	Principal	Interest
2019	\$ 1,911,000	\$ 2,874,022	\$ 883,394	\$ 66,691
2020	1,977,000	2,792,819	1,052,219	47,693
2021	2,049,000	2,701,519	1,005,519	28,166
2022	2,136,000	2,601,736	359,097	14,137
2023	2,228,000	2,496,289	304,942	5,805
2024-2028	12,647,000	10,676,786	-	-
2029-2033	15,185,000	7,069,605	-	-
2034-2038	12,120,000	3,457,641	-	-
2039-2043	5,700,000	1,132,163	-	-
2044-2048	2,665,000	274,375	-	-
	<u>\$ 58,618,000</u>	<u>\$ 36,076,955</u>	<u>\$ 3,605,171</u>	<u>\$ 162,492</u>

<u>Year Ending September 30,</u>	Business-type Activities					
	Revenue Bonds		Loans and Notes		Landfill Closure Costs	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 3,820,000	\$ 3,635,296	\$ 442,166	\$ 109,596	\$ 365,821	\$ -
2020	3,995,000	3,447,892	3,932,285	96,323	365,821	-
2021	4,195,000	3,248,438	444,362	83,514	365,821	-
2022	4,395,000	3,039,010	456,777	71,099	365,821	-
2023	4,620,000	2,818,252	469,539	58,336	365,821	-
2024-2028	23,215,000	10,451,469	1,749,140	98,425	1,554,585	-
2029-2033	18,555,000	5,150,455	-	-	-	-
2034-2038	11,270,000	997,500	-	-	-	-
	<u>\$ 74,065,000</u>	<u>\$ 32,788,312</u>	<u>\$ 7,494,269</u>	<u>\$ 517,293</u>	<u>\$ 3,383,690</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, 2018, \$14,284,025 was the principal liability. These bonds do not constitute an indebtedness of the County and are not a charge against its general credit or taxing powers. The bonds are payable solely from revenues of the respective industries to which these bond proceeds were remitted.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 13 – FUND BALANCES/RESTRICTED BALANCE

A schedule of the governmental fund balances for September 30, 2018 is provided below:

	Major Funds				Total
	General Fund	Tourist Development	Capital Outlay	Other	
Fund Balances:					
Nonspendable:					
Prepays	\$ 482,862	\$ 15,079	\$ -	\$ 142,549	\$ 640,490
Inventory	201,436	-	-	666,174	867,610
Restricted for:					
Tourist Development 1st Cent	-	16,476,732	-	-	16,476,732
Tourist Development 2nd Cent	-	2,880,512	-	-	2,880,512
Tourist Development 3rd Cent	-	5,989,498	-	-	5,989,498
Tourist Development 4th Cent	-	21,036,999	-	-	21,036,999
Tourist Development 5th Cent	-	4,486,460	-	-	4,486,460
Florida Boating Improvements	-	-	556,603	-	556,603
Capital Projects	-	-	1,160,214	-	1,160,214
Emergency and Disaster Relief	-	-	-	1,002,981	1,002,981
Housing and Urban Development	-	-	-	322,975	322,975
E-911 Operations	-	-	-	994,780	994,780
Radio Communications	-	-	-	122,106	122,106
Law Enforcement Trust Fund	-	-	-	169,981	169,981
Police Academy	-	-	-	63,966	63,966
Park Projects	-	-	-	3,140,388	3,140,388
Prisoner Benefit Fund	-	-	-	986,700	986,700
Judicial Innovations	-	-	-	441,888	441,888
Drug Abuse Trust Fund	-	-	-	85,567	85,567
Domestic Violence Trust Fund	-	-	-	6,880	6,880
Public Records	-	-	-	253,494	253,494
Traffic Education	-	-	-	186,884	186,884
Debt Service	-	-	-	466,663	466,663
Transportation Projects	-	-	-	8,741,827	8,741,827
Committed to:					
Planning Projects	33,732	-	73	-	33,805
Municipal Benefits Service Units	-	-	-	485,941	485,941
Assigned to:					
Transportation Projects	-	-	-	2,396,979	2,396,979
Health Department	-	-	-	1,619	1,619
Unassigned:					
Unassigned	10,577,270	-	-	-	10,577,270
Total Fund Balances	<u>\$ 11,295,300</u>	<u>\$ 50,885,280</u>	<u>\$ 1,716,890</u>	<u>\$ 20,680,342</u>	<u>\$ 84,577,812</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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, 2018.

Fund	Amount	Purpose
Airport Enterprise Fund	\$ 14,198,057	Passenger Facility Charges Program
Airport Enterprise Fund	6,644,541	Customer Facility Charges Program
Total Net Position Restricted for Other Purposes	<u>\$ 20,842,598</u>	

NOTE 14 – ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2018, is as follows:

	Amount
Governmental Funds	
General Fund	\$ 457,399
Tourist Development	588,853
Capital Outlay	498,595
Other Governmental	169,792
Total	<u>\$ 1,714,639</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, 2018

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 15 – PENSION PLAN – CONTINUED

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.

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 2017 and 2018 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, 2018 and two preceding FRS fiscal years are as follows:

	September 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016
Regular Class	8.26%	7.92%	7.52%	7.26%
Senior Management	24.06%	22.71%	21.77%	21.43%
Elected Officials	48.70%	45.50%	42.47%	42.27%
Deferred Retirement Option Program	14.03%	13.26%	12.99%	12.88%
Special Risk Regular	24.50%	23.27%	22.57%	22.04%
Special Risk Administrative Support	34.98%	34.63%	28.06%	32.95%

For the years ending September 30, 2018, 2017, 2016, the County contributed \$10,456,356, \$9,467,107, and \$8,820,596 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, 2018, the County reported a liability of \$108,967,836 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the County’s change in proportion was an increase from its proportion measured as of June 30, 2017.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 15 – PENSION PLAN – CONTINUED

The following table presents the information on the County's proportionate share of the FRS and HIS:

	<u>FRS</u>	<u>HIS</u>	<u>County Total</u>
Proportionate share of Net Pension Liability at June 30, 2018	\$ 87,393,354	\$ 21,574,482	\$ 108,967,836
County's proportion at June 30, 2018	0.00290145586	0.00203838365	
County's proportion at June 30, 2017	0.00283869579	0.00198655761	
Change in proportion during current year	<u>0.00006276007</u>	<u>0.00005182604</u>	

For the fiscal year ended September 30, 2018, the County recognized pension expense of \$7,375,992.

At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>		<u>County Total Deferred Outflow (Deferred Inflow)</u>
	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>	
Differences between expected and actual experience	\$ 7,403,530	\$ 268,713	\$ 330,296	\$ 36,654	\$ 7,428,459
Changes in assumptions	28,555,898	-	2,399,349	2,281,035	28,674,212
Net difference between projected and actual earnings on pension plan investments	-	6,752,202	13,023	-	(6,739,179)
Changes in proportion and differences between County contributions and proportionate share of contributions	3,555,817	1,803,895	1,049,109	385,518	2,415,513
County contributions subsequent to the measurement date	2,377,308	-	298,204	-	2,675,512
	<u>\$ 41,892,553</u>	<u>\$ 8,824,810</u>	<u>\$ 4,089,981</u>	<u>\$ 2,703,207</u>	<u>\$ 34,454,517</u>

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 15 – PENSION PLAN – CONTINUED

\$2,675,513 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)
2019	\$ 11,536,428	\$ 403,843	\$ 11,940,271
2020	7,976,152	402,745	8,378,897
2021	1,391,304	314,199	1,705,503
2022	5,419,475	153,561	5,573,036
2023	3,731,278	(181,801)	3,549,477
Thereafter	635,798	(3,977)	631,821
Totals	<u>\$ 30,690,435</u>	<u>\$ 1,088,570</u>	<u>\$ 31,779,005</u>

The total FRS pension liability in the June 30, 2018 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.

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	7.00%
Long Term expected rate of return, net of investment expense, including inflation	7.00%
Municipal bond rate	N/A
Inflation	2.60%
Salary increases including inflation	3.25%
Morality rates were based on Generational RP-2000 with projections scale	

HIS actuarial methods and assumptions are:

Actuarial Assumptions:	
Discount rate	3.87%
Long Term expected rate of return, net of investment expense, including inflation	N/A
Municipal bond rate	N/A
Inflation	2.60%
Salary increases including inflation	3.25%
Morality rates were based on Generational RP-2000 with projections scale	

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 15 – PENSION PLAN – CONTINUED

The Actuarial assumptions that determined the total pension liability as of June 30, 2018 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 7.00%. 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.

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%	2.9%	2.9%	1.8%
Fixed income	18.0%	4.4%	4.3%	4.0%
Global equity	54.0%	7.6%	6.3%	17.0%
Real estate (property)	11.0%	6.6%	6.0%	11.3%
Private equity	10.0%	10.7%	7.8%	26.5%
Strategic investments	6.0%	6.0%	5.7%	8.6%
	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
6.00%	7.00%	8.00%	2.87%	3.87%	4.87%
\$159,496,537	\$87,393,354	\$27,507,398	\$24,572,071	\$21,574,482	\$19,075,818

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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 (the County) provides post-employment health care and dental insurance benefits (OPEB) for eligible retired employees and their spouses through a single-employer defined benefit plan administered by Blue Cross Blue Shield of Florida (BCBSFL). Pursuant to the provision of Section 112.0801, Florida Statutes, employees who retire from the County and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. In order for OPEB obligations to be considered funded, an irrevocable trust fund must be used. The County has elected not to “fund” the total OPEB obligation, but instead chose to appropriate and set aside amounts annually in the Board’s Self Insurance Fund so that the total OPEB liability is completely offset by cash and investments over time. 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.

Plan Membership

Inactive plan members or beneficiaries currently receiving benefits	64
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	962
	1,026

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.

Contributions

The County contracted Insurance Broker negotiates the premium rates with BCBSFL. Retirees and beneficiaries currently receiving benefits are required to contribute 100% of their current premium costs. The County contributes the remainder to cover the costs of providing the benefits to the retirees via the insured plan. Active employees do not contribute to the plan until retirement.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 16 – POSTEMPLOYMENT BENEFITS – CONTINUED

Board of County Commissioners – Continued

Total OPEB Liability

The total OPEB liability was actuarially determined based on several actuarial assumptions, using the actuarial measurement date of September 30, 2017. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used in the September 30, 2017 OPEB Plan valuation were based on the results of an actuarial study for the period from October 1, 2016 through September 30, 2017.

Actuarial Assumptions

The following assumptions were used in determining the total OPEB liability:

Actuarial cost method	Entry Age Normal
Inflation	2.5%
Discount rate	3.5%, which equals the tax-exempt municipal bond rate on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For purposes of this valuation, the municipal bond rate is based on the daily rate closest to but not later than the measurement date of the Fidelity’s “20-Year Municipal GO AA Index”).
Salary increases	Salary increase rates developed in the 5-year experience study dated January 15, 2019 and covering the period 2012 through 2017; 3.0% - 8.5%, including inflation.
Retirement age	Retirement rates developed in the 5-year experience study dated January 15, 2019 and covering the period 2012 through 2017; varies by age.
Mortality	Mortality tables used for Regular and Special Risk Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 0% on 10/1/2018 (to reflect actual premiums) followed by 6.75% on 10/1/2019 and gradually decreasing to an ultimate trend rate of 4.24% plus 0.70% increase for excise tax.
Aging factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”.
Expenses	Administrative expenses are include in the per capital health costs.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 16 – POSTEMPLOYMENT BENEFITS – CONTINUED

Board of County Commissioners – Continued

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2017	\$ 4,844,297	\$ -	\$ 4,844,297
Changes for the year:			
Service cost	315,544	-	315,544
Interest	155,871	-	155,871
Changes of assumptions	(228,803)	-	(228,803)
Contributions	-	263,491	(263,491)
Benefit payments	(263,491)	(263,491)	-
Net changes	(20,879)	-	(20,879)
Balances at September 30, 2018	\$ 4,823,418	\$ -	\$ 4,823,418

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.50%	3.50%	4.50%
	Net OPEB Liability	\$ 5,426,248	\$ 4,823,418

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.00% -7.50%	4.00% -8.50%	5.00% -9.50%
	Net OPEB Liability	\$ 4,363,210	\$ 4,823,418

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Board recognized OPEB expense of \$446,544. On September 30 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 203,933
Contributions subsequent to the measurement date	228,144	-
	\$ 228,144	\$ 203,933

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 16 – POSTEMPLOYMENT BENEFITS – CONTINUED

Board of County Commissioners – Continued

Deferred outflows of resources related to OPEB of \$228,144 resulting from the Board’s contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2019	\$ (24,870)
2020	(24,870)
2021	(24,870)
2022	(24,870)
2023	(24,870)
Thereafter	(79,583)
	<u>\$ (203,933)</u>

Sheriff

Plan Description

The Okaloosa County Sheriff’s Office (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).

Plan Membership

Inactive plan members or beneficiaries currently receiving benefits	25
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	360
	<u>385</u>

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, 2018

NOTE 16 – POSTEMPLOYMENT BENEFITS – CONTINUED

Sheriff – Continued

Contributions

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.

Total OPEB Liability

The total OPEB liability was actuarially determined based on several actuarial assumptions, using the actuarial measurement date of September 30, 2017. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used in the September 30, 2017 OPEB Plan valuation were based on the results of an actuarial study for the period from October 1, 2016 through September 30, 2017.

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Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 16 – POSTEMPLOYMENT BENEFITS – CONTINUED

Sheriff – Continued

Actuarial Assumptions

The following assumptions were used in determining the total OPEB liability:

Actuarial cost method	Entry Age Normal
Inflation	2.5%
Discount rate	3.5%, which equals the tax-exempt municipal bond rate on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For purposes of this valuation, the municipal bond rate is based on the daily rate closest to but not later than the measurement date of the Fidelity’s “20-Year Municipal GO AA Index”).
Salary increases	Salary increase rates used in the July 1, 2016 actuarial valuation of the Florida Retirement Systems; 3.7% - 7.8%, including inflation.
Retirement age	Retirement rates used in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.
Mortality	Mortality tables used for Regular and Special Risk Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.
Healthcare cost trend rates	Trend rates for 2018 of 7.0% for per capita costs and 5.0% for premiums (based on actual premium rates effective October 1, 2018), and thereafter trend based on the Getzen Model, with a trend rate of 6.75% for 2019, and gradually decreasing to an ultimate trend rate of 4.24% plus 0.15% increase for excise tax.
Aging factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”.
Expenses	Administrative expenses are include in the per capital health costs.

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2017	\$ 5,420,740	\$ -	\$ 5,420,740
Changes for the year:			
Service cost	299,973	-	299,973
Interest	173,653	-	173,653
Changes of assumptions	(253,549)	-	(253,549)
Contributions	-	237,985	(237,985)
Benefit payments	(237,985)	(237,985)	-
Net changes	(17,908)	-	(17,908)
Balances at September 30, 2018	\$ 5,402,832	\$ -	\$ 5,402,832

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 16 – POSTEMPLOYMENT BENEFITS – CONTINUED

Sheriff

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Net OPEB Liability	\$ 6,073,471	\$ 5,402,832	\$ 4,840,644

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates:

	1% Decrease 3.00% -7.50%	Healthcare Cost Trend Rates 4.00% -8.50%	1% Increase 5.00% -9.50%
Net OPEB Liability	\$ 4,639,432	\$ 5,402,832	\$ 6,371,014

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended September 30, 2018, the OCSO recognized OPEB expense of \$453,662. On September 30 2018, the OCSO reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 233,585
Contributions subsequent to the measurement date	226,832	-
	\$ 226,832	\$ 233,585

Deferred outflows of resources related to OPEB of \$228,144 resulting from the OCSO's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2019	\$ (19,964)
2020	(19,964)
2021	(19,964)
2022	(19,964)
2023	(19,964)
Thereafter	(133,765)
	\$ (233,585)

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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.

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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 17 – RISK MANAGEMENT – CONTINUED

A. Method of Risk Management

Employee Medical Benefits – Continued

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 additional corridor of \$275,500. 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, 2018, the amount of these liabilities was \$285,884. 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, 2018. 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.

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Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 17 – RISK MANAGEMENT – CONTINUED

A. Method of Risk Management

Employee Medical Benefits – Continued

Reconciliation of Claims Liabilities for Medical Benefits	As of	As of
	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Unpaid claims and adjustment expenses at beginning of year	\$ 688,739	\$ 505,955
Incurred claims and claim adjustment expenses		
A) Provision for insured events of current fiscal year	6,166,936	4,962,052
B) Increases (decreases) in provision for insured events of prior fiscal years	-	-
Total incurred claims and claim adjustment expenses	<u>6,855,675</u>	<u>5,468,007</u>
Payments		
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	6,569,791	4,779,268
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	-	-
Total payments	<u>6,569,791</u>	<u>4,779,268</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 285,884</u>	<u>\$ 688,739</u>

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 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, 2018. 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.

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 17 – RISK MANAGEMENT – CONTINUED

B. Claim Liabilities for Retained Risk – Continued

Claims liabilities recognized in the Self Insurance Fund of the Board of County Commissioners at September 30, 2018 were as follows:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Workers' compensation	\$ 1,140,235	\$ 3,671,379	\$ 4,811,614
General liability	103,024	225,594	328,618
Automobile liability	25,146	37,718	62,864
Property	<u>5,406</u>	<u>1,650</u>	<u>7,056</u>
Total claims liability recognized	<u>\$ 1,273,811</u>	<u>\$ 3,936,341</u>	<u>\$ 5,210,152</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.

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Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 17 – RISK MANAGEMENT – CONTINUED

B. Reconciliation of Claims Liabilities

	As of September 30, 2018				As of September 30, 2017					
	Workers' Compensation	General Liability	Automobile	Property	Total	Workers' Compensation	General Liability	Automobile	Property	Total
Unpaid claims and adjustment expenses at beginning of year	\$ 4,967,292	\$ 190,219	\$ 58,470	\$ -	\$ 5,215,981	\$ 3,048,686	\$ 396,433	\$ 22,908	\$ -	\$ 3,468,027
Incurrd claims and claim adjustment expenses	1,529,182	138,840	37,139	-	1,705,161	1,370,214	161,988	27,682	-	1,559,884
A) Provision for insured events of current fiscal year	(2,839)	38,306	17,261	120,131	172,859	1,812,490	(192,945)	13,166	-	1,632,711
B) Increases (decreases) in provision for insured events of prior fiscal years	1,526,343	177,146	54,400	120,131	1,878,020	3,182,704	(30,957)	40,848	-	3,192,595
Total incurred claims and claim adjustment expenses										
Payments	(563,223)	(10,036)	(9,102)	(31,384)	(613,745)	(186,247)	(25,907)	(6,478)	-	(218,632)
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	(1,118,798)	(28,711)	(40,904)	(81,691)	(1,270,104)	(1,077,851)	(149,350)	1,192	-	(1,226,009)
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	(1,682,021)	(38,747)	(50,006)	(113,075)	(1,883,849)	(1,264,098)	(175,257)	(5,286)	-	(1,444,641)
Total payments	\$ 4,811,614	\$ 328,618	\$ 62,864	\$ 7,056	\$ 5,210,152	\$ 4,967,292	\$ 190,219	\$ 58,470	\$ -	\$ 5,215,981

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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 \$2,498,828 paid by the City during 2018 are reflected as Charges for Services in the Water and Sewer fund. The minimum commitment to the County under the Agreement is as follows:

Fiscal Year Ending September 30,	Payment
2019	57,858
2020	59,594
2021	61,382
2022	63,223
2023	65,120
2024-2028	356,106
2029-2033	412,830
2033-2038	478,584
2039	104,501
Total	\$ 1,659,198

Grants

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

Lawsuits

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

Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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 \$2,667,377 in the contract. Health service expenses above these amounts are the responsibility of the County. During the year ended September 30, 2018 the County incurred additional expenses of \$450,423 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 2018 and shall end or be renewed December 2018. The Okaloosa County Board of County Commissioners' contribution to the library cooperative for the year ended September 30, 2018 was \$690,386. In addition, approximately \$95,008 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, 2018. The future commitment to the library cooperative in 2019 is \$706,848.

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE

The Board adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment benefits other than Pension, effective for reporting periods beginning after June 15, 2017. The implementation of this statement resulted in a restatement (reduction) of beginning net position of \$3,357,792 in order to record the OPEB liability, related deferred inflows and outflows, and deferred outflows for estimated benefits paid after the measurement date.

The impact on the balance of net position at the beginning of the period is as follows:

	Governmental Activities		Business-Type Activities			
	Government Activities	Internal Service Funds	Water & Sewer Fund	Airport Fund	Emergency Medical Services Fund	Other Enterprise Funds
Net Position (Deficit), as previously stated	\$ 177,174,329	\$ (8,321,076)	\$ 152,819,290	\$ 141,810,495	\$ (670,356)	\$ 225,699
Restatement	(1,919,828)	(590,291)	(340,602)	(92,643)	(340,602)	(73,826)
Net Positions (Deficit), restated	<u>\$ 175,254,501</u>	<u>\$ (8,911,367)</u>	<u>\$ 152,478,688</u>	<u>\$ 141,717,852</u>	<u>\$ (1,010,958)</u>	<u>\$ 151,873</u>

Required Supplementary Information

Okaloosa County, Florida

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

**Board of County Commissioners, Clerk of Courts, Supervisor
of Elections, and Property Appraiser's Plan**

Last 10 years^①

Reporting Year Ended September 30, ^②	2018
Total OPEB Liability	
Service cost	\$ 315,544
Interest	155,871
Changes of benefits terms	-
Difference between expected and actual experience	-
Changes in assumptions and other inputs ^③	(228,803)
Benefit payments	(263,491)
Net change in total OPEB liability	(20,879)
Total OPEB liability – beginning	4,844,297
Total OPEB liability – ending	\$ 4,823,418
 Covered Payroll	 \$ 39,785,614
Total OPEB liability as a percentage of covered payroll	12.12%

- ① This schedule is intended to show information for ten years. Additional years will be displayed data becomes available.
- ② Measurement and valuation date is September 30, 2017.
- ③ Changes in assumptions and other inputs include the change in the discount rate from 3.10% as of the beginning of the measurement period to 3.50% as of September 30, 2017. This change is reflected in the Schedule of Changes in Total OPEB Liability. There were no benefit changes during the year.

Okaloosa County, Florida

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Sheriff's Plan

Last 10 years^①

Reporting Year Ended September 30, ^②	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 299,973
Interest	173,653
Changes of benefits terms	-
Difference between expected and actual experience	-
Changes in assumptions and other inputs ^③	(253,549)
Benefit payments	<u>(237,985)</u>
Net change in total OPEB liability	(17,908)
Total OPEB liability – beginning	<u>5,420,740</u>
Total OPEB liability – ending	<u><u>\$ 5,402,832</u></u>
 Covered Payroll	 \$ 15,887,651
Total OPEB liability as a percentage of covered payroll	34.01%

① This schedule is intended to show information for ten years. Additional years will be displayed data becomes available.

② Measurement and valuation date is September 30, 2017.

③ Changes in assumptions and other inputs include the change in the discount rate from 3.10% as of the beginning of the measurement period to 3.50% as of September 30, 2017. This change is reflected in the Schedule of Changes in Total OPEB Liability. There were no benefit changes during the year.

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

	Florida Retirement System			
	2018	2017	2016	2015
County's proportion of the net pension liability (asset)	0.290145586%	0.283869579%	0.283557756%	0.269702499%
County's proportionate share of the net pension liability (asset)	\$ 87,393,354	\$ 83,995,538	\$ 71,598,556	\$ 34,835,695
County's covered payroll	\$ 82,752,416	\$ 76,059,862	\$ 75,588,485	\$ 73,573,015
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	105.61%	110.43%	94.72%	47.35%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%
			Health Insurance Subsidy	
County's proportion of the net pension liability (asset)	0.203838365%	0.198655761%	0.197456901%	0.196252961%
County's proportionate share of the net pension liability (asset)	\$ 21,574,482	\$ 21,241,191	\$ 23,012,784	\$ 20,014,715
County's covered payroll	\$ 82,752,416	\$ 76,059,862	\$ 75,588,485	\$ 73,573,015
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.07%	27.93%	30.44%	27.20%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

*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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The following changes in actuarial assumptions occurred in 2018:

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 7.1% to 7.0%, and the active member mortality assumption was updated.

HIS: The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%

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 Municipal Services Taxing Unit 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.

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.

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, 2018

	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	\$ 168,579	\$ 1,788	\$ 21,005	\$ 92,181
Investments	1,850,637	1,982	1,090,210	910,079
Accounts Receivable	12,005	-	-	-
Due from Other Funds	-	72	-	-
Due from Other Elected Officials	-	-	-	-
Due from Other Governments	694,571	1,047,249	-	-
Inventory	438,069	-	-	-
Prepays	301	-	-	129,356
Total Assets	<u>\$ 3,164,162</u>	<u>\$ 1,051,091</u>	<u>\$ 1,111,215</u>	<u>\$ 1,131,616</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 54,519	\$ -	\$ -	\$ 1,355
Contracts Payable	77,917	-	48,878	-
Other Accrued Liabilities	133,189	-	-	6,125
Due to Other Funds	72	-	-	-
Due to Other Elected Officials	336	-	-	-
Due to Other Governments	-	-	-	-
Due to Depositors	62,283	-	-	-
Unearned Revenue	497	48,110	739,362	-
Total Liabilities	<u>328,813</u>	<u>48,110</u>	<u>788,240</u>	<u>7,480</u>
Fund Balances				
Nonspendable	438,370	-	-	129,356
Restricted	-	1,002,981	322,975	994,780
Committed	-	-	-	-
Assigned	2,396,979	-	-	-
Total Fund Balances	<u>2,835,349</u>	<u>1,002,981</u>	<u>322,975</u>	<u>1,124,136</u>
Total Liabilities and Fund Balances	<u>\$ 3,164,162</u>	<u>\$ 1,051,091</u>	<u>\$ 1,111,215</u>	<u>\$ 1,131,616</u>

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
\$ 26,296	\$ 28,057	\$ 29,990	\$ 22,986	\$ 16,149
92,034	141,924	32,416	129,048	478,289
-	-	-	-	-
-	-	-	-	-
4,168	-	1,577	-	58
-	-	-	-	1,359
-	-	-	-	-
-	-	-	-	-
<u>\$ 122,498</u>	<u>\$ 169,981</u>	<u>\$ 63,983</u>	<u>\$ 152,034</u>	<u>\$ 495,855</u>
\$ 392	\$ -	\$ -	\$ -	\$ 9,814
-	-	-	150,415	-
-	-	-	-	-
-	-	-	-	-
-	-	17	-	-
-	-	-	-	100
-	-	-	-	-
<u>392</u>	<u>-</u>	<u>17</u>	<u>150,415</u>	<u>9,914</u>
-	-	-	-	-
122,106	169,981	63,966	-	-
-	-	-	-	485,941
-	-	-	1,619	-
<u>122,106</u>	<u>169,981</u>	<u>63,966</u>	<u>1,619</u>	<u>485,941</u>
<u>\$ 122,498</u>	<u>\$ 169,981</u>	<u>\$ 63,983</u>	<u>\$ 152,034</u>	<u>\$ 495,855</u>

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Unincorporated Municipal Services Taxing Unit Fund	Prisoner Benefit Special Revenue Fund	Additional Court Cost Special Revenue Fund	Drug Abuse Trust Special Revenue Fund
ASSETS				
Cash and Cash Equivalents	\$ 53,179	\$ 49,145	\$ 27,098	\$ 36,213
Investments	3,111,319	1,030,527	388,777	47,717
Accounts Receivable	1,875	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Elected Officials	392	-	86,106	1,637
Due from Other Governments	3	-	-	-
Inventory	12	-	-	-
Prepays	12,458	434	-	-
Total Assets	\$ 3,179,238	\$ 1,080,106	\$ 501,981	\$ 85,567
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 9,835	\$ 3,169	\$ 811	\$ -
Contracts Payable	1,232	35,693	23,566	-
Other Accrued Liabilities	15,290	7,043	6,706	-
Due to Other Funds	-	-	-	-
Due to Other Elected Officials	-	-	-	-
Due to Other Governments	23	-	29,010	-
Due to Depositors	-	47,067	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	26,380	92,972	60,093	-
Fund Balances				
Nonspendable	12,470	434	-	-
Restricted	3,140,388	986,700	441,888	85,567
Committed	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances	3,152,858	987,134	441,888	85,567
Total Liabilities and Fund Balances	\$ 3,179,238	\$ 1,080,106	\$ 501,981	\$ 85,567

Statement A-1

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
\$ 2,433	\$ 36,255	\$ 34,110	\$ -	\$ 25,484
3,013	146,199	344,000	95,000	155,000
-	-	-	-	-
-	-	6,531	-	-
1,434	4,430	640	-	-
-	-	38,741	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 6,880</u>	<u>\$ 186,884</u>	<u>\$ 424,022</u>	<u>\$ 95,000</u>	<u>\$ 180,484</u>
\$ -	\$ -	\$ 14,627	\$ 7,225	\$ -
-	-	-	-	-
-	-	51,939	-	4,833
-	-	-	9,932	-
-	-	-	-	-
-	-	356,052	-	-
-	-	1,404	-	-
-	-	-	-	-
-	-	424,022	17,157	4,833
-	-	-	-	-
6,880	186,884	-	77,843	175,651
-	-	-	-	-
-	-	-	-	-
<u>6,880</u>	<u>186,884</u>	<u>-</u>	<u>77,843</u>	<u>175,651</u>
<u>\$ 6,880</u>	<u>\$ 186,884</u>	<u>\$ 424,022</u>	<u>\$ 95,000</u>	<u>\$ 180,484</u>

Continued...

Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Federal Law Enforcement Trust Special Revenue Fund	Teen Driver Challenge Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund
ASSETS				
Cash and Cash Equivalents	\$ 223,525	\$ -	\$ 155,801	\$ 413,993
Investments	-	-	310,862	8,378,341
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Elected Officials	-	-	-	-
Due from Other Governments	-	-	-	598,696
Inventory	-	-	-	228,093
Prepays	-	-	-	-
Total Assets	\$ 223,525	\$ -	\$ 466,663	\$ 9,619,123
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ 11,509
Contracts Payable	-	-	-	637,184
Other Accrued Liabilities	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Elected Officials	-	-	-	510
Due to Other Governments	-	-	-	-
Due to Depositors	-	-	-	-
Unearned Revenue	223,525	-	-	-
Total Liabilities	223,525	-	-	649,203
Fund Balances				
Nonspendable				
Nonspendable	-	-	-	228,093
Spendable				
Restricted	-	-	466,663	8,741,827
Committed	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances	-	-	466,663	8,969,920
Total Liabilities and Fund Balances	\$ 223,525	\$ -	\$ 466,663	\$ 9,619,123

Total Nonmajor
Governmental
Funds
(Exhibit III-A)

\$ 1,464,267
18,737,374
13,880
6,603
100,442
2,380,619
666,174
142,549

\$ 23,511,908

\$ 113,256
974,885
225,125
10,004
846
385,102
110,854
1,011,494

2,831,566

808,723

16,987,080
485,941
2,398,598

20,680,342

\$ 23,511,908

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2018

	County Transportation Trust Special Revenue Fund	Natural Disaster Special Revenue Fund	Local Housing Assistance Trust Fund	E-911 Operations Special Revenue Fund
Revenues				
Taxes	\$ 4,800,719	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	1,958,995	23,244	951,179	951,431
Charges for Services	595,155	-	-	7,261
Fines	260	-	-	-
Miscellaneous	173,597	56	18,534	17,178
Total Revenues	7,528,726	23,300	969,713	975,870
Expenditures				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	771,906
Physical Environment	1,087,146	-	-	-
Transportation	7,610,229	-	-	-
Economic Environment	-	-	965,457	-
Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Court-Related	-	-	-	-
Capital Outlay	1,833,427	-	-	104,750
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Costs	-	-	-	-
Total Expenditures	10,530,802	-	965,457	876,656
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,002,076)	23,300	4,256	99,214
Other Financing Sources (Uses)				
Transfers In	1,980,154	-	-	-
Transfers Out	-	-	-	-
Transfers Among Constitutional Officers	-	(23,245)	-	-
Total Other Financing Sources (Uses)	1,980,154	(23,245)	-	-
Net Change in Fund Balances	(1,021,922)	55	4,256	99,214
Fund Balances - Beginning	3,857,271	1,002,926	318,719	1,024,922
Fund Balances - Ending	\$ 2,835,349	\$ 1,002,981	\$ 322,975	\$ 1,124,136

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
\$ -	\$ -	\$ -	\$ 595,843	\$ -
-	-	-	-	495,011
-	-	-	-	7,500
-	-	19,193	-	-
56,047	23,971	-	-	-
1,738	2,695	820	109,094	8,368
<u>57,785</u>	<u>26,666</u>	<u>20,013</u>	<u>704,937</u>	<u>510,879</u>
-	-	-	-	-
43,439	-	4,648	-	-
-	-	-	-	-
-	-	-	-	444,577
-	-	-	-	-
-	-	-	601,661	-
-	-	-	-	-
-	-	-	-	-
8,073	-	-	105,843	105,781
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>51,512</u>	<u>-</u>	<u>4,648</u>	<u>707,504</u>	<u>550,358</u>
<u>6,273</u>	<u>26,666</u>	<u>15,365</u>	<u>(2,567)</u>	<u>(39,479)</u>
-	-	-	4,000	-
-	-	-	-	-
-	(72,174)	-	-	56
-	(72,174)	-	4,000	56
6,273	(45,508)	15,365	1,433	(39,423)
115,833	215,489	48,601	186	525,364
<u>\$ 122,106</u>	<u>\$ 169,981</u>	<u>\$ 63,966</u>	<u>\$ 1,619</u>	<u>\$ 485,941</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, 2018

	Unincorporated Municipal Services Taxing Unit Fund	Prisoner Benefit Special Revenue Fund	Additional Court Cost Special Revenue Fund	Drug Abuse Trust Special Revenue Fund
Revenues				
Taxes	\$ 2,227,068	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	17,565	904,687	1,122,072	-
Fines	400	-	-	13,292
Miscellaneous	49,732	17,019	109,128	1,164
Total Revenues	2,294,765	921,706	1,231,200	14,456
Expenditures				
Current				
General Government	-	-	-	-
Public Safety	-	824,065	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	1,112,006	-	-	-
Court-Related	-	-	944,440	3,018
Capital Outlay	185,885	119,749	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Costs	-	-	-	-
Total Expenditures	1,297,891	943,814	944,440	3,018
Excess (Deficiency) of Revenues Over (Under) Expenditures	996,874	(22,108)	286,760	11,438
Other Financing Sources (Uses)				
Transfers In	-	-	75,000	-
Transfers Out	(1,336,240)	-	(380,623)	-
Transfers Among Constitutional Officers	366	-	-	-
Total Other Financing Sources (Uses)	(1,335,874)	-	(305,623)	-
Net Change in Fund Balances	(339,000)	(22,108)	(18,863)	11,438
Fund Balances - Beginning	3,491,858	1,009,242	460,751	74,129
Fund Balances - Ending	\$ 3,152,858	\$ 987,134	\$ 441,888	\$ 85,567

Statement A-2

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
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	314,155	-	-
-	-	2,977,963	120,092	357,543
26,748	55,149	842,154	-	-
170	2,717	-	65	127
<u>26,918</u>	<u>57,866</u>	<u>4,134,272</u>	<u>120,157</u>	<u>357,670</u>
-	-	-	181,519	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
132	8,878	4,187,594	-	474,418
-	-	1,244	48,376	69,581
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>132</u>	<u>8,878</u>	<u>4,188,838</u>	<u>229,895</u>	<u>543,999</u>
<u>26,786</u>	<u>48,988</u>	<u>(54,566)</u>	<u>(109,738)</u>	<u>(186,329)</u>
-	-	-	-	-
(25,315)	-	-	-	-
-	(36,608)	54,566	-	-
<u>(25,315)</u>	<u>(36,608)</u>	<u>54,566</u>	<u>-</u>	<u>-</u>
1,471	12,380	-	(109,738)	(186,329)
<u>5,409</u>	<u>174,504</u>	<u>-</u>	<u>187,581</u>	<u>361,980</u>
<u>\$ 6,880</u>	<u>\$ 186,884</u>	<u>\$ -</u>	<u>\$ 77,843</u>	<u>\$ 175,651</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, 2018

	Federal Law Enforcement Trust Special Revenue Fund	Teen Driver Challenge Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 1,945,629
Licenses and Permits	-	-	-	-
Intergovernmental	88,894	-	5,617,409	5,415,742
Charges for Services	-	-	-	4,672
Fines	-	-	-	-
Miscellaneous	-	-	416,170	110,399
Total Revenues	88,894	-	6,033,579	7,476,442
Expenditures				
Current				
General Government	-	-	190,750	-
Public Safety	144,232	36,608	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	1,339,756
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Court-Related	-	-	-	-
Capital Outlay	16,836	-	-	7,506,408
Debt Service				
Principal	-	-	2,479,000	-
Interest	-	-	2,990,959	-
Other Debt Service Costs	-	-	1,305	-
Total Expenditures	161,068	36,608	5,662,014	8,846,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,174)	(36,608)	371,565	(1,369,722)
Other Financing Sources (Uses)				
Transfers In	-	-	1,050,283	750,000
Transfers Out	-	-	(1,390,300)	-
Transfers Among Constitutional Officers	72,174	36,608	-	-
Total Other Financing Sources (Uses)	72,174	36,608	(340,017)	750,000
Net Change in Fund Balances	-	-	31,548	(619,722)
Fund Balances (Deficit) - Beginning	-	-	435,115	9,589,642
Fund Balances - Ending	\$ -	\$ -	\$ 466,663	\$ 8,969,920

Total Nonmajor Governmental Funds (Exhibit IV-A)	
\$	9,569,259
	495,011
	15,328,549
	6,126,203
	1,018,021
	1,038,771
	<u>33,575,814</u>
	372,269
	1,824,898
	1,087,146
	9,394,562
	965,457
	601,661
	1,112,006
	5,618,480
	10,105,953
	2,479,000
	2,990,959
	1,305
	<u>36,553,696</u>
	<u>(2,977,882)</u>
	3,859,437
	(3,132,478)
	31,743
	<u>758,702</u>
	(2,219,180)
	<u>22,899,522</u>
\$	<u><u>20,680,342</u></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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 694,000	\$ 694,000	\$ 639,651	\$ (54,349)
Intergovernmental	120,000	120,000	130,444	10,444
Charges for Services	-	-	-	-
Miscellaneous	-	-	136,185	136,185
Total Revenues	814,000	814,000	906,280	92,280
Expenditures				
Current				
Culture and Recreation	220,370	220,370	62,958	157,412
Capital Outlay	13,368,040	15,556,905	14,101,298	1,455,607
Total Expenditures	13,588,410	15,777,275	14,164,256	1,613,019
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,774,410)	(14,963,275)	(13,257,976)	1,705,299
Other Financing Sources (Uses)				
Transfers In	25,000	50,000	50,000	-
Transfers Out	(102,700)	(111,700)	(100,182)	(11,518)
Total Other Financing Sources (Uses)	(77,700)	(61,700)	(50,182)	(11,518)
Net Change in Fund Balance	(12,852,110)	(15,024,975)	(13,308,158)	1,716,817
Fund Balance - Beginning	12,852,110	15,024,975	15,025,048	73
Fund Balance - Ending	\$ -	\$ -	\$ 1,716,890	\$ 1,716,890

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 4,700,000	\$ 4,700,000	\$ 4,800,719	\$ 100,719
Intergovernmental	1,771,915	3,497,707	1,958,995	(1,538,712)
Charges for Services	579,632	579,632	595,155	15,523
Miscellaneous	30,000	163,566	173,597	10,031
Total Revenues	<u>7,081,547</u>	<u>8,940,905</u>	<u>7,528,726</u>	<u>(1,412,179)</u>
Expenditures				
Current				
Physical Environment	1,417,374	1,540,536	1,087,146	453,390
Transportation	8,693,527	8,971,264	7,610,229	1,361,035
Capital Outlay	<u>2,341,800</u>	<u>4,263,962</u>	<u>1,833,427</u>	<u>2,430,535</u>
Total Expenditures	<u>12,452,701</u>	<u>14,775,762</u>	<u>10,530,802</u>	<u>4,244,960</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,371,154)</u>	<u>(5,834,857)</u>	<u>(3,002,076)</u>	<u>2,832,781</u>
Other Financing Sources (Uses)				
Transfers In	1,971,154	1,980,154	1,980,154	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,971,154</u>	<u>1,980,154</u>	<u>1,980,154</u>	<u>-</u>
Net Change in Fund Balance	<u>(3,400,000)</u>	<u>(3,854,703)</u>	<u>(1,021,922)</u>	<u>2,832,781</u>
Fund Balance - Beginning	<u>3,400,000</u>	<u>3,854,703</u>	<u>3,857,271</u>	<u>2,568</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,835,349</u>	<u>\$ 2,835,349</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 71,354	\$ 23,244	\$ (48,110)
Miscellaneous	-	-	56	56
Total Revenues	-	71,354	23,300	(48,054)
Expenditures				
Current				
Economic Environment	-	48,110	-	48,110
Capital Outlay	-	-	-	-
Total Expenditures	-	348,110	-	348,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(276,756)	23,300	300,056
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	-	(23,245)	23,245
Total Other Financing Sources (Uses)	-	-	(23,245)	23,245
Net Change in Fund Balance	-	(276,756)	55	323,301
Fund Balance - Beginning	300,000	300,000	1,002,926	702,926
Fund Balance - Ending	<u>\$ 300,000</u>	<u>\$ 23,244</u>	<u>\$ 1,002,981</u>	<u>\$ 1,026,227</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 1,662,810	\$ 951,179	\$ (711,631)
Miscellaneous	3,000	32,248	18,534	(13,714)
Total Revenues	3,000	1,695,058	969,713	(725,345)
Expenditures				
Current				
Economic Environment	323,000	2,013,777	965,457	1,048,320
Total Expenditures	323,000	2,013,777	965,457	1,048,320
Excess (Deficiency) of Revenues Over (Under) Expenditures	(320,000)	(318,719)	4,256	322,975
Net Change in Fund Balance	(320,000)	(318,719)	4,256	322,975
Fund Balance - Beginning	320,000	318,719	318,719	-
Fund Balance - Ending	\$ -	\$ -	\$ 322,975	\$ 322,975

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 919,000	\$ 919,000	\$ 951,431	\$ 32,431
Charges for Services	6,000	6,000	7,261	1,261
Miscellaneous	10,000	10,000	17,178	7,178
Total Revenues	935,000	935,000	975,870	40,870
Expenditures				
Current				
Public Safety	1,685,000	1,750,422	771,906	978,516
Capital Outlay	-	209,500	104,750	104,750
Total Expenditures	1,685,000	1,959,922	876,656	1,083,266
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(1,024,922)	99,214	1,124,136
Net Change in Fund Balance	(750,000)	(1,024,922)	99,214	1,124,136
Fund Balance - Beginning	750,000	1,024,922	1,024,922	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,124,136	\$ 1,124,136

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fines	\$ 77,000	\$ 77,000	\$ 56,047	\$ (20,953)
Miscellaneous	-	-	1,738	1,738
Total Revenues	77,000	77,000	57,785	(19,215)
Expenditures				
Current				
Public Safety	77,000	77,000	43,439	33,561
Capital Outlay	50,000	115,832	8,073	107,759
Total Expenditures	127,000	192,832	51,512	141,320
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,000)	(115,832)	6,273	122,105
Net Change in Fund Balance	(50,000)	(115,832)	6,273	122,105
Fund Balance - Beginning	50,000	115,832	115,833	1
Fund Balance - Ending	\$ -	\$ -	\$ 122,106	\$ 122,106

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Fines	\$ -	\$ -	\$ 23,971	\$ 23,971
Miscellaneous	2,000	2,000	2,695	695
Total Revenues	2,000	2,000	26,666	24,666
Expenditures				
Current				
Public Safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,000	2,000	26,666	24,666
Other Financing Sources (Uses)				
Transfers Among				
Constitutional Officers	(12,000)	(217,489)	(72,174)	145,315
Total Other Financing Sources (Uses)	(12,000)	(217,489)	(72,174)	145,315
Net Change in Fund Balance	(10,000)	(215,489)	(45,508)	169,981
Fund Balance - Beginning	10,000	215,489	215,489	-
Fund Balance - Ending	\$ -	\$ -	\$ 169,981	\$ 169,981

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Charges for Services	\$ 20,000	\$ 20,000	\$ 19,193	\$ (807)
Miscellaneous	400	400	820	420
Total Revenues	20,400	20,400	20,013	(387)
Expenditures				
Current				
Public Safety	6,800	12,419	4,648	7,771
Total Expenditures	6,800	12,419	4,648	7,771
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,600	7,981	15,365	7,384
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(18,600)	(56,581)	-	56,581
Total Other Financing Sources (Uses)	(18,600)	(56,581)	-	56,581
Net Change in Fund Balance	(5,000)	(48,600)	15,365	63,965
Fund Balance - Beginning	5,000	48,600	48,601	1
Fund Balance - Ending	\$ -	\$ -	\$ 63,966	\$ 63,966

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 595,661	\$ 595,661	\$ 595,843	\$ 182
Miscellaneous	2,000	93,520	109,094	15,574
Total Revenues	<u>597,661</u>	<u>689,181</u>	<u>704,937</u>	<u>15,756</u>
Expenditures				
Current				
Human Services	601,661	601,661	601,661	-
Capital Outlay	-	91,520	105,843	(14,323)
Total Expenditures	<u>601,661</u>	<u>693,181</u>	<u>707,504</u>	<u>(14,323)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,000)</u>	<u>(4,000)</u>	<u>(2,567)</u>	<u>1,433</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	-	-	1,433	1,433
Fund Balance - Beginning	-	-	186	186
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,619</u>	<u>\$ 1,619</u>

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2018 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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and Permits	\$ 502,759	\$ 502,759	\$ 495,011	\$ (7,748)
Intergovernmental	-	-	7,500	7,500
Miscellaneous	700	700	8,368	7,668
Total Revenues	503,459	503,459	510,879	7,420
Expenditures				
Current				
Transportation	902,872	996,421	444,577	551,844
Capital Outlay	27,698	32,402	105,781	(73,379)
Total Expenditures	930,570	1,028,823	550,358	478,465
Excess (Deficiency) of Revenues Over (Under) Expenditures	(427,111)	(525,364)	(39,479)	485,885
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	-	56	56
Total Other Financing Sources (Uses)	-	-	56	56
Net Change in Fund Balance	(427,111)	(525,364)	(39,423)	485,941
Fund Balance - Beginning	427,111	525,364	525,364	-
Fund Balance - Ending	\$ -	\$ -	\$ 485,941	\$ 485,941

Okaloosa County, Florida
UNINCORPORATED MUNICIPAL SERVICES TAXING UNIT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 2,227,078	\$ 2,227,078	\$ 2,227,068	\$ (10)
Charges for Services	10,300	10,300	17,565	7,265
Fines	-	-	400	400
Miscellaneous	50,000	50,000	49,732	(268)
Total Revenues	2,287,378	2,287,378	2,294,765	7,387
Expenditures				
Current				
Public Safety	1,720,258	1,662,149	-	1,662,149
Culture and Recreation	1,237,935	1,243,735	1,112,006	131,729
Capital Outlay	1,542,945	1,537,145	185,885	1,351,260
Total Expenditures	4,501,138	4,443,029	1,297,891	3,145,138
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,213,760)	(2,155,651)	996,874	3,152,525
Other Financing Sources (Uses)				
Transfers Out	(1,336,240)	(1,336,240)	(1,336,240)	-
Transfers Among Constitutional Officers	-	-	366	366
Total Other Financing Sources (Uses)	(1,336,240)	(1,336,240)	(1,335,874)	366
Net Change in Fund Balance	(3,550,000)	(3,491,891)	(339,000)	3,152,891
Fund Balance - Beginning	3,550,000	3,491,891	3,491,858	(33)
Fund Balance - Ending	\$ -	\$ -	\$ 3,152,858	\$ 3,152,858

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Charges for Services	\$ 845,000	\$ 845,000	\$ 904,687	\$ 59,687
Miscellaneous	13,500	13,500	17,019	3,519
Total Revenues	858,500	858,500	921,706	63,206
Expenditures				
Current				
Public Safety	1,740,700	1,740,191	824,065	916,126
Capital Outlay	117,800	127,550	119,749	7,801
Total Expenditures	1,858,500	1,867,741	943,814	923,927
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000,000)	(1,009,241)	(22,108)	987,133
Net Change in Fund Balance	(1,000,000)	(1,009,241)	(22,108)	987,133
Fund Balance - Beginning	1,000,000	1,009,241	1,009,242	1
Fund Balance - Ending	\$ -	\$ -	\$ 987,134	\$ 987,134

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Charges for Services	\$ 1,240,100	\$ 1,240,100	\$ 1,122,072	\$ (118,028)
Miscellaneous	44,600	44,600	109,128	64,528
Total Revenues	1,284,700	1,284,700	1,231,200	(53,500)
Expenditures				
Current				
Court-Related	1,354,424	1,389,174	944,440	444,734
Capital Outlay	23,625	95,775	-	95,775
Total Expenditures	1,378,049	1,484,949	944,440	540,509
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,349)	(200,249)	286,760	487,009
Other Financing Sources (Uses)				
Transfers In	120,025	120,025	75,000	45,025
Transfers Out	(500,000)	(500,000)	(380,623)	(119,377)
Total Other Financing Sources (Uses)	(379,975)	(379,975)	(305,623)	74,352
Net Change in Fund Balance	(473,324)	(580,224)	(18,863)	561,361
Fund Balance - Beginning	473,324	580,224	460,751	(119,473)
Fund Balance - Ending	\$ -	\$ -	\$ 441,888	\$ 441,888

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fines	\$ 20,000	\$ 20,000	\$ 13,292	\$ (6,708)
Miscellaneous	600	600	1,164	564
Total Revenues	20,600	20,600	14,456	(6,144)
Expenditures				
Current				
Court-Related	95,600	94,729	3,018	91,711
Total Expenditures	95,600	94,729	3,018	91,711
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,000)	(74,129)	11,438	85,567
Net Change in Fund Balance	(75,000)	(74,129)	11,438	85,567
Fund Balance - Beginning	75,000	74,129	74,129	-
Fund Balance - Ending	\$ -	\$ -	\$ 85,567	\$ 85,567

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines	\$ 34,000	\$ 34,000	\$ 26,748	\$ (7,252)
Miscellaneous	200	200	170	(30)
Total Revenues	34,200	34,200	26,918	(7,282)
Expenditures				
Current				
Court-Related	5,255	5,255	132	5,123
Total Expenditures	5,255	5,255	132	5,123
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,945	28,945	26,786	(2,159)
Other Financing Sources (Uses)				
Transfers Out	(37,200)	(34,354)	(25,315)	(9,039)
Total Other Financing Sources (Uses)	(37,200)	(34,354)	(25,315)	9,039
Net Change in Fund Balance	(8,255)	(5,409)	1,471	6,880
Fund Balance - Beginning	8,255	5,409	5,409	-
Fund Balance - Ending	\$ -	\$ -	\$ 6,880	\$ 6,880

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fines	\$ 65,000	\$ 65,000	\$ 55,149	\$ (9,851)
Miscellaneous	2,000	2,000	2,717	717
Total Revenues	<u>67,000</u>	<u>67,000</u>	<u>57,866</u>	<u>(9,134)</u>
Expenditures				
Current				
Court-Related	182,000	184,546	8,878	175,668
Total Expenditures	<u>182,000</u>	<u>184,546</u>	<u>8,878</u>	<u>175,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(115,000)</u>	<u>(117,546)</u>	<u>48,988</u>	<u>166,534</u>
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(50,000)	(56,958)	(36,608)	20,350
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(56,958)</u>	<u>(36,608)</u>	<u>20,350</u>
Net Change in Fund Balance	(165,000)	(174,504)	12,380	186,884
Fund Balance - Beginning	<u>165,000</u>	<u>174,504</u>	<u>174,504</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,884</u>	<u>\$ 186,884</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 450,673	\$ 450,673	\$ 314,155	\$ (136,518)
Charges for Services	2,524,169	2,524,169	2,977,963	453,794
Fines	752,732	752,732	842,154	89,422
Total Revenues	3,727,574	3,727,574	4,134,272	406,698
Expenditures				
Current				
Court-Related	3,791,884	3,791,884	4,187,594	(395,710)
Capital Outlay	-	-	1,244	(1,244)
Total Expenditures	3,791,884	3,791,884	4,188,838	(396,954)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,310)	(64,310)	(54,566)	(9,744)
Other Financing Sources (Uses)				
Transfers Among Constitutional C	64,310	64,310	54,566	9,744
Issuance of Debt	-	-	-	-
Total Other Financing Sources (Uses)	64,310	64,310	54,566	9,744
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, 2018 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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for Services	135,000	135,000	120,092	(14,908)
Miscellaneous	500	500	65	(435)
Total Revenues	135,500	135,500	120,157	(15,343)
Expenditures				
Current				
General Government	306,828	306,828	181,519	125,309
Capital Outlay	12,500	12,500	48,376	(35,876)
Total Expenditures	319,328	319,328	229,895	89,433
Excess (Deficiency) of Revenues Over (Under) Expenditures	(183,828)	(183,828)	(109,738)	74,090
Net Change in Fund Balance	(183,828)	(183,828)	(109,738)	74,090
Fund Balance - Beginning	-	-	187,581	187,581
Fund Balance - Ending	<u>\$ (183,828)</u>	<u>\$ (183,828)</u>	<u>\$ 77,843</u>	<u>\$ 261,671</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Charges for Services	\$ 400,000	\$ 400,000	\$ 357,543	\$ (42,457)
Miscellaneous	1,000	1,000	127	(873)
Total Revenues	401,000	401,000	357,670	(43,330)
Expenditures				
Current				
Court-Related	878,878	878,878	474,418	404,460
Capital Outlay	15,000	15,000	69,581	(54,581)
Total Expenditures	893,878	893,878	543,999	349,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	(492,878)	(492,878)	(186,329)	306,549
Net Change in Fund Balance	(492,878)	(492,878)	(186,329)	306,549
Fund Balance - Beginning	492,878	492,878	361,980	(130,898)
Fund Balance - Ending	\$ -	\$ -	\$ 175,651	\$ 175,651

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 88,894	\$ 88,894	\$ 88,894	\$ -
Total Revenues	88,894	88,894	88,894	-
Expenditures				
Current				
Public Safety	161,068	161,068	144,232	16,836
Capital Outlay	-	-	16,836	(16,836)
Total Expenditures	161,068	161,068	161,068	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,174)	(72,174)	(72,174)	-
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	72,174	72,174	72,174	-
Total Other Financing Sources (Uses)	72,174	72,174	72,174	-
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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Public Safety	57,153	57,153	36,607	20,546
Total Expenditures	57,153	57,153	36,607	20,546
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,153)	(57,153)	(36,607)	20,546
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	57,152	57,152	36,608	(20,544)
Total Other Financing Sources (Uses)	57,152	57,152	36,608	(20,544)
Net Change in Fund Balance	(1)	(1)	1	2
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ (1)	\$ (1)	\$ 1	\$ 2

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$ 5,346,500	\$ 5,346,500	\$ 5,617,409	\$ 270,909
Miscellaneous	486,148	486,148	416,170	(69,978)
Total Revenues	<u>5,832,648</u>	<u>5,832,648</u>	<u>6,033,579</u>	<u>200,931</u>
Expenditures				
Current				
General Government	190,750	190,750	190,750	-
Debt Service				
Principal	2,244,000	2,479,000	2,479,000	-
Interest	2,711,133	2,991,258	2,990,959	299
Other Debt Service Costs	516,125	1,000	1,305	(305)
Total Expenditures	<u>6,062,008</u>	<u>6,047,123</u>	<u>5,662,014</u>	<u>385,109</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(229,360)</u>	<u>(214,475)</u>	<u>371,565</u>	<u>586,040</u>
Other Financing Sources (Uses)				
Transfers In	1,169,660	1,169,660	1,050,283	119,377
Transfers Out	(1,390,300)	(1,390,300)	(1,390,300)	-
Original Issue Premium	-	-	-	-
Total Other Financing Sources (Uses)	<u>(220,640)</u>	<u>(220,640)</u>	<u>(340,017)</u>	<u>(119,377)</u>
Net Change in Fund Balance	(450,000)	(435,115)	31,548	466,663
Fund Balance (Deficit) - Beginning	450,000	464,885	435,115	(29,770)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 29,770</u>	<u>\$ 466,663</u>	<u>\$ 436,893</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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,945,629	\$ 45,629
Intergovernmental	2,050,000	12,127,669	5,415,742	(6,711,927)
Charges for Services	-	-	4,672	4,672
Miscellaneous	125,000	3,425,324	110,399	(3,314,925)
Total Revenues	<u>4,075,000</u>	<u>17,452,993</u>	<u>7,476,442</u>	<u>(9,976,551)</u>
Expenditures				
Current				
Transportation	3,370,865	3,271,061	1,339,756	1,931,305
Capital Outlay	<u>10,584,130</u>	<u>21,221,249</u>	<u>7,506,408</u>	<u>13,714,841</u>
Total Expenditures	<u>13,954,995</u>	<u>24,492,310</u>	<u>8,846,164</u>	<u>15,646,146</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,879,995)</u>	<u>(7,039,317)</u>	<u>(1,369,722)</u>	<u>5,669,595</u>
Other Financing Sources (Uses)				
Transfers In	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Net Change in Fund Balance	(9,129,995)	(6,289,317)	(619,722)	5,669,595
Fund Balance - Beginning	<u>9,129,995</u>	<u>6,289,317</u>	<u>9,589,642</u>	<u>3,300,325</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,969,920</u>	<u>\$ 8,969,920</u>

NONMAJOR ENTERPRISE FUNDS

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

Board of County Commissioners

Inspection and Code Enforcement Fund

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

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.

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	\$ 131,409	\$ 480,855	\$ 137,290	\$ 749,554
Investments	1,480,381	2,995,683	-	4,476,064
Receivables, Net of Allowance for Uncollectible	64,565	920,722	-	985,287
Due from Other Governments	-	57,312	-	57,312
Restricted Assets				
Cash and Cash Equivalents				
Customer Deposits	-	23,258	-	23,258
Total Restricted Assets	-	23,258	-	23,258
Total Current Assets	1,676,355	4,477,830	137,290	6,291,475
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	402,171	3,434,553	-	3,836,724
Less Accumulated Depreciation/Amortization	(321,131)	(2,512,236)	-	(2,833,367)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	123,465	1,447,757	-	1,571,222
Total Noncurrent Assets	123,465	1,447,757	-	1,571,222
Total Assets	\$ 1,799,820	\$ 5,925,587	\$ 137,290	\$ 7,862,697
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges Related to Pensions	\$ 424,961	\$ 467,820	\$ -	\$ 892,781
Deferred Charges Related to OPEB	2,966	2,989	-	5,955
Total Deferred Outflows of Resources	\$ 427,927	\$ 470,809	\$ -	\$ 898,736
Total Assets and Deferred Outflows of Resources	\$ 2,227,747	\$ 6,396,396	\$ 137,290	\$ 8,761,433

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	\$ 596	\$ 16,781	\$ -	\$ 17,377
Contracts Payable	1,967	589,615	-	591,582
Accrued Liabilities				
Compensated Absences	112,154	49,269	-	161,423
Closure Costs Payable	-	365,821	-	365,821
Other Accrued Liabilities	26,704	20,472	-	47,176
Due to Other Governments	13,978	175	-	14,153
Unearned Revenue	10,794	77	-	10,871
Current Liabilities Payable from				
Customer Deposits Payable	-	24,758	-	24,758
Total Current Liabilities Payable from Restricted Assets	-	24,758	-	24,758
Total Current Liabilities	166,193	1,066,968	-	1,233,161
Noncurrent Liabilities				
Compensated Absences	105,615	43,454	-	149,069
Closure Costs Payable	-	3,017,869	-	3,017,869
Other Post Employment Benefits	62,705	63,203	-	125,908
Net Pension Liability	1,070,236	1,198,418	-	2,268,654
Total Noncurrent Liabilities	1,238,556	4,322,944	-	5,561,500
Total Liabilities	\$ 1,404,749	\$ 5,389,912	\$ -	\$ 6,794,661
DEFERRED INFLOWS OF RESOURCES				
Deferred Charges Related to Pensions	\$ 154,895	\$ 147,643	\$ -	\$ 302,538
Deferred Charges Related to OPEB	2,651	2,672	-	5,323
Total Deferred Inflows of Resources	\$ 157,546	\$ 150,315	\$ -	\$ 307,861
NET POSITION				
Net Investment in Capital Assets	\$ 123,465	\$ 1,447,757	\$ -	\$ 1,571,222
Unrestricted (Deficit)	541,987	(591,588)	137,290	87,689
Total Net Position (Deficit)	665,452	856,169	137,290	1,658,911
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	\$ 2,227,747	\$ 6,396,396	\$ 137,290	\$ 8,761,433

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2018

	Business-type Activities			Total Nonmajor Enterprise Funds (Exhibit VIII)
	Inspection and Code Enforcement	Solid Waste	Tax Collector Building Maintenance	
Operating Revenues				
Licenses and Permits	\$ 1,902,117	\$ -	\$ -	\$ 1,902,117
Charges for Services	357,610	10,677,182	-	11,034,792
Miscellaneous	26,702	2,757	47,058	76,517
Total Operating Revenues	2,286,429	10,679,939	47,058	13,013,426
Operating Expenses				
Personal services	1,248,732	819,895	-	2,068,627
Contractual Services	452,974	8,130,790	-	8,583,764
Supplies	26,179	106,908	-	133,087
Utilities	-	15,615	-	15,615
Other Operating Expenses	162,103	507,260	-	669,363
Depreciation/Amortization	26,816	326,291	-	353,107
Total Operating Expenses	1,916,804	9,906,759	-	11,823,563
Operating Income (Loss)	369,625	773,180	47,058	1,189,863
Nonoperating Revenues (Expenses)				
Intergovernmental	-	223,932	-	223,932
Investment Income	18,107	43,436	-	61,543
Gain/Loss on Disposal of Capital Assets	3,049	28,651	-	31,700
Total Nonoperating Revenues (Expenses)	21,156	296,019	-	317,175
Income (Loss) Before Contributions and Transfers	390,781	1,069,199	47,058	1,507,038
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Position	390,781	1,069,199	47,058	1,507,038
Total Net Position (Deficit) - Beginning as restated	274,671	(213,030)	90,232	151,873
Total Net Position (Deficit) - Ending	\$ 665,452	\$ 856,169	\$ 137,290	\$ 1,658,911

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2018

	Business-type Activities			Total Nonmajor Enterprise Funds (Exhibit IV)
	Inspection and Code Enforcement	Solid Waste	Tax Collector Building Maintenance	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 2,391,622	\$ 10,584,311	\$ 47,058	\$ 13,022,991
Payments to Suppliers	(662,103)	(9,565,022)	-	(10,227,125)
Payments to Employees	(1,166,735)	(750,348)	-	(1,917,083)
Net Cash Provided (Used) by Operating Activities	<u>562,784</u>	<u>268,941</u>	<u>47,058</u>	<u>878,783</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating Subsidy - Intergovernmental Revenue	-	223,932	-	223,932
Net Interfund Activity	280,000	325,000	-	605,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>280,000</u>	<u>548,932</u>	<u>-</u>	<u>828,932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(56,875)	(286,835)	-	(343,710)
Proceeds from Disposal of Capital Assets	3,049	54,151	-	57,200
Net cash provided (used) by capital and related financing activities	<u>(53,826)</u>	<u>(232,684)</u>	<u>-</u>	<u>(286,510)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	18,107	43,436	-	61,543
Purchases of Investments	(739,612)	(209,986)	-	(949,598)
Net Cash Provided (Used) by Investing Activities	<u>(721,505)</u>	<u>(166,550)</u>	<u>-</u>	<u>(888,055)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	67,453	418,639	47,058	533,150
Cash and Cash Equivalents - Beginning of Year - Restated	<u>63,956</u>	<u>85,474</u>	<u>90,232</u>	<u>239,662</u>
Cash and Cash Equivalents - End of Year	<u>\$ 131,409</u>	<u>\$ 504,113</u>	<u>\$ 137,290</u>	<u>\$ 772,812</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2018

	Business-type Activities			Total Nonmajor Enterprise Funds (Exhibit IV)
	Inspection and Code Enforcement	Solid Waste	Tax Collector Building Maintenance	
Cash and Cash Equivalents at End of Year Consist of:				
Current assets	\$ 131,409	\$ 480,855	\$ 137,290	\$ 749,554
Restricted assets	-	23,258	-	23,258
Total	<u>\$ 131,409</u>	<u>\$ 504,113</u>	<u>\$ 137,290</u>	<u>\$ 772,812</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 369,625	\$ 773,180	\$ 47,058	\$ 1,189,863
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation/Amortization	26,816	326,291	-	353,107
Decrease (Increase) in Assets				
Accounts Receivables	107,533	(80,937)	-	26,596
Due from Other Governments	-	(16,268)	-	(16,268)
Prepaid Expenses	3,035	-	-	3,035
Deferred Outflows	(13,533)	(11,331)	-	(24,864)
Increase (Decrease) in Liabilities				
Accounts Payable	(7,692)	(9,874)	-	(17,566)
Service Contracts Payable	1,476	(481,655)	-	(480,179)
Due to Other Governments	(19,738)	151	-	(19,587)
Compensated Absences Payable	(6,959)	(1,302)	-	(8,261)
Other Accrued Liabilities	2,072	4,631	-	6,703
Deposits	-	1,500	-	1,500
Closure Costs Payable	-	(317,702)	-	(317,702)
Unearned Revenue	(2,340)	77	-	(2,263)
Other Post Employment Benefits	3,154	3,179	-	6,333
Net Pension Liability	43,733	34,526	-	78,259
Deferred Inflows	55,602	44,475	-	100,077
Net Cash Provided (Used) by Operating Activities	<u>\$ 562,784</u>	<u>\$ 268,941</u>	<u>\$ 47,058</u>	<u>\$ 878,783</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 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.

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.

Okaloosa County, Florida
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2018

	Governmental		
	Self- Insurance	Garage Services	Sheriff Compensated Absences
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,007	\$ 5,000	\$ 1,155,821
Investments	1,576,008	-	-
Receivables, Net of Allowance for Uncollectible	94,911	63,620	-
Due from Other Funds	-	389,313	126,513
Due from Other Elected Officials	1,753	212	-
Due from Other Governments	-	161,493	-
Inventory	-	280,145	-
Prepays	35,469	8,397	-
Total Current Assets	1,713,148	908,180	1,282,334
Noncurrent Assets			
Capital Assets			
Land	-	316,861	-
Buildings	-	900,466	-
Improvements Other Than Buildings	-	257,345	-
Machinery and Equipment	12,726	2,257,799	-
Less Accumulated Depreciation/Amortization	(10,658)	(3,043,532)	-
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	2,068	688,939	-
Total Noncurrent Assets	2,068	688,939	-
Total Assets	\$ 1,715,216	\$ 1,597,119	\$ 1,282,334
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 105,139	\$ 704,484	\$ -
Deferred Charges Related to OPEB	664	4,232	-
Total Deferred Outflows of Resources	\$ 105,803	\$ 708,716	\$ -
Total Assets and Deferred Outflows of Resources	\$ 1,821,019	\$ 2,305,835	\$ 1,282,334

Activities	
Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VII)
\$ 1,223,420	\$ 2,389,248
-	1,576,008
610,135	768,666
221,003	736,829
-	1,965
-	161,493
-	280,145
-	43,866
<u>2,054,558</u>	<u>5,958,220</u>
-	316,861
-	900,466
-	257,345
-	2,270,525
<u>-</u>	<u>(3,054,190)</u>
-	691,007
<u>-</u>	<u>691,007</u>
<u>\$ 2,054,558</u>	<u>\$ 6,649,227</u>
\$ -	\$ 809,623
<u>226,832</u>	<u>231,728</u>
<u>\$ 226,832</u>	<u>\$ 1,041,351</u>
<u>\$ 2,281,390</u>	<u>\$ 7,690,578</u>

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2018

	Governmental		
	Self- Insurance	Garage Services	Sheriff Compensated Absences
LIABILITIES			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 9,589	\$ 102,037	\$ -
Contracts Payable	5,457	76,565	-
Accrued Liabilities			
Compensated Absences	14,236	101,174	1,282,334
Claims and Judgments	1,273,811	-	-
Other Accrued Liabilities	6,386	32,344	-
Due to Other Funds	-	1,166,805	-
Due to Other Elected Officials	262	-	-
Deferred Revenue	29,883	-	-
Total Current Liabilities	1,339,624	1,478,925	1,282,334
Noncurrent Liabilities			
Compensated Absences	9,015	78,541	-
Claims and Judgments	3,936,341	-	-
Other Post Employment Benefits	14,044	89,481	-
Net Pension Liability	266,390	1,802,263	-
Total Noncurrent Liabilities	4,225,790	1,970,285	-
Total Liabilities	\$ 5,565,414	\$ 3,449,210	\$ 1,282,334
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 38,742	\$ 224,213	\$ -
Deferred Charges Related to OPEB	594	3,783	-
Total Deferred Inflows of Resources	\$ 39,336	\$ 227,996	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 2,068	\$ 688,940	\$ -
Unrestricted (Deficit)	(3,785,799)	(2,060,311)	-
Total Net Position (Deficit)	(3,783,731)	(1,371,371)	-
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	\$ 1,821,019	\$ 2,305,835	\$ 1,282,334

Activities	
Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VII)
\$ 393,004	\$ 504,630
-	82,022
-	1,397,744
285,884	1,559,695
-	38,730
-	1,166,805
-	262
-	29,883
<u>678,888</u>	<u>4,779,771</u>
-	87,556
-	3,936,341
5,402,832	5,506,357
-	2,068,653
<u>5,402,832</u>	<u>11,598,907</u>
<u>\$ 6,081,720</u>	<u>\$ 16,378,678</u>
\$ -	\$ 262,955
233,585	\$ 237,962
<u>\$ 233,585</u>	<u>\$ 500,917</u>
\$ -	\$ 691,008
(4,033,915)	(9,880,025)
<u>(4,033,915)</u>	<u>(9,189,017)</u>
<u>\$ 2,281,390</u>	<u>\$ 7,690,578</u>

Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2018

	Governmental		
	Self- Insurance	Garage Services	Sheriff Compensated Absences
Operating Revenues			
Charges for Services	\$ 14,353,178	\$ 5,540,441	\$ 126,513
Miscellaneous	438,696	-	-
Total Operating Revenues	14,791,874	5,540,441	126,513
Operating Expenses			
Personal Services	259,175	1,407,950	126,513
Contractual Services	116,939	19,307	-
Supplies	4,119	3,597,641	-
Insurance Premiums and Claims	14,093,028	-	-
Utilities	-	5,617	-
Other Operating Expenses	47,093	396,080	-
Depreciation/Amortization	1,413	77,445	-
Total Operating Expenses	14,521,767	5,504,040	126,513
Operating Income (Loss)	270,107	36,401	-
Nonoperating Revenues (Expenses)			
Investment Income (Loss)	22,982	(24,218)	-
Gain/Loss on Disposal of Capital Assets	-	192,473	-
Total Nonoperating Revenues (Expenses)	22,982	168,255	-
Income (Loss) Before Contributions and Transfers	293,089	204,656	-
Operating Transfers Out	(350,000)	-	-
Change in Net Position	(56,911)	204,656	-
Total Net Position (Deficit) - Beginning as restated	(3,726,820)	(1,576,027)	-
Total Net Position (Deficit)- Ending	\$ (3,783,731)	\$ (1,371,371)	\$ -

Statement C-2

Activities	
Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit VIII)
\$ 6,373,131	\$ 26,393,263
-	438,696
6,373,131	26,831,959
226,830	2,020,468
418,637	554,883
-	3,601,760
6,166,936	20,259,964
-	5,617
-	443,173
-	78,858
6,812,403	26,964,723
(439,272)	(132,764)
13,877	12,641
-	192,473
13,877	205,114
(425,395)	72,350
-	(350,000)
(425,395)	(277,650)
(3,608,520)	(8,911,367)
\$ (4,033,915)	\$ (9,189,017)

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2018

	Governmental		
	Self- Insurance	Garage Services	Sheriff Compensated Absences
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 14,784,583	\$ 5,442,612	\$ -
Receipts from Interfund Services Provided	-	-	131,204
Payments to Suppliers	(14,307,002)	(4,116,966)	-
Payments to Employees	(232,697)	(1,284,329)	-
Net Cash Provided (Used) by Operating Activities	<u>244,884</u>	<u>41,317</u>	<u>131,204</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers Out	(350,000)	-	-
Net Interfund Activity	(1,753)	(86,721)	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(351,753)</u>	<u>(86,721)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	-	(119,634)	-
Proceeds from Disposal of Capital Assets	-	193,393	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>73,759</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	87,714	234	-
Interest Income	22,982	(24,218)	-
Net Cash Provided (Used) by Investing Activities	<u>110,696</u>	<u>(23,984)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,827	4,371	131,204
Cash and Cash Equivalents - Beginning of Year	<u>1,180</u>	<u>629</u>	<u>1,024,617</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,007</u>	<u>\$ 5,000</u>	<u>\$ 1,155,821</u>

Statement C-3

Activities	
Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit IV)
\$ -	\$ 20,227,195
5,708,074	5,839,278
(6,595,424)	(25,019,392)
-	(1,517,026)
<u>(887,350)</u>	<u>(469,945)</u>
-	(350,000)
<u>-</u>	<u>(88,474)</u>
-	(438,474)
-	(119,634)
<u>-</u>	<u>193,393</u>
-	73,759
<u>-</u>	<u>87,948</u>
13,877	12,641
<u>13,877</u>	<u>100,589</u>
(873,473)	(734,071)
<u>2,096,893</u>	<u>3,123,319</u>
<u>\$ 1,223,420</u>	<u>\$ 2,389,248</u>

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2018

	Governmental		
	Self- Insurance	Garage Services	Sheriff Compensated Absences
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 5,007	\$ 5,000	\$ 1,155,821
Total	\$ 5,007	\$ 5,000	\$ 1,155,821
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 270,107	\$ 36,401	\$ -
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	1,413	77,445	-
Decrease (Increase) in Assets			
Accounts Receivable	(24,836)	(57,620)	-
Due from Other Governments	7,262	(40,209)	-
Due from Other Funds	-	-	4,691
Inventories	-	(41,014)	-
Prepaid Expenses	(35,469)	(401)	-
Deferred Outflows	(3,445)	(17,023)	-
Increase (Decrease) in Liabilities			
Accounts Payable	(2,928)	13,766	-
Service Contracts Payable	(3,417)	(77,459)	-
Due to Other Funds	-	-	126,513
Due to Other Elected Officials	(56)	(23)	-
Compensated Absences Payable	3,180	15,321	-
Claims and Judgments Payable	(5,829)	-	-
Other Accrued Liabilities	1,876	6,810	-
Unearned Revenue	10,283	-	-
Other Post Employment Benefits	706	4,501	-
Net Pension Liability	11,508	52,940	-
Deferred Inflows	14,529	67,882	-
Total Adjustments	(25,223)	4,916	131,204
Net Cash Provided (Used) by Operating Activities	\$ 244,884	\$ 41,317	\$ 131,204

Statement C-3

Activities	
Sheriff Health Benefits Self Insurance	Total Internal Service Funds (Exhibit IV)
\$ 1,223,420	2,389,248
\$ 1,223,420	\$ 2,389,248
\$ (439,272)	(132,764)
-	78,858
(444,054)	(526,510)
-	(32,947)
(221,003)	(216,312)
-	(41,014)
-	(35,870)
11,153	(9,315)
393,004	403,842
-	(80,876)
-	126,513
-	(79)
-	18,501
(402,855)	(408,684)
-	8,686
-	10,283
235,641	240,848
-	64,448
(19,964)	62,447
(448,078)	(337,181)
\$ (887,350)	\$ (469,945)

Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2018

	Fine and Forfeiture	Jury and Witness	Tax Deed	Support	Registry of Court	BCC Trust	State Trust	Probation Fee Trust
ASSETS								
Cash and Cash Equivalents	\$ 29,521	\$ 4,916	\$ 53,902	\$ 87,409	\$ 2,275,192	\$ 29,010	\$ 21,274	\$ 622
Investments	330,000	-	\$ 1,100,000	-	-	-	\$ 225,000	-
Accounts Receivable	-	-	-	13,005	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	450,000	-
Due from Other Elected Officials	60	-	-	-	-	-	-	-
Due from Other Governments	530	-	-	-	-	-	\$ -	-
Total Assets	\$ 360,111	\$ 4,916	\$ 1,153,902	\$ 100,414	\$ 2,275,192	\$ 29,010	\$ 696,274	\$ 622
LIABILITIES								
Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	2,781	376,041	-	-	-
Due to Other Elected Officials	87,373	-	-	-	-	29,010	-	-
Due to Other Governments	272,738	-	-	445	-	-	696,274	-
Due to Depositors	-	4,916	1,153,902	97,188	1,899,151	-	-	622
Taxes Collected in Advance for Other Government	-	-	-	-	-	-	-	-
Total Liabilities	\$ 360,111	\$ 4,916	\$ 1,153,902	\$ 100,414	\$ 2,275,192	\$ 29,010	\$ 696,274	\$ 622

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2018

	Escrow Trust	Juvenile Trust	Foreclosure		Cash Bond Trust	Individual Depositors	Suspense (Levies)	Disbursements	Total Agency Funds (Exhibit V)
			Escrow Trust	Trust					
ASSETS									
Cash and Cash Equivalents	\$ 180,801	\$ 489	\$ 921,655	\$ 258,242	\$ 5,470	\$ 10,880	\$ 2,262,980	\$ 6,142,363	
Investments	-	-	-	-	-	-	-	1,655,000	
Accounts Receivable	-	-	-	-	-	-	3,233	16,238	
Due from Other Funds	-	-	25	-	-	-	-	450,025	
Due from Other Elected Officials	-	-	-	-	-	-	-	60	
Due from Other Governments	-	-	-	-	-	-	-	530	
Total Assets	\$ 180,801	\$ 489	\$ 921,680	\$ 258,242	\$ 5,470	\$ 10,880	\$ 2,266,213	\$ 8,264,216	
LIABILITIES									
Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,126	\$ 2,126
Due to Other Funds	-	-	-	-	-	-	-	1,636	380,458
Due to Other Elected Officials	-	-	-	-	5,470	-	-	1,363	123,216
Due to Other Governments	-	489	-	-	-	-	-	13,158	983,104
Due to Depositors	180,801	-	921,680	258,242	-	10,880	18,099	4,545,481	
Taxes Collected in Advance for Other Governments	-	-	-	-	-	-	2,229,831	2,229,831	
Total Liabilities	\$ 180,801	\$ 489	\$ 921,680	\$ 258,242	\$ 5,470	\$ 10,880	\$ 2,266,213	\$ 8,264,216	

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2018

	Balances October 1, 2017	Additions	Deletions	Balances September 30, 2018
FINE AND FORFEITURE AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 34,886	\$ 4,706,407	\$ 4,711,772	\$ 29,521
Investments	315,000	100,000	85,000	330,000
Due from Other Elected Officials	2,800	-	2,740	60
Due from Other Governments	8	530	8	530
Total Assets	<u>\$ 352,694</u>	<u>\$ 4,806,937</u>	<u>\$ 4,799,520</u>	<u>\$ 360,111</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 1,403,436	\$ 1,403,436	\$ -
Due to Other Funds	-	750	750	-
Due to Other Elected Officials	87,356	1,304,768	1,304,751	87,373
Due to Other Governments	264,708	3,455,907	3,447,877	272,738
Due to Depositors	630	-	630	-
Total Liabilities	<u>\$ 352,694</u>	<u>\$ 6,164,861</u>	<u>\$ 6,157,444</u>	<u>\$ 360,111</u>
JURY AND WITNESS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	<u>\$ 24,813</u>	<u>\$ 668</u>	<u>\$ 20,565</u>	<u>\$ 4,916</u>
LIABILITIES				
Accounts Payable	-	21,934	21,934	-
Due to Depositors	24,813	2,049	21,946	4,916
Total Liabilities	<u>\$ 24,813</u>	<u>\$ 23,983</u>	<u>\$ 43,880</u>	<u>\$ 4,916</u>
TAX DEED AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 131,860	\$ 917,578	\$ 995,536	\$ 53,902
Investments	1,175,000	-	75,000	1,100,000
Total Assets	<u>\$ 1,306,860</u>	<u>\$ 917,578</u>	<u>\$ 1,070,536</u>	<u>\$ 1,153,902</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 835,874	\$ 835,874	\$ -
Due to Depositors	1,306,860	813,836	966,794	1,153,902
Total Liabilities	<u>\$ 1,306,860</u>	<u>\$ 1,649,710</u>	<u>\$ 1,802,668</u>	<u>\$ 1,153,902</u>
SUPPORT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 92,466	\$ 3,853,892	\$ 3,858,949	\$ 87,409
Accounts Receivable	7,177	22,349	16,521	13,005
Total Assets	<u>\$ 99,643</u>	<u>\$ 3,876,241</u>	<u>\$ 3,875,470</u>	<u>\$ 100,414</u>
LIABILITIES				
Due to Other Funds	\$ 7,850	\$ 4,035	\$ 9,104	\$ 2,781
Due to Other Governments	802	7,993	8,350	445
Due to Depositors	90,991	3,320,005	3,313,808	97,188
Total Liabilities	<u>\$ 99,643</u>	<u>\$ 3,332,033</u>	<u>\$ 3,331,262</u>	<u>\$ 100,414</u>

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2018

	Balances October 1, 2017	Additions	Deletions	Balances September 30, 2018
REGISTRY OF COURT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 2,422,240	\$ 19,256,338	\$ 19,403,386	\$ 2,275,192
Total Assets	<u>\$ 2,422,240</u>	<u>\$ 19,256,338</u>	<u>\$ 19,403,386</u>	<u>\$ 2,275,192</u>
LIABILITIES				
Due to Other Funds	\$ 1,032	\$ 375,009	\$ -	\$ 376,041
Due to Depositors	2,421,208	19,256,338	19,778,395	1,899,151
Total Liabilities	<u>\$ 2,422,240</u>	<u>\$ 19,631,347</u>	<u>\$ 19,778,395</u>	<u>\$ 2,275,192</u>
BOARD OF COUNTY COMMISSIONERS TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 30,522	\$ 413,771	\$ 415,283	\$ 29,010
LIABILITIES				
Due to Other Elected Officials	\$ 30,522	\$ 439,498	\$ 441,010	\$ 29,010
STATE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 86,443	\$ 28,732,975	\$ 28,798,144	\$ 21,274
Investments	100,000	225,000	100,000	225,000
Due from Other Funds	-	450,000	-	450,000
Due from Other Governments	375,130	-	375,130	-
Total Assets	<u>\$ 561,573</u>	<u>\$ 29,407,975</u>	<u>\$ 29,273,274</u>	<u>\$ 696,274</u>
LIABILITIES				
Due to Other Governments	\$ 561,573	\$ 28,632,975	\$ 28,498,274	\$ 696,274
PROBATION FEE TRUST FUND				
ASSETS				
Cash and Cash Equivalents	\$ 1,174	\$ 1,206	\$ 1,758	\$ 622
LIABILITIES				
Accounts Payable	\$ -	\$ 2,380	\$ 2,380	\$ -
Due to Depositors	1,174	1,828	2,380	622
Total Liabilities	<u>\$ 1,174</u>	<u>\$ 4,208</u>	<u>\$ 4,760</u>	<u>\$ 622</u>
ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 157,267	\$ 530,699	\$ 507,165	\$ 180,801
LIABILITIES				
Accounts Payable	\$ -	\$ 124,481	\$ 124,481	\$ -
Due to Depositors	157,267	531,103	507,569	180,801
	<u>\$ 157,267</u>	<u>\$ 655,584</u>	<u>\$ 632,050</u>	<u>\$ 180,801</u>

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2018

	Balances October 1, 2017	Additions	Deletions	Balances September 30, 2018
JUVENILE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 696	\$ 13,730	\$ 13,937	\$ 489
LIABILITIES				
Due to Other Governments	\$ -	\$ 489	\$ -	\$ 489
Due to Depositors	696	13,730	14,426	-
	<u>\$ 696</u>	<u>\$ 14,219</u>	<u>\$ 14,426</u>	<u>\$ 489</u>
FORECLOSURE ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 904,903	\$ 24,296,623	\$ 24,279,871	\$ 921,655
Accounts Receivable	140	-	140	-
Due from Other Funds	140	25	140	25
	<u>\$ 905,183</u>	<u>\$ 24,296,648</u>	<u>\$ 24,280,151</u>	<u>\$ 921,680</u>
LIABILITIES				
Due to Other Funds	\$ 22,205	\$ -	\$ 22,205	\$ -
Due to Depositors	882,978	15,784,153	15,745,451	921,680
	<u>\$ 905,183</u>	<u>\$ 15,784,153</u>	<u>\$ 15,767,656</u>	<u>\$ 921,680</u>
CASH BOND TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 275,323	\$ 805,667	\$ 822,748	\$ 258,242
LIABILITIES				
Due to Depositors	\$ 275,323	\$ 805,667	\$ 822,748	\$ 258,242
INDIVIDUAL DEPOSITORS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 6,780	\$ -	\$ 1,310	\$ 5,470
LIABILITIES				
Due to Other Elected Officials	\$ 6,780	\$ -	\$ 1,310	\$ 5,470
SUSPENSE (LEVIES) AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 4,579	\$ 6,301	\$ -	\$ 10,880
LIABILITIES				
Due to Depositors	\$ 4,579	\$ 6,301	\$ -	\$ 10,880

Continued...

Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2018

	Balances October 1, 2017	Additions	Deletions	Balances September 30, 2018
DISBURSEMENTS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 2,032,508	\$ 256,204,856	\$ 255,974,384	\$ 2,262,980
Accounts Receivable	4,281	3,233	4,281	3,233
Total Assets	<u>\$ 2,036,789</u>	<u>\$ 256,208,089</u>	<u>\$ 255,978,665</u>	<u>\$ 2,266,213</u>
LIABILITIES				
Accrued Liabilities	\$ -	\$ 4,105	\$ 1,979	\$ 2,126
Due to Other Funds	-	5,875,324	5,873,688	1,636
Due to Other Elected Officials	-	196,794,153	196,792,790	1,363
Due to Other Governments	12,600	48,913,487	48,912,929	13,158
Due to Depositors	14,963	18,099	14,963	18,099
Taxes Collected in Advance	2,009,226	4,602,921	4,382,316	2,229,831
Total Liabilities	<u>\$ 2,036,789</u>	<u>\$ 256,208,089</u>	<u>\$ 255,978,665</u>	<u>\$ 2,266,213</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 6,206,460	\$ 339,740,711	\$ 339,804,808	\$ 6,142,363
Investments	1,590,000	325,000	260,000	1,655,000
Accounts Receivable	11,598	25,582	20,942	16,238
Due from Other Funds	140	450,025	140	450,025
Due from Other Elected Officials	2,800	-	2,740	60
Due from Other Governments	375,138	530	375,138	530
Total Assets	<u>\$ 8,186,136</u>	<u>\$ 340,541,848</u>	<u>\$ 340,463,768</u>	<u>\$ 8,264,216</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 2,392,210	\$ 2,390,084	\$ 2,126
Due to Other Funds	31,087	6,255,118	5,905,747	380,458
Due to Other Elected Officials	124,658	198,538,419	198,539,861	123,216
Due to Other Governments	839,683	81,010,851	80,867,430	983,104
Due to Depositors	5,181,482	40,553,109	41,189,110	4,545,481
Taxes Collected in Advance	2,009,226	4,602,921	4,382,316	2,229,831
Total Liabilities	<u>\$ 8,186,136</u>	<u>\$ 333,352,628</u>	<u>\$ 333,274,548</u>	<u>\$ 8,264,216</u>

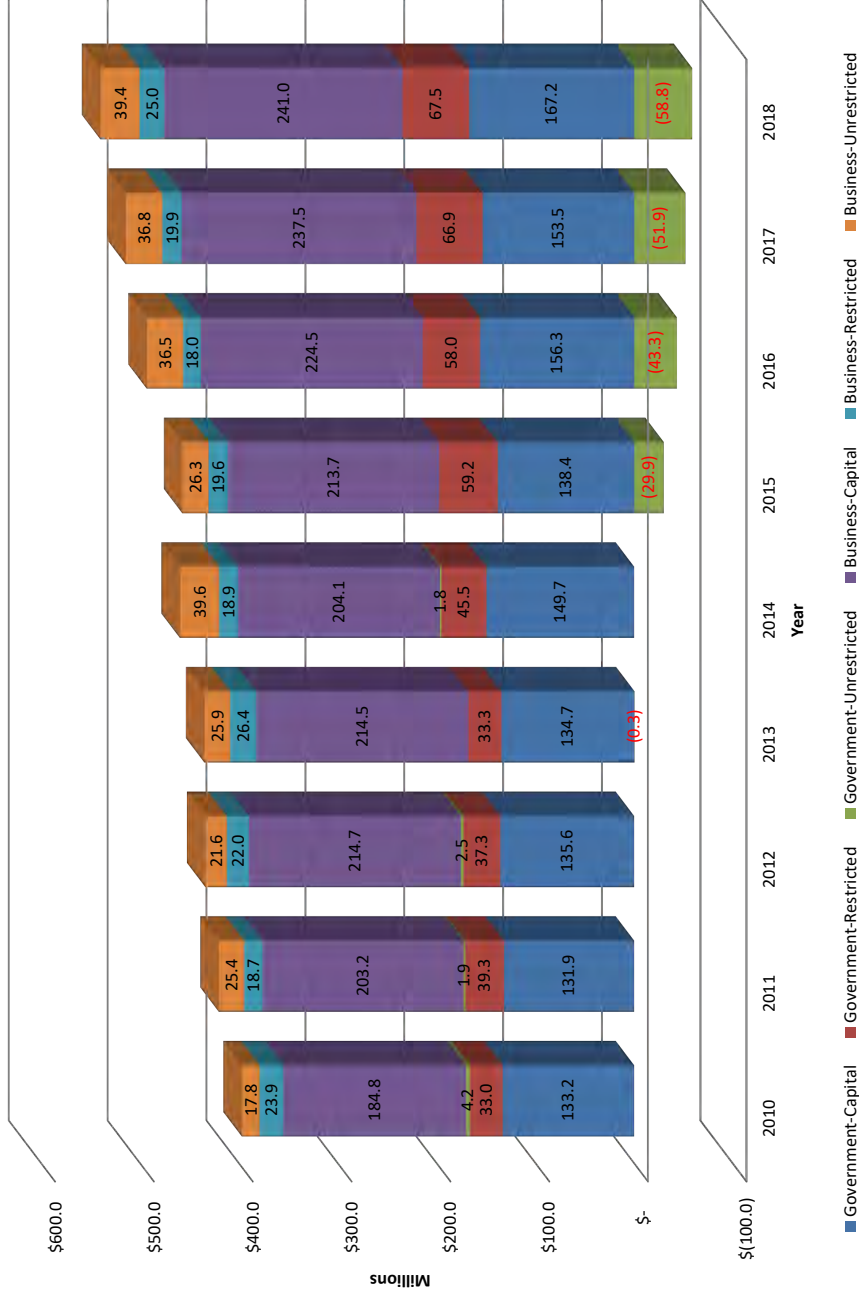
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STATISTICAL SECTION

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

(amounts in thousands)	2010	2011	2012	2013	2014	2015	2016	2017	2018
GOVERNMENTAL ACTIVITIES:									
NET INVESTMENT IN CAPITAL ASSETS	\$133,206	\$131,864	\$135,627	\$134,735	\$149,700	\$138,402	\$156,262	\$153,520	\$167,159
RESTRICTED:									
DEBT SERVICE	\$1,174	\$431	\$994	\$463	\$504	\$1,039	\$0	\$435	\$467
OTHER PURPOSES	\$31,866	\$38,864	\$36,326	\$32,871	\$45,004	\$58,132	\$57,959	\$66,498	\$67,034
UNRESTRICTED (DEFICIT)	\$4,244	\$1,865	\$2,534	(\$265)	\$1,846	(\$29,906)	(\$43,267)	(\$51,926)	(\$58,761)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	\$170,490	\$173,024	\$175,481	\$167,804	\$197,054	\$167,667	\$170,954	\$168,527	\$175,899
BUSINESS-TYPE ACTIVITIES									
NET INVESTMENT IN CAPITAL ASSETS	\$184,811	\$203,224	\$214,734	\$214,514	\$204,110	\$213,694	\$224,457	\$237,458	\$241,039
RESTRICTED:									
DEBT SERVICE	\$13,654	\$7,579	\$10,262	\$9,496	\$9,964	\$8,643	\$5,837	\$5,150	\$4,156
OTHER PURPOSES	\$10,249	\$11,090	\$11,773	\$16,888	\$8,956	\$10,969	\$12,194	\$14,778	\$20,843
UNRESTRICTED	\$17,827	\$25,367	\$21,613	\$25,916	\$39,603	\$26,319	\$36,495	\$36,799	\$39,410
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	\$226,541	\$247,260	\$258,382	\$266,814	\$262,633	\$259,625	\$278,983	\$294,185	\$305,449
PRIMARY GOVERNMENT									
NET INVESTMENT IN CAPITAL ASSETS	\$318,017	\$335,088	\$350,361	\$349,249	\$353,810	\$352,096	\$380,719	\$390,978	\$408,199
RESTRICTED:									
DEBT SERVICE	\$14,828	\$8,010	\$11,256	\$9,959	\$10,468	\$9,682	\$5,837	\$5,585	\$4,623
OTHER PURPOSES	\$42,115	\$49,954	\$48,099	\$49,759	\$53,960	\$69,101	\$70,153	\$81,276	\$87,876
UNRESTRICTED	\$22,071	\$27,232	\$24,147	\$25,651	\$41,449	(\$3,587)	(\$6,772)	(\$15,127)	(\$19,350)
TOTAL PRIMARY GOVERNMENT NET POSITION	\$397,031	\$420,284	\$433,863	\$434,618	\$459,687	\$427,292	\$449,937	\$462,712	\$481,348

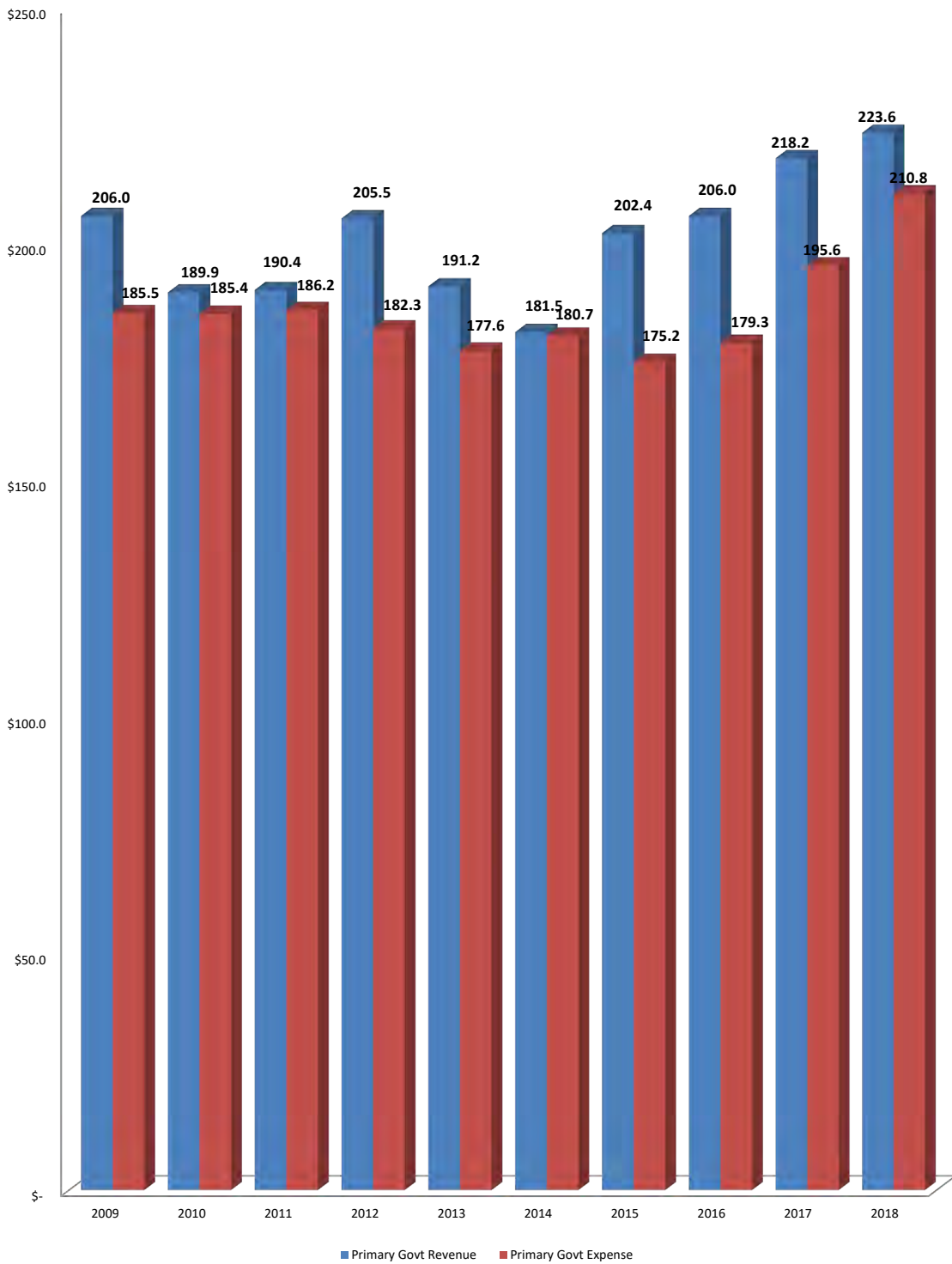
Net Position by Category Last Nine Fiscal Years



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

(amounts in thousands)	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSES									
GOVERNMENTAL ACTIVITIES:									
GENERAL GOVERNMENT	\$32,146	\$31,726	\$30,552	\$28,715	\$29,543	\$30,449	\$33,975	\$33,691	\$33,716
PUBLIC SAFETY	47,995	45,335	46,360	45,296	47,804	49,096	52,621	59,924	62,277
PHYSICAL ENVIRONMENT	2,594	2,148	933	1,502	1,178	1,139	1,376	1,864	1,993
TRANSPORTATION	18,922	17,728	16,245	14,632	13,712	14,349	17,224	17,788	17,752
ECONOMIC ENVIRONMENT	8,980	9,290	5,563	4,983	6,174	6,432	8,501	10,730	10,333
HUMAN SERVICES	4,672	4,454	4,352	4,500	4,277	4,535	4,931	5,325	5,011
CULTURE AND RECREATION	5,031	4,007	5,902	11,997	7,521	7,317	8,238	9,480	10,488
COURT-RELATED	7,390	7,118	6,634	7,589	7,406	8,154	8,147	9,135	9,405
INTEREST AND FISCAL CHARGES	1,138	1,531	1,692	1,745	1,526	2,659	2,471	2,595	2,716
TOTAL GOVERNMENTAL EXPENSES	\$128,868	\$123,337	\$118,233	\$120,959	\$119,141	\$124,130	\$137,484	\$150,532	\$153,691
BUSINESS-TYPE ACTIVITIES:									
WATER AND SEWER	\$25,752	\$27,124	\$26,149	\$27,657	\$25,122	\$26,444	\$26,004	\$26,832	\$29,224
AIRPORT	10,575	12,527	12,928	12,450	13,223	12,415	13,966	13,134	14,618
SOLID WASTE	7,757	6,874	7,438	7,684	8,566	7,155	7,913	9,053	9,907
INSPECTIONS	7,561	1,149	1,600	1,588	1,541	1,678	1,671	1,975	1,917
EMERGENCY MEDICAL SERVICES	1,241	7,495	6,933	7,234	7,587	7,440	8,553	9,292	10,876
CONFERENCE CENTER	4,424	3,754	4,301	3,153	0	0	0	0	0
TOTAL BUSINESS-TYPE EXPENSES	\$57,310	\$58,923	\$59,349	\$59,766	\$56,039	\$55,132	\$58,107	\$60,286	\$66,542
TOTAL PRIMARY GOVERNMENT EXPENSES	\$186,178	\$182,260	\$177,582	\$180,725	\$175,180	\$179,262	\$195,591	\$210,818	\$220,233
PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES:									
CHARGES FOR SERVICES									
GENERAL GOVERNMENTAL	\$10,488	\$11,002	\$12,364	\$11,378	\$11,482	\$12,538	\$12,124	\$22,252	\$19,914
OTHER	12,287	15,752	13,332	14,090	11,829	13,423	13,338	3,874	5,897
OPERATING GRANTS AND CONTRIBUTIONS	9,867	7,675	8,354	5,845	7,379	6,738	8,959	15,761	9,173
CAPITAL GRANTS AND CONTRIBUTIONS	4,287	2,611	6,240	1,249	1,716	1,393	984	1,047	3,288
TOTAL GOVERNMENT PROGRAM REVENUE	\$36,929	\$37,040	\$40,290	\$32,562	\$32,406	\$34,092	\$35,405	\$42,934	\$38,271
BUSINESS-TYPE ACTIVITIES:									
CHARGES FOR SERVICES									
WATER & SEWER	\$24,107	\$25,686	\$26,025	\$26,778	\$28,746	\$28,239	\$33,038	\$34,063	\$33,819
OTHER	26,086	27,742	28,186	29,176	25,461	25,255	29,401	30,898	36,678
OPERATING GRANTS AND CONTRIBUTIONS	797	548	338	528	264	272	455	893	628
CAPITAL GRANTS AND CONTRIBUTIONS	9,027	18,035	10,292	4,720	18,962	10,860	11,697	9,059	7,737
TOTAL BUSINESS-TYPE PROGRAM REVENUE	\$60,017	\$72,011	\$64,841	\$61,202	\$73,433	\$64,626	\$74,591	\$74,913	\$78,862
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$96,946	\$109,051	\$105,131	\$93,764	\$105,839	\$98,718	\$109,996	\$117,847	\$117,133
NET (EXPENSE)/REVENUE									
GOVERNMENTAL ACTIVITIES	(\$91,939)	(\$86,297)	(\$77,943)	(\$88,397)	(\$86,735)	(\$90,038)	(\$102,079)	(\$107,598)	(\$115,419)
BUSINESS-TYPE ACTIVITIES	\$2,707	\$13,088	\$5,492	\$1,436	\$17,394	\$9,494	\$16,484	\$14,627	\$12,319
TOTAL PRIMARY GOVERNMENT NET EXPENSE	(\$89,232)	(\$73,209)	(\$72,451)	(\$86,961)	(\$69,341)	(\$80,544)	(\$85,595)	(\$92,971)	(\$103,100)
GENERAL REVENUES									
GOVERNMENTAL ACTIVITIES:									
TAXES	\$64,567	\$61,192	\$58,759	\$58,010	\$68,740	\$73,101	\$77,192	\$82,104	\$92,802
STATE SHARED REVENUE	15,801	16,880	17,041	17,801	22,673	23,228	24,643	17,977	25,795
GRANT AND CONTRIBUTIONS NOT RESTRICTED	1,725	6,622	360	124	146	3	3	0	0
OTHER	5,734	4,137	4,241	4,785	2,951	5,831	3,527	5,090	6,378
TOTAL GOVERNMENTAL ACTIVITIES	\$87,827	\$88,831	\$80,401	\$80,720	\$94,510	\$102,163	\$105,365	\$105,171	\$124,975
BUSINESS-TYPE ACTIVITIES:									
TAXES	\$4,830	\$6,810	\$6,780	\$6,709	\$1,111	\$1,504	\$1,122	\$2	\$1
STATE SHARED REVENUE	0	0	0	0	0	0	0	0	0
GRANT AND CONTRIBUTIONS NOT RESTRICTED	0	0	0	0	0	0	0	0	0
OTHER	786	823	(1,151)	287	927	3,641	1,752	572	(209)
TOTAL BUSINESS-TYPE ACTIVITIES	\$5,616	\$7,633	\$5,629	\$6,996	\$2,038	\$5,145	\$2,874	\$574	(\$208)
CHANGES IN NET POSITION									
GOVERNMENTAL ACTIVITIES	(\$4,112)	\$2,534	\$2,458	(\$7,677)	\$7,775	\$12,125	\$3,286	(\$2,427)	\$9,556
BUSINESS-TYPE ACTIVITIES	\$8,323	\$20,721	\$11,121	\$8,432	\$19,432	\$14,639	\$19,358	\$15,201	\$12,111
TOTAL PRIMARY GOVERNMENT	\$4,211	\$23,255	\$13,579	\$755	\$27,207	\$26,764	\$22,644	\$12,774	\$21,667

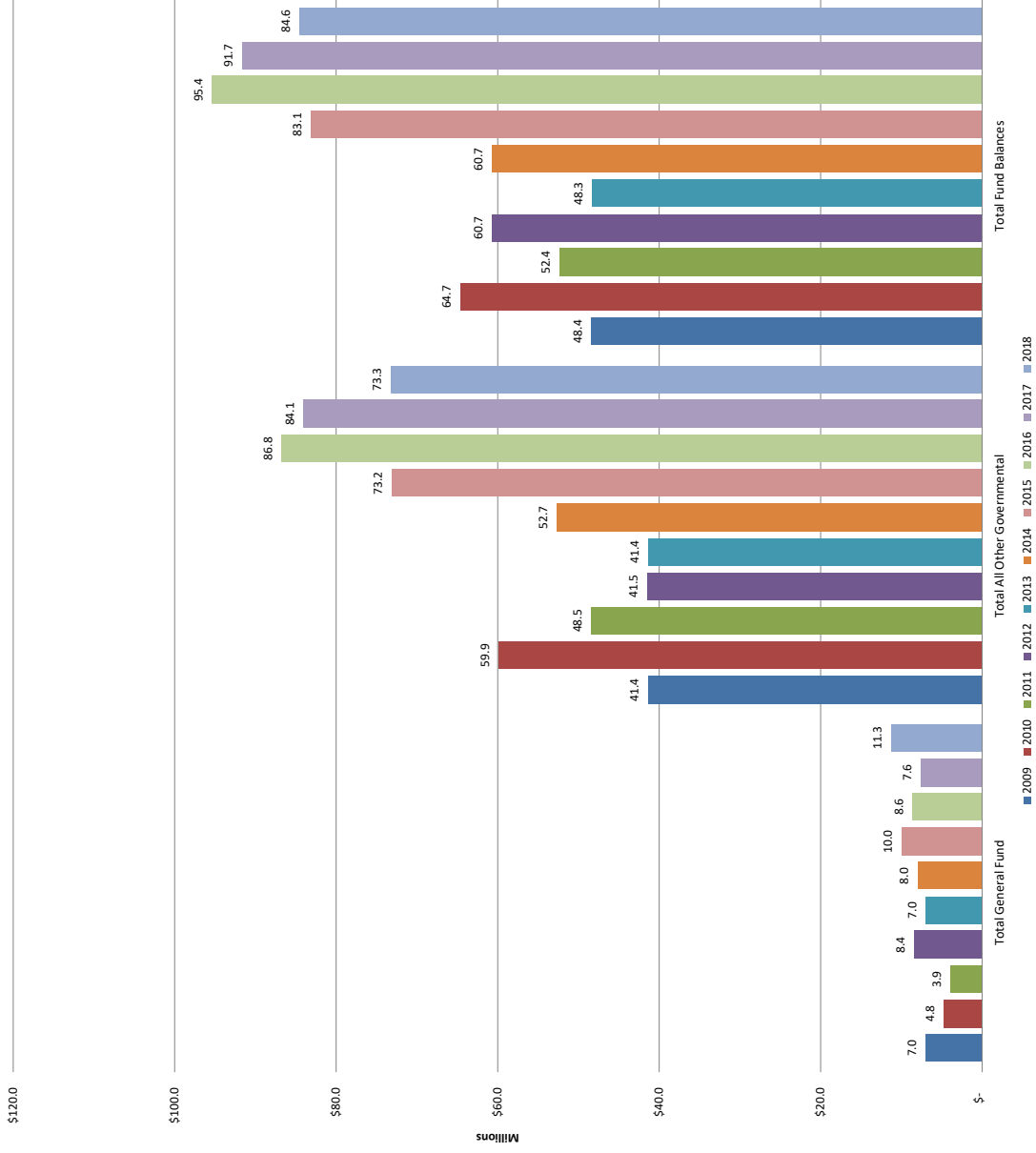
Changes in Net Position - Primary Government Last Nine Fiscal Years



FUND BALANCES - GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS

FISCAL YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PRE-GASB 54										
(modified accrual basis of accounting)										
GENERAL FUND	\$4,150,682	\$2,897,805	\$347,376	\$384,264	\$346,136	\$288,101	\$380,834	\$439,248	\$244,992	\$684,298
RESERVED	2,866,210	1,879,189	26,833	26,808	26,808	28,271	32,811	32,229	35,829	33,732
UNRESERVED	7,016,892	4,776,994	3,562,434	8,112,239	6,595,043	7,708,502	5,309,928	4,404,725	1,074,730	-
TOTAL GENERAL FUND			3,915,643	8,123,311	6,967,987	8,016,874	9,992,871	8,615,635	7,624,545	11,295,300
ALL OTHER GOVERNMENTAL FUNDS										
RESERVED	15,218,909	35,273,294	1,064,068	644,538	89,494	50,299	63,714	150,989	123,806	823,802
UNRESERVED, REPORTED IN:	8,143,049	10,305,647	38,051,645	35,934,149	37,677,535	49,600,151	69,362,485	85,406,390	79,617,856	69,574,098
SPECIAL REVENUE FUNDS	18,039,439	14,324,892	542,977	579,899	562,599	519,514	556,145	584,502	525,437	486,014
CAPITAL OUTLAY FUNDS	41,401,397	59,963,833	9,861,148	4,992,479	3,103,981	3,378,819	3,238,048	3,421,017	3,923,588	2,398,598
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$48,418,289	\$64,680,827	(1,064,068)	(630,376)	(68,114)	(833,541)	(63,714)	(2,794,019)	(123,806)	-
TOTAL FUND BALANCES			48,455,770	41,520,689	41,365,495	52,715,242	73,156,678	86,769,479	84,066,881	73,282,512
POST-GASB 54										
GENERAL FUND			\$52,392,413	\$49,944,000	\$48,333,482	\$60,732,116	\$83,149,549	\$95,384,914	\$91,691,426	\$84,577,812
NONSPENDABLE										
RESTRICTED										
COMMITTED										
ASSIGNED										
UNASSIGNED										
TOTAL ALL OTHER GOVERNMENTAL FUNDS										
TOTAL FUND BALANCES										

Fund Balances - Governmental Funds Last Ten Fiscal Years



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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
TAXES	\$72,281,816	\$64,566,859	\$61,193,262	\$58,759,403	\$53,009,904	\$68,719,375	\$73,100,840	\$77,192,003	\$82,103,975	\$91,202,391
LICENSES & PERMITS	\$1,380,759	\$1,327,905	\$1,325,765	\$1,335,001	\$816,294	\$822,400	\$948,563	\$865,485	\$462,139	\$514,511
INTERGOVERNMENTAL	\$35,475,825	\$36,535,915	\$33,113,485	\$34,720,396	\$30,863,164	\$30,120,655	\$31,928,295	\$33,791,368	\$34,785,503	\$38,255,522
CHARGES FOR SERVICES	\$20,050,104	\$16,832,082	\$16,703,982	\$18,066,625	\$18,655,266	\$21,372,281	\$23,045,957	\$23,862,806	\$24,412,780	\$24,257,996
FINES & FORFEITURES	\$311,933	\$263,008	\$366,891	\$465,016	\$476,511	\$1,644,801	\$1,643,872	\$1,431,519	\$1,251,298	\$1,038,282
MISCELLANEOUS	\$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	\$4,634,083
TOTAL REVENUES	\$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	\$159,902,795
EXPENDITURES										
GENERAL GOVERNMENT SERVICES	\$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	\$29,395,459
PUBLIC SAFETY	\$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	\$56,403,035
PHYSICAL ENVIRONMENT	\$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	\$1,750,746
TRANSPORTATION	\$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	\$13,524,697
ECONOMIC ENVIRONMENT	\$7,415,472	\$9,052,837	\$9,158,215	\$5,077,420	\$4,941,758	\$6,336,515	\$6,408,993	\$8,466,893	\$9,948,113	\$9,800,565
HUMAN SERVICES	\$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	\$4,495,950
CULTURE AND RECREATION	\$3,887,890	\$4,452,522	\$3,419,210	\$5,330,917	\$1,418,463	\$6,603,579	\$6,311,704	\$6,914,218	\$7,649,712	\$8,575,412
COURT RELATED	\$8,114,665	\$7,102,441	\$6,824,745	\$6,795,357	\$7,158,838	\$7,400,259	\$7,808,128	\$7,808,128	\$8,057,760	\$8,296,348
CAPITAL OUTLAY	\$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	\$31,018,577
PRINCIPAL RETIREMENT	\$587,575	\$587,505	\$582,411	\$3,050,000	\$713,000	\$1,329,000	\$3,094,789	\$3,938,278	\$790,899	\$3,207,112
INTEREST	\$45,552	\$435,901	\$1,479,158	\$1,587,593	\$1,626,624	\$1,648,372	\$2,032,150	\$4,131,798	\$1,654,726	\$3,051,861
OTHER CHARGES	\$22,836	\$692,498	\$96,448	\$19,768	\$41,210	\$13,101	\$212,836	\$150,124	\$3,622	\$1,305
TOTAL EXPENDITURES	\$132,886,737	\$137,488,874	\$139,745,560	\$121,085,712	\$119,134,565	\$125,380,825	\$143,204,781	\$144,320,342	\$151,151,107	\$169,521,067
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES	\$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)	(\$9,618,282)
OTHER FINANCING SOURCES (USES)										
SPECIAL ITEM	\$0	\$0	\$0	(\$2,007,041)	\$0	\$0	\$0	\$0	\$0	\$0
TRANSFERS IN	\$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	\$8,726,549
TRANSFERS OUT	(\$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)	(\$6,771,442)
BUDGET TRANSFERS AMOUNT	\$0	\$0	\$0	\$0	\$0	\$825,000	\$0	\$0	\$0	\$0
CONSTITUTIONAL OFFICERS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$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	\$26,363,759	\$3,600,000	\$0	\$5,000,000	\$1,650,000	\$27,472,889	\$13,584,438	\$0	\$0
ORIGINAL ISSUE PREMIUM	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,200,121	\$0	\$0
TOTAL OTHER FINANCING SOURCES(USES)	\$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	\$1,955,107
NET CHANGE IN FUND BALANCES	\$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)	(\$7,663,175)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	1.42%	0.50%	1.27%	1.57%	4.00%	2.44%	3.87%	6.04%	1.65%	3.83%

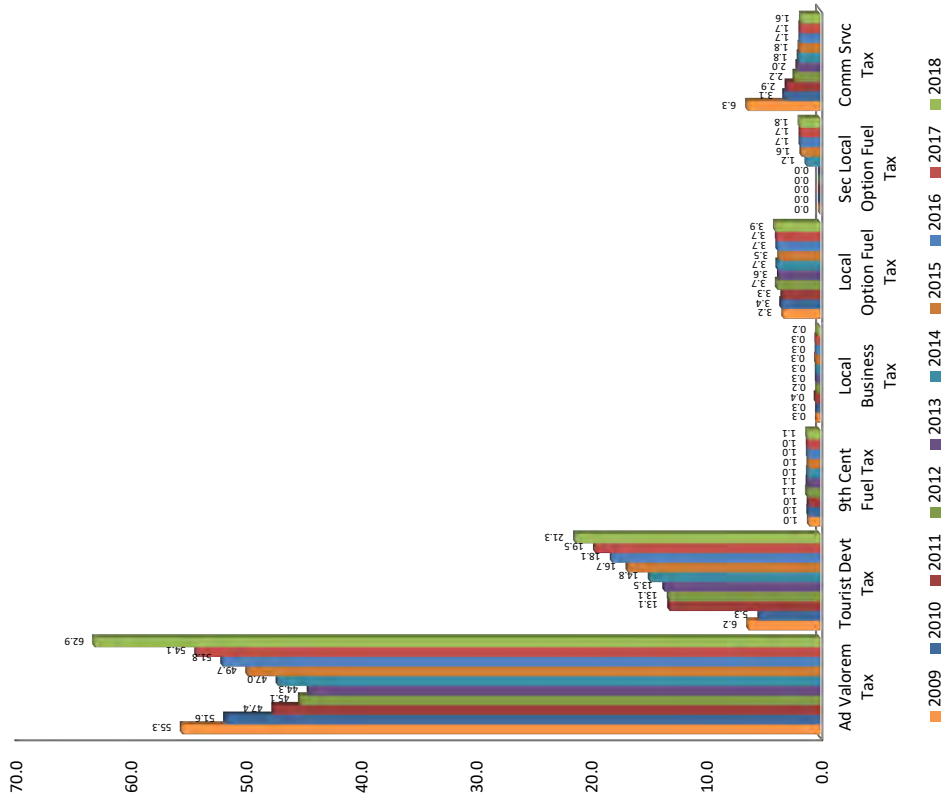
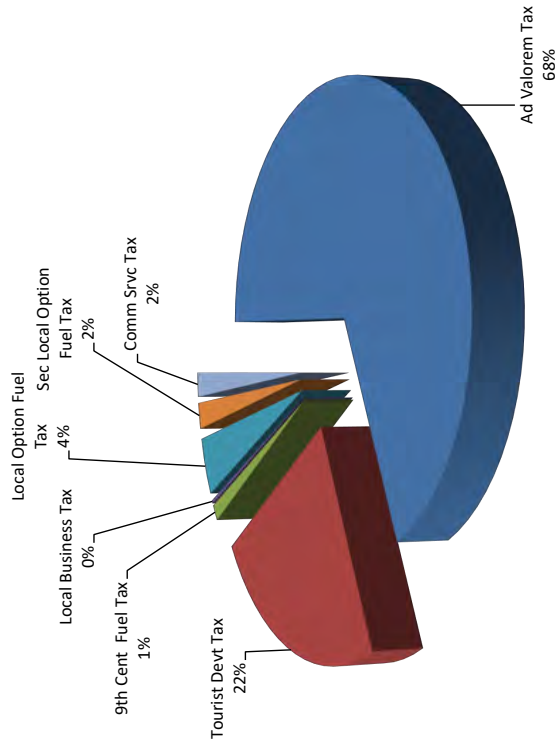
Changes in Fund Balances - Governmental Funds Last Ten Fiscal Years



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
2009	\$55,342,840	\$6,226,986	\$957,813	\$252,511	\$3,188,176	\$0	\$6,313,490	\$72,281,816
2010	\$51,591,467	\$5,260,031	\$1,007,578	\$251,035	\$3,360,644	\$0	\$3,096,105	\$64,566,860
2011	\$47,413,163	\$13,092,667	\$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	\$13,520,017	\$1,066,902	\$268,190	\$3,559,220	\$0	\$1,956,905	\$64,719,254
2014	\$47,044,564	\$14,780,313	\$1,038,703	\$276,084	\$3,694,824	\$1,167,117	\$1,848,458	\$69,850,063
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	\$54,096,832	\$19,534,276	\$1,049,857	\$304,577	\$3,737,446	\$1,682,579	\$1,700,212	\$82,105,778
2018	\$62,942,101	\$21,252,688	\$1,093,007	\$215,021	\$3,891,258	\$1,762,082	\$1,646,991	\$92,803,148

Governmental Tax Revenues by Source Fiscal Year 2018 (\$91,203,147)



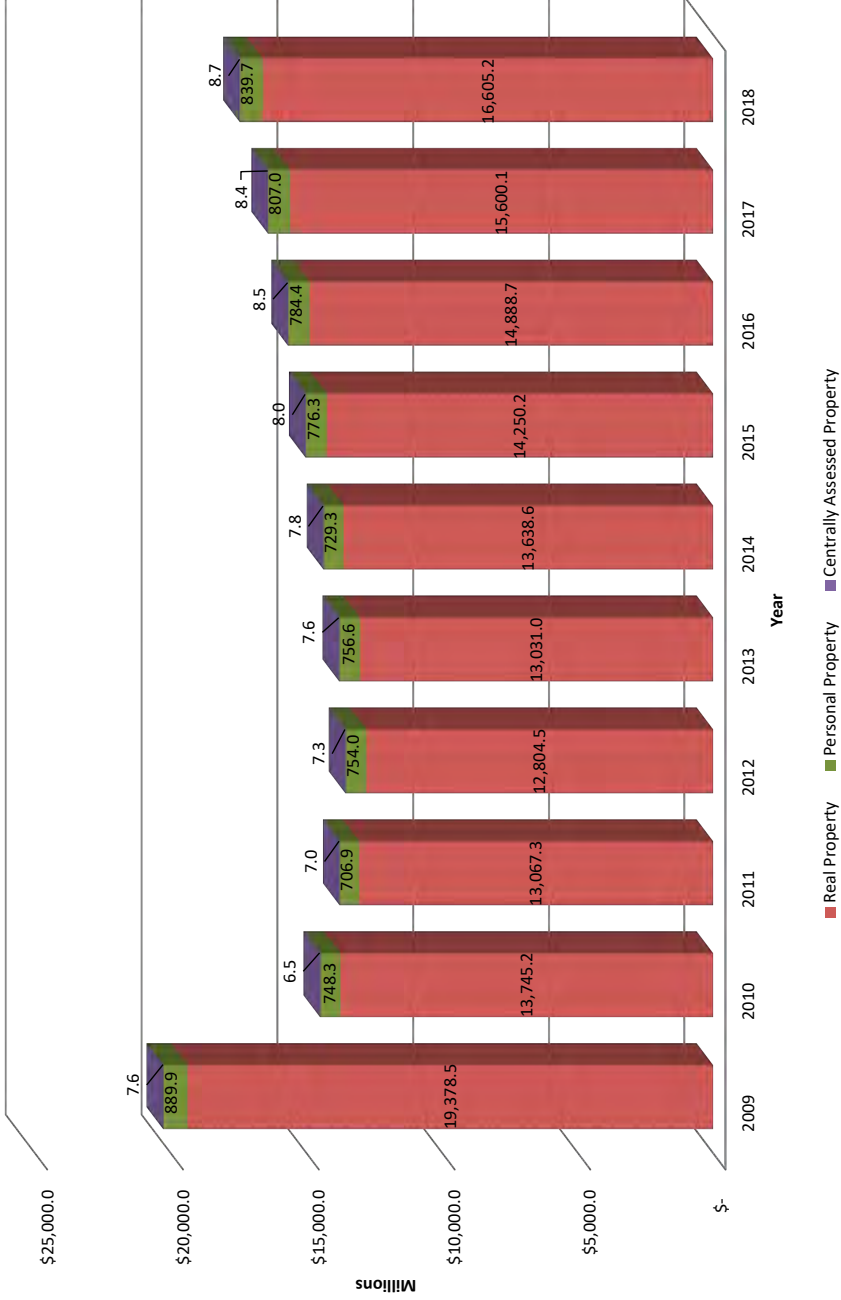
TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY - LAST TEN FISCAL YEARS

FISCAL YEAR	ASSESSED VALUE			CENTRALLY ASSESSED PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL VALUE (1)	ASSESSED TO ESTIMATED ACTUAL
	REAL PROPERTY	PERSONAL PROPERTY						
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%	
2018	16,605,239,655	839,650,782	8,662,999	17,453,553,436	10.5246	20,533,592,278	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

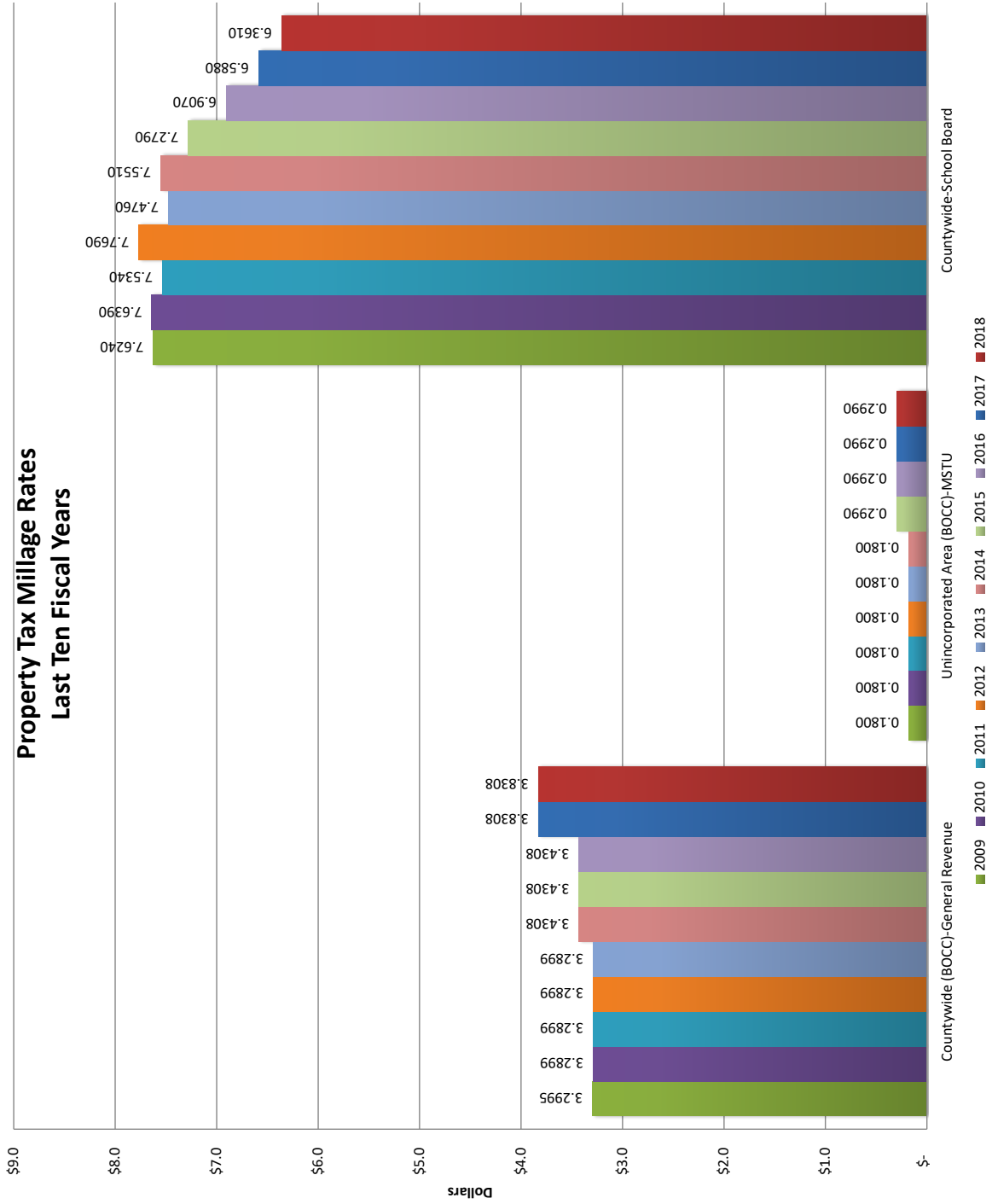


PROPERTY TAX MILLAGE RATES FOR DIRECT AND OVERLAPPING GOVERNMENTS - LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
COUNTYWIDE (BOCC)										
GENERAL REVENUE	3.2995	3.2899	3.2899	3.2899	3.2899	3.4308	3.4308	3.4308	3.8308	3.8308
UNINCORPORATED AREA (BOCC)										
MUNICIPAL SERVICE TAXING UNIT (MSTU)	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.2990	0.2990	0.2990	0.2990
COUNTYWIDE (OTHER)										
SCHOOL BOARD	7.6240	7.6390	7.5340	7.7690	7.4760	7.5510	7.2790	6.9070	6.5880	6.3610
TOTAL MILLAGES	11.1035	11.1089	11.0039	11.2389	10.9459	11.1618	11.0088	10.6368	10.7178	10.4908
MUNICIPALITIES										
CINCO BAYOU	2.0639	2.0639	2.1000	2.3000	2.3500	2.3500	3.0000	3.0000	3.0000	3.0000
CRESTVIEW	5.8466	5.8466	5.8466	5.5966	5.5966	5.8466	6.9466	6.9466	6.9466	6.9466
DESTIN	1.4550	1.4550	1.4550	1.4550	1.4550	1.5000	1.6150	1.6150	1.6150	1.6150
FORT WALTON BEACH	4.1986	4.1986	4.5383	4.5383	4.5383	5.7697	5.7697	5.7697	5.7697	5.7697
LAUREL HILL	4.8400	3.5000	3.5000	3.5000	3.5000	3.5000	3.5000	3.5000	3.5000	3.5000
MARY ESTHER	2.6996	2.6996	2.6435	2.6435	2.6435	2.6435	3.8880	3.8880	4.2347	4.2347
NICEVILLE	3.2000	3.4500	3.6301	3.6500	3.7000	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	3.7500	4.1591	3.9330	4.0644	4.5240	4.5240	5.0240	5.0240	5.0240	5.0240
SPECIAL DISTRICTS										
NW FLORIDA WATER MANAGEMENT	0.0450	0.0450	0.0450	0.0400	0.0400	0.0400	0.0378	0.0366	0.0353	0.0338
LAKE PIPPIN MSBU	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT
DESTIN FIRE	0.9009	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
EAST NICEVILLE FIRE	2.0000	2.3500	2.3500	2.3700	2.3700	2.3700	2.7000	3.0176	3.0176	3.0176
FLOROSA FIRE	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
NORTH BAY FIRE	1.7827	2.0500	2.2500	2.3500	2.3500	2.3500	2.3500	2.3500	2.3500	2.3500
OCEAN CITY-WRIGHT FIRE	1.8144	1.8144	2.0000	2.0000	2.0000	2.2500	2.4000	2.5800	2.5800	2.5800
OKALOOSA ISLAND FIRE	1.9998	2.1900	2.7949	2.9950	3.1154	3.5550	3.4500	3.3699	3.6000	0.4308
SYLVANIA HEIGHTS	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
ALMARANTE FIRE	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT
BAKER FIRE	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT
BLACKMAN FIRE	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT
DORCAS FIRE	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT
HOLT FIRE	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT
NORTH OKALOOSA FIRE	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT	FLAT

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Property Tax Millage Rates Last Ten Fiscal Years

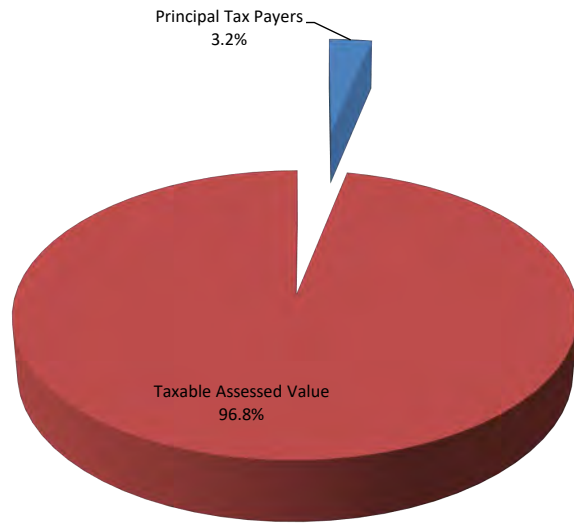


PRINCIPAL PROPERTY TAX PAYERS - LAST FISCAL YEAR COMPARED TO THE FISCAL YEAR NINE YEARS EARLIER

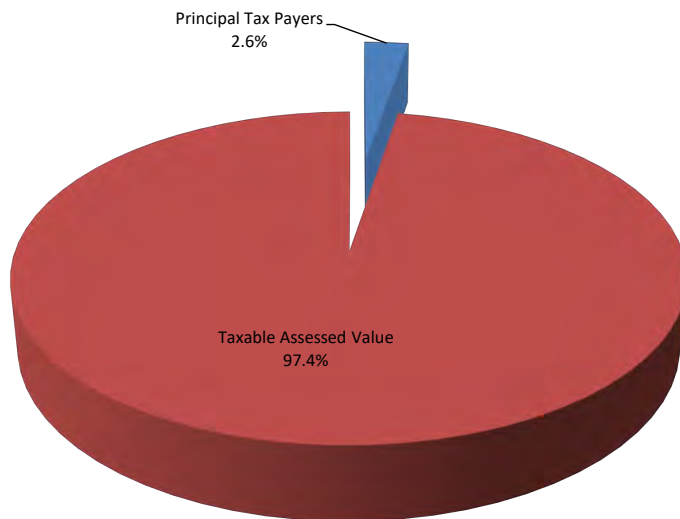
TAXPAYER	2018		2009	
	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Gulf Power Co.	\$170,484,189	0.98%	\$127,217,895	0.63%
Florida Gas Transmission	\$71,377,695	0.41%		
Emerald Grande Inc	\$57,679,180	0.33%		
Destin Commons LTD	\$43,609,684	0.25%		
Ft Walton Beach Medical Center	\$41,706,226	0.24%		
US GOVT	\$37,744,017	0.22%		
Embarq Corp	\$36,794,559	0.21%		
Choctawhatchee Electric Co	\$35,459,102	0.20%		
Henderson Beach Resort Holdings	\$31,444,809	0.18%		
BR Henderson Beach LLC	\$30,472,000	0.17%		
Emerald Grande Inc			\$104,436,890	0.52%
Embarq Corp			\$69,944,585	0.34%
FT Walton Development LLC			\$52,407,007	0.26%
Destin Commons LTD			\$45,156,279	0.22%
SRM-SPE LLC			\$44,000,733	0.22%
Cox Com INC			\$37,289,019	0.18%
Valparaiso Realty			\$28,685,089	0.14%
Choctawhatchee Electric Co			\$27,769,626	0.14%
DRB Development LLC			\$27,223,000	0.13%
TOTAL PRINCIPAL TAXPAYER VALUE	\$556,771,461	3.19%	\$536,907,123	2.65%
TOTAL OTHER TAXPAYER VALUE	\$16,896,781,975	96.81%	\$19,739,131,327	97.35%
TOTAL TAXABLE ASSESSED VALUE	\$17,453,553,436	100.0%	\$20,276,038,450	100.0%

SOURCE: OKALOOSA COUNTY PROPERTY APPRAISER

Principal Property Tax Payers Current Year 2018



Principal Property Tax Payers Year 2009

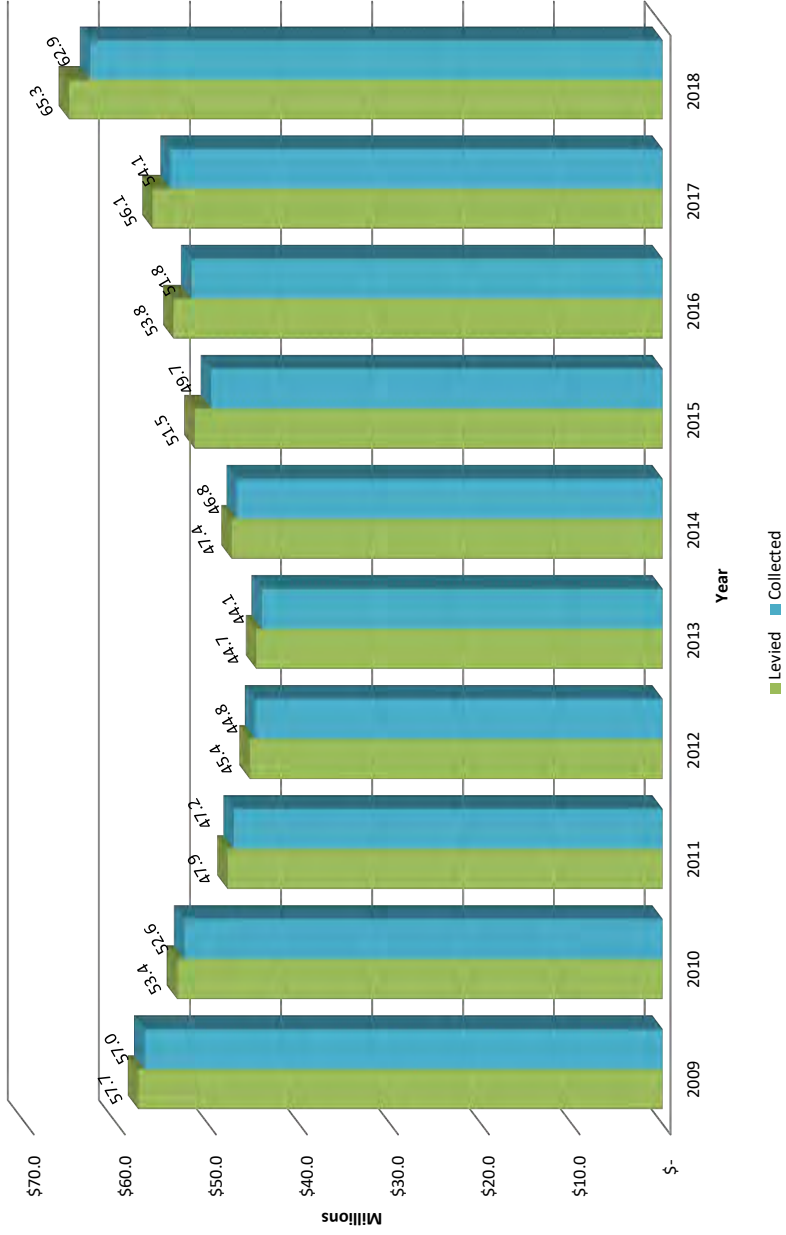


PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS

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
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%
2018	\$65,279,339	\$62,900,076	96.4%	\$42,914	\$62,942,990	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
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	1.68%	\$829
2018	\$0	\$61,187,380	\$0	\$1,957,000	\$71,789,364	\$17,839,765	\$0	\$0	\$0	\$152,773,509	1.54%	\$771

(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

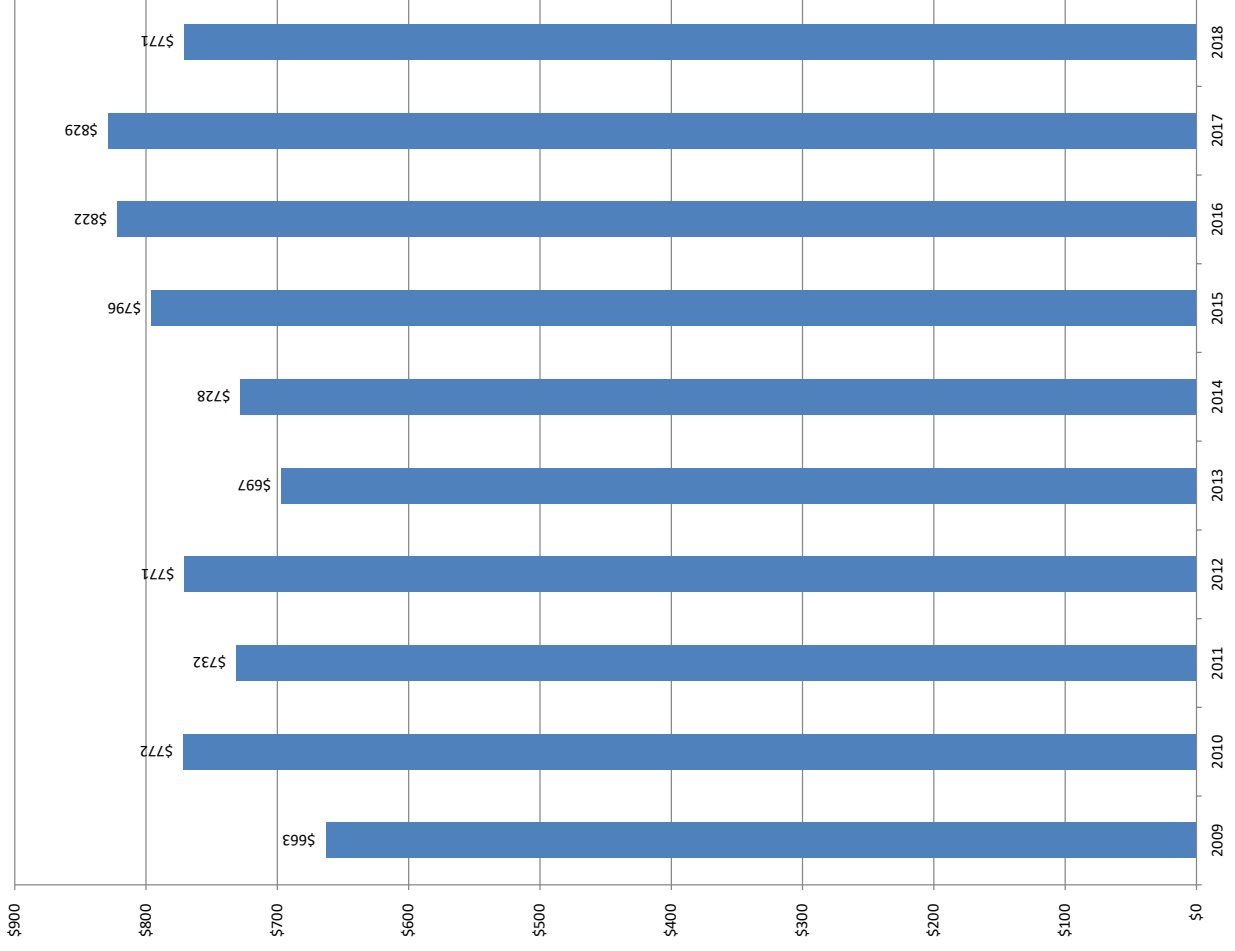
(5) Includes State Pollution Control Bonds, and Revenue Bonds, Series 2015 (Net issuance premium)

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

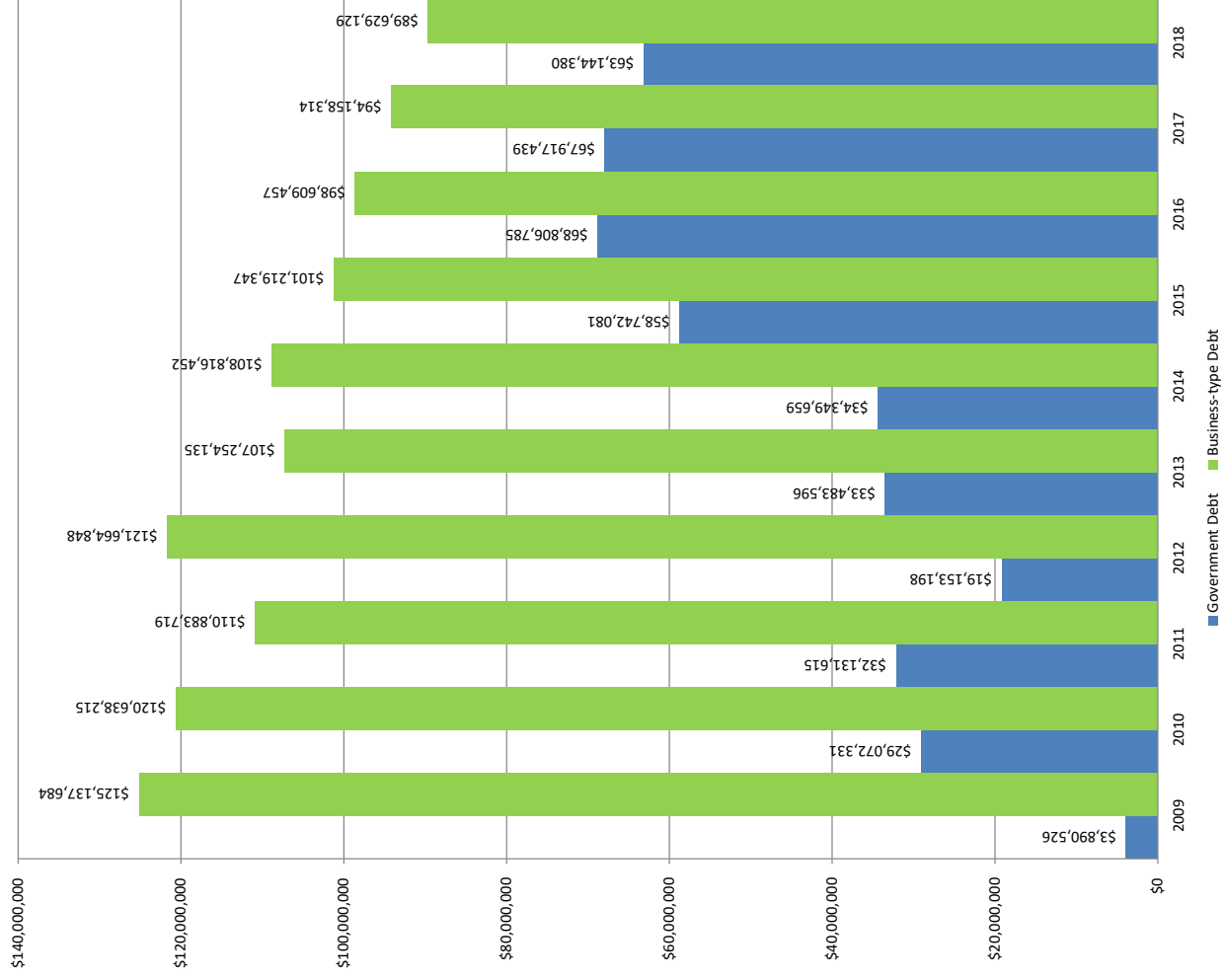
(7) Includes Capital Improvement Bonds, 1991

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

**Per Capita Debt
Last Ten Fiscal Years**



**Debt by Type
Last Ten Fiscal Years**



PLEDGED-REVENUE BOND COVERAGE

FISCAL YEAR	Gross Operating		Direct Operating		Net Revenue		WATER REVENUE BONDS AND NOTES (PRINCIPAL + INTEREST)							TOTAL	COVERAGE
	Revenue	Expense	Avail -Debt Serv	Expense	Avail -Debt Serv	1985	1992	2004	2006	2012	2015				
2009	\$23,481,347	\$16,371,638	\$7,109,709	\$16,371,638	\$7,109,709	\$67,743	\$0	\$2,976,286	\$509,283	\$0	\$0	\$0	\$3,553,312	2.00	
2010	\$24,831,872	\$15,267,581	\$9,564,291	\$15,267,581	\$9,564,291	\$67,648	\$0	\$801,210	\$5,171,437	\$0	\$0	\$0	\$6,040,295	1.58	
2011	\$25,895,709	\$16,650,924	\$9,244,785	\$16,650,924	\$9,244,785	\$67,542	\$0	\$982,850	\$4,989,988	\$0	\$0	\$0	\$6,040,380	1.53	
2012	\$26,581,965	\$15,571,980	\$11,009,985	\$15,571,980	\$11,009,985	\$67,426	\$0	\$3,728,770	\$0	\$533,531	\$0	\$0	\$4,329,727	2.54	
2013	\$26,685,108	\$15,295,914	\$11,389,194	\$15,295,914	\$11,389,194	\$68,003	\$0	\$3,754,732	\$2,837,287	\$489,839	\$0	\$0	\$7,149,861	1.59	
2014	\$29,122,953	\$14,809,770	\$14,313,183	\$14,809,770	\$14,313,183	\$66,451	\$0	\$3,790,065	\$0	\$536,674	\$0	\$0	\$4,393,190	3.26	
2015	\$33,938,933	\$15,992,250	\$17,946,683	\$15,992,250	\$17,946,683	\$33,520	\$0	\$5,037,556	\$3,077,105	\$300,731	\$1,902,096	\$0	\$10,351,008	1.73	
2016	\$33,971,112	\$15,844,441	\$18,126,671	\$15,844,441	\$18,126,671	\$0	\$0	\$0	\$0	\$0	\$4,899,300	\$0	\$4,899,300	3.70	
2017	\$34,491,900	\$16,807,625	\$17,684,275	\$16,807,625	\$17,684,275	\$0	\$0	\$0	\$0	\$0	\$5,807,763	\$0	\$5,807,763	3.04	
2018	\$34,473,966	\$19,128,076	\$15,345,890	\$19,128,076	\$15,345,890	\$0	\$0	\$0	\$0	\$0	\$5,799,050	\$0	\$5,799,050	2.65	

PLEDGED-REVENUE BOND COVERAGE

FISCAL YEAR	Gross Operating		Passenger Facility		Direct Operating		Net Revenue		AIRPORT REVENUE BONDS (PRINCIPAL + INTEREST)			TOTAL	COVERAGE
	Revenue	Expense	Charges	Expense	Avail -Debt Serv	Expense	Avail -Debt Serv	2003	2014	2007			
2009	\$8,557,210	\$1,378,312	\$1,378,312	\$5,674,469	\$4,261,053	\$789,413	\$4,261,053	\$0	\$208,221	\$0	\$997,634	\$997,634	4.27
2010	\$9,118,672	\$1,466,902	\$1,466,902	\$6,036,864	\$4,548,710	\$799,213	\$4,548,710	\$0	\$891,775	\$0	\$1,690,988	\$1,690,988	2.69
2011	\$9,602,757	\$1,732,199	\$1,732,199	\$7,893,609	\$3,441,347	\$797,950	\$3,441,347	\$0	\$887,675	\$0	\$1,685,625	\$1,685,625	2.04
2012	\$9,502,093	\$1,451,015	\$1,451,015	\$8,056,047	\$2,897,061	\$795,575	\$2,897,061	\$0	\$892,975	\$0	\$1,688,550	\$1,688,550	1.72
2013	\$9,334,305	\$1,384,486	\$1,384,486	\$7,117,500	\$3,601,291	\$797,393	\$3,601,291	\$0	\$887,075	\$0	\$1,684,468	\$1,684,468	2.14
2014	\$9,052,923	\$1,488,823	\$1,488,823	\$7,864,096	\$2,677,650	\$353,691	\$2,677,650	\$559,028	\$6,250,575	\$559,028	\$7,163,294	\$7,163,294	0.37
2015	\$8,448,925	\$1,321,169	\$1,321,169	\$7,776,146	\$1,993,948	\$0	\$1,993,948	\$269,150	\$300,087	\$269,150	\$569,237	\$569,237	3.50
2016	\$10,073,560	\$1,756,663	\$1,756,663	\$8,554,275	\$3,275,948	\$0	\$3,275,948	\$894,380	\$1,160,662	\$894,380	\$2,055,042	\$2,055,042	1.59
2017	\$12,013,833	\$2,243,640	\$2,243,640	\$7,991,528	\$6,265,945	\$0	\$6,265,945	\$747,825	\$866,938	\$747,825	\$1,614,763	\$1,614,763	3.88
2018	\$14,165,274	\$2,776,566	\$2,776,566	\$9,235,558	\$7,706,282	\$0	\$7,706,282	\$751,130	\$864,906	\$751,130	\$1,616,036	\$1,616,036	4.77

PLEDGED-REVENUE BOND COVERAGE

FISCAL YEAR	PLEDGED-REVENUE BOND COVERAGE			CONFERENCE CENTER REVENUE BONDS (PRINCIPAL + INTEREST)		
	Gross Operating Revenue	Direct Operating Expense	Net Revenue Avail - Debt Serv	Bond	TOTAL	COVERAGE
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 GOVERNMENTAL ACTIVITIES DEBT AND COMPUTATION

DIRECT:	DEBT OUTSTANDING	PERCENT APPLICABLE TO THIS GOVERNMENTAL UNIT
OKALOOSA COUNTY - REVENUE BONDS	\$58,618,000	100%
OKALOOSA COUNTY - PRIVATE BANK NOTES	\$3,605,171	100%
OKALOOSA COUNTY - CAPITAL LEASE	\$0	100%

OVERLAPPING:

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

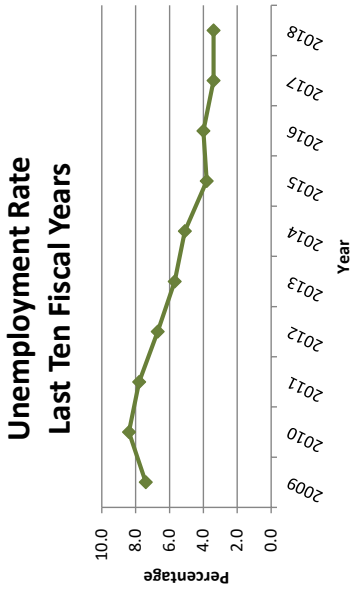
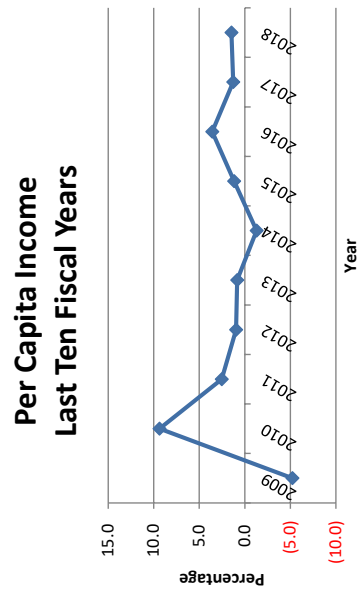
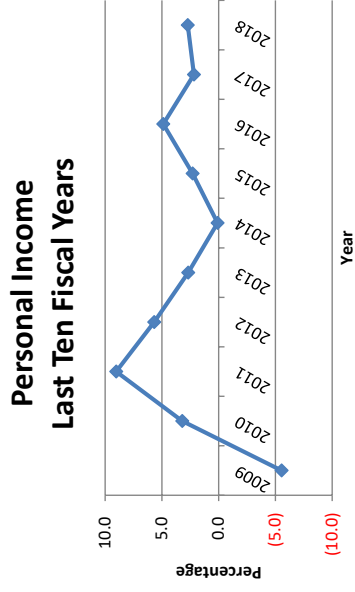
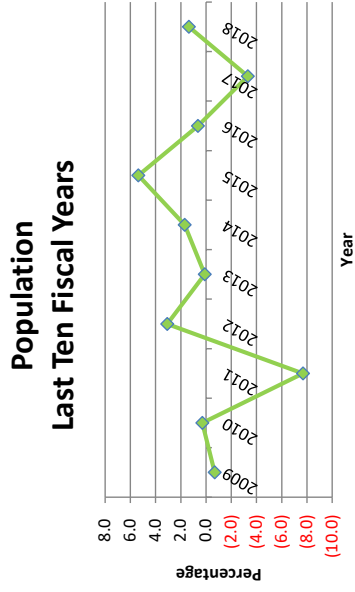
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DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN YEARS

YEAR	POPULATION	PERCENT +/-	PERSONAL INCOME IN THOUSANDS	PERCENT +/-	PER CAPITA PERSONAL INCOME	PERCENT +/-	UNEMPLOYMENT RATE
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%	\$9,627,521	2.2%	\$47,433	1.3%	3.40%
2018	198,152	1.4%	\$9,889,567 (1)	2.7%	\$48,128 (1)	1.5%	3.40%

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

SOURCE: FLORIDA RESEARCH AND ECONOMIC DATABASE

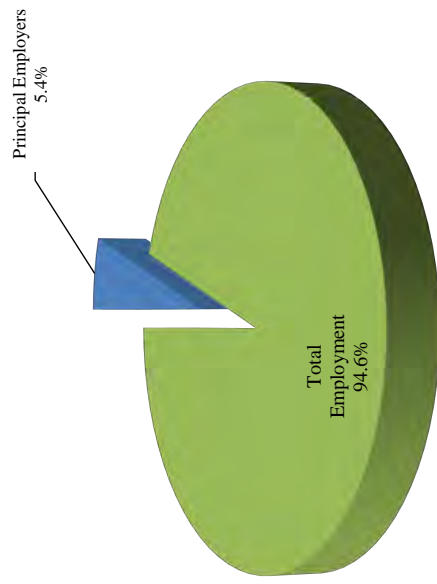


PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO

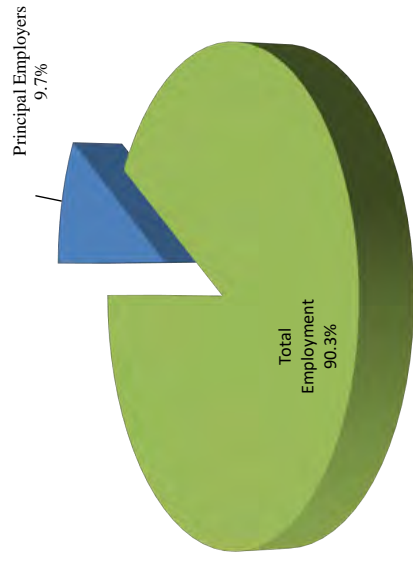
EMPLOYER	2018		2009	
	EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT	EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT
WALMART, COMBINED	1,520	1.40%		
L-3 CRESTVIEW AEROSPACE	1,000	0.92%	973	1.22%
FT WALTON BEACH MEDICAL CENTER	859	0.79%	992	1.24%
NORTH OKALOOSA MEDICAL CENTER	605	0.56%	673	
RELIANCE TEST AND TECHNOLOGY	500	0.46%		
LEGENDARY, INC	410	0.38%		
WHITE WILSON MEDICAL CENTER	407	0.38%		
BAE SYSTEMS	264	0.24%		
TORCH TECHNOLOGIES	182	0.17%		
INDYNE INC	164	0.15%	861	1.08%
RESORT QUEST			930	1.17%
DRS TRAINING & CONTROL SYSTEMS			860	1.08%
SVERDRUP TECHNOLOGY			700	0.88%
N.E.W			590	0.74%
TYBRIN CORPORATION			584	0.73%
COX COMMUNICATIONS			575	0.72%
TOTAL	5,911	5.45%	7,738	9.69%
TOTAL COUNTY EMPLOYMENT	108,494		79,825	

SOURCE: Office of Economic Development and Engagement of UWF

**Principal Employers
Current Year
2018**



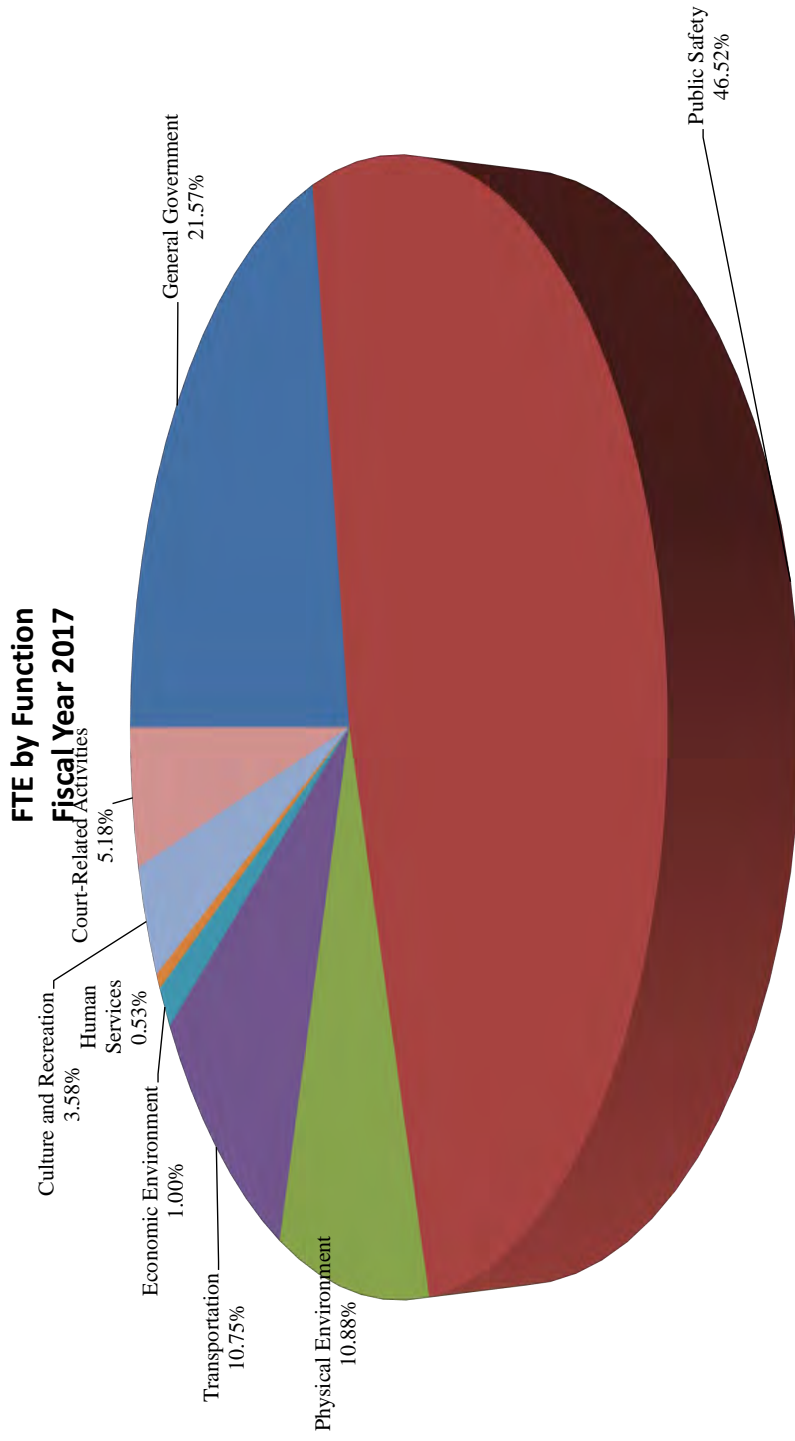
**Principal Employers
Nine Years Ago
2009**



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

FUNCTION	FULL-TIME EQUIVALENT EMPLOYEES AS OF OCTOBER 1									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL GOVERNMENT	308	316	313	303	309	314	315	325	308	355
PUBLIC SAFETY	641	635	657	629	649	649	669	701	706	745
PHYSICAL ENVIRONMENT	157	161	156	147	144	146	151	164	155	145
TRANSPORTATION	168	166	154	146	156	166	167	162	138	157
ECONOMIC ENVIRONMENT	18	17	18	14	14	14	14	15	15	22
HUMAN SERVICES	9	8	8	8	8	8	8	8	8	8
CULTURE AND RECREATION	42	43	42	42	42	47	53	54	44	59
COURT-RELATED ACTIVITIES	78	82	82	86	86	85	89	78	76	74
TOTAL	1,420	1,427	1,430	1,375	1,408	1,429	1,465	1,507	1,450	1,565

SOURCE: BUDGET OFFICE



OPERATING INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TRANSIT										
TOTAL ROUTE MILES	163	163	168	168	215	215	215	220	220	220
PASSENGERS	171,967	162,820	175,595	179,946	182,584	161,878	139,389	137,644	123,473	119,761
LIBRARY										
CIRCULATION	750,643	751,432	713,416	699,532	696,234	736,264	739,882	762,052	764,595	768,370
REGISTERED BORROWERS	96,474	94,493	77,616	72,730	70,908	70,739	71,322	72,555	73,401	73,883
PUBLIC WORKS										
ASPHALT OVERLAY (SQUARE YARDS)	52,000	61,778	58,809	24,547	42,280	61,219	57,523	78,044	90,624	218,500
BRIDGES REPAIRED/REPLACED	12	14	8	7	1	0	1	15	1	10
WATER										
NEW CONNECTIONS	496	134	320	757	140	119	169	189	179	182
WATER MAINS REPAIRED	476	52	74	55	63	124	32	36	28	24
ANNUAL WATER UNITS BILLED	429,412	434,148	437,682	442,834	444,340	451,427	456,066	423,601	469,014	476,239
SEWER										
ANNUAL SEWER UNITS BILLED	398,541	399,660	402,977	407,625	414,612	414,188	418,921	424,767	432,917	438,480
AIRPORTS										
ENPLANEMENTS	332,556	369,230	448,870	385,165	374,431	373,143	385,109	436,410	566,212	680,151
DEPLANEMENTS	332,325	364,118	451,692	387,574	379,194	372,268	385,936	437,957	567,997	681,597
GROWTH MANAGEMENT										
DEVELOPMENT PERMITS ISSUED	821	893	1,049	842	908	837	965	998	1,105	1,053
HOME OCCUPATIONS	347	359	370	379	463	440	456	521	515	476
REFUSE COLLECTION										
TRANSFER STATION TONNAGE	141,633	128,360	109,099	121,443	125,755	118,022	117,689	132,475	142,104	150,105
RECYCLING TONNAGE	5,286	5,898	6,584	8,139	6,196	7,278	8,700	8,922	9,391	12,567
PUBLIC SAFETY										
EMERGENCY CALLS (EMS)	21,018	21,997	23,782	23,591	23,986	25,105	25,973	27,139	29,127	31,101
SYSTEM CALLS (9-1-1)	102,199	111,065	117,530	129,530	131,147	103,320	101,451	188,631	130,395	209,675

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

CAPITAL INDICATORS BY FUNCTION/PROGRAM - LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PARKS AND RECREATION										
COUNTY PARKS	19	18	18	18	18	19	19	19	19	18
UNINCORPORATED PARKS	31	32	33	34	33	35	35	36	37	38
TRANSIT										
BUSES/PASSENGER VAN	17	17	17	17	17	11	11	11	13	14
LIBRARY										
COLLECTION	309,859	312,747	321,797	311,899	310,302	309,368	320,095	316,684	327,913	331,790
PUBLIC WORKS										
PAVED ROADS MAINTAINED (MILES)	703	652	652	666	670	674	670	678	682	682
DIRT ROADS MAINTAINED (MILES)	122	207	207	201	199	198	199	196	196	185
COLD MIX ROADS MAINTAINED (MILES)	74	74	74	74	72	70	74	71	67	60
TRAFFIC SIGNALS	11	11	13	13	13	13	13	10	10	11
WATER										
WATER MAINS (MILES)	455	455	422	767	726	741	466	513	486	493
FIRE HYDRANTS	2,267	2,267	4,038	5,519	5,546	5,777	3,980	4,138	3,332	3,232
MAXIMUM DAILY CAPACITY (THOUSANDS OF GALLONS)	17,300	17,200	17,200	17,200	17,200	17,200	17,200	10,620	10,620	10,620
SEWER										
SANITARY SEWERS (MILES)	400	400	340	558	561	593	448	521	499	479
MAXIMUM DAILY TREATMENT CAPACITY (THOUSANDS OF GALLONS)	12,506	13,206	13,206	13,206	13,206	13,206	11,980	11,980	11,980	16,980

SOURCE: COUNTY ADMINISTRATOR'S OFFICE

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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, 2018, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 19, 2019.

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.

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 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. We did identify certain deficiencies in internal control, described as finding 2018-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

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 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 19, 2019

**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, 2018:

- (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, 2018.

Warren Averett, LLC

Fort Walton Beach, Florida
April 19, 2019

**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, 2018, and have issued our report thereon dated April 19, 2019, 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 176 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 19, 2019

Okaloosa County, Florida
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
RELATED TO DEEPWATER HORIZON OIL SPILL
For the Fiscal Year Ended September 30, 2018

Source	Amounts Received in the 2017-2018 Fiscal Year	Amounts Expended in the 2017-2018 Fiscal Year
British Petroleum:		
Litigation Settlement	\$-	\$1,074,730
Funds relating to proceeds specified for advertising and tourist related media campaigns	\$-	\$-

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2019.

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 19, 2019, 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

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, 2018, 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.b. 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 identify a matter for improvement as listed below, in addition to those reported in the *Schedule of Findings and Questioned Costs*.

Airport Receivable Reconciliations

The Airport Enterprise Fund is responsible for billing the airlines and other tenants for use of facilities at the commercial and general aviation airports. That activity is captured through the PropWorks software system. The Clerk of the Circuit Court and Comptroller is responsible for the maintenance of the general ledger and overall financial reporting of the Airport Enterprise Fund. Activity between the PropWorks system and the general ledger system is not reconciled during the year. As a result, significant time is spent at year end by personnel at the Airport and personnel at the Clerk to reconcile the two systems. We recommend the two systems are reconciled at least quarterly which should reduce the amount of personnel time needed at year end by both functions to complete the task and improve the overall financial reporting of the Airport Enterprise Fund.

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 19, 2019

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, 2018. 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, 2018.

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 19, 2019

Okaloosa County, Florida
 Airport Enterprise Fund
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
 Fiscal Year Ended September 30, 2018

Grantor/Program: Passenger Facility Charges					
Application Approval Number: Latest ROD		00-01-C-00-VPS 07-03-C-00-VPS			
Amended Amount of Approval	Cumulative Earned Amount at September 30, 2017	Current Year Earned Amount	Cumulative Earned Amount at September 30, 2018	Current Year Expenditures	Unliquidated Passenger Facility Charges at September 30, 2017
\$ 47,010,379	\$ 23,960,343	\$ 2,986,507	\$ 26,946,850	\$ 721,010	\$ 11,932,560
					\$ 14,198,057

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, 2018. 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.

SINGLE AUDIT SECTION

Okaloosa County, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2018

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	\$ 21,067	\$ -
Child Nutrition Cluster				
School Breakfast Program	10.553	01-0303	(3,368)	-
National School Lunch Program	10.555	01-0303	(5,268)	-
Total Child Nutrition Cluster			(8,636)	-
Children Nutrition Discretionary Grants Limited Availability	10.579	025036	35,442	
Passed Through Florida Department of Financial Services				
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665	N/A	123	-
Total U.S. Department of Agriculture			<u>47,996</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	12.219	H98210-13-1-0007	183,469	-
Total U.S. Department of Defense			<u>183,469</u>	<u>-</u>
<u>U.S. Department of the Interior</u>				
Direct Program				
Payments in Lieu of Taxes	15.226	N/A	11,704	-
Total U.S. Department of the Interior			<u>11,704</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Justice Systems Response to Families	16.021	2016-FJ-AX-0016	189,104	187,765
Public Safety Partnership and Community Policing Grants	16.710	2016-UL-WX-0016	258,216	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX0-0398	45,757	-
Equitable Sharing Program	16.922	N/A	88,894	-
Total U.S. Department of Justice			<u>581,971</u>	<u>187,765</u>
<u>U.S. Department of Transportation</u>				
Direct Programs				
<u>Federal Aviation Administration</u>				
Airport Improvement Program	20.106	3-12-0081-029-2018	283,914	-
Airport Improvement Program	20.106	3-12-0020-019-2017	121,816	-
Airport Improvement Program	20.106	3-12-0014-024-2017	115,922	-
Airport Improvement Program	20.106	3-12-0081-028-2017	147,941	-
Airport Improvement Program	20.106	3-12-0081-027-2017	604,921	-

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, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/CSFA Number	Contract or Grant Number	Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS (continued)				
U.S. Department of Transportation (continued)				
Direct Programs (continued)				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Formula Grants	20.507	FL-90-X642-00	\$ 365	\$ -
Federal Transit Formula Grants	20.507	FL-90-X680-00	54,242	-
Federal Transit Formula Grants	20.507	FL-90-X715-00	54,995	-
Federal Transit Formula Grants	20.507	FL-90-X716-00	1,135	-
Federal Transit Formula Grants	20.507	FL-90-X761-00	471,720	-
Federal Transit Formula Grants	20.507	FL-90-X795-00	3,070	-
Federal Transit Formula Grants	20.507	FL-90-X815-00	16,213	-
Federal Transit Formula Grants	20.507	FL-90-X867-00	444,360	-
Federal Transit Formula Grants	20.507	FL-2017-064-00	660,078	-
Federal Transit Formula Grants	20.507	FL-2018-093-00	1,193,790	-
Passed Through Florida Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	ANZ38, 409797-1-88-01	249,883	-
Highway Planning and Construction	20.205	G0K39, 440723-1-38-01	37,117	-
Highway Planning and Construction	20.205	G0E31, 430038-2-58-01/430038-2-68-01	161,100	-
Highway Planning and Construction	20.205	G0H05, 421997-8-48-01/421997-9-48-01	1,932,599	-
Formula Grants for Rural Areas	20.509	G0R23, 4213653-84-17	262,814	-
Total U.S. Department of Transportation			6,817,995	-
Election Assistance Commission				
Passed Through Florida Department of State				
Help America Vote Act Requirements Payments	90.401	MOA # 2014-2015-001-OKA	10,905	-
Help America Vote Act Requirements Payments	90.401	MOA # 2015-2016-001-OKA	7,237	-
Help America Vote Act Requirements Payments	90.401	MOA # 2016-2017-001-OKA	4,256	-
Help America Vote Act Requirements Payments	90.401	MOA # 2012018-2019-0001-HAVA	29,191	-
Help America Vote Act Requirements Payments	90.401	MOA # 2012018-2019-002-HAVA	8,664	-
Total Election Assistance Commission			60,253	-
U.S. Department of Health & Human Services				
Passed Through Florida Department of Revenue				
Child Support Enforcement	93.563	CSU46	11,801	-
Child Support Enforcement	93.563	N/A	2,868	-
Passed Through Florida Department of Children and Families				
Block Grants for Community Mental Health Services	93.958	AH105	16,214	-
Matching			120,892	-
Block Grant for Prevention and Treatment of Substance Abuse	93.959	AH105	11,464	-
Matching			14,244	-
Total U.S. Department of Health and Human Services			42,347	-
Sub-Total Florida Matching			135,136	-

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, 2018

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				
Reimbursement Agreement Program - (OTA)	97.UNKNOWN	HSTS02-16-H-SLR794	\$ 113,150	\$ -
Passed Through Florida Division of Emergency Management				
Flood Mitigation Assistance Grant Program	97.029	18FM-X8-01-56-01-354	241,786	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z0128	23,244	-
Hazard Mitigation Grant	97.039	16HM-H4-01-56-01-300	7,500	-
Emergency Management Performance Grants	97.042	18-FG-7A-01-56-01-129	83,563	-
Homeland Security Grant Program	97.042	19-FG-AF-01-56-01-074	7,452	-
Homeland Security Grant Program	97.067	17-DS-W1-01-56-23-323	20,120	-
Homeland Security Grant Program	97.067	17-DS-V4-01-56-23-327	160,778	-
Total U.S. Department of Homeland Security			<u>657,593</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 8,408,685</u>	<u>\$ 187,765</u>
TOTAL FLORIDA MATCHING FUNDS			<u>\$ 135,136</u>	<u>\$ -</u>
<u>STATE FINANCIAL ASSISTANCE</u>				
<u>Executive Office of the Governor</u>				
Direct Projects				
<u>Florida Division of Emergency Management</u>				
Emergency Management Programs	31.063	18-BG-W9-01-56-01-115	\$ 96,816	\$ -
Emergency Management Programs	31.063	19-BG-21-01-56-01-009	10,512	-
Emergency Management Projects	31.067	18-CP-11-01-56-01-079	12,215	-
Total Executive Office of the Governor			<u>119,543</u>	<u>-</u>
<u>Florida Department of Environmental Protection</u>				
Direct Projects				
Cooperative Collection Center Grant	37.007	HW905	48,946	-
Cooperative Collection Center Grant	37.007	HHW804	166,621	-
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP46042	24,275	-
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP46041	504,952	-
Statewide Surface Water Restoration and Wastewater Projects	37.039	S0881	117,161	-
Early Restoration Deepwater Horizon Oil Spill	37.081	DH002	24,939	-
Total Florida Department of Environmental Protection			<u>886,894</u>	<u>-</u>
<u>Florida Department of Economic Opportunity</u>				
Direct Projects				
Mosquito Control	40.012	S0032	15,000	-
Total Florida Department of Agriculture and Consumer Services			<u>15,000</u>	<u>-</u>
<u>Florida Department of Agriculture and Consumer Services</u>				
Direct Projects				
Mosquito Control	42.003	024750	10,057	-
Mosquito Control	42.003	023809	22,953	-
Total Florida Department of Agriculture and Consumer Services			<u>33,010</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, 2018

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 Aid to Libraries	45.030	15-ST-47	\$ 78,960	\$ -
State Aid to Libraries	45.030	14-ST-47	1	-
Total Florida Department of State			78,961	-
Florida Housing Finance Corporation				
Direct Projects				
State Housing Initiative Partnership (SHIP)	40.901	2014/2015	14,597	14,597
State Housing Initiative Partnership (SHIP)	40.901	2015/2016	121,381	121,381
State Housing Initiative Partnership (SHIP)	40.901	2016/2017	621,298	621,298
State Housing Initiative Partnership (SHIP)	40.901	2017/2018	227,705	227,705
Total Florida Housing Finance Corporation			984,981	984,981
Florida Department of Transportation				
Direct Projects				
Traffic Management Control Project	55.UNKNOWN	220239-4-88-01	15,425	-
Commission for the Transportation Disadvantaged Trip and Equipment Grant Program	55.001	G0S96	60,920	-
Commission for the Transportation Disadvantaged Trip and Equipment Grant Program	55.001	GOX50, 43202911401	137,304	-
Commission for the Transportation Disadvantaged Trip and Equipment Grant Program	55.001	G0Y29, 43202718401	6,681	-
Commission for the Transportation Disadvantaged Trip and Equipment Grant Program	55.001	G0M68, 43202718401/43202818401	348,498	348,498
Aviation Development Grant	55.004	AR859, 42561729401	10,643	-
Aviation Development Grant	55.004	G0602, 42561849401	97,206	-
Aviation Development Grant	55.004	ARQ63, 42561839401	66,478	-
Aviation Development Grant	55.004	AR742, 42561819401	156,620	-
Aviation Development Grant	55.004	ARQ64, 42561439401	186,130	-
Aviation Development Grant	55.004	ARQ67, 42561829401	33,502	-
Aviation Development Grant	55.004	ARQ65, 42230339401	171,860	-
Aviation Development Grant	55.004	G0604, 41819339401	1,551	-
Commuter Assistance / Rideshare Grants	55.007	ARN13, 420315-2-84-01	11,011	-
Public Transit Block Grant Program	55.010	G0R27, 4222531-84-01	440,190	-
Transit Corridor Program	55.013	G0T71, 42225618401	211,785	-
Okaloosa Co. Landscape Beautification Project	55.023	416533-8-58-23	99,159	-
Transportation Regional Incentive Program (TRIP)	55.026	ARB51,421997-33801.34801, 43801,44801,53801,63801	1,129,178	-
Total Florida Department of Transportation			3,184,141	348,498
Florida Department of Health				
Direct Projects				
County Grant Awards	64.005	C5046	10,935	-
Total Florida Department of Health			10,935	-
TOTAL STATE FINANCIAL ASSISTANCE			\$ 5,313,465	\$ 1,333,479
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			\$ 13,722,150	\$ 1,521,244

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, 2018

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, 2018. 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 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, 2018

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? Yes X 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
20.205	Highway Planning and Construction
20.507	Federal Transit Formula Grant

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>
37.039	Statewide Surface Water Restoration and Wastewater Project
40.901	State Housing Initiatives Partnership
55.026	Transportation Regional Incentive 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 2018-1 BANK RECONCILIATIONS

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

Bank reconciliations for certain cash accounts related to accounts of the Clerk of the Circuit Court and Comptroller and the Board of County Commissioners were not performed on a timely basis at the end of each month. Reconciling items were not researched promptly so corrective action may be taken, when necessary, to dispose of them. The bank reconciliations after preparation were also not reviewed in a timely manner. The amount of activity in these accounts on a monthly basis is voluminous and data is captured from various transaction sources making timely monthly reconciliations critical to the internal control over cash.

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

FINDING 2018-1 BANK RECONCILIATIONS (CONTINUED)

Cause

The Clerk changed financial institutions during the year ended September 30, 2018 which caused delays in the process. Further due to staff turnover in the Clerk's comptroller function the bank reconciliation process was delayed during the year ended September 30, 2018.

Effect

The internal controls over cash 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. Significant audit adjustments to cash balances were proposed by the auditors' and accepted by management during the year ended September 30, 2018.

Recommendation

Bank accounts should be reconciled monthly and all differences between book and bank balances should be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected. All accounts reconciled should be reviewed by supervisory personnel.

Views of responsible officials and planned corrective action:

We agree with the recommendation. As noted above, the Clerk has recently completed a change in financial institutions that resulted in delays in reconciling certain bank accounts. However, we feel that the benefits of consolidating smaller accounts and utilizing zero balance accounts will increase accuracy and efficiency in daily monitoring as well as performing monthly reconciliations of banking activity. In addition, new work flows have been put in place to ensure that not only are reconciliations being performed timely but also reviewed and documented by management.

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*.

Okaloosa County, Florida
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended September 30, 2018

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

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.

Current Status

Corrective action was taken.

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

Condition

The following conditions exist:

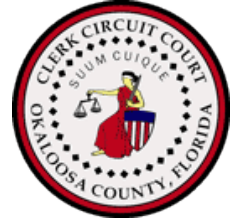
- Physical counts of inventory are not performed routinely
- The nature of the inventory is diverse since public works serves many different functions
- Physical custody of assets is not segregated from the recordkeeping function
- Two separate platforms are used to account for work orders and inventory; 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

Current Status

Corrective action was taken.

JD PEACOCK II

CLERK OF THE CIRCUIT COURT AND COMPTROLLER, OKALOOSA COUNTY, FLORIDA



Okaloosa County, Florida CORRECTIVE ACTION PLAN For the Fiscal Year Ended September 30, 2018

Florida Auditor General

Okaloosa County, Florida respectfully submits the following corrective action plan for the year ended September 30, 2018.

Name and address of independent public accounting firm:

Warren Averett
45 Eglin Parkway NE, Suite 301
Fort Walton Beach, Florida 32548

Audit Period:

October 1, 2017 through September 30, 2018

The findings from the schedule of findings and questioned costs (the schedule) for fiscal year ended September 30, 2018 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

2018-1 BANK RECONCILIATIONS

Recommendation

Bank accounts should be reconciled monthly and all differences between book and bank balances should be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected. All accounts reconciled should be reviewed by supervisory personnel.

Planned Corrective Action

We agree with the recommendation. As noted above, the Clerk has recently completed a change in financial institutions that resulted in delays in reconciling certain bank accounts. However, we feel that the benefits of consolidating smaller accounts and utilizing zero balance accounts will increase accuracy and efficiency in daily monitoring as well as performing monthly reconciliations of banking activity. In addition, new work flows have been put in place to ensure that not only are reconciliations being performed timely but also reviewed and documented by management.

FINDINGS – MAJOR FEDERAL PROGRAMS AND STATE PROJECTS AUDIT

None reported.

If you have any questions regarding this plan, please call Jordan Steffens at (850) 689-5000 ext. 3441.

Sincerely,

 Digitally signed by Ron Adamov
Date: 2019.04.24 12:37:48 -05'00'

Ron Adamov, CFO
Okaloosa County, Florida

**BOARD OF COUNTY
COMMISSIONERS**

**OKALOOSA COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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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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**OKALOOSA COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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Basic Financial Statements

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, 2018, 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, 2018, 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 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 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, 2018 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

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.

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 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 19, 2019, 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 Florida, and the State of Florida Office of Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

Fort Walton Beach, Florida

April 19, 2019

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**Board of County Commissioners
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018**

	<u>General Fund</u>	<u>Tourist Development Special Revenue Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 421,632	\$ 173,179
Investments	6,786,914	51,258,162
Accounts Receivable	192,954	708
Due from Other Funds	1,032,260	-
Due from Other Elected Officials	1,729,681	-
Due from Other Governments	4,172,739	3,957,442
Inventory	201,436	-
Prepays	362,373	15,079
Total Assets	\$ 14,899,989	\$ 55,404,570
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 264,856	\$ 81,840
Contracts Payable	776,506	2,482,683
Other Accrued Liabilities	703,612	60,949
Due to Other Funds	389,480	132,260
Due to Other Elected Officials	325,592	892
Due to Other Governments	114,166	13,008
Due to Depositors	5,725	-
Unearned Revenue	971,142	147,658
Total Liabilities	3,551,079	2,919,290
Deferred Inflow of Resources		
Unavailable Revenue	-	1,600,000
Fund Balances		
Nonspendable	563,809	15,079
Restricted	-	50,870,201
Committed	33,732	-
Assigned	-	-
Unassigned	10,751,369	-
Total Fund Balances	11,348,910	50,885,280
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 14,899,989	\$ 55,404,570

Exhibit I

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 30,891	\$ 1,181,148	\$ 1,806,850
2,924,600	18,143,374	79,113,050
-	13,880	207,542
167	72	1,032,499
130,444	99,802	1,959,927
-	2,341,878	10,472,059
-	666,174	867,610
-	142,549	520,001
<u>\$ 3,086,102</u>	<u>\$ 22,588,877</u>	<u>\$ 95,979,538</u>
\$ 121,995	\$ 91,404	\$ 560,095
1,247,217	974,885	5,481,291
-	168,353	932,914
-	72	521,812
-	846	327,330
-	29,050	156,224
-	109,450	115,175
-	787,969	1,906,769
<u>1,369,212</u>	<u>2,162,029</u>	<u>10,001,610</u>
-	-	1,600,000
-	808,723	1,387,611
1,716,817	16,733,586	69,320,604
73	485,941	519,746
-	2,398,598	2,398,598
-	-	10,751,369
<u>1,716,890</u>	<u>20,426,848</u>	<u>84,377,928</u>
<u>\$ 3,086,102</u>	<u>\$ 22,588,877</u>	<u>\$ 95,979,538</u>

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

Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2018

	General Fund	Tourist Development Special Revenue Fund
Revenues		
Taxes	\$ 61,340,793	\$ 19,652,688
Licenses and Permits	19,500	-
Intergovernmental	22,154,234	236,724
Charges for Services	9,567,724	876,643
Fines	20,261	-
Miscellaneous	2,005,372	1,058,932
Total Revenues	95,107,884	21,824,987
Expenditures		
Current		
General Government	15,635,061	-
Public Safety	17,201,872	-
Physical Environment	663,600	-
Transportation	3,918,350	211,785
Economic Environment	1,924,623	6,910,485
Human Services	3,894,289	-
Culture and Recreation	1,847,654	5,552,794
Court-Related	838,451	-
Capital Outlay	1,976,770	2,267,733
Debt Service		
Principal	208,146	-
Interest	-	-
Other Debt Service Costs	-	-
Total Expenditures	48,108,816	14,942,797
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,999,068	6,882,190

Exhibit II

Capital Outlay Construction Trust Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 639,651	\$ 9,569,259	\$ 91,202,391
-	495,011	514,511
130,444	14,925,500	37,446,902
-	2,670,605	13,114,972
-	175,867	196,128
136,185	1,038,579	4,239,068
<u>906,280</u>	<u>28,874,821</u>	<u>146,713,972</u>
-	190,750	15,825,811
-	1,644,058	18,845,930
-	1,087,146	1,750,746
-	9,394,562	13,524,697
-	965,457	9,800,565
-	601,661	4,495,950
62,958	1,112,006	8,575,412
-	956,468	1,794,919
14,101,298	9,969,916	28,315,717
-	2,479,000	2,687,146
-	2,990,959	2,990,959
-	1,305	1,305
<u>14,164,256</u>	<u>31,393,288</u>	<u>108,609,157</u>
<u>(13,257,976)</u>	<u>(2,518,467)</u>	<u>38,104,815</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2018**

	General Fund	Tourist Development Special Revenue Fund
Other Financing Sources (Uses)		
Transfers In	4,817,112	-
Transfers Out	(850,000)	(2,688,782)
Transfers Among Constitutional Officers	(47,241,817)	-
	<u>(43,274,705)</u>	<u>(2,688,782)</u>
Total Other Financing Sources (Uses)		
	3,724,363	4,193,408
Net Change in Fund Balances		
Fund Balances - Beginning	<u>7,624,545</u>	<u>46,691,872</u>
Fund Balances - Ending	<u>\$ 11,348,908</u>	<u>\$ 50,885,280</u>

Exhibit II

<u>Capital Outlay Construction Trust Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
50,000	3,859,437	8,726,549
(100,182)	(3,132,478)	(6,771,442)
-	(131,605)	(47,373,422)
<u>(50,182)</u>	<u>595,354</u>	<u>(45,418,315)</u>
(13,308,158)	(1,923,113)	(7,313,500)
<u>15,025,048</u>	<u>22,349,961</u>	<u>91,691,426</u>
<u>\$ 1,716,890</u>	<u>\$ 20,426,848</u>	<u>\$ 84,377,926</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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 61,409,204	\$ 61,409,204	\$ 61,340,793	\$ (68,411)
Licenses and Permits	17,600	17,600	19,500	1,900
Intergovernmental	16,459,905	28,731,021	22,154,234	(6,576,787)
Charges for Services	7,595,035	9,110,733	9,567,724	456,991
Fines	13,000	14,485	20,261	5,776
Miscellaneous	1,651,985	2,040,252	2,005,372	(34,880)
Total Revenues	87,146,729	101,323,295	95,107,884	(6,215,411)
Expenditures				
Current				
General Government	16,724,411	16,693,223	15,635,060	1,058,163
Public Safety	24,783,687	25,402,561	17,201,872	8,200,689
Physical Environment	757,191	760,691	663,600	97,091
Transportation	103,398	6,235,530	3,918,350	2,317,180
Economic Environment	1,791,453	1,923,533	1,924,623	(1,090)
Human Services	3,925,834	3,981,254	3,894,289	86,965
Culture and Recreation	1,826,889	2,269,004	1,847,654	421,350
Court-Related	688,065	1,125,427	838,451	286,976
Capital Outlay	499,812	5,312,091	1,976,770	3,335,321
Debt Service				
Principal	208,147	208,147	208,146	1
Total Expenditures	51,308,887	63,911,461	48,108,815	15,802,646
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,837,842	37,411,834	46,999,069	9,587,235
Other Financing Sources (Uses)				
Transfers In	4,874,303	4,992,633	4,817,112	(175,521)
Transfers Out	(870,025)	(895,025)	(850,000)	(45,025)
Transfers Among Constitutional Officers	(46,742,120)	(49,127,217)	(47,241,816)	1,885,401
Total Other Financing	(42,737,842)	(45,029,609)	(43,274,704)	1,664,855
Net Change in Fund Balance	(6,900,000)	(7,617,775)	3,724,365	11,252,090
Fund Balance - Beginning	6,900,000	7,617,775	7,624,545	6,770
Fund Balance - Ending	\$ -	\$ -	\$ 11,348,910	\$ 11,258,860

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Taxes	\$ 20,500,000	\$ 20,500,000	\$ 19,652,688	\$ (847,312)
Intergovernmental	-	2,648,656	236,724	(2,411,932)
Charges for Services	829,750	829,750	876,643	46,893
Miscellaneous	2,058,050	2,756,120	1,058,932	(1,697,188)
Total Revenues	<u>23,387,800</u>	<u>26,734,526</u>	<u>21,824,987</u>	<u>(4,909,539)</u>
Expenditures				
Current				
Transportation	-	211,785	211,785	-
Economic Environment	12,949,000	14,535,210	6,910,485	7,624,725
Culture and Recreation	45,584,453	47,710,339	5,552,794	42,157,545
Capital Outlay	5,553,824	7,962,246	2,267,733	5,694,513
Total Expenditures	<u>64,087,277</u>	<u>70,419,580</u>	<u>14,942,797</u>	<u>55,476,783</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(40,699,477)</u>	<u>(43,685,054)</u>	<u>6,882,190</u>	<u>50,567,244</u>
Other Financing Sources (Uses)				
Transfers Out	(2,269,746)	(2,269,746)	(2,688,782)	(419,036)
Transfers Among Constitutional Officers	<u>(574,000)</u>	<u>(574,000)</u>	-	<u>574,000</u>
Total Other Financing Sources (Uses)	<u>(2,843,746)</u>	<u>(2,843,746)</u>	<u>(2,688,782)</u>	<u>154,964</u>
Net Change in Fund Balance	<u>(43,543,223)</u>	<u>(46,528,800)</u>	<u>4,193,408</u>	<u>50,722,208</u>
Fund Balance - Beginning	<u>43,543,223</u>	<u>46,528,800</u>	<u>46,691,872</u>	<u>163,072</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,885,280</u>	<u>\$ 50,885,280</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, 2018**

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 93,260	\$ 3,064,402	\$ 54,823
Investments	37,362,594	10,977,177	192,852
Receivables, Net of Allowance for Uncollectible	3,202,626	1,725,100	5,242,615
Due from Other Funds	-	266,805	-
Due from Other Elected Officials	-	-	-
Due from Other Governments	151,123	1,689,671	-
Inventory	1,756,701	65,651	132,498
Prepays	138,276	1,405,179	1,517
Restricted Assets			
Cash and Cash Equivalents			
Customer Deposits	1,403,346	-	-
Other Deposits	1,055,384	-	-
Investments	3,870,572	21,205,676	-
Total Restricted Assets	6,329,302	21,205,676	-
Total Current Assets	49,033,882	40,399,661	5,624,305
Capital Assets			
Land	8,180,380	6,451,481	-
Buildings	6,437,702	81,460,306	-
Improvements Other Than Buildings	-	-	-
Intangibles	824,840	100,400	30,150
Machinery and Equipment	12,122,638	2,000,311	5,133,554
Construction in Progress	12,262,768	3,273,993	-
Infrastructure	282,788,622	87,082,054	-
Works of Art	-	69,865	-
Less Accumulated Depreciation/Amortization	(128,360,695)	(50,407,938)	(3,071,196)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	194,256,255	130,030,472	2,092,508
Total Noncurrent Assets	194,256,255	130,030,472	2,092,508
Total Assets	\$ 243,290,137	\$ 170,430,133	\$ 7,716,813

Exhibit V

Activities			Governmental
Other	Total		Activities --
Enterprise Funds	Enterprise Funds		Internal
			Service Funds
\$ 612,264	\$ 3,824,749	\$	10,007
4,476,064	53,008,687		1,576,008
985,287	11,155,628		158,531
-	266,805		389,313
-	-		1,965
57,312	1,898,106		161,493
-	1,954,850		280,145
-	1,544,972		43,866
23,258	1,426,604		-
-	1,055,384		-
-	25,076,248		-
<u>23,258</u>	<u>27,558,236</u>		<u>-</u>
<u>6,154,185</u>	<u>101,212,033</u>		<u>2,621,328</u>
133,301	14,765,162		316,861
115,363	88,013,371		900,466
276,776	276,776		257,345
42,425	997,815		-
3,836,724	23,093,227		2,270,525
-	15,536,761		-
-	369,870,676		-
-	69,865		-
<u>(2,833,367)</u>	<u>(184,673,196)</u>		<u>(3,054,190)</u>
1,571,222	327,950,457		691,007
<u>1,571,222</u>	<u>327,950,457</u>		<u>691,007</u>
<u>\$ 7,725,407</u>	<u>\$ 429,162,490</u>	<u>\$</u>	<u>3,312,335</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018**

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 4,226,691	\$ 1,637,558	\$ 4,381,082
Deferred Charges on Refunding	2,358,250	-	-
Deferred Charges Related to OPEB	27,476	7,473	27,476
Total Deferred Outflows of Resources	\$ 6,612,417	\$ 1,645,031	\$ 4,408,558
Total Assets and Deferred Outflows of Resources	\$ 249,902,554	\$ 172,075,164	\$ 12,125,371
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,178,701	\$ 118,132	\$ 31,385
Contracts Payable	1,085,648	1,455,754	120,459
Accrued Liabilities			
Compensated Absences	502,227	117,640	247,547
Closure Costs Payable	-	-	-
Claims and Judgments	-	-	-
Other Accrued Liabilities	186,844	50,422	198,062
Due to Other Funds	-	-	-
Due to Other Elected Officials	95	1,088	325
Due to Other Governments	14,264	40,224	11,542
Unearned Revenue	1,168,147	142,074	28,378
Loan - State of Florida	442,166	-	-
Revenue Bonds Payable	2,900,000	920,000	-
Current Liabilities Payable from Restricted Assets			
Customer Deposits Payable	1,403,346	3,000	-
Interest Payable	769,485	356,690	-
Total Current Liabilities Payable from Restricted Assets	2,172,831	359,690	-
Total Current Liabilities	9,650,923	3,205,024	637,698

Exhibit V

Activities			Governmental Activities -- Internal Service Funds
Other Enterprise Funds	Total Enterprise Funds		
\$ 892,781	\$ 11,138,112	\$	809,623
-	2,358,250		-
5,955	68,380		4,896
<u>\$ 898,736</u>	<u>\$ 13,564,742</u>	<u>\$</u>	<u>814,519</u>
<u>\$ 8,624,143</u>	<u>\$ 442,727,232</u>	<u>\$</u>	<u>4,126,854</u>
\$ 17,377	\$ 1,345,595	\$	111,626
591,582	3,253,443		82,022
161,423	1,028,837		115,410
365,821	365,821		-
-	-		1,273,811
47,176	482,504		38,730
-	-		1,166,805
-	1,508		262
14,153	80,183		-
10,871	1,349,470		29,883
-	442,166		-
-	3,820,000		-
24,758	1,431,104		-
-	1,126,175		-
<u>24,758</u>	<u>2,557,279</u>		<u>-</u>
<u>1,233,161</u>	<u>14,726,806</u>		<u>2,818,549</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018**

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Noncurrent Liabilities			
Compensated Absences	497,119	94,196	131,609
Closure Costs Payable	-	-	-
Claims and Judgments	-	-	-
Notes Payable			
(Net of Unamortized Discounts)	-	3,500,000	-
Loan- State of Florida			
(Net of Unamortized Discounts)	3,552,103	-	-
Revenue Bonds Payable			
(Net of Unamortized Discounts and Premiums)	64,895,096	13,419,765	-
Other Post Employment Benefits	580,887	158,001	570,704
Net Pension Liability	10,744,570	4,285,497	11,190,429
Total Noncurrent Liabilities	<u>80,269,775</u>	<u>21,457,459</u>	<u>11,892,742</u>
Total Liabilities	<u>\$ 89,920,698</u>	<u>\$ 24,662,483</u>	<u>\$ 12,530,440</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 1,301,680	\$ 434,350	\$ 1,407,877
Deferred Charges Related to OPEB	24,560	6,680	24,560
Total Deferred Inflows of Resources	<u>\$ 1,326,240</u>	<u>\$ 441,030</u>	<u>\$ 1,432,437</u>
NET POSITION			
Net Investment in Capital Assets	\$ 125,184,942	\$ 112,190,707	\$ 2,092,508
Restricted for Debt Service	4,156,471	-	-
Restricted for Other Purposes	-	20,842,598	-
Unrestricted (Deficit)	29,314,203	13,938,346	(3,930,014)
Total Net Position (Deficit)	<u>158,655,616</u>	<u>146,971,651</u>	<u>(1,837,506)</u>
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	<u>\$ 249,902,554</u>	<u>\$ 172,075,164</u>	<u>\$ 12,125,371</u>

Exhibit V

Activities		Governmental
Other	Total	Activities --
Enterprise Funds	Enterprise Funds	Internal
		Service Funds
149,069	871,993	87,556
3,017,869	3,017,869	-
-	-	3,936,341
-	3,500,000	-
-	3,552,103	-
-	78,314,861	-
125,908	1,435,500	103,525
2,268,654	28,489,150	2,068,653
5,561,500	119,181,476	6,196,075
<u>\$ 6,794,661</u>	<u>\$ 133,908,282</u>	<u>\$ 9,014,624</u>
\$ 302,538	\$ 3,446,445	\$ 262,955
5,323	61,123	4,377
<u>\$ 307,861</u>	<u>\$ 3,507,568</u>	<u>\$ 267,332</u>
\$ 1,571,222	\$ 241,039,379	\$ 691,008
-	4,156,471	-
-	20,842,598	-
(49,601)	39,272,934	(5,846,110)
1,521,621	305,311,382	(5,155,102)
<u>\$ 8,624,143</u>	<u>\$ 442,727,232</u>	<u>\$ 4,126,854</u>

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

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, 2018

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Operating Revenues			
Licenses and Permits	\$ -	\$ -	\$ -
Charges for Services	33,819,091	13,744,584	9,996,360
Miscellaneous	23,315	-	-
Total Operating Revenues	33,842,406	13,744,584	9,996,360
Operating Expenses			
Personal services	7,038,415	2,004,622	7,279,460
Contractual Services	3,430,155	3,619,606	691,881
Supplies	1,078,376	787,986	820,198
Insurance Premiums and Claims	-	-	-
Utilities	1,876,369	888,829	33,217
Other Operating Expenses	5,329,517	1,840,541	1,350,959
Depreciation/Amortization	7,340,899	4,626,865	597,573
Total Operating Expenses	26,093,731	13,768,449	10,773,288
Operating Income (Loss)	7,748,675	(23,865)	(776,928)
Nonoperating Revenues (Expenses)			
Taxes	-	-	757
Intergovernmental	7,659	385,679	10,686
Investment Income (Loss)	631,560	420,689	9,064
Other Non-Operating Revenue	33,071	59,096	-
Interest Expense	(3,130,112)	(780,058)	-
Other Debt Service Costs	(300)	(69,674)	-
Gain/(Loss) on Disposal of Capital Assets	46,782	2,978	(103,127)
Total nonoperating Revenues (Expenses)	(2,411,340)	18,710	(82,620)
Income (Loss) Before Contributions and Transfers	5,337,335	(5,155)	(859,548)

Exhibit VI

Activities			Governmental Activities -- Internal Service Funds
Other Enterprise Funds	Total Enterprise Funds		
\$ 1,902,117	\$ 1,902,117	\$ -	
11,034,792	68,594,827	19,893,619	
29,459	52,774	438,696	
<u>12,966,368</u>	<u>70,549,718</u>	<u>20,332,315</u>	
2,068,627	18,391,124	1,667,125	
8,583,764	16,325,406	136,246	
133,087	2,819,647	3,601,760	
-	-	14,093,028	
15,615	2,814,030	5,617	
669,363	9,190,380	443,173	
353,107	12,918,444	78,858	
<u>11,823,563</u>	<u>62,459,031</u>	<u>20,025,807</u>	
<u>1,142,805</u>	<u>8,090,687</u>	<u>306,508</u>	
-	757	-	
223,932	627,956	-	
61,543	1,122,856	(1,236)	
-	92,167	-	
-	(3,910,170)	-	
-	(69,974)	-	
31,700	(21,667)	192,473	
<u>317,175</u>	<u>(2,158,075)</u>	<u>191,237</u>	
<u>1,459,980</u>	<u>5,932,612</u>	<u>497,745</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, 2018

	Business-type		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
Capital Contributions	839,593	1,612,826	-
Passenger and Customer Facility Charges	-	5,284,235	-
Transfers In	-	-	33,000
Transfers Out	-	(1,638,107)	-
Change in Net Position	6,176,928	5,253,799	(826,548)
Total Net Position (Deficit) - Beginning as Restated	<u>152,478,688</u>	<u>141,717,852</u>	<u>(1,010,958)</u>
Total Net Position (Deficit) - Ending	<u>\$ 158,655,616</u>	<u>\$ 146,971,651</u>	<u>\$ (1,837,506)</u>

Exhibit VI

<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>
-	2,452,419	-
-	5,284,235	-
-	33,000	-
-	(1,638,107)	(350,000)
1,459,980	12,064,159	147,745
61,641	293,247,223	(5,302,847)
<u>\$ 1,521,621</u>	<u>\$ 305,311,382</u>	<u>\$ (5,155,102)</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, 2018**

	Business-type Activities		
	Water and Sewer Enterprise Fund	Airport Enterprise Fund	Emergency Medical Services Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 34,836,600	\$ 13,704,487	\$ 8,880,037
Payments to Suppliers	(12,775,095)	(8,346,871)	(3,107,382)
Payments to Employees	(5,771,608)	(1,811,676)	(6,547,390)
Payments for Other Revenues	33,071	59,096	-
Net Cash Provided (Used) by Operating Activities	<u>16,322,968</u>	<u>3,605,036</u>	<u>(774,735)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Subsidy - Intergovernmental Revenue	7,659	385,679	10,686
Transfers In	-	-	33,000
Transfers (Out)	-	(1,638,107)	-
Net Interfund Activity	-	(217,389)	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>7,659</u>	<u>(1,469,817)</u>	<u>43,686</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(10,689,722)	(2,072,501)	(437,942)
Passenger and Customer Facility Charges	-	5,284,235	-
Proceeds from Disposal of Capital Assets	48,692	8,996	20,308
Net Borrowing (Repayments)			
Principal Paid on Capital Debt	(3,670,625)	(858,558)	-
Interest Paid on Capital Debt	(3,466,507)	(800,124)	-
Other Debt Service Costs	(300)	(69,674)	-
Capital Contributions	839,593	1,612,826	-
Net cash provided (used) by capital and related financing activities	<u>(16,938,869)</u>	<u>3,105,200</u>	<u>(417,634)</u>

Exhibit VII

<u>- Enterprise Funds</u>		
<u>Other</u>	<u>Total</u>	<u>Governmental</u>
<u>Enterprise Funds</u>	<u>Enterprise Funds</u>	<u>Activities --</u>
		<u>Internal</u>
		<u>Service Funds</u>
\$ 12,975,933	\$ 70,397,057	\$ 20,227,195
(10,227,125)	(34,456,473)	(18,423,968)
(1,917,083)	(16,047,757)	(1,517,026)
-	92,167	-
<u>831,725</u>	<u>19,984,994</u>	<u>286,201</u>
223,932	627,956	-
-	33,000	-
-	(1,638,107)	(350,000)
<u>605,000</u>	<u>387,611</u>	<u>(88,474)</u>
<u>828,932</u>	<u>(589,540)</u>	<u>(438,474)</u>
(343,710)	(13,543,875)	(119,634)
-	5,284,235	-
57,200	135,196	193,393
-	(4,529,183)	-
-	(4,266,631)	-
-	(69,974)	-
-	2,452,419	-
<u>(286,510)</u>	<u>(14,537,813)</u>	<u>73,759</u>

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2018**

	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	-	-	1,037,766
Interest Income	631,560	420,689	9,064
Purchases of Investments	(410,964)	(6,197,391)	-
Net Cash Provided (Used) by Investing Activities	<u>220,596</u>	<u>(5,776,702)</u>	<u>1,046,830</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(387,646)	(536,283)	(101,853)
Cash and Cash Equivalents - Beginning of Year	<u>2,939,636</u>	<u>3,600,685</u>	<u>156,676</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,551,990</u>	<u>\$ 3,064,402</u>	<u>\$ 54,823</u>
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 93,260	\$ 3,064,402	\$ 54,823
Restricted assets	2,458,730	-	-
Total	<u>\$ 2,551,990</u>	<u>\$ 3,064,402</u>	<u>\$ 54,823</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 7,748,675	\$ (23,865)	\$ (776,928)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	7,340,899	4,626,865	597,573
Other revenue	33,071	59,096	757
Decrease (Increase) in Assets			
Accounts Receivable	(146,312)	(292,521)	(1,134,525)
Due from Other Governments	1,188,680	178,649	2
Inventories	(30,723)	19,602	(132,498)
Prepaid Expenses	(72,386)	(1,401,908)	513
Deferred Outflows	505,635	(28,607)	(108,671)

Exhibit VII

<u>- Enterprise Funds</u>			Governmental Activities -- Internal Service Funds
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>		
-	1,037,766		87,948
61,543	1,122,856		(1,236)
-	(6,608,355)		-
<u>61,543</u>	<u>(4,447,733)</u>		<u>86,712</u>
1,435,690	409,908		8,198
<u>149,430</u>	<u>6,846,427</u>		<u>1,809</u>
<u>\$ 1,585,120</u>	<u>\$ 7,256,335</u>		<u>\$ 10,007</u>
\$ 612,264	\$ 3,824,749		\$ 10,007
23,258	2,481,988		-
<u>\$ 635,522</u>	<u>\$ 6,306,737</u>		<u>\$ 10,007</u>
\$ 1,142,805	\$ 8,090,687		\$ 306,508
353,107	12,918,444		78,858
-	92,924		-
26,596	(1,546,762)		(82,456)
(16,268)	1,351,063		(32,947)
-	(143,619)		(41,014)
3,035	(1,470,746)		(35,870)
(24,864)	343,493		(20,468)

Continued...

**Board of County Commissioners
Okaloosa County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2018**

	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	(23,684)	(138,999)	(72,471)
Service Contracts Payable	(976,808)	281,452	(30,901)
Due to Other Elected Officials	95	926	(417)
Due to Other Governments	5,735	15,907	(743)
Compensated Absences Payable	10,253	13,558	44,024
Closure Cost Payable	-	-	-
Claims and Judgments Payable	-	-	-
Other Accrued Liabilities	37,093	13,111	25,390
Deposits	24,925	-	-
Unearned Revenue	(73,099)	73,775	17,443
Other Post Employment Benefits	29,218	7,948	29,218
Net Pension Liability	315,337	87,465	336,053
Deferred Inflows	406,364	112,582	431,446
Total Adjustments	<u>8,574,293</u>	<u>3,628,901</u>	<u>2,193</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 16,322,968</u>	<u>\$ 3,605,036</u>	<u>\$ (774,735)</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
Other	Total		Activities --
<u>Enterprise Funds</u>	<u>Enterprise Funds</u>		Internal
			<u>Service Funds</u>
(17,566)	(252,720)		10,838
(480,179)	(1,206,436)		(80,876)
-	604		(79)
(19,587)	1,312		-
(8,261)	59,574		18,501
(317,702)	(317,702)		-
-	-		(5,829)
6,703	82,297		8,686
1,500	26,425		-
(2,263)	15,856		10,283
6,333	72,717		5,207
78,259	817,114		64,448
100,077	1,050,469		82,411
<u>(311,080)</u>	<u>11,894,307</u>		<u>(20,307)</u>
<u>\$ 831,725</u>	<u>\$ 19,984,994</u>	<u>\$</u>	<u>286,201</u>
\$ -	\$ 304,651	\$	-

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

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Okaloosa County is a political subdivision of the State of Florida, governed by a five (5) member Board of County Commissioners (Board), each elected at large for four-year terms. The Board has no powers other than those expressly vested in it by State Statute and their governmental powers cannot be delegated.

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

The 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.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basis of Presentation – Fund Financial Statements

The 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.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

2. Governmental Fund Financial Statements – Continued

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

3. Proprietary Fund Financial Statements

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

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

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

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

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

4. Other Financial Statement Presentation Information

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

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

4. Other Financial Statement Presentation Information - Continued

The Board reports the following major governmental funds:

General Fund

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

Tourist Development 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.

Capital Outlay Constructions Trust Fund

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

The Board reports the following major enterprise funds:

Water and Sewer Fund

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

Airport Enterprise Fund

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

Emergency Medical Services Fund

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

The Board reports the following other fund type:

Internal Service Funds

These funds account for insurance coverage and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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

The Board maintains a cash and investment pool that is available for use by all funds. Earnings from the pooled investments are allocated to the respective funds based on applicable cash participation by each fund. The investment pool is managed such that all participating funds have the ability to deposit and withdraw cash as if they were demand deposit accounts. Therefore, all balances representing participants' equity in the investment pools are classified as cash and cash equivalents for financial statement purposes.

Except for where otherwise specified, the Board's investments are reported at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. This standard requires investments reported in the Statement of Net Position to be measured at fair value consistent with an exchange-like transaction between willing parties, other than in a forced liquidation or sale. Paragraph 16 of GASB Statement No. 31 makes an exception for investments in 2a-7-like governmental external investment pools containing certain money market investments, which may be accounted for and reported at amortized cost, provided the investments have a remaining maturity of one year or less at the time of purchase. A 2a7-like pool is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Investments held by 2a7-like pools are of very high credit quality and short maturity. The high credit quality requirement is intended to limit the investment portfolio's credit risk, and the short maturity requirement is intended to limit interest rate risk. These two requirements are designed to keep the pool's measured fair value to be very close to the pool's value on an amortized cost basis. Governmental external investment pools may also report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In June 2010, the GASB issued Statement No. 59, Financial Instruments Omnibus, which clarified investments in 2a-7-like pools should be measured at the net asset value per share. The net asset value per share generally is calculated on a basis other than fair value, such as the amortized cost method.

In December 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants, in response to the Securities and Exchange Commission's amendments to Rule 2a-7 in 2014 related to money market funds, which would become effective in April 2016. As a result of the SEC's changes to Rule 2a-7, most notably with a change in fund transactions to be recorded at a floating instead of stable net asset value per share, as well as the ability of money market funds to now impose liquidity fees and redemption gates, external investment pools would subsequently lose the ability to report the pool's value at amortized cost. GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools, by creating an exception to allow for the continued reporting at amortized cost contingent upon adherence to the exceptions within Paragraph 4, and as further delineated in subsequent sections of the new standard.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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

The Florida Local Government Investment Trust (the Trust) was created and established under the laws of the state of Florida for the purpose of providing opportunities for the investment of excess public funds. The Trust is operated and administered by a Board of Trustees consisting of six members, three appointed by the Florida Association of Court Clerks, Inc., and three appointed by the Florida Association of Counties, Inc. The Trust is self-regulated and is not registered with the Securities and Exchange Commission.

The Trust offers two investment funds to its participants, the Short-Term Bond Fund and the Day to Day Fund. The Short-Term Bond Fund is a longer term, higher yielding fund, which is accounted for as a fluctuating Net Asset Value (NAV) pool. The Short-Term Bond Fund does not meet the criteria as established by GASB Statement No. 79, Certain External Investment Pools and Pool Participants to be reported at amortized cost and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the Board's investments in the Short-Term Bond Fund is determined at the NAV fair value per share in accordance with GASB Statement No. 31. Also, because the Board's investment in the Short-Term Bond Fund is measured at a NAV fair value per share, it is excluded from categorization within the fair value hierarchy of GASB Statement No. 72.

The Day to Day Fund is a highly liquid fund with underlying investments having a weighted average maturity of less than 90 days. The Day to Day Fund does meet the criteria as established by GASB Statement No. 79, Certain External Investment Pools and Pool Participants to be reported at amortized cost and does have a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. However, because the fund is reported at amortized cost, it is also excluded from categorization within the fair value hierarchy of GASB Statement No. 72.

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 balance sheet. Short-term interfund loans are also classified as "interfund receivables/payables." If applicable, non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a non-spendable fund balance account, which 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 General Fund, Emergency Medical Services Enterprise Fund, Airport Enterprise Fund, and Water and Sewer Enterprise Fund are the only funds of the Board that provide for an allowance for doubtful accounts for trade accounts receivables. All other funds accounts receivable write offs are insignificant.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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 Disbursement Agency Fund of the Tax Collector.

The following is the current property tax calendar:

Lien Date	January 1, 2018
Levy Date	November 1, 2018
Due Date	November 1, 2018
Delinquent Date	April 1, 2019

Discounts of 1% for each month taxes are paid prior to March 2019 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 presented by the Board in the proprietary funds is supplies and parts used in operations and are valued at lower of cost (first-in, first-out) or market. The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements. 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 Water and Sewer System Enterprise Fund revenue bonds and the Airport Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, restricted assets include funds set aside for repayment of customer deposits in several enterprise funds.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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 assets 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 estimated 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, intangibles, and infrastructure. Other costs incurred for repairs and maintenance is expensed as incurred. General infrastructure assets acquired prior to July 1, 1980 are included in the capital asset inventory and are reported at estimated historical cost using deflated replacement cost.

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

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

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. 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.

9. Accrued liabilities and Long-Term Obligations

Proprietary fund types report long-term debt such as capital leases and other long-term obligations as liabilities in the proprietary fund type balance sheet. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as 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.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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 both 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

13. Other Post-employment Benefits

The Board offers post-employment health care benefits (OPEB) to all retired employees of the Board and their dependents. For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflow of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board's plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan.

14. 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.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

15. 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. Amortization expense of the deferred outflow related to the Water and Sewer, Series 2015 bonds totaled \$304,651 for the year ended September 30, 2018 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.

16. 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.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

16. Fund Balance – Continued

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 County 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.

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 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.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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 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 in a series of workshops beginning on or after July 15. The Board requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes. Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

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

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. 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 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 by revision of fund totals. Supplemental budgetary appropriations of \$75,759,245, representing a 20.00% 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 yearend do not constitute expenditures since the commitments will be honored during the subsequent year.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

B. DEFICIT FUND BALANCE/NET POSITION

The Emergency Medical Service Enterprise Fund reported a deficit net position of \$1,837,506 as of September 30, 2018. The fund increased charges for services in FY17 and the Board eliminated ad valorem taxes allocated to the fund to subsidize its activity. The deficit will be cured by the increased fees in the provision of services and the Board may need to reconsider allocations of ad valorem taxes in future budget periods.

The Self Insurance Internal Service Fund reported deficit net position of \$3,783,731. 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 \$1,371,371. 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2018, the Board's carrying value of cash and cash equivalents totaled \$8,123,594.

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.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS - CONTINUED

At September 30, 2018, the carrying amount of the Board's cash deposits totaled \$7,937,072 and cash in money market funds totaled \$186,522.

Investments

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

The investment policy manual details the methods used to manage the risks inherent to the investment process. The authority for investment of 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.

Credit risk. As of September 30, 2018, Standard & Poor's rated the investment in Florida Local Government Investment Trust investment pool AA Af, Florida Local Government Investment Day to Day AA Am, and Florida Local Government Surplus Fund Trust AA Am. As of September 30, 2018, 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, 2018, 19.00% 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 3.35%, 7.46%, 7.07% and 0.31% 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.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

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	\$ 30,205,164	0.798	AAA	19.00%
Total long term investments	<u>30,205,164</u>			<u>19.00%</u>
Total Fair Value	<u>\$ 30,205,164</u>			<u>19.00%</u>
Portfolio Weighted Average Duration		0.798		

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 hierarch 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.

The Board has the following recurring fair value measurements as of September 30, 2018.

- 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.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 4 – FAIR VALUE OF INVESTMENTS – CONTINUED

At September 30, 2018, the Board had the following recurring fair value measurements.

	Fair Value	Level 1	Level 2	Level 3
Federal Home Loan Bank	\$ 5,333,010	\$ -	\$ 5,333,010	\$ -
Federal Home Loan Mortgage Corporation	11,858,892	-	11,858,892	-
Federal National Mortgage Association	12,514,165	-	12,514,165	-
Governmental National Mortgage Association	499,097	-	499,097	-
	<u>30,205,164</u>	<u>\$ -</u>	<u>\$ 30,205,164</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Florida Local Government Investment Trust - Investment Pool	<u>39,777,152</u>			
Total investments measured at fair value	69,982,316			
Total investments measured at amortized cost	<u>88,791,677</u>			
Total investments at September 30, 2018	<u>\$ 158,773,993</u>			

NOTE 5 – RECEIVABLES/UNEARNED AND UNAVAILABLE REVENUE

Receivables as of September 30, 2018 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, 2018
General	\$ 292,599	\$ 4,172,739	\$ 4,465,338	\$ (99,645)	\$ 4,365,693
Tourist Development	708	3,957,442	3,958,150	-	3,958,150
Water and Sewer	3,492,228	151,123	3,643,351	(289,602)	3,353,749
Airport	2,167,806	1,689,671	3,857,477	(442,706)	3,414,771
Emergency Medical Service	10,898,262	-	10,898,262	(5,655,647)	5,242,615
Nonmajor and Other Funds	1,157,698	2,560,683	3,718,381	-	3,718,381
Total	<u>\$ 18,009,301</u>	<u>\$ 12,531,658</u>	<u>\$ 30,540,959</u>	<u>\$ (6,487,600)</u>	<u>\$ 24,053,359</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 5 – RECEIVABLES/UNEARNED AND UNAVAILABLE REVENUE – CONTINUED

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, 2018 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>Unavailable</u>	<u>Unearned</u>
General	\$ -	\$ 971,142
Tourist Development	1,600,000	147,658
Water and Sewer	-	1,168,147
Airport	-	142,074
Emergency Medical Services	-	28,378
Nonmajor and Other Funds	-	828,723
Total	<u>\$ 1,600,000</u>	<u>\$ 3,286,123</u>

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**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers and Adjustments	Ending Balance
Governmental Activities					
Capital assets, not being depreciated/amortized:					
Land	\$ 11,834,503	\$ 579,551	\$ -	\$ 3,750	12,417,804
Intangibles	1,146,905	-	-	-	1,146,905
Construction in progress	14,772,726	21,232,931	-	(1,597,027)	34,408,630
Works of Art	29,195	-	-	-	29,195
Total capital assets not being depreciated/amortized	<u>27,783,329</u>	<u>21,812,482</u>	<u>-</u>	<u>(1,593,277)</u>	<u>48,002,534</u>
Capital assets, being depreciated/amortized:					
Buildings	106,250,527	395,326	-	-	106,645,853
Improvement other than buildings	37,957,556	375,201	-	1,230,502	39,563,259
Intangibles	595,587	39,395	-	-	634,982
Machinery and equipment	33,622,853	4,054,317	(3,760,227)	1,002,122	34,919,065
Infrastructure	158,970,787	1,757,433	-	362,776	161,090,996
Total capital assets being depreciated/amortized	<u>337,397,310</u>	<u>6,621,672</u>	<u>(3,760,227)</u>	<u>2,595,400</u>	<u>342,854,155</u>
Less accumulated depreciation/amortization for:					
Buildings	(37,920,403)	(2,770,876)	-	-	(40,691,279)
Improvements other than buildings	(12,998,791)	(1,115,055)	-	-	(14,113,846)
Intangibles	(497,726)	(31,071)	-	-	(528,797)
Machinery and equipment	(27,158,102)	(2,209,046)	3,586,413	(850,504)	(26,631,239)
Infrastructure	(89,261,430)	(2,450,768)	-	-	(91,712,198)
Total accumulated depreciation/amortization	<u>(167,836,452)</u>	<u>(8,576,816)</u>	<u>3,586,413</u>	<u>(850,504)</u>	<u>(173,677,359)</u>
Total capital assets, being depreciated/amortized, net	<u>169,560,858</u>	<u>(1,955,144)</u>	<u>(173,814)</u>	<u>1,744,896</u>	<u>169,176,796</u>
Governmental-type activities capital assets, net	<u>\$ 197,344,187</u>	<u>\$ 19,857,338</u>	<u>\$ (173,814)</u>	<u>\$ 151,619</u>	<u>\$ 217,179,330</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 6 – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions/programs as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Government activities:		
General government	\$ 1,959,391	\$ 13,556
Public safety	1,025,522	-
Physical environment	171,954	-
Transportation, including depreciation of general infrastructure assets	3,514,815	13,605
Economic environment	43,050	-
Human services	305,668	-
Culture and recreation	1,421,918	1,960
Court related	24,569	1,950
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>78,858</u>	<u>-</u>
Total depreciation expense - governmental activities	<u>\$ 8,545,745</u>	<u>\$ 31,071</u>

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**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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	22,486,104	5,936,075	-	(12,885,418)	15,536,761
Works of art	69,865	-	-	-	69,865
Total capital assets not being depreciated/amortized	<u>37,321,131</u>	<u>5,936,075</u>	<u>-</u>	<u>(12,885,418)</u>	<u>30,371,788</u>
Capital assets, being depreciated/amortized:					
Buildings	87,529,140	482,713	-	1,518	88,013,371
Improvement other than buildings	276,776	-	-	-	276,776
Intangibles	938,505	59,310	-	-	997,815
Machinery and equipment	21,926,872	2,736,243	(567,766)	(1,002,122)	23,093,227
Infrastructure	352,658,504	4,328,273	-	12,883,899	369,870,676
Total capital assets being depreciated/amortized	<u>463,329,797</u>	<u>7,606,539</u>	<u>(567,766)</u>	<u>11,883,295</u>	<u>482,251,865</u>
Less accumulated depreciation/amortization for:					
Buildings	(22,111,046)	(2,362,931)	-	-	(24,473,977)
Improvements other than buildings	(192,217)	(9,226)	-	-	(201,443)
Intangibles	(878,409)	(24,219)	-	-	(902,628)
Machinery and equipment	(14,813,527)	(1,994,916)	563,783	850,504	(15,394,156)
Infrastructure	(135,173,840)	(8,527,152)	-	-	(143,700,992)
Total accumulated depreciation/amortization	<u>(173,169,039)</u>	<u>(12,918,444)</u>	<u>563,783</u>	<u>850,504</u>	<u>(184,673,196)</u>
Total capital assets, being depreciated/amortized, net	<u>290,160,758</u>	<u>(5,311,905)</u>	<u>(3,983)</u>	<u>12,733,799</u>	<u>297,578,669</u>
Business-type activities capital assets, net	<u>\$ 327,481,889</u>	<u>\$ 624,170</u>	<u>\$ (3,983)</u>	<u>\$ (151,619)</u>	<u>\$ 327,950,457</u>

Depreciation expense was charged to functions/programs as follows:

	Depreciation	Amortization
Business - type activities:		
Water and sewer	\$ 7,317,880	\$ 23,019
Airport	4,625,665	1,200
Emergency Medical Services	597,573	-
Other enterprise funds	353,107	-
Total depreciation expense - business - type activities	<u>\$ 12,894,225</u>	<u>\$ 24,219</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 6 – CAPITAL ASSETS – CONTINUED

Construction Commitments

Crestview Courthouse Remodel

The Board initially entered into 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, 2018 totals \$20,727,106. Cumulative expenditures total \$19,772,852, with \$954,254 remaining liability outstanding at September 30, 2018.

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 2019 capital budget, total expenditures will approximate \$10,500,000 on projects, which include \$4,300,000 for year 3 of a three-year mass meter change out program, \$1,500,000 for the Water and Sewer Building/Site Work, \$1,500,000 for Reclaim Water Main Niceville/Eglin and another \$3,200,000 million for diversion, and multiple smaller projects.

NOTE 7 – COMPENSATED ABSENCES

The policy of the Board 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>Group A 40 hours/ week</u>	<u>Group B 45 hours/ week</u>	<u>Group C 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.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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 compensated absences for the funds of the Board as of September 30, 2018 are as follows:

Elected Official	Current Portion	Long-Term Portion	Totals
Board of County Commissioners	\$ 2,757,451	\$ 2,010,206	\$ 4,767,657

NOTE 8 – LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

The Board is required to study, estimate, and certify to the U.S. Environmental Protection Agency through the Florida Department of Environmental Protection the estimated cost to close and to perform certain maintenance and monitoring functions at Baker Landfill and Wright Landfill for 30 years after closure and Niceville Landfill for 20 years after closure. One hundred percent of the landfill capacity has been used in the landfills and they have all been permanently closed.

The 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, 2018. The landfill closure and post closure costs are reevaluated each year. The estimate is subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations. The effect of this change in estimates has been reflected in the operations of the Solid Waste Enterprise Fund and has increased net income by \$317,702. The estimated liability for landfill closure and post closure care costs has a balance of \$3,383,690 as of September 30, 2018.

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2018 is as follows:

	Receivable from Other Funds	Payable to Other Funds
Major Fund		
General Fund	\$ 1,032,260	\$ 389,480
Tourist Development	-	132,260
Capital Outlay	167	-
Airport Enterprise Fund	266,805	-
Non-major Funds		
Special Revenue Funds	72	72
Internal Service Funds	389,313	1,166,805
	<u>\$ 1,688,617</u>	<u>\$ 1,688,617</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 9 – INTERFUND BALANCES AND ACTIVITY -CONTINUED

The composition of interfund balances related to Elected Officials as of September 30, 2018 is as follows:

	<u>Receivable from Other Elected Official</u>	<u>Payable to Other Elected Official</u>
Major Fund		
General Fund	\$ 1,729,681	\$ 325,592
Tourist Development Special Revenue Fund	-	892
Capital Outlay Construction Trust Fund	130,444	-
Water and Sewer Enterprise Fund	-	95
Airport Enterprise Fund	-	1,088
Emergency Medical Services	-	325
Non-major Funds		
Special Revenue Funds	99,802	846
Internal Service Funds	1,965	262
Constitutional Officers		
Clerk of Courts	4,498	126,022
Sheriff	315,674	745,809
Supervisor of Elections	6,072	163,539
Tax Collector	8,929	160,515
Property Appraiser	-	772,080
	<u>\$ 2,297,065</u>	<u>\$ 2,297,065</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, 2018 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund		
General	\$ 4,817,112	\$ 48,091,817
Tourist Development	-	2,688,782
Capital Outlay	50,000	100,182
Airport Enterprise	-	1,638,107
Emergency Medical Services Enterprise	33,000	-
Non-major Funds		
Governmental	3,859,437	3,264,083
Internal Service	-	350,000
Constitutional Officers		
Clerk of Courts	1,594,285	-
Sheriff	41,710,597	-
Supervisor of Elections	1,557,494	-
Tax Collector	-	28,693
Property Appraiser	2,539,739	-
	<u>\$ 56,161,664</u>	<u>\$ 56,161,664</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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 \$2,975,854 has been recorded as of September 30, 2018. 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 \$64,588 has been recorded as of September 30, 2018. 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 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 a Wild Willy's Adventure Island. The 10-year lease can be renewed for four (2) optional 10-year periods through 2042. Annual rental fees begin at \$65,000 with annual consumer price index increase.

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 \$1,910,074 has been recorded as of September 30, 2018. The one-year lease expires in June 2019. Rental fees begin at \$18,563 and increase annually.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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,	
2019	\$ 6,266,024
2020	6,049,894
2021	4,794,946
2022	1,478,562
2023	1,319,793
Thereafter	<u>16,387,523</u>
	<u><u>\$ 36,296,742</u></u>

Operating Leases – Lessee

The Board leases the land, approximately 130 acres, on which airport facilities are located from the United States Government under a long-term lease agreement expiring in July 2063. The lease was renegotiated in April 2018. The amended agreement extends the expiration from December 9, 2038 to July 30, 2063 and removes a 3% annual escalation factor, which was replaced with an annual CPI adjustment. As part of the renegotiation, the Board agreed to a lump-sum \$1,200,000 payment in April 2018, which will be amortized over the remaining forty-five year life of the lease. The future minimum lease payments total \$19,375,695. Lease expense for fiscal year 2018 was \$443,880, which includes \$13,309 in amortization expense.

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 \$8,792,387 over the life time of the lease. Lease expense for fiscal year 2018 was \$396,173.

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 \$51,030 for the remaining term of the lease. Lease expenditure for fiscal year 2018 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 \$233,864. Lease expense for fiscal year 2018 was \$93,546.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 10 – LEASES – CONTINUED

Operating Leases – Lessee – Continued

<u>Fiscal Year Ended September 30</u>	
2019	\$ 988,859
2020	959,117
2021	934,189
2022	909,835
2023	932,841
2024-2028	5,031,045
2029-2033	5,704,213
2034-2038	<u>5,882,569</u>
	<u>\$ 21,342,668</u>

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**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 11 – LONG-TERM DEBT

Primary Government

The following debt issues are outstanding for September 30, 2018.

Governmental Activities:

REVENUE BONDS

\$26,615,000 Sales Tax Revenue Bonds, Series 2009, serial and term bonds with stated interest rates ranging from 3.0 percent to 6.375 percent compounded semi-annually through October 1, 2039; issued in denominations of \$5,000 maturity value due in annual installments of \$315,000 to \$1,495,000 from October 1, 2011 through October 1, 2039. Sales tax revenues along with any direct federal subsidy payments received with respect to the Taxable Series 2009B Bonds (Direct Payment Build America Bonds) were 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. \$22,545,000

\$3,600,000 Capital improvement Revenue Bond, Series 2011, serial bonds with stated interest rate of 3.72 percent compounded semi-annually through October 1, 2030; issued in denominations of \$5,000 maturity value due in annual installments of \$133,000 to \$259,000 from October 1, 2012 through October 1, 2030. General governmental revenues are pledged for the payment of the bonds. Proceeds of the bonds have been used to finance the purchase of the Newman C. Brackin Building to be used for office space. This issue is subject to federal arbitrage regulations. 2,723,000

\$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. 20,625,000

\$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 pledged 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. 12,725,000

Total Governmental Activities Revenue Bonds \$ 58,618,000

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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.

\$ 1,957,000

Total Governmental Activities Loans and Notes

\$ 1,957,000

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 Destin-Fort Walton Beach 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.

\$ 7,450,000

\$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.

7,020,000

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.

59,595,000

Total Business-type Revenue Bonds

\$ 74,065,000

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Business-type Activities - Continued:

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

LOANS - STATE OF FLORIDA - CONTINUED

\$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.	\$ 21,629
\$8,168,888 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments including capitalized interest of \$291,598 at 2.71% and 3.00% beginning June 15, 2007 reducing to \$263,938 beginning December 15, 2008 through December 15, 2023.	<u>3,972,641</u>
Total Loans - State of Florida	<u>3,994,270</u>

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.	<u>3,500,000</u>
Total Business-type Loans and Notes	<u><u>\$ 7,494,270</u></u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

The following is a summary of the changes in long-term debt of the Board for the fiscal year ended September 30, 2018.

	Balance Due October 1, 2017 (as restated)	Increases	Decreases	Balance Due September 30, 2018	Due Within One Year
Governmental Activities:					
Revenue Bonds					
Sales Tax Revenue					
Bonds,					
Series 2009	\$ 23,220,000	\$ -	\$ (675,000)	\$ 22,545,000	\$ 690,000
Series 2011	2,883,000	-	(160,000)	2,723,000	166,000
Series 2014	21,405,000	-	(780,000)	20,625,000	815,000
Series 2016	12,960,000		(235,000)	12,725,000	240,000
Less deferred amounts for issuance discounts/premiums	2,900,537	11,541	(342,678)	2,569,400	-
Total Revenue Bonds	<u>63,368,537</u>	<u>11,541</u>	<u>(2,192,678)</u>	<u>61,187,400</u>	<u>1,911,000</u>
Loans and Notes					
Private bank note	2,586,000	-	(629,000)	1,957,000	641,000
Total Loans and Notes	<u>2,586,000</u>	<u>-</u>	<u>(629,000)</u>	<u>1,957,000</u>	<u>641,000</u>
Accrued compensated absences	2,909,466	49,366	(92,005)	2,866,827	1,728,614
Estimated claims payable	5,904,720	-	(694,568)	5,210,152	1,273,811
Other post employment benefits	3,392,355	330,121	(334,559)	3,387,917	-
Net pension liability	<u>77,535,873</u>	<u>2,913,992</u>	<u>-</u>	<u>80,449,865</u>	<u>-</u>
Total Governmental Activities	<u>\$ 155,696,951</u>	<u>\$ 3,305,020</u>	<u>\$ (3,942,810)</u>	<u>\$ 155,059,161</u>	<u>\$ 5,554,425</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

	Balance Due October 1, 2017 (as restated)			Balance Due September 30, 2018		Due Within One Year
	Increases	Decreases				
Business-type Activities:						
Revenue Bonds						
Airport Taxable Revenue Bonds, Series 2007	\$ 7,800,000	\$ -	\$ (350,000)	\$ 7,450,000		\$ 375,000
Airport Revenue Bonds, Series 2014	7,550,000	-	(530,000)	7,020,000		545,000
Water & Sewer Revenue, Series 2015	62,380,000	-	(2,785,000)	59,595,000		2,900,000
Less deferred amounts for issuance discounts/premiums	8,503,979	21,442	(455,561)	8,069,860		-
Total Revenue Bonds	86,233,979	21,442	(4,120,561)	82,134,860		3,820,000
Loans and Notes						
State of Florida Revolving Loan Fund, February 15, 2001 through August 15, 2019	42,586	-	(20,957)	21,629		\$ 21,629
State of Florida Revolving Loan Fund, beginning June 15, 2007 through December 15, 2023	4,381,748	-	(409,109)	3,972,639		420,537
Airport Commercial Paper Loan	3,500,000	-	-	3,500,000		-
Total Loans and Notes	7,924,334	-	(430,066)	7,494,268		442,166
Accrued compensated absences	1,841,257	72,070	(12,497)	1,900,830		\$1,028,837
Estimated closure costs payable	3,701,391	-	(317,701)	3,383,690		365,821
Other post employment benefits	1,451,942	141,293	(157,735)	1,435,500		-
Net Pension Liability	27,672,035	817,115	-	28,489,150		-
Total Business-type Activities	\$128,824,938	\$1,051,920	\$(5,038,560)	\$124,838,298		\$5,656,824

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, \$202,966 of internal service funds compensated absences, \$5,210,152 of estimated claims, \$103,525 of other post-employment benefits, \$2,068,653 of net pension liability are included in the above amounts.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 11 – LONG-TERM DEBT – CONTINUED

Primary Government – Continued

Compensated absences, other post-employment benefits and net pension liability are liquidated in 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, 2018 are as follows.

Year Ending September 30,	Governmental Activities			
	Revenue Bonds		Loans and Notes	
	Principal	Interest	Principal	Interest
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	2,228,000	2,496,289	-	-
2024-2028	12,647,000	10,676,786	-	-
2029-2033	15,185,000	7,069,605	-	-
2034-2038	12,120,000	3,457,641	-	-
2039-2043	5,700,000	1,132,163	-	-
2044-2048	2,665,000	274,375	-	-
	<u>\$ 58,618,000</u>	<u>\$ 36,076,955</u>	<u>\$ 1,957,000</u>	<u>\$ 52,957</u>

Year Ending September 30,	Business-type Activities					
	Revenue Bonds		Loans and Notes		Landfill Closure Costs	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 3,820,000	\$ 3,635,296	\$ 442,165	\$ 109,596	\$ 365,821	\$ -
2020	3,995,000	3,447,892	3,932,285	96,323	365,821	-
2021	4,195,000	3,248,438	444,362	83,514	365,821	-
2022	4,395,000	3,039,010	456,777	71,099	365,821	-
2023	4,620,000	2,818,252	469,539	58,336	365,821	-
2024-2028	23,215,000	10,451,469	1,749,140	98,425	1,554,585	-
2029-2033	18,555,000	5,150,455	-	-	-	-
2034-2038	11,270,000	997,500	-	-	-	-
	<u>\$ 74,065,000</u>	<u>\$ 32,788,312</u>	<u>\$ 7,494,268</u>	<u>\$ 517,293</u>	<u>\$ 3,383,690</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, 2018, \$14,284,025 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.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 13 – FUND BALANCES/RESTRICTED NET ASSETS

A schedule of the governmental fund balances for September 30, 2018 is provided below.

	Major Funds				Total
	General Fund	Tourist Development	Capital Outlay	Other	
Fund Balances:					
Nonspendable:					
Inventory	\$ 201,436	\$ -	\$ -	\$ 666,174	\$ 867,610
Prepays	362,373	15,079	-	142,549	520,001
Restricted for:					
Tourist Development 1st Cent	-	16,476,732	-	-	16,476,732
Tourist Development 2nd Cent	-	2,880,512	-	-	2,880,512
Tourist Development 3rd Cent	-	5,989,498	-	-	5,989,498
Tourist Development 4th Cent	-	21,036,999	-	-	21,036,999
Tourist Development 5th Cent	-	4,486,460	-	-	4,486,460
Florida Boating Improvements	-	-	556,603	-	556,603
Capital Projects	-	-	1,160,214	-	1,160,214
Emergency and Disaster Relief	-	-	-	1,002,981	1,002,981
Housing and Urban Development	-	-	-	322,975	322,975
E-911 Operations	-	-	-	994,780	994,780
Radio Communications	-	-	-	122,106	122,106
Law Enforcement Trust Fund	-	-	-	169,981	169,981
Police Academy	-	-	-	63,966	63,966
Park Projects	-	-	-	3,140,388	3,140,388
Prisoner Benefit Fund	-	-	-	986,700	986,700
Judicial Innovations	-	-	-	441,888	441,888
Drug Abuse Trust Fund	-	-	-	85,567	85,567
Domestic Violence Trust Fund	-	-	-	6,880	6,880
Traffic Education	-	-	-	186,884	186,884
Debt Service	-	-	-	466,663	466,663
Transportation Projects	-	-	-	8,741,827	8,741,827
Committed to:					
Planning Projects	33,732	-	73	-	33,805
Municipal Benefits Service Units	-	-	-	485,941	485,941
Assigned to:					
Transportation Projects	-	-	-	2,396,979	2,396,979
Health Department	-	-	-	1,619	1,619
Unassigned:					
Unassigned	10,751,369	-	-	-	10,751,369
Total Fund Balances	<u>\$ 11,348,910</u>	<u>\$ 50,885,280</u>	<u>\$ 1,716,890</u>	<u>\$ 20,426,848</u>	<u>\$ 84,377,928</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 13 – FUND BALANCES/RESTRICTED NET ASSETS – 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, 2018.

Fund	Amount	Purpose
Airport Enterprise Fund	\$ 14,198,057	Passenger Facility Charges
Airport Enterprise Fund	6,644,541	Customer Facility Charges
Total Net Assets		
Restricted for Other Purposes	<u>\$ 20,842,598</u>	

NOTE 14 – ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2018, is as follows:

General Fund	\$ 457,399
Tourist Development	588,853
Capital Outlay	498,595
Other Governmental	169,792
Total	<u>\$ 1,714,639</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 Board 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

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 15 – PENSION PLAN – CONTINUED

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.
- ***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.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 15 – PENSION PLAN – CONTINUED

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.

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 2017 and 2018 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 employer contribution rates in effect during the period ended September 30, 2018 and two preceding FRS fiscal years are as follows:

	September 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016
Regular Class	8.26%	7.92%	7.52%	7.26%
Senior Management	24.06%	22.71%	21.77%	21.43%
Elected Officials	48.70%	45.50%	42.47%	42.27%
Deferred Retirement Option Program	14.03%	13.26%	12.99%	12.88%
Special Risk Regular	24.50%	23.27%	22.57%	22.04%
Special Risk Administrative Support	34.98%	34.63%	28.06%	32.95%

For the years ending September 30, 2018, 2017, 2016, the Board contributed \$4,810,608, \$4,269,277 and \$4,081,852 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 Board 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.

Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 16 – POST EMPLOYMENT BENEFITS

The Board offers post-employment health care benefits to all retired employees of the Board and their dependents. Participating retirees are required to reimburse the Board for 100% of the premium costs, which is netted against the premium payments, so that no net expense is initially recorded in the Board's financial statements. However, these retirees are receiving an "implicit subsidy" because the premium is a group rate which includes active, lower cost employees. This implicit subsidy has a cost, however, this annual cost and the total post employment benefit liability have been calculated for the County as a whole, and not separately for the Board. Accordingly, these calculations and disclosures can be found in the County's comprehensive annual financial report.

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 the Board employees with the exception of those of the Sheriff. 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 except as noted below, 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 \$50,000 of physical damage to Board property. In the case of a named storm, the self-insurance retention changes to a 3% 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.

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.

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 17 – RISK MANAGEMENT – CONTINUED

A. Method of Risk Management - Continued

Excess insurance is purchased from a commercial carrier to provide a specific claim and aggregate limits coverage. Specific claim coverage benefits the covered individual by providing unlimited coverage to begin when a specific claim exceeds \$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. 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, 2018. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The actuarial estimation of ultimate losses does not include any future recoveries from the Florida Special Disability Fund, subrogation or third party liens, etc. except to the degree they are implicitly included in the trending process of estimating ultimate losses. The ultimate loss calculation does take into consideration specific excess reinsurance recoverable. Claims liabilities recognized in the Self Insurance Fund at September 30, 2018 were as follows.

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Workers' compensation	\$ 1,140,235	\$ 3,671,379	\$ 4,811,614
General liability	103,024	225,594	328,618
Automobile liability	25,146	37,718	62,864
Property	<u>5,406</u>	<u>1,650</u>	<u>7,056</u>
Total claims liability recognized	<u>\$ 1,273,811</u>	<u>\$ 3,936,341</u>	<u>\$ 5,210,152</u>

C. Funding of Claims Liabilities

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

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 17 – RISK MANAGEMENT – CONTINUED

D. Reconciliation of Claims Liabilities

	As of September 30, 2018					As of September 30, 2017				
	Workers' Compensation	General Liability	Automobile	Property	Total	Workers' Compensation	General Liability	Automobile	Property	Total
Unpaid claims and adjustment expenses at beginning of year	\$ 4,967,292	\$ 190,219	\$ 58,470	\$ -	\$ 5,215,981	\$ 3,048,686	\$ 396,433	\$ 22,908	\$ -	\$ 3,468,027
Incurred claims and claim adjustment expenses										
A) Provision for insured events of current fiscal year	1,529,182	138,840	37,139	-	1,705,161	1,370,214	161,988	27,682	-	1,559,884
B) Increases (decreases) in provision for insured events of prior fiscal years	(2,839)	38,306	17,261	120,131	172,859	1,812,490	(192,945)	13,166	-	1,632,711
Total incurred claims and claim adjustment expenses	<u>1,526,343</u>	<u>177,146</u>	<u>54,400</u>	<u>120,131</u>	<u>1,878,020</u>	<u>3,182,704</u>	<u>(30,957)</u>	<u>40,848</u>	<u>-</u>	<u>3,192,595</u>
Payments										
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	(563,223)	(10,036)	(9,102)	(31,384)	(613,745)	(186,247)	(25,907)	(6,478)	-	(218,632)
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>(1,118,798)</u>	<u>(28,711)</u>	<u>(40,904)</u>	<u>(81,691)</u>	<u>(1,270,104)</u>	<u>(1,077,851)</u>	<u>(149,350)</u>	<u>1,192</u>	<u>-</u>	<u>(1,226,009)</u>
Total payments	<u>(1,682,021)</u>	<u>(38,747)</u>	<u>(50,006)</u>	<u>(113,075)</u>	<u>(1,883,849)</u>	<u>(1,264,098)</u>	<u>(175,257)</u>	<u>(5,286)</u>	<u>-</u>	<u>(1,444,641)</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 4,811,614</u>	<u>\$ 328,618</u>	<u>\$ 62,864</u>	<u>\$ 7,056</u>	<u>\$ 5,210,152</u>	<u>\$ 4,967,292</u>	<u>\$ 190,219</u>	<u>\$ 58,470</u>	<u>\$ -</u>	<u>\$ 5,215,981</u>

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Wastewater Service Interlocal Agreement with Fort Walton Beach

In 2009, the Board adopted the Wastewater Service Interlocal Agreement with the City of Fort Walton Beach (Agreement). The Agreement outlines a long-term association for the treatment of the City’s influent wastewater flow at a set percentage of the 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 \$2,498,828 paid by the City during 2018 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,	<u>Payment</u>
2019	\$ 57,858
2020	59,594
2021	61,382
2022	63,223
2023	65,120
2024-2028	356,106
2029-2033	412,830
2033-2038	478,584
2039	104,501
Total	<u>\$ 1,659,198</u>

Grants

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

Lawsuits

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

**Board of County Commissioners
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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 \$2,667,377 in the contract. Health service expenses above these amounts are the responsibility of the County. During the year ended September 30, 2018 the County incurred additional expenses of \$450,423 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 of not less than the following amounts for the term of the agreement.

The current agreement was entered into January 2018 and shall end or be renewed December 2018. The Board's contribution to the library cooperative for the year ended September 30, 2018 was \$690,386. In addition, approximately \$95,008 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, 2018. The future commitment to the library cooperative in 2019 is \$706,848.

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE

The Board adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment benefits other than Pension, effective for reporting periods beginning after June 15, 2017. The implementation of this statement resulted in a restatement (reduction) of beginning net position of \$908,375 in order to record the OPEB liability, related deferred inflows and outflows, and deferred outflows for estimated benefits paid after the measurement date. The beginning net position of governmental activities was also reduced by an additional \$1,919,828 as a result of this standard's implementation. This amount is not presented in these special-purpose financial statements, except for Note 11.

The impact on the balance of net position at the beginning of the period is as follows:

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Water & Sewer Fund	Airport Fund	Emergency Medical Services Fund	Other Enterprise Funds	
Net Position (Deficit), as previously stated	\$ 152,819,290	\$ 141,810,495	\$ (670,356)	\$ 135,467	\$ (5,242,145)
Restatement	(340,602)	(92,643)	(340,602)	(73,826)	(60,702)
Net Position (Deficit), restated	<u>\$ 152,478,688</u>	<u>\$ 141,717,852</u>	<u>\$ (1,010,958)</u>	<u>\$ 61,641</u>	<u>\$ (5,302,847)</u>

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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, 2018

	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	\$ 168,579	\$ 1,788	\$ 21,005	\$ 92,181
Investments	1,850,637	1,982	1,090,210	910,079
Accounts Receivable	12,005	-	-	-
Due from Other Funds	-	72	-	-
Due from Other Elected Officials	-	-	-	-
Due from Other Governments	694,571	1,047,249	-	-
Inventory	438,069	-	-	-
Prepays	301	-	-	129,356
Total Assets	\$ 3,164,162	\$ 1,051,091	\$ 1,111,215	\$ 1,131,616
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 54,519	\$ -	\$ -	\$ 1,355
Contracts Payable	77,917	-	48,878	-
Other Accrued Liabilities	133,189	-	-	6,125
Due to Other Funds	72	-	-	-
Due to Other Elected Officials	336	-	-	-
Due to Other Governments	-	-	-	-
Due to Depositors	62,283	-	-	-
Unearned Revenue	497	48,110	739,362	-
Total Liabilities	328,813	48,110	788,240	7,480
Fund Balances				
Nonspendable	438,370	-	-	129,356
Restricted	-	1,002,981	322,975	994,780
Committed	-	-	-	-
Assigned	2,396,979	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	2,835,349	1,002,981	322,975	1,124,136
Total Liabilities and Fund Balances	\$ 3,164,162	\$ 1,051,091	\$ 1,111,215	\$ 1,131,616

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 Municipal Services Taxing Unit Fund
\$ 26,296	\$ 28,057	\$ 29,990	\$ 22,986	\$ 16,149	\$ 53,179
92,034	141,924	32,416	129,048	478,289	3,111,319
-	-	-	-	-	1,875
-	-	-	-	-	-
4,168	-	1,577	-	58	392
-	-	-	-	1,359	3
-	-	-	-	-	12
-	-	-	-	-	12,458
<u>\$ 122,498</u>	<u>\$ 169,981</u>	<u>\$ 63,983</u>	<u>\$ 152,034</u>	<u>\$ 495,855</u>	<u>\$ 3,179,238</u>
\$ 392	\$ -	\$ -	\$ -	\$ 9,814	\$ 9,835
-	-	-	150,415	-	1,232
-	-	-	-	-	15,290
-	-	-	-	-	-
-	-	-	-	-	-
-	-	17	-	-	23
-	-	-	-	100	-
-	-	-	-	-	-
<u>392</u>	<u>-</u>	<u>17</u>	<u>150,415</u>	<u>9,914</u>	<u>26,380</u>
-	-	-	-	-	12,470
122,106	169,981	63,966	-	-	3,140,388
-	-	-	-	485,941	-
-	-	-	1,619	-	-
-	-	-	-	-	-
<u>122,106</u>	<u>169,981</u>	<u>63,966</u>	<u>1,619</u>	<u>485,941</u>	<u>3,152,858</u>
<u>\$ 122,498</u>	<u>\$ 169,981</u>	<u>\$ 63,983</u>	<u>\$ 152,034</u>	<u>\$ 495,855</u>	<u>\$ 3,179,238</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	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	\$ 49,145	\$ 27,098	\$ 36,213	\$ 2,433
Investments	1,030,527	388,777	47,717	3,013
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Elected Officials	-	86,106	1,637	1,434
Due from Other Governments	-	-	-	-
Inventory	-	-	-	-
Prepays	434	-	-	-
Total Assets	\$ 1,080,106	\$ 501,981	\$ 85,567	\$ 6,880
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 3,169	\$ 811	\$ -	\$ -
Contracts Payable	35,693	23,566	-	-
Other Accrued Liabilities	7,043	6,706	-	-
Due to Other Funds	-	-	-	-
Due to Other Elected Officials	-	-	-	-
Due to Other Governments	-	29,010	-	-
Due to Depositors	47,067	-	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	92,972	60,093	-	-
Fund Balances				
Nonspendable	434	-	-	-
Restricted	986,700	441,888	85,567	6,880
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	987,134	441,888	85,567	6,880
Total Liabilities and Fund Balances	\$ 1,080,106	\$ 501,981	\$ 85,567	\$ 6,880

Statement A-1

Traffic Education Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit I)
\$ 36,255	\$ 155,801	\$ 413,993	\$ 1,181,148
146,199	310,862	8,378,341	18,143,374
-	-	-	13,880
-	-	-	72
4,430	-	-	99,802
-	-	598,696	2,341,878
-	-	228,093	666,174
-	-	-	142,549
<u>\$ 186,884</u>	<u>\$ 466,663</u>	<u>\$ 9,619,123</u>	<u>\$ 22,588,877</u>
\$ -	\$ -	\$ 11,509	\$ 91,404
-	-	637,184	974,885
-	-	-	168,353
-	-	-	72
-	-	510	846
-	-	-	29,050
-	-	-	109,450
-	-	-	787,969
<u>-</u>	<u>-</u>	<u>649,203</u>	<u>2,162,029</u>
-	-	228,093	808,723
186,884	466,663	8,741,827	16,733,586
-	-	-	485,941
-	-	-	2,398,598
-	-	-	-
<u>186,884</u>	<u>466,663</u>	<u>8,969,920</u>	<u>20,426,848</u>
<u>\$ 186,884</u>	<u>\$ 466,663</u>	<u>\$ 9,619,123</u>	<u>\$ 22,588,877</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, 2018

	County Transportation Trust Special Revenue Fund	Natural Disaster Special Revenue Fund	Local Housing Assistance Trust Fund	E-911 Operations Special Revenue Fund
Revenues				
Taxes	\$ 4,800,719	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	1,958,995	23,244	951,179	951,431
Charges for Services	595,155	-	-	7,261
Fines	260	-	-	-
Miscellaneous	173,597	56	18,534	17,178
Total Revenues	<u>7,528,726</u>	<u>23,300</u>	<u>969,713</u>	<u>975,870</u>
Expenditures				
Current				
Public Safety	-	-	-	771,906
Physical Environment	1,087,146	-	-	-
Transportation	7,610,229	-	-	-
Economic Environment	-	-	965,457	-
Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	1,833,427	-	-	104,750
Total Expenditures	<u>10,530,802</u>	<u>-</u>	<u>965,457</u>	<u>876,656</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,002,076)</u>	<u>23,300</u>	<u>4,256</u>	<u>99,214</u>
Other Financing Sources (Uses)				
Transfers In	1,980,154	-	-	-
Transfers Out	-	-	-	-
Transfers Among Constitutional Officers	-	(23,245)	-	-
Total Other Financing Sources (Uses)	<u>1,980,154</u>	<u>(23,245)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,021,922)	55	4,256	99,214
Fund Balances - Beginning	<u>3,857,271</u>	<u>1,002,926</u>	<u>318,719</u>	<u>1,024,922</u>
Fund Balances - Ending	<u>\$ 2,835,349</u>	<u>\$ 1,002,981</u>	<u>\$ 322,975</u>	<u>\$ 1,124,136</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 Municipal Services Taxing Unit Fund
\$ -	\$ -	\$ -	\$ 595,843	\$ -	\$ 2,227,068
-	-	-	-	495,011	-
-	-	-	-	7,500	-
-	-	19,193	-	-	17,565
56,047	23,971	-	-	-	400
1,738	2,695	820	109,094	8,368	49,732
<u>57,785</u>	<u>26,666</u>	<u>20,013</u>	<u>704,937</u>	<u>510,879</u>	<u>2,294,765</u>
43,439	-	4,648	-	-	-
-	-	-	-	-	-
-	-	-	-	444,577	-
-	-	-	-	-	-
-	-	-	601,661	-	-
-	-	-	-	-	1,112,006
8,073	-	-	105,843	105,781	185,885
<u>51,512</u>	<u>-</u>	<u>4,648</u>	<u>707,504</u>	<u>550,358</u>	<u>1,297,891</u>
<u>6,273</u>	<u>26,666</u>	<u>15,365</u>	<u>(2,567)</u>	<u>(39,479)</u>	<u>996,874</u>
-	-	-	4,000	-	-
-	-	-	-	-	(1,336,240)
-	(72,174)	-	-	56	366
<u>-</u>	<u>(72,174)</u>	<u>-</u>	<u>4,000</u>	<u>56</u>	<u>(1,335,874)</u>
6,273	(45,508)	15,365	1,433	(39,423)	(339,000)
115,833	215,489	48,601	186	525,364	3,491,858
<u>\$ 122,106</u>	<u>\$ 169,981</u>	<u>\$ 63,966</u>	<u>\$ 1,619</u>	<u>\$ 485,941</u>	<u>\$ 3,152,858</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2018

	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	904,687	1,122,072	-	-
Fines	-	-	13,292	26,748
Miscellaneous	17,019	109,128	1,164	170
Total Revenues	921,706	1,231,200	14,456	26,918
Expenditures				
Current				
General Government	-	-	-	-
Public Safety	824,065	-	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Court-Related	-	944,440	3,018	132
Capital Outlay	119,749	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Costs	-	-	-	-
Total Expenditures	943,814	944,440	3,018	132
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,108)	286,760	11,438	26,786
Other Financing Sources (Uses)				
Transfers In	-	75,000	-	-
Transfers Out	-	(380,623)	-	(25,315)
Transfers Among Constitutional Officers	-	-	-	-
Total Other Financing Sources (Uses)	-	(305,623)	-	(25,315)
Net Change in Fund Balances	(22,108)	(18,863)	11,438	1,471
Fund Balances - Beginning	1,009,242	460,751	74,129	5,409
Fund Balances - Ending	<u>\$ 987,134</u>	<u>\$ 441,888</u>	<u>\$ 85,567</u>	<u>\$ 6,880</u>

Traffic Education Special Revenue Fund	Okaloosa Debt Service Fund	Road and Bridge Construction Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit II)
\$ -	\$ -	\$ 1,945,629	\$ 9,569,259
-	-	-	495,011
-	5,617,409	5,415,742	14,925,500
-	-	4,672	2,670,605
55,149	-	-	175,867
2,717	416,170	110,399	1,038,579
<u>57,866</u>	<u>6,033,579</u>	<u>7,476,442</u>	<u>28,874,821</u>
-	190,750	-	190,750
-	-	-	1,644,058
-	-	-	1,087,146
-	-	1,339,756	9,394,562
-	-	-	965,457
-	-	-	601,661
-	-	-	1,112,006
8,878	-	-	956,468
-	-	7,506,408	9,969,916
-	2,479,000	-	2,479,000
-	2,990,959	-	2,990,959
-	1,305	-	1,305
<u>8,878</u>	<u>5,662,014</u>	<u>8,846,164</u>	<u>31,393,288</u>
<u>48,988</u>	<u>371,565</u>	<u>(1,369,722)</u>	<u>(2,518,467)</u>
-	1,050,283	750,000	3,859,437
-	(1,390,300)	-	(3,132,478)
(36,608)	-	-	(131,605)
<u>(36,608)</u>	<u>(340,017)</u>	<u>750,000</u>	<u>595,354</u>
12,380	31,548	(619,722)	(1,923,113)
<u>174,504</u>	<u>435,115</u>	<u>9,589,642</u>	<u>22,349,961</u>
<u>\$ 186,884</u>	<u>\$ 466,663</u>	<u>\$ 8,969,920</u>	<u>\$ 20,426,848</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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 694,000	\$ 694,000	\$ 639,651	\$ (54,349)
Intergovernmental	120,000	120,000	130,444	10,444
Miscellaneous	-	-	136,185	136,185
Total Revenues	<u>814,000</u>	<u>814,000</u>	<u>906,280</u>	<u>92,280</u>
Expenditures				
Current				
Culture and Recreation	220,370	220,370	62,958	157,412
Capital Outlay	<u>13,368,040</u>	<u>15,556,905</u>	<u>14,101,298</u>	<u>1,455,607</u>
Total Expenditures	<u>13,588,410</u>	<u>15,777,275</u>	<u>14,164,256</u>	<u>1,613,019</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,774,410)</u>	<u>(14,963,275)</u>	<u>(13,257,976)</u>	<u>1,705,299</u>
Other Financing Sources (Uses)				
Transfers In	25,000	50,000	50,000	-
Transfers Out	<u>(102,700)</u>	<u>(111,700)</u>	<u>(100,182)</u>	<u>11,518</u>
Total Other Financing Sources (Uses)	<u>(77,700)</u>	<u>(61,700)</u>	<u>(50,182)</u>	<u>11,518</u>
Net Change in Fund Balance	(12,852,110)	(15,024,975)	(13,308,158)	1,716,817
Fund Balance - Beginning	<u>12,852,110</u>	<u>15,024,975</u>	<u>15,025,048</u>	<u>73</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,716,890</u>	<u>\$ 1,716,890</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 4,700,000	\$ 4,700,000	\$ 4,800,719	\$ 100,719
Intergovernmental	1,771,915	3,497,707	1,958,995	(1,538,712)
Charges for Services	579,632	579,632	595,155	15,523
Miscellaneous	30,000	163,566	173,597	10,031
Total Revenues	7,081,547	8,940,905	7,528,726	(1,412,179)
Expenditures				
Current				
Physical Environment	1,417,374	1,540,536	1,087,146	453,390
Transportation	8,693,527	8,971,264	7,610,229	1,361,035
Capital Outlay	2,341,800	4,263,962	1,833,427	2,430,535
Total Expenditures	12,452,701	14,775,762	10,530,802	4,244,960
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,371,154)	(5,834,857)	(3,002,076)	2,832,781
Other Financing Sources (Uses)				
Transfers In	1,971,154	1,980,154	1,980,154	-
Total Other Financing Sources (Uses)	1,971,154	1,980,154	1,980,154	-
Net Change in Fund Balance	(3,400,000)	(3,854,703)	(1,021,922)	2,832,781
Fund Balance - Beginning	3,400,000	3,854,703	3,857,271	2,568
Fund Balance - Ending	\$ -	\$ -	\$ 2,835,349	\$ 2,835,349

**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, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Intergovernmental	\$ -	\$ 71,354	\$ 23,244	\$ (48,110)
Miscellaneous	-	-	56	56
Total Revenues	-	71,354	23,300	(48,054)
Expenditures				
Current				
Economic Environment	-	48,110	-	48,110
Capital Outlay	-	-	-	-
Total Expenditures	300,000	348,110	-	348,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300,000)	(276,756)	23,300	300,056
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	(23,244)	(23,245)	1
Total Other Financing Sources (Uses)	-	(23,244)	(23,245)	1
Net Change in Fund Balance	(300,000)	(300,000)	55	300,057
Fund Balance - Beginning	300,000	300,000	1,002,926	702,926
Fund Balance - Ending	\$ -	\$ -	\$ 1,002,981	\$ 1,002,983

**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, 2018**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 1,662,810	\$ 951,179	\$ (711,631)
Miscellaneous	3,000	32,248	18,534	(13,714)
Total Revenues	3,000	1,695,058	969,713	(725,345)
Expenditures				
Current				
Economic Environment	323,000	2,013,777	965,457	1,048,320
Total Expenditures	323,000	2,013,777	965,457	1,048,320
Excess (Deficiency) of Revenues Over (Under) Expenditures	(320,000)	(318,719)	4,256	322,975
Net Change in Fund Balance	(320,000)	(318,719)	4,256	322,975
Fund Balance - Beginning	320,000	318,719	318,719	-
Fund Balance - Ending	\$ -	\$ -	\$ 322,975	\$ 322,975

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 919,000	\$ 919,000	\$ 951,431	\$ 32,431
Charges for Services	6,000	6,000	7,261	1,261
Miscellaneous	10,000	10,000	17,178	7,178
Total Revenues	935,000	935,000	975,870	40,870
Expenditures				
Current				
Public Safety	1,685,000	1,750,422	771,906	978,516
Capital Outlay	-	209,500	104,750	104,750
Total Expenditures	1,685,000	1,959,922	876,656	1,083,266
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(1,024,922)	99,214	1,124,136
Net Change in Fund Balance	(750,000)	(1,024,922)	99,214	1,124,136
Fund Balance - Beginning	750,000	1,024,922	1,024,922	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,124,136	\$ 1,124,136

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Fines	\$ 77,000	\$ 77,000	\$ 56,047	\$ (20,953)
Miscellaneous	-	-	1,738	1,738
Total Revenues	77,000	77,000	57,785	(19,215)
Expenditures				
Current				
Public Safety	77,000	77,000	43,439	33,561
Capital Outlay	50,000	115,832	8,073	107,759
Total Expenditures	127,000	192,832	51,512	141,320
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,000)	(115,832)	6,273	122,105
Net Change in Fund Balance	(50,000)	(115,832)	6,273	122,105
Fund Balance - Beginning	50,000	115,832	115,833	1
Fund Balance - Ending	\$ -	\$ -	\$ 122,106	\$ 122,106

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines	\$ -	\$ -	\$ 23,971	\$ 23,971
Miscellaneous	2,000	2,000	2,695	695
Total Revenues	2,000	2,000	26,666	24,666
Expenditures				
Current				
Public Safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,000	2,000	26,666	24,666
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(12,000)	(217,489)	(72,174)	145,315
Total Other Financing Sources (Uses)	(12,000)	(217,489)	(72,174)	145,315
Net Change in Fund Balance	(10,000)	(215,489)	(45,508)	169,981
Fund Balance - Beginning	10,000	215,489	215,489	-
Fund Balance - Ending	\$ -	\$ -	\$ 169,981	\$ 169,981

**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, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Charges for Services	\$ 20,000	\$ 20,000	\$ 19,193	\$ (807)
Miscellaneous	400	400	820	420
Total Revenues	20,400	20,400	20,013	(387)
Expenditures				
Current				
Public Safety	6,800	12,419	4,648	7,771
Total Expenditures	6,800	12,419	4,648	7,771
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,600	7,981	15,365	7,384
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(18,600)	(56,581)	-	56,581
Total Other Financing Sources (Uses)	(18,600)	(56,581)	-	56,581
Net Change in Fund Balance	(5,000)	(48,600)	15,365	63,965
Fund Balance - Beginning	5,000	48,600	48,601	1
Fund Balance - Ending	\$ -	\$ -	\$ 63,966	\$ 63,966

**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, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Taxes	\$ 595,661	\$ 595,661	\$ 595,843	\$ 182
Miscellaneous	2,000	93,520	109,094	15,574
Total Revenues	<u>597,661</u>	<u>689,181</u>	<u>704,937</u>	<u>15,756</u>
Expenditures				
Current				
Human Services	601,661	601,661	601,661	-
Capital Outlay	-	91,520	105,843	(14,323)
Total Expenditures	<u>601,661</u>	<u>693,181</u>	<u>707,504</u>	<u>(14,323)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,000)</u>	<u>(4,000)</u>	<u>(2,567)</u>	<u>1,433</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	-	-	1,433	1,433
Fund Balance - Beginning	-	-	186	186
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,619</u>	<u>\$ 1,619</u>

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2018 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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Licenses and Permits	\$ 502,759	\$ 502,759	\$ 495,011	\$ (7,748)
Intergovernmental	-	-	7,500	7,500
Miscellaneous	700	700	8,368	7,668
Total Revenues	503,459	503,459	510,879	7,420
Expenditures				
Current				
Transportation	902,872	996,421	444,577	551,844
Capital Outlay	27,698	32,402	105,781	(73,379)
Total Expenditures	930,570	1,028,823	550,358	478,465
Excess (Deficiency) of Revenues Over (Under) Expenditures	(427,111)	(525,364)	(39,479)	485,885
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	-	-	56	56
Total Other Financing Sources (Uses)	-	-	56	56
Net Change in Fund Balance	(427,111)	(525,364)	(39,423)	485,941
Fund Balance - Beginning	427,111	525,364	525,364	-
Fund Balance - Ending	\$ -	\$ -	\$ 485,941	\$ 485,941

**Board of County Commissioners
Okaloosa County, Florida
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
UNINCORPORATED MUNICIPAL SERVICES TAXING UNIT FUND
For the Fiscal Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Taxes	\$ 2,227,078	\$ 2,227,078	\$ 2,227,068	\$ (10)
Charges for Services	10,300	10,300	17,565	7,265
Fines	-	-	400	400
Miscellaneous	50,000	50,000	49,732	(268)
Total Revenues	2,287,378	2,287,378	2,294,765	7,387
Expenditures				
Current				
Public Safety	1,720,258	1,662,149	-	1,662,149
Culture and Recreation	1,237,935	1,243,735	1,112,006	131,729
Capital Outlay	1,542,945	1,537,145	185,885	1,351,260
Total Expenditures	4,501,138	4,443,029	1,297,891	3,145,138
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,213,760)	(2,155,651)	996,874	3,152,525
Other Financing Sources (Uses)				
Transfers Out	(1,336,240)	(1,336,240)	(1,336,240)	-
Transfers Among Constitutional Officers	-	-	366	366
Total Other Financing Sources (Uses)	(1,336,240)	(1,336,240)	(1,335,874)	366
Net Change in Fund Balance	(3,550,000)	(3,491,891)	(339,000)	3,152,891
Fund Balance - Beginning	3,550,000	3,491,891	3,491,858	(33)
Fund Balance - Ending	\$ -	\$ -	\$ 3,152,858	\$ 3,152,858

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Charges for Services	\$ 845,000	\$ 845,000	\$ 904,687	\$ 59,687
Miscellaneous	13,500	13,500	17,019	3,519
Total Revenues	858,500	858,500	921,706	63,206
Expenditures				
Current				
Public Safety	1,740,700	1,740,191	824,065	916,126
Capital Outlay	117,800	127,550	119,749	7,801
Total Expenditures	1,858,500	1,867,741	943,814	923,927
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000,000)	(1,009,241)	(22,108)	987,133
Net Change in Fund Balance	(1,000,000)	(1,009,241)	(22,108)	987,133
Fund Balance - Beginning	1,000,000	1,009,241	1,009,242	1
Fund Balance - Ending	\$ -	\$ -	\$ 987,134	\$ 987,134

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 1,240,100	\$ 1,240,100	\$ 1,122,072	\$ (118,028)
Miscellaneous	44,600	44,600	109,128	64,528
Total Revenues	1,284,700	1,284,700	1,231,200	(53,500)
Expenditures				
Current				
Court-Related	1,354,424	1,389,174	944,440	444,734
Capital Outlay	23,625	95,775	-	95,775
Total Expenditures	1,378,049	1,484,949	944,440	540,509
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,349)	(200,249)	286,760	487,009
Other Financing Sources (Uses)				
Transfers In	120,025	120,025	75,000	45,025
Transfers Out	(500,000)	(500,000)	(380,623)	(119,377)
Total Other Financing Sources (Uses)	(379,975)	(379,975)	(305,623)	74,352
Net Change in Fund Balance	(473,324)	(580,224)	(18,863)	561,361
Fund Balance - Beginning	473,324	580,224	460,751	(119,473)
Fund Balance - Ending	\$ -	\$ -	\$ 441,888	\$ 441,888

**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, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Fines	\$ 20,000	\$ 20,000	\$ 13,292	\$ (6,708)
Miscellaneous	600	600	1,164	564
Total Revenues	20,600	20,600	14,456	(6,144)
Expenditures				
Current				
Court-Related	95,600	94,729	3,018	91,711
Total Expenditures	95,600	94,729	3,018	91,711
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,000)	(74,129)	11,438	85,567
Net Change in Fund Balance	(75,000)	(74,129)	11,438	85,567
Fund Balance - Beginning	75,000	74,129	74,129	-
Fund Balance - Ending	\$ -	\$ -	\$ 85,567	\$ 85,567

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Fines	\$ 34,000	\$ 34,000	\$ 26,748	\$ (7,252)
Miscellaneous	200	200	170	(30)
Total Revenues	<u>34,200</u>	<u>34,200</u>	<u>26,918</u>	<u>(7,282)</u>
Expenditures				
Current				
Court-Related	5,255	5,255	132	5,123
Total Expenditures	<u>5,255</u>	<u>5,255</u>	<u>132</u>	<u>5,123</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,945</u>	<u>28,945</u>	<u>26,786</u>	<u>(2,159)</u>
Other Financing Sources (Uses)				
Transfers Out	(37,200)	(34,354)	(25,315)	(9,039)
Total Other Financing Sources (Uses)	<u>(37,200)</u>	<u>(34,354)</u>	<u>(25,315)</u>	<u>9,039</u>
Net Change in Fund Balance	(8,255)	(5,409)	1,471	6,880
Fund Balance - Beginning	<u>8,255</u>	<u>5,409</u>	<u>5,409</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,880</u>	<u>\$ 6,880</u>

**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, 2018**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fines	\$ 65,000	\$ 65,000	\$ 55,149	\$ (9,851)
Miscellaneous	2,000	2,000	2,717	717
Total Revenues	<u>67,000</u>	<u>67,000</u>	<u>57,866</u>	<u>(9,134)</u>
Expenditures				
Current				
Court-Related	182,000	184,546	8,878	175,668
Total Expenditures	<u>182,000</u>	<u>184,546</u>	<u>8,878</u>	<u>175,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(115,000)</u>	<u>(117,546)</u>	<u>48,988</u>	<u>166,534</u>
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(50,000)	(56,958)	(36,608)	20,350
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(56,958)</u>	<u>(36,608)</u>	<u>20,350</u>
Net Change in Fund Balance	(165,000)	(174,504)	12,380	186,884
Fund Balance - Beginning	<u>165,000</u>	<u>174,504</u>	<u>174,504</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,884</u>	<u>\$ 186,884</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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$ 5,346,500	\$ 5,346,500	\$ 5,617,409	\$ 270,909
Miscellaneous	486,148	486,148	416,170	(69,978)
Total Revenues	5,832,648	5,832,648	6,033,579	200,931
Expenditures				
Current				
General Government	190,750	190,750	190,750	-
Public Safety	400,000	385,115	-	385,115
Debt Service				
Principal	2,244,000	2,479,000	2,479,000	-
Interest	2,711,133	2,991,258	2,990,959	299
Other Debt Service Costs	516,125	1,000	1,305	(305)
Total Expenditures	6,062,008	6,047,123	5,662,014	385,109
Excess (Deficiency) of Revenues Over (Under) Expenditures	(229,360)	(214,475)	371,565	586,040
Other Financing Sources (Uses)				
Transfers In	1,169,660	1,169,660	1,050,283	119,377
Transfers Out	(1,390,300)	(1,390,300)	(1,390,300)	-
Total Other Financing Sources (Uses)	(220,640)	(220,640)	(340,017)	(119,377)
Net Change in Fund Balance	(450,000)	(435,115)	31,548	466,663
Fund Balance - Beginning	450,000	464,885	435,115	(29,770)
Fund Balance - Ending	\$ -	\$ 29,770	\$ 466,663	\$ 436,893

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,945,629	\$ 45,629
Intergovernmental	2,050,000	12,127,669	5,415,742	(6,711,927)
Charges for Services	-	-	4,672	4,672
Miscellaneous	125,000	3,425,324	110,399	(3,314,925)
Total Revenues	4,075,000	17,452,993	7,476,442	(9,976,551)
Expenditures				
Current				
Transportation	3,370,865	3,271,061	1,339,756	1,931,305
Capital Outlay	10,584,130	21,221,249	7,506,408	13,714,841
Total Expenditures	13,954,995	24,492,310	8,846,164	15,646,146
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,879,995)	(7,039,317)	(1,369,722)	5,669,595
Other Financing Sources (Uses)				
Transfers In	750,000	750,000	750,000	-
Total Other Financing Sources (Uses)	750,000	750,000	750,000	-
Net Change in Fund Balance	(9,129,995)	(6,289,317)	(619,722)	5,669,595
Fund Balance - Beginning	9,129,995	6,289,317	9,589,642	3,300,325
Fund Balance - Ending	\$ -	\$ -	\$ 8,969,920	\$ 8,969,920

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, 2018**

	Business-type Activities		
	Inspection and Code Enforcement	Solid Waste	Total Nonmajor Enterprise Funds (Exhibit V)
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 131,409	\$ 480,855	\$ 612,264
Investments	1,480,381	2,995,683	4,476,064
Receivables, Net of Allowance for Uncollectible	64,565	920,722	985,287
Due from Other Governments	-	57,312	57,312
Restricted Assets			
Cash and Cash Equivalents			
Customer Deposits	-	23,258	23,258
Total Restricted Assets	-	23,258	23,258
Total Current Assets	<u>1,676,355</u>	<u>4,477,830</u>	<u>6,154,185</u>
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	402,171	3,434,553	3,836,724
Less Accumulated Depreciation/Amortization	(321,131)	(2,512,236)	(2,833,367)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	<u>123,465</u>	<u>1,447,757</u>	<u>1,571,222</u>
Total Assets	<u>\$ 1,799,820</u>	<u>\$ 5,925,587</u>	<u>\$ 7,725,407</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 424,961	\$ 467,820	\$ 892,781
Deferred Charges Related to OPEB	2,966	2,989	5,955
Total Deferred Outflows of Resources	<u>\$ 427,927</u>	<u>\$ 470,809</u>	<u>\$ 898,736</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,227,747</u>	<u>\$ 6,396,396</u>	<u>\$ 8,624,143</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT ON NET POSITION
NONMAJOR ENTERPRISE FUNDS
September 30, 2018

	Business-type Activities		
	Inspection and Code Enforcement	Solid Waste	Total Nonmajor Enterprise Funds (Exhibit V)
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 596	\$ 16,781	\$ 17,377
Contracts Payable	1,967	589,615	591,582
Accrued Liabilities			
Compensated Absences	112,154	49,269	161,423
Closure Costs Payable	-	365,821	365,821
Other Accrued Liabilities	26,704	20,472	47,176
Due to Other Governments	13,978	175	14,153
Deferred Revenue	10,794	77	10,871
Current Liabilities Payable from Restricted Assets			
Customer Deposits Payable	-	24,758	24,758
Total Current Liabilities	<u>166,193</u>	<u>1,066,968</u>	<u>1,233,161</u>
Noncurrent Liabilities			
Compensated Absences	105,615	43,454	149,069
Closure Costs Payable	-	3,017,869	3,017,869
Other Post Employment Benefits	62,705	63,203	125,908
Net Pension Liability	<u>1,070,236</u>	<u>1,198,418</u>	<u>2,268,654</u>
Total Noncurrent Liabilities	<u>1,238,556</u>	<u>4,322,944</u>	<u>5,561,500</u>
Total Liabilities	<u>\$ 1,404,749</u>	<u>\$ 5,389,912</u>	<u>\$ 6,794,661</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 154,895	\$ 147,643	\$ 302,538
Deferred Charges Related to OPEB	<u>2,651</u>	<u>2,672</u>	<u>5,323</u>
Total Deferred Inflows of Resources	<u>\$ 157,546</u>	<u>\$ 150,315</u>	<u>\$ 307,861</u>
NET POSITION			
Net Investment in Capital Assets	\$ 123,465	\$ 1,447,757	\$ 1,571,222
Unrestricted (Deficit)	<u>541,987</u>	<u>(591,588)</u>	<u>(49,601)</u>
Total Net Position (Deficit)	<u>665,452</u>	<u>856,169</u>	<u>1,521,621</u>
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	<u>\$ 2,227,747</u>	<u>\$ 6,396,396</u>	<u>\$ 8,624,143</u>

**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, 2018**

	Business-type Activities		
	Inspection and Code Enforcement	Solid Waste	Total Nonmajor Enterprise Funds (Exhibit VI)
Operating Revenues			
Licenses and Permits	\$ 1,902,117	\$ -	\$ 1,902,117
Charges for Services	357,610	10,677,182	11,034,792
Miscellaneous	26,702	2,757	29,459
Total Operating Revenues	<u>2,286,429</u>	<u>10,679,939</u>	<u>12,966,368</u>
Operating Expenses			
Personal services	1,248,732	819,895	2,068,627
Contractual Services	452,974	8,130,790	8,583,764
Supplies	26,179	106,908	133,087
Utilities	-	15,615	15,615
Other Operating Expenses	162,103	507,260	669,363
Depreciation/Amortization	26,816	326,291	353,107
Total Operating Expenses	<u>1,916,804</u>	<u>9,906,759</u>	<u>11,823,563</u>
Operating Income (Loss)	<u>369,625</u>	<u>773,180</u>	<u>1,142,805</u>
Nonoperating Revenues (Expenses)			
Intergovernmental	-	223,932	223,932
Investment Income	18,107	43,436	61,543
Gain/Loss on Disposal of Capital Assets	3,049	28,651	31,700
Total Nonoperating Revenues (Expenses)	<u>21,156</u>	<u>296,019</u>	<u>317,175</u>
Income (Loss) Before Contributions and Transfers	<u>390,781</u>	<u>1,069,199</u>	<u>1,459,980</u>
Change in Net Position	390,781	1,069,199	1,459,980
Total Net Position (Deficit) - Beginning as Restated	<u>274,671</u>	<u>(213,030)</u>	<u>61,641</u>
Total Net Position (Deficit) - Ending	<u>\$ 665,452</u>	<u>\$ 856,169</u>	<u>\$ 1,521,621</u>

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2018

	Business-type Activities		
	Inspection and Code Enforcement	Solid Waste	Total Nonmajor Enterprise Funds (Exhibit VII)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 2,391,622	\$ 10,584,311	\$ 12,975,933
Payments to Suppliers	(662,103)	(9,565,022)	(10,227,125)
Payments to Employees	(1,166,735)	(750,348)	(1,917,083)
Net Cash Provided (Used) by Operating Activities	<u>562,784</u>	<u>268,941</u>	<u>831,725</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Subsidy - Intergovernmental Revenue	-	223,932	223,932
Net Interfund Activity	280,000	325,000	605,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>280,000</u>	<u>548,932</u>	<u>828,932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(56,875)	(286,835)	(343,710)
Proceeds from Disposal of Capital Assets	3,049	54,151	57,200
Net cash provided (used) by capital and related financing activities	<u>(53,826)</u>	<u>(232,684)</u>	<u>(286,510)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	18,107	43,436	61,543
Purchases of Investments	(739,612)	(209,986)	(949,598)
Net Cash Provided (Used) by Investing Activities	<u>(721,505)</u>	<u>(166,550)</u>	<u>(888,055)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	67,453	418,639	486,092
Cash and Cash Equivalents - Beginning of Year	<u>63,956</u>	<u>85,474</u>	<u>149,430</u>
Cash and Cash Equivalents - End of Year	<u>\$ 131,409</u>	<u>\$ 504,113</u>	<u>\$ 635,522</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2018

	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	\$ 131,409	\$ 480,855	\$ 612,264
Restricted assets	-	23,258	23,258
Total	<u>\$ 131,409</u>	<u>\$ 504,113</u>	<u>\$ 635,522</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 369,625	\$ 773,180	\$ 1,142,805
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	26,816	326,291	353,107
Decrease (Increase) in Assets			
Accounts Receivables	107,533	(80,937)	26,596
Due from Other Governments	-	(16,268)	(16,268)
Prepaid Expenses	3,035	-	3,035
Deferred Outflows	(13,533)	(11,331)	(24,864)
Increase (Decrease) in Liabilities			
Accounts Payable	(7,692)	(9,874)	(17,566)
Service Contracts Payable	1,476	(481,655)	(480,179)
Due to Other Governments	(19,738)	151	(19,587)
Compensated Absences Payable	(6,959)	(1,302)	(8,261)
Other Accrued Liabilities	2,072	4,631	6,703
Deposits	-	1,500	1,500
Closure Costs Payable	-	(317,702)	(317,702)
Unearned Revenue	(2,340)	77	(2,263)
Other Post Employment Benefits	3,154	3,179	6,333
Net Pension Liability	43,733	34,526	78,259
Deferred Inflows	55,602	44,475	100,077
Net Cash Provided (Used) by Operating Activities	<u>\$ 562,784</u>	<u>\$ 268,941</u>	<u>\$ 831,725</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, 2018**

	Governmental Activities		Total Internal Service Funds (Exhibit V)
	Self Insurance	Garage Services	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,007	\$ 5,000	\$ 10,007
Investments	1,576,008	-	1,576,008
Receivables, Net of Allowance for Uncollectible	94,911	63,620	158,531
Due from Other Funds	-	389,313	389,313
Due from Other Elected Officials	1,753	212	1,965
Due from Other Governments	-	161,493	161,493
Inventory	-	280,145	280,145
Prepays	35,469	8,397	43,866
Total Current Assets	1,713,148	908,180	2,621,328
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	2,257,799	2,270,525
Less Accumulated Depreciation/Amortization	(10,658)	(3,043,532)	(3,054,190)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	2,068	688,939	691,007
Total Noncurrent Assets	2,068	688,939	691,007
Total Assets	\$ 1,715,216	\$ 1,597,119	\$ 3,312,335
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 105,139	\$ 704,484	\$ 809,623
Deferred Charges Related to OPEB	664	4,232	4,896
Total Deferred Outflows of Resources	\$ 105,803	\$ 708,716	\$ 814,519
Continued...			
Total Assets and Deferred Outflows of Resources	\$ 1,821,019	\$ 2,305,835	\$ 4,126,854

**Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2018**

	Governmental Activities		
	Self Insurance	Garage Services	Total Internal Service Funds (Exhibit V)
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 9,589	\$ 102,037	\$ 111,626
Contracts Payable	5,457	76,565	82,022
Accrued Liabilities			
Compensated Absences	14,236	101,174	115,410
Claims and Judgments	1,273,811	-	1,273,811
Other Accrued Liabilities	6,386	32,344	38,730
Due to Other Funds	-	1,166,805	1,166,805
Due to Other Elected Officials	262	-	262
Deferred Revenue	29,883	-	29,883
Total Current Liabilities	1,339,624	1,478,925	2,818,549
Noncurrent Liabilities			
Compensated Absences	9,015	78,541	87,556
Claims and Judgments	3,936,341	-	3,936,341
Other Post Employment Benefits	14,044	89,481	103,525
Net Pension Liability	266,390	1,802,263	2,068,653
Total Noncurrent Liabilities	4,225,790	1,970,285	6,196,075
Total Liabilities	\$ 5,565,414	\$ 3,449,210	\$ 9,014,624
DEFERRED INFLOWS OF RESOURCES			
Deferred Charges Related to Pensions	\$ 38,742	\$ 224,213	\$ 262,955
Deferred Charges Related to OPEB	594	3,783	4,377
Total Deferred Inflows of Resources	\$ 39,336	\$ 227,996	\$ 267,332
NET POSITION			
Net Investment in Capital Assets	\$ 2,068	\$ 688,940	\$ 691,008
Unrestricted (Deficit)	(3,785,799)	(2,060,311)	(5,846,110)
Total Net Position (Deficit)	(3,783,731)	(1,371,371)	(5,155,102)
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	\$ 1,821,019	\$ 2,305,835	\$ 4,126,854

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, 2018

	Governmental Activities		Total Internal Service Funds (Exhibit VI)
	Self Insurance	Garage Services	
Operating Revenues			
Charges for Services	\$ 14,353,178	\$ 5,540,441	\$ 19,893,619
Miscellaneous	438,696	-	438,696
Total Operating Revenues	14,791,874	5,540,441	20,332,315
Operating Expenses			
Personal Services	259,175	1,407,950	1,667,125
Contractual Services	116,939	19,307	136,246
Supplies	4,119	3,597,641	3,601,760
Insurance Premiums and Claims	14,093,028	-	14,093,028
Utilities	-	5,617	5,617
Other Operating Expenses	47,093	396,080	443,173
Depreciation/Amortization	1,413	77,445	78,858
Total Operating Expenses	14,521,767	5,504,040	20,025,807
Operating Income (Loss)	270,107	36,401	306,508
Nonoperating Revenues (Expenses)			
Investment Income (Loss)	22,982	(24,218)	(1,236)
Gain/Loss on Disposal of Capital Assets	-	192,473	192,473
Total Nonoperating Revenues (Expenses)	22,982	168,255	191,237
Income (Loss) Before			
Contributions and Transfers	293,089	204,656	497,745
Capital Contributions	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	(350,000)	-	(350,000)
Change in Net Position	(56,911)	204,656	147,745
Total Net Position (Deficit) - Beginning as Restated	(3,726,820)	(1,576,027)	(5,302,847)
Total Net Position (Deficit) - Ending	\$ (3,783,731)	\$ (1,371,371)	\$ (5,155,102)

**Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2018**

	Governmental Activities		
	Self- Insurance	Garage Services	Total Internal Service Funds (Exhibit VII)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 14,784,583	\$ 5,442,612	\$ 20,227,195
Payments to Suppliers	(14,307,002)	(4,116,966)	(18,423,968)
Payments to Employees	(232,697)	(1,284,329)	(1,517,026)
Net Cash Provided (Used) by Operating Activities	<u>244,884</u>	<u>41,317</u>	<u>286,201</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers Out	(350,000)	-	(350,000)
Net Interfund Activity	(1,753)	(86,721)	(88,474)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(351,753)</u>	<u>(86,721)</u>	<u>(438,474)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	-	(119,634)	(119,634)
Proceeds from Disposal of Capital Assets	-	193,393	193,393
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>73,759</u>	<u>73,759</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale and Maturities of Investments	87,714	234	87,948
Interest Income	22,982	(24,218)	(1,236)
Net Cash Provided (Used) by Investing Activities	<u>110,696</u>	<u>(23,984)</u>	<u>86,712</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,827	4,371	8,198
Cash and Cash Equivalents - Beginning of Year As Restated	<u>1,180</u>	<u>629</u>	<u>1,809</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,007</u>	<u>\$ 5,000</u>	<u>\$ 10,007</u>

Continued...

Board of County Commissioners
Okaloosa County, Florida
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2018

	Governmental Activities		
	Self- Insurance	Garage Services	Total Internal Service Funds (Exhibit VII)
Cash and Cash Equivalents at End of Year Consist of:			
Current assets	\$ 5,007	\$ 5,000	\$ 10,007
Total	<u>\$ 5,007</u>	<u>\$ 5,000</u>	<u>\$ 10,007</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 270,107	\$ 36,401	\$ 306,508
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation/Amortization	1,413	77,445	78,858
Decrease (Increase) in Assets			
Accounts Receivable	(24,836)	(57,620)	(82,456)
Due from Other Governments	7,262	(40,209)	(32,947)
Inventories	-	(41,014)	(41,014)
Prepaid Expenses	(35,469)	(401)	(35,870)
Deferred Outflows	(3,445)	(17,023)	(20,468)
Increase (Decrease) in Liabilities			
Accounts Payable	(2,928)	13,766	10,838
Service Contracts Payable	(3,417)	(77,459)	(80,876)
Due to Other Elected Officials	(56)	(23)	(79)
Compensated Absences Payable	3,180	15,321	18,501
Claims and Judgments Payable	(5,829)	-	(5,829)
Other Accrued Liabilities	1,876	6,810	8,686
Unearned Revenues	10,283	-	10,283
Other Post Employment Benefits	706	4,501	5,207
Net Pension Liability	11,508	52,940	64,448
Deferred Inflows	14,529	67,882	82,411
Total Adjustments	<u>(25,223)</u>	<u>4,916</u>	<u>(20,307)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 244,884</u>	<u>\$ 41,317</u>	<u>\$ 286,201</u>

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, 2018, 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 19, 2019.

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 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 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 19, 2019 which should be considered in assessing the results of our audit.

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 19, 2019

**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, 2018:

- (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, 2018.

Warren Averett, LLC
Fort Walton Beach, Florida
April 19, 2019

**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, 2018, and have issued our report thereon dated April 19, 2019 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 94 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 19, 2019

**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, 2018**

<u>Source</u>	<u>Amounts Received in the 2017-2018 Fiscal Year</u>	<u>Amounts Expended in the 2017-2018 Fiscal Year</u>
British Petroleum:		
Litigation Settlement	\$-	\$1,074,730
Funds relating to proceeds specified for advertising and tourist related media campaigns	\$-	\$ 7,301

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2019

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 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 22, 2019, 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

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, 2018, 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.

Airport Receivable Reconciliations

The Airport enterprise fund is responsible for billing the airlines and other tenants for use of facilities at the commercial and general aviation airports. That activity is captured through the PropWorks software system. The Clerk of the Circuit Court and Comptroller is responsible for the maintenance of the general ledger and overall financial reporting of the Airport Enterprise Fund. Activity between the PropWorks system and the general ledger is not reconciled during the year. As a result significant time is spent at year end by personnel at the Airport and personnel at the Clerk to reconcile the two systems. We recommend the two systems are reconciled at least quarterly which should reduce the amount of personnel time needed at year end by both functions to complete the task and improve the overall financial reporting of the Airport Enterprise Fund.

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.

Warren Averett, LLC

Fort Walton Beach, Florida
April 19, 2019

CLERK OF THE
CIRCUIT COURT

**OKALOOSA COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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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, 2018, 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, 2018, and the respective budgetary comparison for the General Fund, the Courts Special Revenue Fund, the Public Records Modernization Trust Special Revenue Fund, and the Public Records Courts Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2018 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 3, 2019

Basic Financial Statements

**Clerk of the Circuit Court
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018**

	General Fund	Courts Special Revenue Fund
ASSETS		
Cash and Cash Equivalents	\$ 68,883	\$ 34,110
Investments	48,500	344,000
Accounts Receivable	5,839	-
Due from Other Funds	382,223	6,531
Due from Other Elected Officials	3,798	640
Due from Other Governments	22,809	38,741
Prepays	463	-
	<u>\$ 532,515</u>	<u>\$ 424,022</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 8,751	\$ 14,627
Accrued Liabilities	115,985	51,939
Due to Other Funds	450,025	-
Due to Other Elected Officials	9,639	-
Due to Other Governments	480	356,052
Due to Depositors	1,245	1,404
	<u>586,125</u>	<u>424,022</u>
Fund Balance		
Nonspendable	463	-
Spendable		
Restricted	-	-
Unassigned	(54,073)	-
	<u>(53,610)</u>	<u>-</u>
Total Fund Balances	<u>(53,610)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 532,515</u>	<u>\$ 424,022</u>

Exhibit I

Public Records Modernization Trust Special Revenue Fund	Public Records Courts Special Revenue Fund	Total Governmental Funds
\$ -	\$ 25,484	\$ 128,477
95,000	155,000	642,500
-	-	5,839
-	-	388,754
-	-	4,438
-	-	61,550
-	-	463
<u>\$ 95,000</u>	<u>\$ 180,484</u>	<u>\$ 1,232,021</u>
\$ 7,225	\$ -	\$ 30,603
-	4,833	172,757
9,932	-	459,957
-	-	9,639
-	-	356,532
-	-	2,649
<u>17,157</u>	<u>4,833</u>	<u>1,032,137</u>
-	-	463
77,843	175,651	253,494
-	-	(54,073)
<u>77,843</u>	<u>175,651</u>	<u>199,884</u>
<u>\$ 95,000</u>	<u>\$ 180,484</u>	<u>\$ 1,232,021</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, 2018

	General Fund	Courts Special Revenue Fund
Revenues		
Intergovernmental	\$ 162,327	\$ 314,155
Charges for Services	1,287,798	2,977,963
Fines	-	842,154
Miscellaneous	65,197	-
Total Revenues	1,515,322	4,134,272
Expenditures		
Current		
General Government	3,090,842	-
Court-Related	15,799	4,187,594
Capital Outlay	2,010	1,244
Total Expenditures	3,108,651	4,188,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,593,329)	(54,566)
Other Financing Sources (Uses)		
Transfers Among Constitutional Officers	1,539,719	54,566
Total Other Financing Sources (Uses)	1,539,719	54,566
Net Change in Fund Balances	(53,610)	-
Fund Balances - Beginning	-	-
Fund Balances - Ending	\$ (53,610)	\$ -

Exhibit II

Public Records Modernization Trust Special Revenue Fund	Public Records Courts Special Revenue Fund	Total Governmental Funds
\$ -	\$ -	\$ 476,482
120,092	357,543	4,743,396
-	-	842,154
65	127	65,389
<u>120,157</u>	<u>357,670</u>	<u>6,127,421</u>
181,519	-	3,272,361
-	474,418	4,677,811
48,376	69,581	121,211
<u>229,895</u>	<u>543,999</u>	<u>8,071,383</u>
<u>(109,738)</u>	<u>(186,329)</u>	<u>(1,943,962)</u>
<u>-</u>	<u>-</u>	<u>1,594,285</u>
<u>-</u>	<u>-</u>	<u>1,594,285</u>
(109,738)	(186,329)	(349,677)
<u>187,581</u>	<u>361,980</u>	<u>549,561</u>
<u>\$ 77,843</u>	<u>\$ 175,651</u>	<u>\$ 199,884</u>

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

**Clerk of the Circuit Court
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 225,070	\$ 225,070	\$ 162,327	\$ (62,743)
Charges for Services	1,400,400	1,400,400	1,287,798	(112,602)
Miscellaneous	200	200	65,197	64,997
Total Revenues	1,625,670	1,625,670	1,515,322	(110,348)
Expenditures				
Current				
General Government	3,125,382	3,125,382	3,090,842	34,540
Court-Related	26,763	26,763	15,799	10,964
Capital Outlay	3,500	3,500	2,010	1,490
Total Expenditures	3,155,645	3,155,645	3,108,651	46,994
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,529,975)	(1,529,975)	(1,593,329)	(63,354)
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	1,529,975	1,529,975	1,539,719	9,744
Total Other Financing Sources (Uses)	1,529,975	1,529,975	1,539,719	9,744
Net Change in Fund Balance	-	-	(53,610)	(53,610)
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ (53,610)	\$ (53,610)

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

**Clerk of the Circuit Court
Okaloosa County, Florida
COURTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 450,673	\$ 450,673	\$ 314,155	\$ (136,518)
Charges for Services	2,524,169	2,524,169	2,977,963	453,794
Fines	752,732	752,732	842,154	89,422
Total Revenues	3,727,574	3,727,574	4,134,272	406,698
Expenditures				
Current				
Court-Related	3,791,884	3,791,884	4,187,594	(395,710)
Capital Outlay	-	-	1,244	(1,244)
Total Expenditures	3,791,884	3,791,884	4,188,838	(396,954)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,310)	(64,310)	(54,566)	(9,744)
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	64,310	64,310	54,566	9,744
Total Other Financing Sources (Uses)	64,310	64,310	54,566	9,744
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

Note to the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Expenditures exceeded legally budgeted amounts at September 30, 2018 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
PUBLIC RECORDS MODERNIZATION TRUST SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 135,000	\$ 135,000	\$ 120,092	\$ (14,908)
Miscellaneous	500	500	65	(435)
 Total Revenues	 135,500	 135,500	 120,157	 (15,343)
Expenditures				
Current				
General Government	306,828	306,828	181,519	125,309
Capital Outlay	12,500	12,500	48,376	(35,876)
 Total Expenditures	 319,328	 319,328	 229,895	 89,433
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 (183,828)	 (183,828)	 (109,738)	 74,090
 Net Change in Fund Balance	 (183,828)	 (183,828)	 (109,738)	 74,090
 Fund Balance - Beginning	 183,828	 183,828	 187,581	 3,753
 Fund Balance - Ending	 \$ -	 \$ -	 \$ 77,843	 \$ 77,843

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

**Clerk of the Circuit Court
Okaloosa County, Florida
PUBLIC RECORDS COURTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$ 400,000	\$ 400,000	\$ 357,543	\$ (42,457)
Miscellaneous	1,000	1,000	127	(873)
Total Revenues	401,000	401,000	357,670	(43,330)
Expenditures				
Current				
Court-Related	878,878	878,878	474,418	404,460
Capital Outlay	15,000	15,000	69,581	(54,581)
Total Expenditures	893,878	893,878	543,999	349,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	(492,878)	(492,878)	(186,329)	306,549
Net Change in Fund Balance	(492,878)	(492,878)	(186,329)	306,549
Fund Balance - Beginning	492,878	492,878	361,980	(130,898)
Fund Balance - Ending	\$ -	\$ -	\$ 175,651	\$ 175,651

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

**Clerk of the Circuit Court
Okaloosa County, Florida
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
September 30, 2018**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 3,863,033
Investments	1,655,000
Accounts Receivable	13,005
Due from Other Funds	450,025
Due from Other Elected Officials	60
Due from Other Governments	530
Total Assets	\$ 5,981,653
LIABILITIES	
Liabilities	
Due to Other Funds	\$ 378,822
Due to Other Elected Officials	116,383
Due to Other Governments	969,946
Due to Depositors	4,516,502
Total Liabilities	\$ 5,981,653

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, 2018**

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, related disclosures, 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, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

1. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund 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.

2. Fiduciary Fund Financial Statements

The only fiduciary funds of the Clerk are agency funds and as such do not record revenues and expenses.

3. Financial Statement Presentation

The Clerk reports the following major governmental funds:

General Fund

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

Courts Special Revenue Fund

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

Public Records Modernization Trust Special Revenue Fund

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

Public Records Courts Special Revenue Fund

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

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The Clerk reports the additional fund types:

Agency Funds

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

D. Assets, Liabilities, 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; 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. Short-term interfund loans are also classified as "interfund receivables/payables."

The Clerk maintains no allowance for uncollectible trade accounts. Accounts receivable write offs are insignificant.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

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. The liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds financial statements of the Clerk only if they have matured, for example, as a result of employee resignations and retirements.

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 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 statutes. The Clerk does not have a formal minimum fund balance policy.

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

The Clerk and Comptroller functions are funded by two primary sources, the State of Florida and the Board of County Commissioners.

The State provides operating funds for court-side activities of the Clerk through a State of Florida Clerk of Court Trust Fund. Clerks retain their revenues up to the budget amount appropriated from the Trust Fund. Also, any shortage of revenues up to the approved budget is funded by the Trust Fund. Excess revenues are returned to the State.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 2 – LEGAL COMPLIANCE BUDGETS – CONTINUED

The Board of County Commissioners funds operating activities and capital expenditures for the comptroller functions. The Clerk submits a proposed budget to the Board for approval for each fiscal year. Funding by the Board is recorded as a ‘transfer out’ in the financial statements of the County, and as a ‘transfer in’ on the financial statements of the Clerk.

Florida Statutes require that the excess of the Board’s appropriations (and other revenues) over expenditures be returned to the Board at the end of the 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, 2018.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 4 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2018 is as follows:
Due to/from other funds and elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Other Funds			
General	Public Records Modernization	\$ 9,932	Deficit cash
General	Fiduciary Funds	372,291	Restricted fees
Courts Special Revenue	Fiduciary Funds	6,531	Deposit Transfer
Fiduciary Funds	General	450,025	Fees collected
Total		<u>\$ 838,779</u>	
Other Elected Officials			
General	Board of County Commissioners	\$ 3,798	Fees collected
Courts Special Revenue	Board of County Commissioners	640	Fees collected
Fiduciary Fund	Board of County Commissioners	60	Fees collected
Board of County Commissioners	General	3,568	Fuel and maintenance
Supervisor of Elections	General	6,071	Postage
Board of County Commissioners	Fiduciary Fund	116,383	Collected fines and fees
Total		<u>\$ 130,520</u>	
Transfer In	Transfer Out	Amount	Purpose
Other Elected Officials			
General	Board of County Commissioners	\$ (1,539,719)	Appropriations
Courts Special Revenue	Board of County Commissioners	(54,566)	Appropriations
Total		<u>\$ (1,594,285)</u>	

NOTE 5 – OPERATING LEASES

The Clerk of the Circuit Court leases copier equipment under a non-cancelable operating lease effective for four years. Monthly payments under the lease were \$4,014 thru March 2018. The new contract monthly payment of \$2,468 was effective March 2018. Future minimum lease payments for the equipment leases total \$12,340 through February 2019. Total lease expenditure for fiscal year ended September 30, 2018 was \$37,346.

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 \$2,370 through December 2019. Total lease expenditure for fiscal year ended September 30, 2018 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 \$5,640. through December 2019. Total lease expenditure for fiscal year ended September 30, 2018 was \$4,512.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 5 – OPERATING LEASES – CONTINUED

Total lease expenditure/expense for operating leases in which the Clerk is the lessee for fiscal year ended September 30, 2018 was \$46,598. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended September 30</u>		
2019	\$	19,222
2020		1,128
	\$	<u>20,350</u>

NOTE 6 - RESTRICTED FUND BALANCES

The governmental fund balance sheet contains the line item “Restricted for Other Purposes”. Following is a list of the detail balances contained in that line item for September 30, 2018:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Special Revenue Funds		
Public Record Modernization	\$ 77,843	General Information Technology
Public Records Courts	175,651	Judicial Information Technology
Total Restricted for Other Purposes	<u>\$ 253,494</u>	

NOTE 7 – DEFICIT FUND BALANCE

The general fund at September 30, 2018 is reporting deficit fund balance of \$53,610. This is a result of recording the current amount payable to Florida Department of Revenue (FDOR), Child Support Enforcement Program. In October 2017, the Clerk received notice from the FDOR that its contractor, Maximus, had completed an analysis of allowable indirect costs rates used in the Child Support Enforcement Program for 2016 and determined the rate used by the Okaloosa Clerk of Court was overstated resulting in overpayments by the FDOR to the Clerk. The indirect cost rate being used also created overpayments in 2017.

The total amount due to FDOR at September 30, 2018 is \$234,202 of which \$53,610 is due during the year ended September 30, 2019. The Clerk is making monthly installment payments, via reductions in monthly funding allocations from FDOR, through November of 2020 to satisfy the payable. Subsequent to year end the Clerk was notified an additional \$437,777 was due to the FDOR for FY 2017 overpayments and FY 2018 underpayments.

NOTE 8 – PENSION PLAN

The Clerk 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.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 8 – PENSION PLAN - CONTINUED

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. 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

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 8 – PENSION PLAN - CONTINUED

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 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’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 2017 and 2018 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, 2018 and two preceding FRS fiscal years are as follows:

	September 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016
Regular Class	8.26%	7.92%	7.52%	7.26%
Senior Management	24.06%	22.71%	21.77%	21.43%
Elected Officials	48.70%	45.50%	42.47%	42.27%
Deferred Retirement Option Program	14.03%	13.26%	12.99%	12.88%
Special Risk Regular	24.50%	23.27%	22.57%	22.04%
Special Risk Administrative Support	34.98%	34.63%	28.06%	32.95%

For the years ending September 30, 2018, 2017, 2016, the Clerk contributed \$576,570, \$575,411 and \$542,082 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.

**Clerk of the Circuit Court
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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 Clerk 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 – POSTEMPLOYMENT BENEFITS

The Board offers post-employment health care benefits to all retired employees of the Clerk’s Office and their dependents. Participating retirees are required to reimburse the Board for 100% of the premium costs, which is netted against the premium payments, so that no net expense is initially recorded in the Board’s financial statements. However, these retirees are receiving an “implicit subsidy” because the premium is a group rate which includes active, lower cost employees. This implicit subsidy has a cost, however, this annual cost and the total post employment benefit liability have been calculated for the County as a whole, and not separately for the Clerk’s Office. Accordingly, these calculations and disclosures can be found in the County’s comprehensive annual financial report.

NOTE 10 - RISK MANAGEMENT

The Clerk is exposed to risk of loss for claims and judgments for public liability, workers’ compensation, and other special risks. Special risks are covered by commercial insurance policies that are accounted for in the Clerk’s general fund. The Clerk bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three (3) fiscal years.

The Clerk has chosen to participate in a group medical insurance plan along with all other elected official offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Clerk bears no risk of loss under this type of coverage.

The Clerk has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers’ compensation. The Self-Insurance Internal Service Fund charges the Clerk a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Clerk.

**Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2018**

	Fine and Forfeiture	Jury and Witness	Tax Deed	Support	Registry of Court	BCC Trust
ASSETS						
Cash and Cash Equivalents	\$ 29,521	\$ 4,916	\$ 53,902	\$ 87,409	\$ 2,275,192	\$ 29,010
Investments	330,000	-	1,100,000	-	-	-
Accounts Receivable	-	-	-	13,005	-	-
Due from Other Funds	-	-	-	-	-	-
Due from Other Elected Officials	60	-	-	-	-	-
Due from Other Governments	530	-	-	-	-	-
Total Assets	360,111	4,916	1,153,902	100,414	2,275,192	29,010
LIABILITIES						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 2,781	\$ 376,041	\$ -
Due to Other Elected Officials	87,373	-	-	-	-	29,010
Due to Other Governments	272,738	-	-	445	-	-
Due to Depositors	-	4,916	1,153,902	97,188	1,899,151	-
Total Liabilities	\$ 360,111	\$ 4,916	\$ 1,153,902	\$ 100,414	\$ 2,275,192	\$ 29,010

Continued...

Clerk of the Circuit Court
Okaloosa County, Florida
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2018

	State Trust	Probation Fee Trust	Escrow Trust	Juvenile Trust	Foreclosure		Cash Bond Trust	Total
					Escrow Trust	Trust		
ASSETS								
Cash and Cash Equivalents	\$ 21,274	\$ 622	\$ 180,801	\$ 489	\$ 921,655	\$ 258,242	\$ 3,863,033	
Investments	225,000	-	-	-	-	-	1,655,000	
Accounts Receivable	-	-	-	-	-	-	13,005	
Due from Other Funds	450,000	-	-	-	25	-	450,025	
Due from Other Elected Officials	-	-	-	-	-	-	60	
Due from Other Governments	-	-	-	-	-	-	530	
Total Assets	696,274	622	180,801	489	921,680	258,242	5,981,653	
LIABILITIES								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,822	
Due to Other Elected Officials	-	-	-	-	-	-	116,383	
Due to Other Governments	696,274	-	-	489	-	-	969,946	
Due to Depositors	-	622	180,801	-	921,680	258,242	4,516,502	
Total Liabilities	\$ 696,274	\$ 622	\$ 180,801	\$ 489	\$ 921,680	\$ 258,242	\$ 5,981,653	

**Clerk of the Circuit Court
Okaloosa County, Florida**
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2018

	Balances October 1, 2017	Additions	Deletions	Balances September 30, 2018
FINE AND FORFEITURE AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 34,886	\$ 4,706,407	\$ 4,711,772	\$ 29,521
Investments	315,000	100,000	85,000	330,000
Due from Other Elected Officials	2,800	-	2,740	60
Due from Other Governments	8	530	8	530
Total Assets	<u>\$ 352,694</u>	<u>\$ 4,806,937</u>	<u>\$ 4,799,520</u>	<u>\$ 360,111</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 1,403,436	\$ 1,403,436	\$ -
Due to Other Funds	-	750	750	-
Due to Other Elected Officials	87,356	1,304,768	1,304,751	87,373
Due to Other Governments	264,708	3,455,907	3,447,877	272,738
Due to Depositors	630	-	630	-
Total Liabilities	<u>\$ 352,694</u>	<u>\$ 6,164,861</u>	<u>\$ 6,157,444</u>	<u>\$ 360,111</u>
JURY AND WITNESS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	<u>\$ 24,813</u>	<u>\$ 668</u>	<u>\$ 20,565</u>	<u>\$ 4,916</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 21,934	\$ 21,934	\$ -
Due to Depositors	24,813	2,049	21,946	4,916
Total Liabilities	<u>\$ 24,813</u>	<u>\$ 23,983</u>	<u>\$ 43,880</u>	<u>\$ 4,916</u>
TAX DEED AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 131,860	\$ 917,578	\$ 995,536	\$ 53,902
Investments	1,175,000	-	75,000	1,100,000
Total Assets	<u>\$ 1,306,860</u>	<u>\$ 917,578</u>	<u>\$ 1,070,536</u>	<u>\$ 1,153,902</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 835,874	\$ 835,874	\$ -
Due to Depositors	1,306,860	813,836	966,794	1,153,902
Total Liabilities	<u>\$ 1,306,860</u>	<u>\$ 1,649,710</u>	<u>\$ 1,802,668</u>	<u>\$ 1,153,902</u>

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2018**

	Balances October 1, 2017	Additions	Deletions	Balances September 30, 2018
SUPPORT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 92,466	\$ 3,853,892	\$ 3,858,949	\$ 87,409
Accounts Receivable	7,177	22,349	16,521	13,005
Total Assets	<u>\$ 99,643</u>	<u>\$ 3,876,241</u>	<u>\$ 3,875,470</u>	<u>\$ 100,414</u>
LIABILITIES				
Due to Other Funds	\$ 7,850	\$ 4,035	\$ 9,104	\$ 2,781
Due to Other Governments	802	7,993	8,350	445
Due to Depositors	90,991	3,320,005	3,313,808	97,188
Total Liabilities	<u>\$ 99,643</u>	<u>\$ 3,332,033</u>	<u>\$ 3,331,262</u>	<u>\$ 100,414</u>
REGISTRY OF COURT AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 2,422,240	\$ 19,256,338	\$ 19,403,386	\$ 2,275,192
LIABILITIES				
Due to Other Funds	\$ 1,032	\$ 375,009	\$ -	\$ 376,041
Due to Depositors	2,421,208	19,256,338	19,778,395	1,899,151
Total Liabilities	<u>\$ 2,422,240</u>	<u>\$ 19,631,347</u>	<u>\$ 19,778,395</u>	<u>\$ 2,275,192</u>
BOARD OF COUNTY COMMISSIONERS TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 30,522	\$ 413,771	\$ 415,283	\$ 29,010
LIABILITIES				
Due to Other Elected Officials	\$ 30,522	\$ 439,498	\$ 441,010	\$ 29,010
STATE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 86,443	\$ 28,732,975	\$ 28,798,144	\$ 21,274
Investments	100,000	225,000	100,000	225,000
Due from Other Funds	-	450,000	-	450,000
Due from Other Governments	375,130	-	375,130	-
Total Assets	<u>\$ 561,573</u>	<u>\$ 29,407,975</u>	<u>\$ 29,273,274</u>	<u>\$ 696,274</u>
LIABILITIES				
Due to Other Governments	\$ 561,573	\$ 28,632,975	\$ 28,498,274	\$ 696,274

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida**
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2018

	Balances October 1, 2017	Additions	Deletions	Balances September 30, 2018
PROBATION FEE TRUST FUND				
ASSETS				
Cash and Cash Equivalents	\$ 1,174	\$ 1,206	\$ 1,758	\$ 622
LIABILITIES				
Accounts Payable	\$ -	\$ 2,380	\$ 2,380	\$ -
Due to Depositors	1,174	1,828	2,380	622
Total Liabilities	<u>\$ 1,174</u>	<u>\$ 4,208</u>	<u>\$ 4,760</u>	<u>\$ 622</u>
ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 157,267	\$ 530,699	\$ 507,165	\$ 180,801
LIABILITIES				
Accounts Payable	\$ -	\$ 124,481	\$ 124,481	\$ -
Due to Depositors	157,267	531,103	507,569	180,801
	<u>\$ 157,267</u>	<u>\$ 655,584</u>	<u>\$ 632,050</u>	<u>\$ 180,801</u>
JUVENILE TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 696	\$ 13,730	\$ 13,937	\$ 489
LIABILITIES				
Due from Other Governments	\$ -	\$ 489	\$ -	\$ 489
Due to Depositors	696	13,730	14,426	-
	<u>\$ 696</u>	<u>\$ 14,219</u>	<u>\$ 14,426</u>	<u>\$ 489</u>
FORECLOSURE ESCROW TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 904,903	\$ 24,296,623	\$ 24,279,871	\$ 921,655
Accounts Receivable	140	-	140	-
Due from Other Funds	140	25	140	25
	<u>\$ 905,183</u>	<u>\$ 24,296,648</u>	<u>\$ 24,280,151</u>	<u>\$ 921,680</u>
LIABILITIES				
Due to Other Funds	\$ 22,205	\$ -	\$ 22,205	\$ -
Due to Depositors	882,978	15,784,153	15,745,451	921,680
	<u>\$ 905,183</u>	<u>\$ 15,784,153</u>	<u>\$ 15,767,656</u>	<u>\$ 921,680</u>

Continued...

**Clerk of the Circuit Court
Okaloosa County, Florida**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2018**

	Balances October 1, 2017	Additions	Deletions	Balances September 30, 2018
CASH BOND TRUST AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 275,323	\$ 805,667	\$ 822,748	\$ 258,242
LIABILITIES				
Due to Depositors	\$ 275,323	\$ 805,667	\$ 822,748	\$ 258,242
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 4,162,593	\$ 83,529,554	\$ 83,829,114	\$ 3,863,033
Investments	1,590,000	325,000	260,000	1,655,000
Accounts Receivable	7,317	22,349	16,661	13,005
Due from Other Funds	140	450,025	140	450,025
Due from Other Elected Officials	2,800	-	2,740	60
Due from Other Governments	375,138	530	375,138	530
Total Assets	<u>\$ 6,137,988</u>	<u>\$ 84,327,458</u>	<u>\$ 84,483,793</u>	<u>\$ 5,981,653</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 2,388,105	\$ 2,388,105	\$ -
Due to Other Funds	31,087	379,794	32,059	378,822
Due to Other Elected Officials	117,878	1,744,266	1,745,761	116,383
Due to Other Governments	827,083	32,097,364	31,954,501	969,946
Due to Depositors	5,161,940	40,528,709	41,174,147	4,516,502
Total Liabilities	<u>\$ 6,137,988</u>	<u>\$ 77,138,238</u>	<u>\$ 77,294,573</u>	<u>\$ 5,981,653</u>

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

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, 2018, and the related notes to the financial statements, which collectively comprise the Clerk's financial statements, and have issued our report thereon dated April 3, 2019.

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 2018-1 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 3, 2019



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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, 2018.

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, 2018.

Warren Averett, LLC

Fort Walton Beach, Florida
April 3, 2019

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2019.

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 3, 2019, 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.

Airport Receivable Reconciliations

The Airport enterprise fund is responsible for billing the airlines and other tenants for use of facilities at the commercial and general aviation airports. That activity is captured through the PropWorks software system. The Clerk of the Circuit Court and Comptroller is responsible for the maintenance of the general ledger and overall financial reporting of the Airport Enterprise Fund. Activity between the PropWorks system and the general ledger is not reconciled during the year. As a result significant time is spent at year end by personnel at the Airport and personnel at the Clerk to reconcile the two systems. We recommend the two systems are reconciled at least quarterly which should reduce the amount of personnel time needed at year end by both functions to complete the task and improve the overall financial reporting of the Airport Enterprise Fund.

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 3, 2019

**Clerk of the Circuit Clerk and Comptroller
Okaloosa County, Florida
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended September 30, 2018**

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

FINDING 2018-1 BANK RECONCILIATIONS

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

Bank reconciliations for certain cash accounts related to accounts of the Clerk of the Circuit Court and Comptroller and the Board of County Commissioners were not performed on a timely basis at the end of each month. Reconciling items were not researched promptly so corrective action may be taken, when necessary, to dispose of them. The bank reconciliations after preparation were also not reviewed in a timely manner. The amount of activity in these accounts on a monthly basis is voluminous and data is captured from various transaction sources making timely monthly reconciliations critical to the internal control over cash.

Cause

The Clerk changed financial institutions during the year ended September 30, 2018 which caused delays in the process. Further due to staff turnover in the Clerk's comptroller function the bank reconciliation process was delayed during the year ended September 30, 2018.

Effect

The internal controls over cash 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. Significant audit adjustments to cash balances were proposed by the auditors' and accepted by management during the year ended September 30, 2018.

Recommendation

Bank accounts should be reconciled monthly and all differences between book and bank balances should be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected. All accounts reconciled should be reviewed by supervisory personnel.

Views of responsible officials and planned corrective action

We agree with the recommendation. As noted above, the Clerk has recently completed a change in financial institutions that resulted in delays in reconciling certain bank accounts. However, we feel that the benefits of consolidating smaller accounts and utilizing zero balance accounts will increase accuracy and efficiency in daily monitoring as well as performing monthly reconciliations of banking activity. In addition, new work flows have been put in place to ensure that not only are reconciliations being performed timely but also reviewed and documented by management.

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SHERIFF

**OKALOOSA COUNTY, FLORIDA
SHERIFF
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
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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, 2018, 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, 2018, 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 and Teen Driver Challenge 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, 2018, 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 2, 2019, 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 2, 2019

Basic Financial Statements

Sheriff
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	General Fund	Law Enforcement Trust Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,145,419	\$ 223,525
Accounts Receivable	7,100	-
Due from Other Elected Officials	315,674	-
Due from Other Governments	605,330	-
	<u>2,073,523</u>	<u>223,525</u>
Total Assets	<u>\$ 2,073,523</u>	<u>\$ 223,525</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 201,443	\$ -
Other Accrued Liabilities	586,216	-
Due to Other Funds	347,516	-
Due to Other Elected Officials	740,339	-
Due to Other Governments	152,500	-
Unearned Revenue	45,509	223,525
	<u>2,073,523</u>	<u>223,525</u>
Total Liabilities	<u>2,073,523</u>	<u>223,525</u>
Fund Balance		
Unassigned	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 2,073,523</u>	<u>\$ 223,525</u>

Exhibit I

Teen Driver Challenge Fund	Total Governmental Funds
\$ -	\$ 1,368,944
-	7,100
-	315,674
-	605,330
<u>\$ -</u>	<u>\$ 2,297,048</u>
\$ -	\$ 201,443
-	586,216
-	347,516
-	740,339
-	152,500
-	269,034
<u>-</u>	<u>2,297,048</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 2,297,048</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, 2018

	General Fund	Law Enforcement Trust Fund
Revenues		
Intergovernmental	\$ -	\$ 88,894
Total Revenues	-	88,894
Expenditures		
Current		
Public Safety	37,376,265	144,232
Court-Related	1,823,618	-
Capital Outlay	2,401,932	16,836
Total Expenditures	41,601,815	161,068
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,601,815)	(72,174)
Other Financing Sources (Uses)		
Transfers Among Constitutional Officers	41,601,815	72,174
Total Other Financing Sources (Uses)	41,601,815	72,174
Net Change in Fund Balance	-	-
Fund Balance - Beginning	-	-
Fund Balance - Ending	\$ -	\$ -

Exhibit II

Teen Driver Challenge Fund	Total Governmental Funds
\$ -	\$ 88,894
-	88,894
36,608	37,557,105
-	1,823,618
-	2,418,768
36,608	41,799,491
(36,608)	(41,710,597)
36,608	41,710,597
36,608	41,710,597
-	-
-	-
\$ -	\$ -

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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Public Safety	34,187,229	37,367,261	37,376,265	(9,004)
Court-Related	1,911,211	1,911,211	1,823,618	87,593
Capital Outlay	2,058,483	2,325,361	2,401,932	(76,571)
Total Expenditures	38,156,923	41,603,833	41,601,815	2,018
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,156,923)	(41,603,833)	(41,601,815)	2,018
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	38,156,923	41,603,833	41,601,815	(2,018)
Total Other Financing Sources (Uses)	38,156,923	41,603,833	41,601,815	(2,018)
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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 88,894	\$ 88,894	\$ 88,894	\$ -
Total Revenues	88,894	88,894	88,894	-
Expenditures				
Current				
Public Safety	161,068	161,068	144,232	16,836
Capital Outlay	-	-	16,836	(16,836)
Total Expenditures	161,068	161,068	161,068	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,174)	(72,174)	(72,174)	-
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	72,174	72,174	72,174	-
Total Other Financing Sources (Uses)	72,174	72,174	72,174	-
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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Public Safety	57,152	57,152	36,608	20,544
Total Expenditures	57,152	57,152	36,608	20,544
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,152)	(57,152)	(36,608)	20,544
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	57,152	57,152	36,608	(20,544)
Total Other Financing Sources (Uses)	57,152	57,152	36,608	(20,544)
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 ASSETS AND LIABILITIES
PROPRIETARY FUNDS
September 30, 2018**

	<u>Governmental Activities</u> <u>Internal Service</u> <u>Funds</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 2,379,241
Receivables, Net of Allowance for Uncollectible	610,135
Due from Other Funds	<u>347,516</u>
Total Assets	<u>\$ 3,336,892</u>
Deferred Outflow of Resources	
Deferred Charges Related to Pensions	<u>\$ 226,832</u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts Payable	\$ 393,004
Compensated Absences	1,282,334
Other Accrued Liabilities	<u>285,884</u>
Total Current Liabilities	<u>1,961,222</u>
Noncurrent Liabilities	
Other Post Employment Benefits	<u>5,402,832</u>
Total Noncurrent Liabilities	<u>5,402,832</u>
Total Liabilities	<u>7,364,054</u>
Deferred Inflow of Resources	
Deferred Charges Related to Pensions	<u>\$ 233,585</u>
Net Position	
Unrestricted (Deficit)	<u>(4,033,915)</u>
Total Net Position	<u>(4,033,915)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 3,563,724</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, 2018

	<u>Governmental</u> <u>Activities</u> <u>Internal Service</u> <u>Funds</u>
Operating Revenues	
Charges for Services	\$ 6,373,131
Total Operating Revenues	<u>6,373,131</u>
Operating Expenses	
Personal Services	226,830
Contractual Services	418,637
Insurance Premiums and Claims	<u>6,166,936</u>
Total Operating Expenses	<u>6,812,403</u>
Operating Income (Loss)	<u>(439,272)</u>
Nonoperating Revenues (Expenses)	
Investment Income	<u>13,877</u>
Income (Loss) Before	
Contributions and Transfers	<u>(425,395)</u>
Change in Net Position	(425,395)
Total Net Position (Deficit) - Beginning - as restated	<u>(3,608,520)</u>
Total Net Position (Deficit) - Ending	<u><u>\$ (4,033,915)</u></u>

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, 2018**

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Interfund Services Provided	\$ 5,839,278
Payments to Suppliers	(6,595,424)
Net Cash Provided (Used) by Operating Activities	(756,146)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	13,877
Net Increase (Decrease) in Cash and Cash Equivalents	(742,269)
Cash and Cash Equivalents - Beginning of Year	3,121,510
Cash and Cash Equivalents - End of Year	\$ 2,379,241
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (439,272)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Increase (Decrease) in Assets	
Receivables	(444,054)
Due from General Fund	(216,312)
Deferred Outflows	11,153
Increase (Decrease) in Liabilities	
Accounts Payable	393,004
Due to Other Funds	126,513
Deferred Inflows	(19,964)
Claims and Judgments Payable	(402,855)
Other Post Employment Benefits	235,641
Net Cash Provided (Used) by Operating Activities	\$ (756,146)

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

**Sheriff
Okaloosa County, Florida
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
September 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 16,350
Total Assets	16,350
LIABILITIES	
Due to Other Elected Officials	5,470
Due to Depositors	10,880
Total Liabilities	\$ 16,350

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, 2018

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 an used car. Non-exchange transactions are those in which the Sheriff gives (or receives) value without directly receiving (or giving) equal value in exchange. An example of a non-exchange transaction is

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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 - Continued

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.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

4. Financial Statement Presentation

The Sheriff reports the following major governmental funds:

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.

The Sheriff reports the following fund types:

Internal Service Fund

These funds account for the funding of short-term compensated absence debt provided to the general fund of the Sheriff on a cost reimbursement basis and for risks from medical benefit claims of the self-funded health insurance plan.

Agency Funds

These funds account for monies held on behalf of individuals and companies. The funds account for the collection and disbursement of statutory fees for services performed by the Sheriff or monies collected and disbursed pursuant to levies.

D. Assets, Liabilities, 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 repurchase agreements secured by such securities; and Florida Local Government Investment Trust. The

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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

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 a separate cash account available for use by all funds. Each account is displayed on the balance sheet as “cash and cash equivalents.” For purposes of these statements, all highly liquid investments with maturity of ninety days or less when purchased are considered to be cash equivalents.

2. 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 assets of Okaloosa County.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Sheriff’s capitalization level is \$1,000 on tangible personal property 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

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

4. Compensated Absences - Continued

absences liability. Long-term liability is reported on the government-wide statement of net position of Okaloosa County.

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.

The deferred outflows and inflows for OPEB are an aggregate of items related to changes in assumptions and other inputs as calculated in accordance with GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. These deferred outflows for OPEB will be recognized as benefit expense or a reduction of the net OPEB liability in future reporting years.

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 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

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

A. Budget Information - Continued

workshops beginning on or after July 15. The Board of County Commissioners requires such changes as deemed necessary, sets proposed millages and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the County. Public hearings are conducted in Crestview and Fort Walton Beach for the purpose of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

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

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The County Administrator is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, the Board of County Commissioners must approve any revisions that alter the total expenditures of any fund. Each 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 \$3,446,910 representing a 9.0% increase over the original adopted budget were necessary during the fiscal year.

B. Deficit Fund Equity

The Sheriff's Self-Insurance Fund is reflecting a deficit fund equity of \$4,033,915. This is the result of the implementation of GAS 75 which requires the unfunded liability for future employee benefits (OPEB) to be recorded at September 30, 2018.

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, 2018.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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:

<u>Fund</u>	<u>Unearned</u>
General Fund	\$ 45,509
Law Enforcement Trust Fund	223,525
	<u>\$ 269,034</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, 2018.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Building improvements	\$ 531,144	\$ 9,417	\$ -	\$ 540,561
Machinery and equipment	17,741,883	2,409,351	(1,571,533)	18,579,701
Total Capital assets, being depreciated	<u>18,273,027</u>	<u>2,418,768</u>	<u>(1,571,533)</u>	<u>19,120,262</u>
Less accumulated depreciation for:				
Building improvements	(66,541)	(27,358)	-	(93,899)
Machinery and equipment	(12,484,128)	(1,816,202)	1,524,176	(12,776,154)
Total accumulated depreciation	<u>(12,550,669)</u>	<u>(1,843,560)</u>	<u>1,524,176</u>	<u>(12,870,053)</u>
Governmental activities capital assets, net	<u>\$ 5,722,358</u>	<u>\$ 575,208</u>	<u>\$ (47,357)</u>	<u>\$ 6,250,209</u>

Depreciation expense was charged to functions/programs as follows:

Public safety	<u>\$ 1,843,560</u>
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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. Vacation

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 6 – COMPENSATED ABSENCES - CONTINUED

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, 2018 follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Totals</u>
Annual Leave	<u>\$ 1,282,334</u>	<u>\$ 2,381,477</u>	<u>\$ 3,663,811</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, 2018 is as follows:

Due to/from other funds and elected officials:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Other Funds			
Internal Service	General	\$ 126,513	Compensated Absences
Internal Service	General	221,003	Health Insurance
Total		<u>\$ 347,516</u>	
Other Elected Officials			
General	Board of County Commissioners	\$ 315,674	Grant revenue
Board of County Commissioners	General	(2,018)	Excess appropriations
Board of County Commissioners	General	(509,725)	Reimbursements
Board of County Commissioners	General	(228,596)	Reimbursements
Board of County Commissioners	Fiduciary Fund Type	(5,470)	Court fees
Total		<u>\$ (430,135)</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	\$ (41,097,105)	Budget appropriations
General	Board of County Commissioners	(504,710)	Grant appropriations
Law Enforcement Trust Fund	Board of County Commissioners	(72,174)	Appropriations
Teen Driver Challenge	Board of County Commissioners	(36,608)	Appropriations
Total		<u>\$ (41,710,597)</u>	

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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, 2018. The Sheriff had no outstanding debt issues at September 30, 2018.

The following is a summary of long-term debt transactions of the Sheriff for the fiscal year ended September 30, 2018:

	Balance Due October 1, 2017 (as restated)			Balance Due September 30, 2018 Due Within One Year	
	Increases	Decreases	September 30, 2018	Due Within One Year	
Governmental Activities:					
Accrued Compensated Absences	\$ 2,048,453	\$ (1,041,702)	\$ 3,663,811	\$ 1,282,334	
Estimated Claims Payable	688,739	(402,855)	285,884	-	
Net OPEB Obligation	5,167,191	473,626	5,402,832	-	
Total Governmental Activities					
Long-Term Debt	<u>\$ 8,512,990</u>	<u>\$ 2,522,079</u>	<u>\$ 9,352,527</u>	<u>\$ 1,282,334</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 \$3,663,811 of internal service fund compensated absences and \$285,884 of internal service fund "estimated" claims payable-reserves and \$5,402,832 of internal service fund OPEB obligation are included in the above amounts.

Compensated absences typically have been liquidated in the general fund. While the estimated claims and OPEB obligations are liquidated from the internal service self-insurance fund.

NOTE 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**

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 9 - PENSION PLAN – CONTINUED

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.

· **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.

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 9 - PENSION PLAN – CONTINUED

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 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 2017 and 2018 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, 2018 and two preceding FRS fiscal years are as follows:

	September 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016
Regular Class	8.26%	7.92%	7.52%	7.26%
Senior Management	24.06%	22.71%	21.77%	21.43%
Elected Officials	48.70%	45.50%	42.47%	42.27%
Deferred Retirement Option Program	14.03%	13.26%	12.99%	12.88%
Special Risk Regular	24.50%	23.27%	22.57%	22.04%
Special Risk Administrative Support	34.98%	34.63%	28.06%	32.95%

For years ending September 30, 2018, 2017 and 2016, the Sheriff contributed \$4,202,838, \$3,824,211, and \$3,452,672, 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

Plan Description

The Okaloosa County Sheriff’s Office (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).

**Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

The Sheriff adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment benefits other than Pension, effective for reporting periods beginning after June 15, 2017. The implementation of this statement resulted in a restatement (reduction) of beginning net position of \$529,589 in order to record the OPEB liability, related deferred inflows and outflows, and deferred outflows for estimated benefits paid after the measurement date.

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Beginning Net Position, Originally Reported	\$ (3,078,931)
Change in Accounting from GASB 75 OPEB	(529,589)
Beginning Net Position, as Adjusted	\$ (3,608,520)

NOTE 12 - RISK MANAGEMENT

The Sheriff is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Public liability and special risks are covered by commercial insurance policies which are accounted for in the Sheriff's general fund. The Sheriff bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years. The Sheriff participates in the Florida Sheriff's Association Workers' Compensation Program. It is a fully insured, guaranteed cost program with a deductible trust fund and insurance with a commercial carrier. The Sheriff retains no risk.

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

Excess insurance is purchased from a commercial carrier to provide a specific claim and aggregate limits coverage. Specific claim coverage benefits the covered individual by providing 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, 2018, the amount of these liabilities was \$285,884. 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, 2018. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

Sheriff
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 12 - RISK MANAGEMENT - CONTINUED

Reconciliation of Claims Liabilities for Medical Benefits	As of	As of
	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Unpaid claims and adjustment expenses at beginning of year	\$ 688,739	\$ 505,955
Incurred claims and claim adjustment expenses		
A) Provision for insured events of current fiscal year	6,166,936	4,962,052
B) Increases (decreases) in provision for insured events of prior fiscal years	-	-
Total incurred claims and claim adjustment expenses	<u>6,855,675</u>	<u>5,468,007</u>
Payments		
A) Claims and claim adjustment expenses attributable to insured events of current fiscal year	6,569,791	4,779,268
B) Claims and claim adjustment expenses attributable to insured events of prior fiscal year	-	-
Total payments	<u>6,569,791</u>	<u>4,779,268</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 285,884</u>	<u>\$ 688,739</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 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, 2018

	<u>Compensated Absences</u>	<u>Health Benefits Self Insurance</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,155,821	\$ 1,223,420	\$ 2,379,241
Receivables, Net of Allowance for Uncollectible	-	610,135	610,135
Due from Other Funds	126,513	221,003	347,516
	<u>1,282,334</u>	<u>2,054,558</u>	<u>3,336,892</u>
Total Current Assets	<u>\$ 1,282,334</u>	<u>\$ 2,054,558</u>	<u>\$ 3,336,892</u>
Deferred Outflow of Resources			
Deferred Charges Related to Pensions	\$ -	\$ 226,832	\$ 226,832
	<u>-</u>	<u>226,832</u>	<u>226,832</u>
	<u>\$ -</u>	<u>\$ 226,832</u>	<u>\$ 226,832</u>
LIABILITIES AND NET POSITION			
Liabilities			
Current Liabilities			
Accounts Payable	\$ -	\$ 393,004	\$ 393,004
Accrued Liabilities			
Compensated Absences	1,282,334	-	1,282,334
Other Accrued Liabilities	-	285,884	285,884
	<u>1,282,334</u>	<u>678,888</u>	<u>1,961,222</u>
Total Current Liabilities	<u>1,282,334</u>	<u>678,888</u>	<u>1,961,222</u>
Noncurrent Liabilities			
Other Post Employment Benefits	-	5,402,832	5,402,832
	<u>-</u>	<u>5,402,832</u>	<u>5,402,832</u>
Noncurrent Liabilities	<u>-</u>	<u>5,402,832</u>	<u>5,402,832</u>
	<u>1,282,334</u>	<u>6,081,720</u>	<u>7,364,054</u>
Total Liabilities	<u>1,282,334</u>	<u>6,081,720</u>	<u>7,364,054</u>
Deferred Inflow of Resources			
Deferred Charges Related to Pensions	\$ -	\$ 233,585	\$ 233,585
	<u>-</u>	<u>233,585</u>	<u>233,585</u>
	<u>\$ -</u>	<u>\$ 233,585</u>	<u>\$ 233,585</u>
Net Position			
Unrestricted (Deficit)	-	(4,033,915)	(4,033,915)
	<u>-</u>	<u>(4,033,915)</u>	<u>(4,033,915)</u>
Total Net Position	<u>-</u>	<u>(4,033,915)</u>	<u>(4,033,915)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 1,282,334</u>	<u>\$ 2,281,390</u>	<u>\$ 3,563,724</u>

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2018

	Compensated Absences	Health Benefits Self Insurance	Total Internal Service Funds
Operating Revenues			
Charges for Services	\$ 126,513	\$ 6,373,131	\$ 6,499,644
Total Operating	126,513	6,373,131	6,499,644
Operating Expenses			
Personal Services	126,513	226,830	353,343
Contractual Services	-	418,637	418,637
Insurance Premiums and Claims	-	6,166,936	6,166,936
Total Operating Expenses	126,513	6,812,403	6,938,916
Operating Income (Loss)	-	(439,272)	(439,272)
Nonoperating Revenues (Expenses)			
Investment Income	-	13,877	13,877
Income (Loss) Before Contributions and Transfers	-	(425,395)	(425,395)
Change in Net Assets	-	(425,395)	(425,395)
Total Net Position (Deficit) - Beginning	-	(3,078,931)	(3,078,931)
Restatement for GASB 75	-	(529,589)	(529,589)
Total Net Position (Deficit) - Beginning - as restated	-	(3,608,520)	(3,608,520)
Total Net Position (Deficit) - Ending	\$ -	\$ (4,033,915)	\$ (4,033,915)

Sheriff
Okaloosa County, Florida
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2018

	Compensated Absences	Health Benefits Self Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Interfund Services Provided	\$ 131,204	\$ 5,708,074	\$ 5,839,278
Payments to Suppliers	-	(6,595,424)	(6,595,424)
Net Cash Provided (Used) by Operating Activities	<u>131,204</u>	<u>(887,350)</u>	<u>(756,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	-	13,877	13,877
Net Increase (Decrease) in Cash and Cash Equivalents	131,204	(873,473)	(742,269)
Cash and Cash Equivalents - Beginning of Year	<u>1,024,617</u>	<u>2,096,893</u>	<u>3,121,510</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,155,821</u>	<u>\$ 1,223,420</u>	<u>\$ 2,379,241</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ -	\$ (439,272)	\$ (439,272)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Increase (Decrease) in Assets			
Receivables	-	(444,054)	(444,054)
Due from General Fund	4,691	(221,003)	(216,312)
Deferred Outflows	-	11,153	11,153
Increase (Decrease) in Liabilities			
Accounts Payable	-	393,004	393,004
Due to General Fund	126,513	-	126,513
Deferred Inflows	-	(19,964)	(19,964)
Claims and Judgments Payable	-	(402,855)	(402,855)
Other Post Employment Benefits	-	235,641	235,641
Net Cash Provided (Used) by Operating Activities	<u>\$ 131,204</u>	<u>\$ (887,350)</u>	<u>\$ (756,146)</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 ASSETS AND LIABILITIES
September 30, 2018

	<u>Individual Depositors</u>	<u>Suspense (Levies)</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,470	\$ 10,880	\$ 16,350
LIABILITIES			
Due to Other Elected Officials	5,470	-	5,470
Due to Depositors	-	10,880	10,880
Total Liabilities	<u>\$ 5,470</u>	<u>\$ 10,880</u>	<u>\$ 16,350</u>

Sheriff
Okaloosa County, Florida
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended September 30, 2018

	Balances September 30, 2017	Additions	Deletions	Balances September 30, 2018
INDIVIDUAL DEPOSITORS AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 6,780	\$ -	\$ 1,310	\$ 5,470
LIABILITIES				
Due to Other Elected Officials	\$ 6,780	\$ -	\$ 1,310	\$ 5,470
SUSPENSE (LEVIES) AGENCY FUND				
ASSETS				
Cash and Cash Equivalents	\$ 4,579	\$ 6,301	\$ -	\$ 10,880
LIABILITIES				
Due to Depositors	\$ 4,579	\$ 6,301	\$ -	\$ 10,880
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 11,359	\$ 6,301	\$ 1,310	\$ 16,350
LIABILITIES				
Due to Other Elected Officials	\$ 6,780	\$ -	\$ 1,310	\$ 5,470
Due to Depositors	4,579	6,301	-	10,880
Total Liabilities	\$ 11,359	\$ 6,301	\$ 1,310	\$ 16,350

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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, 2018, 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 2, 2019.

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

Fort Walton Beach, Florida

April 2, 2019

**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, 2018. 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, 2018.

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 2, 2019
Fort Walton Beach, Florida



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MANAGEMENT LETTER

The Honorable Larry Ashley
Sheriff
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 Sheriff of Okaloosa County, Florida (hereinafter referred to as “Sheriff”), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated April 2, 2019.

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 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 2, 2019, 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 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 Sheriff, 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 2, 2019
Fort Walton Beach, Florida

SUPERVISOR OF ELECTIONS

**OKALOOSA COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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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, 2018, 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' 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' 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, 2018, 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, 2018, 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 25, 2019, on our consideration of the Supervisor of Elections' 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
Fort Walton Beach, Florida
March 25, 2019

Basic Financial Statements

**SUPERVISOR OF ELECTIONS
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2018**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 207,447
Investments	75,039
Due from Other Elected Officials	6,072
Due from Other Governments	18
Prepays	120,026
 Total Assets	 \$ 408,602
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 10,048
Contracts Payable	13,322
Other Accrued Liabilities	29,497
Due to Other Elected Officials	163,539
Due to Other Governments	50
Unearned Revenue	192,146
 Total Liabilities	 408,602
Fund Balances	
Nonspendable	120,026
Unassigned	(120,026)
 Total Fund Balance	 -
 Total Liabilities and Fund Balance	 \$ 408,602

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

**SUPERVISOR OF ELECTIONS
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2018**

	General Fund
Revenues	
Intergovernmental	\$ 243,244
Charges for Services	20,265
Miscellaneous	2,072
Total Revenues	265,581
Expenditures	
Current	
General Government	1,765,169
Capital Outlay	57,906
Total Expenditures	1,823,075
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,557,494)
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	1,557,494
Total Other Financing Sources (Uses)	1,557,494
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

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

SUPERVISOR OF ELECTIONS
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 525,649	\$ 243,244	\$ (282,405)
Charges for Services	11,520	11,520	20,265	8,745
Miscellaneous	-	653	2,072	1,419
Total Revenues	11,520	537,822	265,581	(272,241)
Expenditures				
Current				
General Government	1,695,178	2,084,750	1,765,169	319,581
Capital Outlay	37,375	174,105	57,906	116,199
Total Expenditures	1,732,553	2,258,855	1,823,075	435,780
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,721,033)	(1,721,033)	(1,557,494)	163,539
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	1,721,033	1,721,033	1,557,494	(163,539)
Total Other Financing Sources (Uses)	1,721,033	1,721,033	1,557,494	(163,539)
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, 2018**

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, related disclosures, 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. This is the Supervisor of Elections' only operating fund. The General Fund accounts for all financial resources of the general government.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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.

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 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.”

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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 - Continued

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.

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 governmental funds financial statements of the Supervisor of Elections under the modified accrual basis of accounting only if they have matured, for example, as a result of employee resignations and retirements.

5. 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 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.

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

The Board funds the majority of the operating budget of the Supervisor of Elections. Payment by the Board to fund the operations of the Supervisor of Elections is recorded as a “transfer out” in the basic financial statements of the Board, and as an operating “transfer in” on the financial statements of the Supervisor of Elections.

In accordance with Florida Statutes, the General Fund’s excess of revenues over expenditures is returned to the Board at the end of the fiscal year. Repayments to the Board are recorded as a reduction to “transfer in” in the financial statements of the Supervisor of Elections and the amount of the undistributed excess appropriations at the end of the fiscal year is reported as amounts due the Board.

The annual budget is legally adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is at the fund level.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

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.

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 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 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 Supervisor of Elections during the fiscal year ended September 30, 2018.

NOTE 4 – UNEARNED REVENUE

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 *unearned revenue* reported in the governmental fund were as follows:

NOTE 5 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2018 is as follows:

Due to/from elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Clerk of Courts	\$ 6,072	Postage
Board of County Commissioners	General Fund	(163,539)	Excess appropriations
Total		<u>\$ (157,467)</u>	

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Board of County Commissioners	<u>\$ 1,557,494</u>	Budget appropriations

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 6 – 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, 2018:

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	(267,706)
Assets acquired by lease, net	\$ 302,394

NOTE 7 - 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**

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 7 - PENSION PLAN – CONTINUED

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.
- ***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.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 7 - PENSION PLAN - CONTINUED

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 2017 and 2018 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, 2018 and two preceding FRS fiscal years are as follows:

	September 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016
Regular Class	8.26%	7.92%	7.52%	7.26%
Senior Management	24.06%	22.71%	21.77%	21.43%
Elected Officials	48.70%	45.50%	42.47%	42.27%
Deferred Retirement Option Program	14.03%	13.26%	12.99%	12.88%
Special Risk Regular	24.50%	23.27%	22.57%	22.04%
Special Risk Administrative Support	34.98%	34.63%	28.06%	32.95%

For the years ending September 30, 2018, 2017, 2016, the Supervisor of Elections contributed \$113,867, \$104,886 and \$93,318 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.

**Supervisor of Elections
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 8- POSTEMPLOYMENT BENEFITS

The Board offers post-employment health care benefits to all retired employees of the Supervisor of Election's Office and their dependents. Participating retirees are required to reimburse the Board for 100% of the premium costs, which is netted against the premium payments, so that no net expense is initially recorded in the Board's financial statements. However, these retirees are receiving an "implicit subsidy" because the premium is a group rate which includes active, lower cost employees. This implicit subsidy has a cost, however, this annual cost and the total post employment benefit liability have been calculated for the County as a whole, and not separately for the Supervisor of Election's Office. Accordingly, these calculations and disclosures can be found in the County's comprehensive annual financial report.

NOTE 9 - RISK MANAGEMENT

The Supervisor of Elections is exposed to risk of loss for claims and judgments for public liability, workers' compensation, and other special risks. Special risks are covered by commercial insurance policies that are accounted for in the Supervisor of Elections' general fund. The Supervisor of Elections bears no risk of loss under this type of coverage. There has been no significant reduction in insurance coverage from the prior fiscal year.

Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years. The Supervisor of Elections has chosen to participate in a group medical insurance plan along with all other elected officials' offices of Okaloosa County except for the Sheriff. The plan is administered by the Risk Management Department of the Board of County Commissioners and uses a fully insured commercial insurance policy to fund employee medical benefits. The Supervisor of Elections bears no risk of loss under this type of coverage.

The Supervisor of Elections has chosen to participate in the Self-Insurance Internal Service Fund of the Okaloosa County Board of County Commissioners to handle claims for public liability and workers' compensation. The Self-Insurance Internal Service Fund charges the Supervisor of Elections a fee to participate based upon actuarially projected budget requirements for expected yearly cash payouts. No claim liability for this self-insurance program is recognized in the financial statements of the Supervisor of Elections.

Other Reports



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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

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, 2018, and the notes to the financial statements, which collectively comprise the Supervisor of Elections' financial statements, and have issued our report thereon dated March 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Supervisor of Elections' 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' internal control. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Election' 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' 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

Fort Walton Beach, Florida
March 25, 2019



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**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, 2018.

Management is responsible for the Supervisor of Elections' compliance with those requirements. Our responsibility is to express an opinion on the Supervisor of Elections' 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' 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' 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, 2018.

Warren Averett, LLC
Fort Walton Beach, Florida
March 25, 2019

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, 2018, and the related notes to the financial statements and have issued our report thereon dated March 25, 2019.

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 Examination of Compliance Requirements Performed in Accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 25, 2019, 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.

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 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
Fort Walton Beach, Florida
March 25, 2019

TAX COLLECTOR

**OKALOOSA COUNTY, FLORIDA
TAX COLLECTOR
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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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, 2018, 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, 2018, and the respective changes in financial position thereof, and the respective budgetary comparison 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, 2018 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 assets and liabilities – 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
March 27, 2019

Basic Financial Statements

**Tax Collector
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2018**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 520,959
Due from Other Funds	1,636
Due from Other Elected Officials	<u>8,929</u>
 Total Assets	 <u><u>\$ 531,524</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 85,062
Other Accrued Liabilities	280,042
Due to Other Elected Officials	159,152
Due to Other Governments	3,968
Due to Depositors	<u>3,300</u>
 Total Liabilities	 <u>531,524</u>
 Fund Balance	 <u>-</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 531,524</u></u>

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

**Tax Collector
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2018**

	<u>General Fund</u>
Revenues	
Charges for Services	\$ 6,088,128
Miscellaneous	322,313
Total Revenues	6,410,441
Expenditures	
Current	
General Government	5,700,513
Capital Outlay	100,367
Debt Service	
Principal	519,966
Interest	60,902
Total Expenditures	6,381,748
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,693
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	(28,693)
Total Other Financing Sources (Uses)	(28,693)
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

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

**Tax Collector
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 5,985,000	\$ 5,985,000	\$ 6,088,128	\$ 103,128
Miscellaneous	325,000	325,000	322,313	(2,687)
	6,310,000	6,310,000	6,410,441	100,441
Total Revenues				
Expenditures				
Current				
General Government	5,999,787	5,709,787	5,700,513	9,274
Capital Outlay	291,316	681,316	100,367	580,949
Debt Service				
Principal	-	-	519,966	(519,966)
Interest	-	-	60,902	(60,902)
	6,291,103	6,391,103	6,381,748	9,355
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,897	(81,103)	28,693	109,796
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	(18,897)	81,103	(28,693)	(109,796)
Total Other Financing Sources (Uses)	(18,897)	81,103	(28,693)	(109,796)
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, 2018**

		Business-type Activities
		<u>Building Maintenance Enterprise Fund</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents		\$ 137,290
Total Assets		<u>\$ 137,290</u>
NET POSITION		
Unrestricted		\$ 137,290
Total Liabilities and Net Position		<u>\$ 137,290</u>

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, 2018**

	<u>Business-type Activities Building Maintenance Enterprise Fund</u>
Operating Revenues	
Miscellaneous	\$ 47,058
Total Operating Revenues	<u>47,058</u>
Operating Income	<u>47,058</u>
Income (Loss) Before Contributions and Transfers	<u>47,058</u>
Capital Contributions	<u>-</u>
Change in Net Position	47,058
Total Net Position - Beginning	<u>90,232</u>
Total Net Position - Ending	<u><u>\$ 137,290</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, 2018**

	<u>Business-type Activities Building Maintenance Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Users	\$ 47,058
Net Cash Provided (Used) by Operating Activities	<u>47,058</u>
Net Increase (Decrease) in Cash and Cash Equivalents	47,058
Cash and Cash Equivalents - Beginning of Year	<u>90,232</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 137,290</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	<u>\$ 47,058</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 47,058</u></u>

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

**Tax Collector
Okaloosa County, Florida
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
September 30, 2018**

	<u>Disbursements Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,262,980
Accounts Receivable	<u>3,233</u>
Total Assets	<u><u>\$ 2,266,213</u></u>
LIABILITIES	
Accrued Liabilities	\$ 2,126
Due to Other Funds	1,636
Due to Other Elected Officials	1,363
Due to Other Governments	13,158
Due to Depositors	18,099
Taxes Collected in Advance	<u>2,229,831</u>
Total Liabilities	<u><u>\$ 2,266,213</u></u>

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

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

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, related disclosures 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, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental funds. The only governmental fund of the Tax Collector is the General Fund.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

1. Governmental Fund Financial Statements

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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 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. 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.

3. Fiduciary Fund Financial Statements

The only fiduciary funds of the Tax Collector are agency funds and as such do not record revenues and expenses.

4. Financial Statement Presentation

The Tax Collector reports the following major governmental fund:

General Fund

This is the Tax Collector’s primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

4. Financial Statement Presentation - Continued

The 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, birth certificate fees, and concealed weapon licenses collected on behalf of Okaloosa County, municipalities other taxing districts, and state agencies.

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 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."

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"

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

2. Receivables and Payables - Continued

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.

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, because of employee resignations and retirements.

5. 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.

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

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 personnel 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 supplemental budgetary appropriations.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 2 - LEGAL COMPLIANCE BUDGETS - CONTINUED

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, 2018.

NOTE 4 - INTERFUND BALANCES AND ACTIVITY

The composition of inter-fund balances as of September 30, 2018 is as follows:

Due to/from other funds and elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Other Funds			
General	Fiduciary	\$ 1,636	Interest
Other Elected Officials			
General	Board of County Commissioners	\$ (3)	Delq. Real & TPP, Regist
General	Board of County Commissioners	(8,926)	Bank fees
Board of County Commissioners	General	15	Prepaid occupancy
Board of County Commissioners	General	28,693	Excess fees
Board of County Commissioners	Fiduciary	1,363	Interest
Board of County Commissioners	General	130,444	Vessel commissions
Total		<u>\$ 151,586</u>	

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
Other Elected Officials			
Board of County Commissioners	General	\$ 28,693	Excess fees

**Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 5 – 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, 2018 was \$108,038. Future minimum rents to be earned under the terms of the lease agreement are as follows:

<u>Fiscal Year Ended September 30</u>	
2019	35,550
2020	18,102
2021	<u>12,820</u>
Total minimum lease payments	<u>\$ 66,472</u>

NOTE 6 – LONG-TERM DEBT

The following debt issue is outstanding for September 30, 2018:

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	<u>\$ 956,261</u>
-------------------------------------	-------------------

The debt is not a “fund level” debt under the current resources measurement focus and is not reported as a liability of the general fund. Instead, this debt is reported in the Okaloosa County government wide financial statements in the county’s comprehensive annual financial report.

The Tax Collector made additional principal payments of \$372,400 to reduce the balance on the note payable during the year ended September 30, 2018.

NOTE 7 – RESERVES FOR RENEWAL AND REPLACEMENTS

During fiscal year 2018, 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 September 30, 2018 \$34,179 of the assessments were charged to the Tax Collector’s general fund and \$12,879 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:

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 7 – RESERVES FOR RENEWAL AND REPLACEMENTS – CONTINUED

Component	October 1, 2017	Assessments	Charges to Fund	Interest	September 30, 2018
Parking Lot	\$ 12,732	\$ 6,667	\$ -	\$ -	\$ 19,399
Restripe Parking Lot	5,729	2,500	-	-	8,229
Irrigation/Landscaping	3,647	300	-	-	3,947
Exterior Paint/Seal	3,342	2,916	-	-	6,258
Roof	4,775	4,659	-	-	9,434
Circuit Breaker Panel	2,215	725	-	-	2,940
Elevator Controls	6,684	1,750	-	-	8,434
Elevator Hydraulics	-	500	-	-	500
HVAC Air Handlers	4,965	1,333	-	-	6,298
Plumbing	7,161	300	-	-	7,461
HVAC	24,826	10,833	-	-	35,659
Hot Water Heater	764	167	-	-	931
Recirculation Pump	-	125	-	-	125
Interior Paint	-	2,500	-	-	2,500
Elevator Cab	-	1,400	-	-	1,400
Flooring	5,117	2,500	-	-	7,617
Life Safety Systems	6,365	1,250	-	-	7,615
HVAC Controls	1,910	1,200	-	-	3,110
Emergency/Disaster Contingency Plan	-	5,433	-	-	5,433
	<u>\$ 90,232</u>	<u>\$ 47,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,290</u>

NOTE 8 - 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, 2018

NOTE 8 - 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, 2018**

NOTE 8 - 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 2017 and 2018 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, 2018 and two preceding FRS fiscal years are as follows:

	September 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016
Regular Class	8.26%	7.92%	7.52%	7.26%
Senior Management	24.06%	22.71%	21.77%	21.43%
Elected Officials	48.70%	45.50%	42.47%	42.27%
Deferred Retirement Option Program	14.03%	13.26%	12.99%	12.88%
Special Risk Regular	24.50%	23.27%	22.57%	22.04%
Special Risk Administrative Support	34.98%	34.63%	28.06%	32.95%

For the years ending September 30, 2018, 2017, 2016, the Tax Collector contributed \$499,423, \$469,130 and \$454,644 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 9 - POSTEMPLOYMENT BENEFITS

The Tax Collector is required by Florida Statute 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. This implicit subsidy has a cost, however, this annual cost and the total post-employment benefit liability have been calculated for the County as a whole, and not separately for the Tax Collector's Office. Accordingly, these calculations and disclosures can be found in the County's comprehensive annual financial report.

Tax Collector
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 10 - 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 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.

Tax Collector
Okaloosa County, Florida
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Fiscal Year Ended September 30, 2018

	Balances October 1, 2017	Additions	Deletions	Balances September 30, 2018
DISBURSEMENTS AGENCY FUND				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,032,508	\$ 256,204,856	\$ 255,974,384	\$ 2,262,980
Accounts Receivable	4,281	3,233	4,281	3,233
Total Assets	<u>\$ 2,036,789</u>	<u>\$ 256,208,089</u>	<u>\$ 255,978,665</u>	<u>\$ 2,266,213</u>
<u>LIABILITIES</u>				
Accrued Liabilities	\$ -	\$ 4,105	\$ 1,979	\$ 2,126
Due to Other Funds	-	5,875,324	5,873,688	1,636
Due to Other Elected Officials	-	196,794,153	196,792,790	1,363
Due to Other Governments	12,600	48,913,487	48,912,929	13,158
Due to Depositors	14,963	18,099	14,963	18,099
Taxes Collected in Advance	2,009,226	4,602,921	4,382,316	2,229,831
Total Liabilities	<u>\$ 2,036,789</u>	<u>\$ 256,208,089</u>	<u>\$ 255,978,665</u>	<u>\$ 2,266,213</u>

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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

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, 2018, and the related notes to the financial statements, which collectively comprise the Tax Collector's financial statements, and have issued our report thereon dated March 27, 2019.

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

March 27, 2019

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**

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, 2018.

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, 2018.

Warren Averett, LLC

March 27, 2019
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 each major 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, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2019.

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 March 27, 2019, 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.

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

March 27, 2019

Fort Walton Beach, Florida

PROPERTY APPRAISER

**OKALOOSA COUNTY, FLORIDA
PROPERTY APPRAISER
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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DEMONSTRATE COMPLIANCE WITH FLORIDA STATUTES
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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, 2018, 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, 2018, 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, 2018 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

Fort Walton Beach, Florida
March 12, 2019

**Property Appraiser
Okaloosa County, Florida
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2018**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 874,114
Total Assets	<u>\$ 874,114</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 6,968
Other Accrued Liabilities	6,531
Due to Other Elected Officials	772,080
Due to Other Governments	88,535
	<u>874,114</u>
Total Liabilities	<u>874,114</u>
Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 874,114</u>

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

**Property Appraiser
Okaloosa County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2018**

	<u>General Fund</u>
Revenues	
Charges for Services	\$ 291,235
Miscellaneous	5,240
	<u>296,475</u>
Total Revenues	
Expenditures	
Current	
General Government	2,831,606
Capital Outlay	4,608
	<u>2,836,214</u>
Total Expenditures	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,539,739)</u>
Other Financing Sources (Uses)	
Transfers Among Constitutional Officers	2,539,739
	<u>2,539,739</u>
Total Other Financing Sources (Uses)	
Net Change in Fund Balance	-
Fund Balance - Beginning	-
Fund Balance - Ending	\$ -

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

**Property Appraiser
Okaloosa County, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 379,770	\$ 379,770	\$ 291,235	\$ (88,535)
Miscellaneous	-	-	5,240	5,240
Total Revenues	379,770	379,770	296,475	(83,295)
Expenditures				
Current				
General Government	3,655,835	3,663,771	2,831,606	832,165
Capital Outlay	27,822	27,822	4,608	23,214
Total Expenditures	3,683,657	3,691,593	2,836,214	855,379
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,303,887)	(3,311,823)	(2,539,739)	772,084
Other Financing Sources (Uses)				
Transfers Among Constitutional Officers	3,303,887	3,311,823	2,539,739	(772,084)
Total Other Financing Sources (Uses)	3,303,887	3,311,823	2,539,739	(772,084)
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, 2018**

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 (Board).

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, related disclosures, 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. This is the Property Appraiser's primary operating fund. It accounts for all financial resources of the general government.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Property Appraiser considers all revenues reported in the 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.

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’ 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.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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.

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 the 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.

Compensated absences are liquidated in the general fund.

5. Estimates

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

NOTE 2 – LEGAL COMPLIANCE BUDGETS

The Board funds the majority of the operating budget of the Property Appraiser. Payment by the Board to fund the operations of the Property Appraiser is recorded as a “transfer out” in the basic financial statements of the Board, and as an operating “transfer in” on the financial statements of the Property Appraiser.

In accordance with Florida Statutes, the General Fund’s excess of revenues over expenditures is returned to the Board at the end of the fiscal year. Repayments to the Board are recorded as a reduction to “transfer in” in the financial statements of the Property Appraiser and the amount of the undistributed excess appropriations at the end of the fiscal year is reported as amounts due the Board.

The annual budget is legally adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is at the fund level.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Property Appraiser maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a “Qualified Public Depository”. All qualified public depositories must maintain deposit insurance. 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.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 3 - DEPOSITS AND INVESTMENTS - CONTINUED

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, 2018.

NOTE 4 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2018 is as follows:

Due to/from other elected officials:

Receivable Fund	Payable Fund	Amount	Purpose
Board of County Commissioners	General	<u>\$ 772,080</u>	Excess appropriations

Interfund transfers:

Transfer In	Transfer Out	Amount	Purpose
General	Board of County Commissioners	<u>\$ 2,539,739</u>	Budget appropriations

NOTE 5 - 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.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 5 - 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 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

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 5 - PENSION PLAN – CONTINUED

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 2017 and 2018 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, 2018 and two preceding FRS fiscal years are as follows:

	September 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016
Regular Class	8.26%	7.92%	7.52%	7.26%
Senior Management	24.06%	22.71%	21.77%	21.43%
Elected Officials	48.70%	45.50%	42.47%	42.27%
Deferred Retirement Option Program	14.03%	13.26%	12.99%	12.88%
Special Risk Regular	24.50%	23.27%	22.57%	22.04%
Special Risk Administrative Support	34.98%	34.63%	28.06%	32.95%

For the years ending September 30, 2018, 2017, 2016, the Property Appraiser contributed \$253,050, \$224,192 and \$196,028 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 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 6 – POST EMPLOYMENT BENEFITS

The Board offers post-employment health care benefits to all retired employees of the Property Appraiser’s Office and their dependents. Participating retirees are required to reimburse the Board for 100% of the premium costs, which is netted against the premium payments, so that no net expense is initially recorded in the Board’s financial statements. However, these retirees are receiving an “implicit subsidy” because the premium is a group rate which includes active, lower cost employees. This implicit subsidy has a cost, however, this annual cost and the total post employment benefit liability have been calculated for the County as a whole, and not separately for the Property Appraiser’s Office. Accordingly, these calculations and disclosures can be found in the County’s comprehensive annual financial report.

**Property Appraiser
Okaloosa County, Florida
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 7 - 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 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 Board 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 8 - 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.

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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

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, 2018, 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 12, 2019.

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 opinion 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 12, 2019



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**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, 2018.

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, 2018.

Warren Averett, LLC
Fort Walton Beach, Florida
March 12, 2019



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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, 2018, and the related notes to the financial statements and have issued our report thereon dated March 12, 2019.

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 Examination of Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 12, 2019, 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 us 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

Fort Walton Beach, Florida

March 12, 2019