



# Bay County, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*for the fiscal year ended*

SEPTEMBER 30, 2002

P. Brent

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**OF**  
**BAY COUNTY, FLORIDA**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

PREPARED BY THE OFFICE  
**OF**  
**HAROLD BAZZEL**  
**CLERK OF CIRCUIT COURT**

JOSEPH ROGERS  
FINANCE OFFICER

**BAY COUNTY, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002  
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# INTRODUCTORY

## SECTION



# HAROLD BAZZEL

CLERK OF CIRCUIT COURT, BAY COUNTY



P. O. BOX 2269  
PANAMA CITY, FLORIDA 32402  
(850) 747-5100

February 28, 2003

Honorable Cornel Brock, Chairman and  
Distinguished Members of the Board of  
County Commissioners  
Honorable Guy Tunnell, Sheriff  
Honorable Mark A. Andersen, Supervisor of Elections  
Honorable Richard Davis, Property Appraiser  
Honorable Peggy Brannon, Tax Collector  
Bay County, Florida

Ladies and Gentlemen,

We are pleased to present to you and the citizens of Bay County, the accompanying Comprehensive Annual Financial Report (CAFR) of Bay County, Florida (the "County") for the fiscal year ended September 30, 2002. This report was prepared by the Division of Board Finance within the Office of the Clerk of Circuit Court. Responsibility for the accuracy of the presented data, and completeness and fairness of the presentation including all disclosures, rests with the Clerk as Chief Financial Officer of Bay County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to present fairly the financial position, results of operations and cash flows of the County as measured by the financial activity of its various funds. We further believe that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The purpose of this letter is to point out narratively the highlights of the County's financial operations for the fiscal year. The CAFR is designed to meet the needs of a wide range of financial statement users and contains five parts:

1. **Introductory Section** – This section, which is unaudited, is designed to give the reader a basic background about the governmental unit as a whole and includes the letter of transmittal, organizational chart, location of the government, and the Certificate of Achievement for Excellence in Financial Reporting awarded to the County by the Government Finance Officers Association of the United States and Canada.



2. **Financial Section** - This section includes the Management's Discussion and Analysis (MD & A), the opinion of the independent auditors followed by the basic financial statements. In addition, this section includes combining and individual fund financial statements.
3. **Statistical Section** - This section, which is unaudited, contains a number of tables and other data of the County designed to depict historic, social, economic, and financial trends and gives an overall view of the County's fiscal capacity.
4. **Compliance Section** - Bay County is required to undergo an annual audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget's Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. This section includes information related to these conformity issues, such as the Schedule of Expenditures of Federal Awards; findings and recommendations of the external auditors; and reports on compliance and on internal control over financial reporting and compliance with applicable laws, regulations, contracts and grants. This section also includes information required by the Office of the Auditor General of the State of Florida.
5. **Financial Statements and Compliance Reports for Constitutional Officers**  
This section includes the financial statements and compliance reports for the Clerk of Circuit Court, the Sheriff, the Property Appraiser, the Tax Collector, and the Supervisor of Elections.

A wealth of information is presented in this report and we encourage your careful review to obtain a clear picture of the financial position of Bay County.

## **General**

This year the County has prepared the 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). These statements are significantly different from the financial statements prepared by the County for the previous fiscal years. GASB 34 establishes a new reporting model that the County has reported in five parts;

1. Management's Discussion and Analysis; a narrative report providing significant information about the County and how the County's financial position has changed from September 30, 2001, to September 30, 2002, and the reasons for the change;
2. Government-wide Financial Statements; statements which report on the governmental and business-type assets, liabilities, expenses and revenues of the County;

3. Fund Financial Statements; statements which report on the major individual governmental and proprietary funds of the County;
4. Budgetary Comparisons for the County's general fund and major special revenue funds, and;
5. The notes to the financial statements.

### **Accounting System and Budgetary Control**

The accounting records for general governmental operations are maintained on a modified accrual basis with revenue being recorded upon determination that it is both available and measurable. Expenditures for general governmental operations are recorded when the services or goods are received and the liabilities incurred. Accounting records for enterprise and internal service funds are converted to the full accrual basis of accounting at fiscal year end for reporting purposes.

In developing and evaluating the accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding; (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that; (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

State law requires counties and their elected officials to develop balanced budgets to provide for the operation of their offices. Details of expenditures to be made and the resources available to meet these proposed obligations must be included in the budget. Upon adoption, the budget document becomes the legal basis for carrying out the activities of the County. Except as noted within the Notes to the Basic Financial Statements, the Board of County Commissioners adopts budgets for all funds. The Property Appraiser and the Tax Collector adopt budgets independent of the Board of County Commissioners. The Sheriff and Supervisor of Elections prepare budgets for their General Funds, which are submitted to and approved by the Board. The Clerk of Circuit Court, as ex-officio Clerk to the Board, prepares and submits a budget for services provided to the Board of County Commissioners for their approval. Budgets are adopted on a basis consistent with generally accepted accounting principles, except as noted in the Notes to the Basic Financial Statements. Expenditures cannot exceed the total amount budgeted for each fund. Budget control is maintained by a computerized encumbrance system, which restricts budgetary amounts upon input. Purchase orders that exceed account appropriations are not released until additional appropriations are made available. All appropriations are reviewed at year-end for accuracy. If required, encumbrances are rolled over into the new year.

## **The Reporting Entity and Its Services**

Bay County is a non-chartered county established under the legal authority of the Constitution and the Laws of the State of Florida. The County provides a full range of services. These include tax assessments and collections, state and county courts, public safety (law enforcement and fire), physical environment, transportation, economic environment, human services and general administrative services. In addition, the County also operates four enterprise activities. The County's Component Units consist of the Law Library, Panama City Beach Convention & Visitors Bureau, Inc. and the Mexico Beach Community Development Council. These are included in the County's reporting entity due to the significance of their operational or financial relationship with the County. For more information regarding the Component Units, please refer to Note 1 in the Notes to the Basic Financial Statement.

## **Cash Management**

The County has a banking service agreement with an area bank. Qualified funds are held in a master concentration account and are invested in an interest bearing account until needed. The day that demand of payment is made at the bank, funds are disbursed through zero balance accounts. Cash temporarily idle during the year was placed into various investments.

To monitor and ensure the safety of the County's capital, the Clerk of Circuit Court as Chief Financial Officer maintains a written investment policy. Occasionally assistance in this area is provided by an investment advisory committee, appointed by the Clerk, whose membership consists of local business people.

## **Risk Management**

The County's risk management program consolidates insurance activities. The County participates in the Florida Association of Counties Trust for its general and public officials' liability. Liabilities in these areas in excess of \$25,000 are covered by this trust. In addition, the County is self-insured in the area of workers' compensation up to a maximum of \$200,000 per claim. The County purchased commercial insurance for claims in excess of the coverage provided by the workers' compensation fund.

## **Economic Condition and Outlook**

The base of Bay County's economy is a mix of lumbering, tourism, trades, services, manufacturing, construction and commercial fishing. Incorporated in 1913, the County lies within the panhandle of the State of Florida on the Gulf of Mexico. The area serves as home to two major military installations; Tyndall Air Force Base and the Coastal Systems Station. The economic outlook for the County appears to be good with continued economic growth anticipated.

Retail trade and service companies represent the largest sector of employers within the County. Many of these businesses are seasonal in nature, thus resulting in a slightly higher than normal unemployment rate within the County. The County, in cooperation with the Chamber of Commerce, is actively pursuing businesses to locate within this area in an effort to better provide stable employment for its citizenry. Continual implementation of the County's Comprehensive Plan will ensure that any future growth will promote an economically secure and ecologically safe environment in which to live.

## **Major Initiatives**

**For the Year -** Fiscal year 2002 proved to be a year of revitalization and infrastructure enhancement for the County. In an effort to encourage economic growth, while protecting its environment, the County and its communities immersed themselves into addressing capital needs. Construction of a 40,000 square foot facility that will house the State Attorney and the Public Defender is continuing and should be completed in early 2003. The 800MHz Radio Communications System is now in place and fully operational. The system will enable the County and participating agencies to better communicate during County and Statewide emergencies. Motorola Communications, Inc. designed the system to address the community's key public safety and public service needs of today as well as the projected needs of the future. The construction of three new fire stations within the County is continuing and should be completed in the fall of 2003.

Leisure Services is continuing to improve and expand recreational parks within the County. Several of the area parks enjoyed major renovations such as the addition of new restrooms, new concession stands and fencing around the parks. Land has been purchased and design has begun for a new complex in the northern part of Bay County.

The County has been making major renovations to its water system in order to protect and preserve the citizen's drinking water supply. The focus of these projects is to improve the reliability and efficiency of the County's raw water source and treatment plant, as well as maximize treatment and pumping capacity of the existing plant.

Panama City Beach is continuing to grow. Many of the older hotels/motels are being demolished making way for the construction of new residential and resort facilities. Panama City Beach has been named one of the best vacation spots by the Travel Channel.

**For the Future -** Bay County, along with its municipalities and school district, continues in its endeavors to develop and enhance the area's infrastructure. Construction for a new Laboratory Facility is scheduled to begin in early 2003. This facility will be more suited to the current and future needs of the Laboratory. The Utility Services Department will begin a Water Plant expansion/enhancement project which will cost approximately \$16 million. This expansion/enhancement project will enable the County to meet future predicted demands on its water treatment and distribution system until 2008.

Stormwater management, transportation and facility enhancements have been identified as critical future needs of Bay County. As part of major highway improvements, the Florida Department of Transportation will acquire aerial rights over the Naval Coastal Systems Station property to construct a fly-over and to relocate the main entrance to CSS. FDOT has agreed to provide up to \$1 million for the construction cost associated with this project. All this is in preparation for the construction of a new bridge that will replace the existing Hathaway Bridge. The Federal Highway Administration and the State Department of Transportation has agreed to award a grant to assist in upgrading the County's Intelligent Transportation System. This upgrade will include an additional ITS component, a weather monitoring/warning system as well as expansion of the number of camera and changeable message sign units located over US 98 travel lanes approaching the Hathaway Bridge. These efforts are being made in order to improve the quality of life for Bay County's citizenry and in anticipation of future growth.

The economic base of the County appears to be changing. New industries are showing interest in Bay County as a place in which to operate. Existing businesses are expanding or beginning to enhance their services. Arvida Realty Services, one of the principal taxpayers of the County, is constructing several sub-divisions in Bay County, which includes the development of a 300 acre park, Pier Park, featuring shops, food, and entertainment on the western end of Bay County. Efforts are continuing through the Chamber's Economic Development Council to attract diversified industries to the community. Bay County is encouraging citizen participation in determining its future through development of informative web sights and access to elected officials through e-mail. We would like to welcome Pamela Brangaccio as the new County Manager effective December 2002.

### **Independent Audit**

In compliance with the laws of the State of Florida, Bay County was audited by independent certified public accountants. The opinion of Carr, Riggs & Ingram, LLP may be found on Page B-1 of this report. The reports relating specifically to the single audit are included in the section entitled "Compliance".

### **Reporting Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bay County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2001. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. A CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

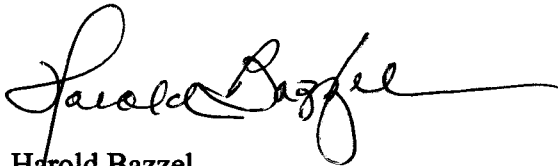
A Certificate of Achievement is valid for a period of one year only. Bay County has received a Certificate of Achievement for thirteen consecutive years (fiscal years ended September 30, 1989 through 2001). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA for approval.

### **Acknowledgments**

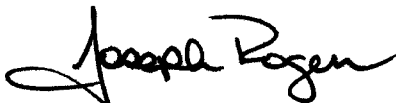
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Clerk's Division of Board Finance the Office of Management and Budget, and the various directors of the County departments. The efforts of Stacie Stewart Gore – Building Department; Laura Parks and Dale Hartzog – Property Appraiser's Office; Marty Kirkland – Tax Collector's Office; Linda Kennedy – District School Board; and The Bay County Chamber of Commerce are particularly noteworthy.

We would also like to thank the Constitutional Officers; Guy Tunnell, Richard Davis, Mark Andersen, Peggy Brannon; the County Commissioners: John G. Newberry, Richard Stewart, Danny Sparks, Cornel Brock, Michael J. Ropa, and Interim County Manager Joy Bates for their interest and support in administering the financial operations of the County in a responsible and progressive manner during the fiscal year presented. With the oversight and dedication of these individuals, Bay County is an economically secure and environmentally safe place in which to live.

Respectfully submitted,

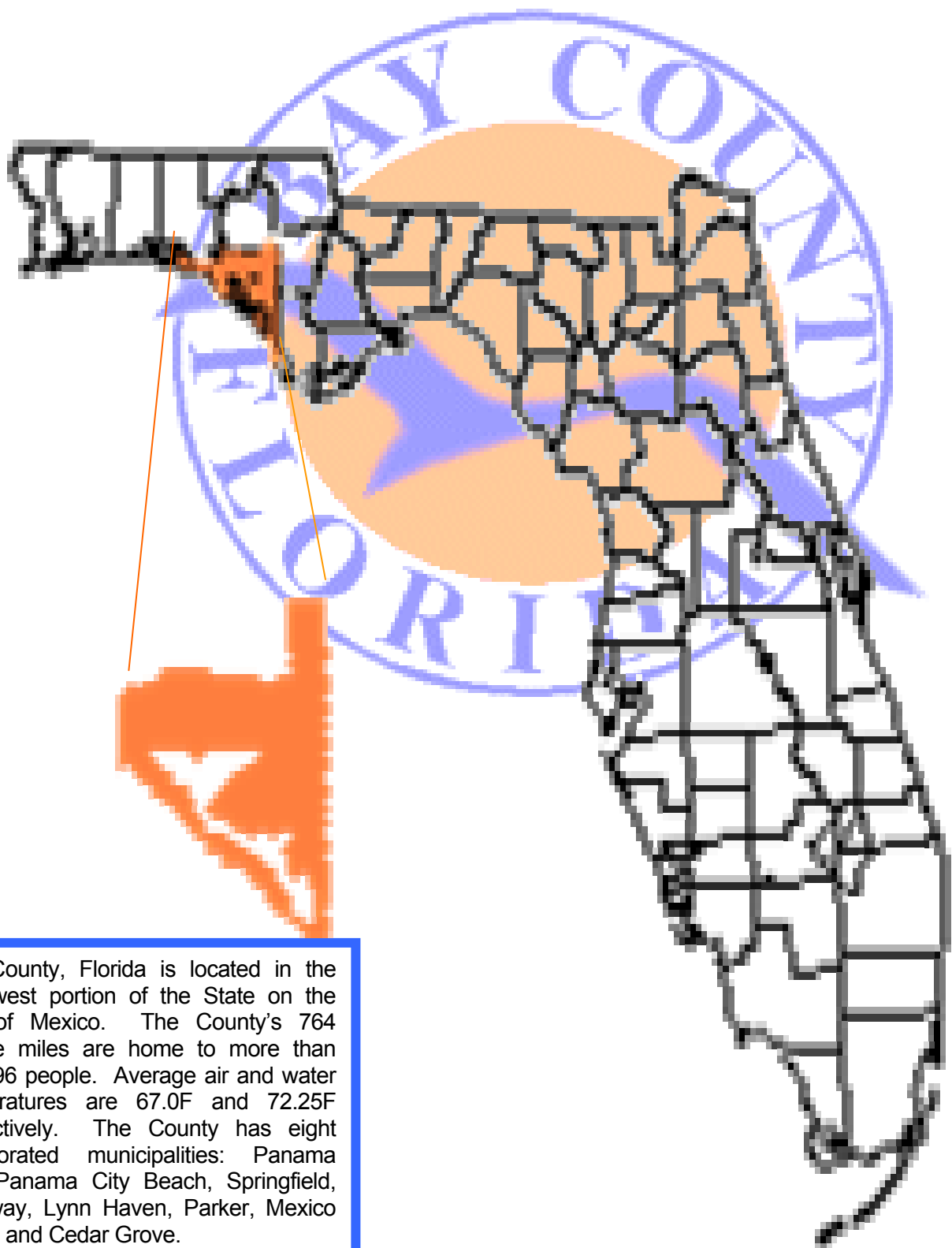
A handwritten signature in cursive script, appearing to read "Harold Bazzel", with a long horizontal flourish extending to the right.

Harold Bazzel  
Clerk of Circuit Court

A handwritten signature in cursive script, appearing to read "Joseph Rogers", with a long horizontal flourish extending to the right.

Joseph Rogers  
Finance Officer





Bay County, Florida is located in the Northwest portion of the State on the Gulf of Mexico. The County's 764 square miles are home to more than 147,496 people. Average air and water temperatures are 67.0F and 72.25F respectively. The County has eight incorporated municipalities: Panama City, Panama City Beach, Springfield, Callaway, Lynn Haven, Parker, Mexico Beach and Cedar Grove.

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# County Officials Bay County, Florida



***John Newberry, Jr.  
Commissioner  
District I***



***Richard Stewart  
Commissioner  
District II***



***Cornel Brock  
Commissioner  
District III***



***Danny Sparks  
Commissioner  
District IV***



***Michael J. Ropa  
Commissioner  
District V***

# County Officials Bay County, Florida



***Guy Tunnell***  
***Sheriff***



***Peggy Brannon***  
***Tax Collector***



***Richard Davis***  
***Property Appraiser***



***Mark Andersen***  
***Supervisor of Elections***

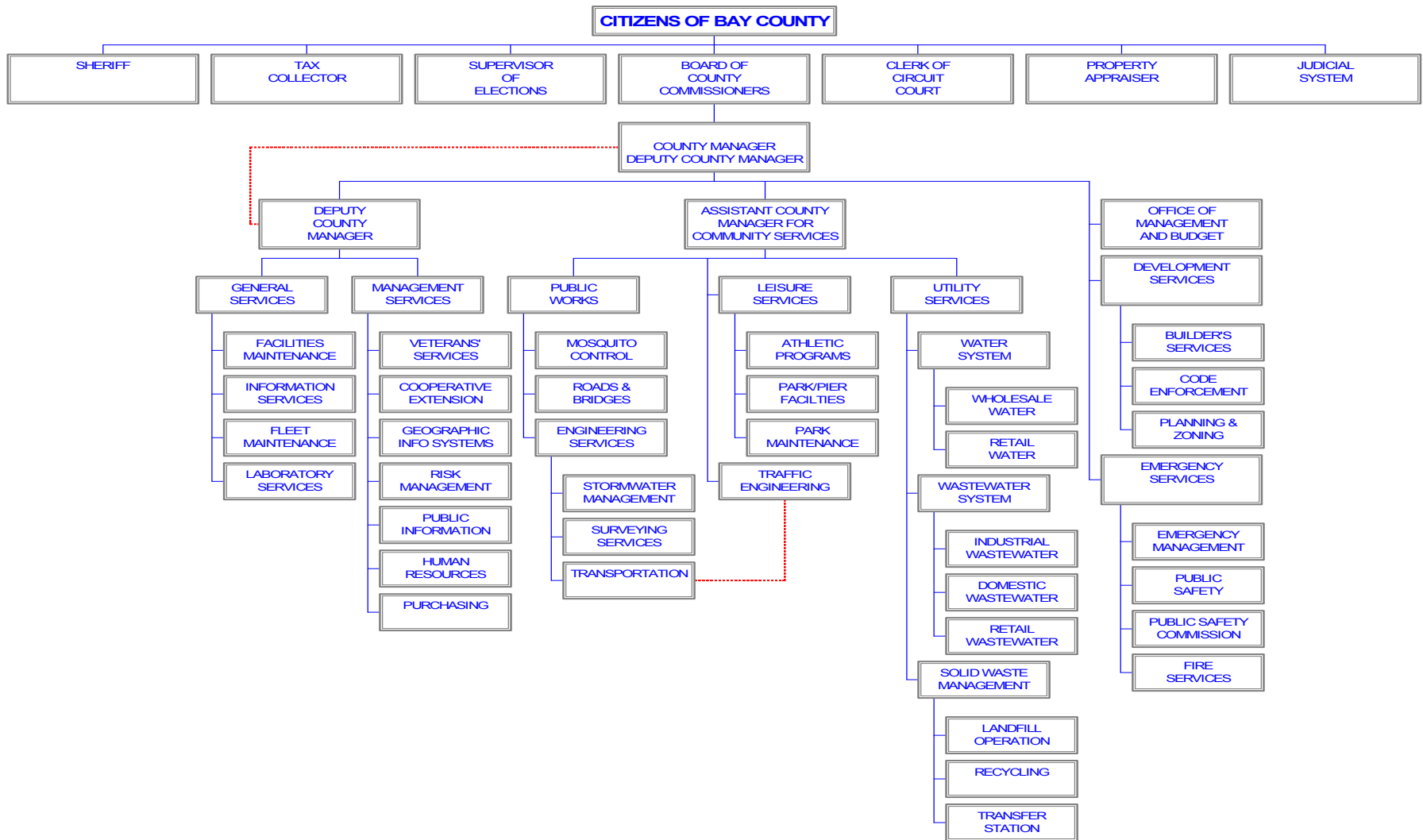


***Harold Bazzel***  
***Clerk of the Circuit Court***

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# BAY COUNTY ORGANIZATIONAL CHART

Fiscal Year 2002





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

*The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bay County, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2001.*

*In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards.*

*Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.*

*A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Bay County,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2001

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



*William Patrick Pate*  
President

*Jeffrey L. Esser*  
Executive Director

# **FINANCIAL**

## **SECTION**



CARR • RIGGS & INGRAM, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

P.O. Box 149  
2583 Huntcliff Lane  
Panama City, FL 32402  
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Dothan, AL  
Enterprise, AL  
Fort Walton Beach, FL  
Geneva, AL  
Jackson, MS  
Marianna, FL  
Montgomery, AL  
Niceville, FL  
Tallahassee, FL

American Institute of  
Certified Public Accountants

Alabama Society of  
Certified Public Accountants

Florida Institute of  
Certified Public Accountants

Mississippi Society of  
Certified Public Accountants

Division of CPA Firms

SEC Practice Section



An Independent Member

## INDEPENDENT AUDITORS' REPORT

The Honorable County Commissioners  
Bay County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Florida (the County), as of and for the year ended September 30, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Florida, as of September 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable County Commissioners  
Bay County, Florida  
Page Two

As discussed in Note 1 to the basic financial statements, effective October 1, 2001, the County adopted the provisions of *GASB Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; *GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus*; and *GASB Statement 38, Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2003 on our consideration of Bay County, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages B-3 through B-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents (including the accompanying schedule of state financial assistance) are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Bay County, Florida. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
February 28, 2003

**Bay County, Florida**  
***MANAGEMENT'S DISCUSSION and ANALYSIS***  
**For the Year Ended September 30, 2002**

Management's discussion and analysis provides an objective and easily readable analysis of the County's financial activities. The analysis provides summary financial information for the County and should be read in conjunction with the County's financial statements.

***FINANCIAL HIGHLIGHTS***

- Total assets of the County exceeded total liabilities by \$207,347,839 (net assets). Of this amount, \$35,195,255 is unrestricted net assets for governmental activities and \$50,586,904 is unrestricted net assets for business-type activities, while \$9,768,340 is restricted net assets for governmental activities and \$2,210,971 is restricted net assets for business-type activities.
- Total net assets increased by \$24,874,693. Of this amount, \$15,942,774 is attributable to governmental activities and \$8,931,919 is attributable to business-type activities.
- As of September 30, 2002, general fund's unreserved fund balance was \$19,017,787 or 33 percent of total general fund expenditures.
- Governmental activities revenues increased to \$91,682,543 or 3 percent increase, while governmental activities expenditures decreased 6 percent to \$78,415,632. Business-type activities revenues increased to \$41,774,317 or 2 percent increase, while business-type activities expenditures increased 2 percent to \$34,923,960.
- Issuance of Sales Tax Revenue Bonds, Series 2002, caused an increase of \$18.1 million in governmental debt. Proceeds of the bonds are being utilized to construct a new Juvenile Justice Facility, three new fire stations, and the purchase of a new State Attorney and Public Defender facility.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. The *government-wide financial statements* present an overall picture of the County's financial position and results of operations. The *fund financial statements* present financial information for the County's major funds. The *notes to the financial statements* provide additional information concerning the County's finances that are not otherwise disclosed in the government-wide or fund financial statements.



## ***Government-wide Financial Statements***

The *government-wide financial statements* include the ***statement of net assets*** and ***statement of activities***. These statements are designed to provide readers with a broad overview of the County's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities, as well as the change in net assets. Governmental activities are primarily supported by property taxes, sales taxes, federal and state grants, and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water, sewer, and solid waste disposal charges.

The ***statement of net assets*** presents information on all assets and liabilities of the County, with the difference between the two reported as *net assets*. Assets, liabilities and net assets are reported separately for governmental activities and business-type activities. Increases or decreases in net assets over time may serve as a useful indicator of the County's improving or declining financial position.

The ***statement of activities*** presents information on all revenues and expenditures of the County and the change in net assets for the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Expenditures are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the County. In order to better understand the County's operations, governmental activities expenditures include among others, general government services, public safety, culture and recreation, transportation, and economic environment. Business-type activities expenditures, which are financed by user fees and charges, include water and sewer services, solid waste disposal and industrial waste treatment and disposal.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the following legally separate component units: Bay County Law Library, Mexico Beach Community Development Council, and Panama City Beach Convention and Visitor's Bureau. Financial information for these component units is reported separately from the County's financial information.

## ***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the County to account for revenues that are restricted to certain uses, comply with legal requirements, or account for the use of Federal and State grants. The

three major categories of funds found in the County's *fund financial statements* include: governmental funds, proprietary funds, and fiduciary funds.

*Fund financial statements* provide financial information for the County's major funds and more detailed information about the County's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources. The fiduciary fund statement provides information concerning assets held in trust by the County for the benefit of parties outside the government.

*Fund financial statements* for all governmental funds include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balances**. The County's General Fund and major special revenue funds include a **statement of revenues, expenditures, and changes in fund balances-budget and actual**. For the proprietary funds, which includes internal service funds in addition to business-type activities, a **statement of net assets**, a **statement of revenues, expenses, and changes in fund net assets**, and a **statement of cash flows** are presented. A **statement of fiduciary net assets** is presented for the County's agency funds.

The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The enterprise funds account for the fiscal activities relating to solid waste disposal, industrial waste treatment and disposal, and water and sewer utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions. Because these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within *governmental activities* in the government-wide financial statements.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the County's financial position. Categorized by governmental activities and business-type activities, the government-wide financial statements provide an overall picture of the County's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the County's overall financial health and present the means used to pay for various activities, or functions provided by the County. All assets of the County, including buildings, land, roads, and bridges are reported in the **statement of net assets**, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the County. The **statement of activities** includes depreciation on all long lived assets of the County, but all transactions between different functions of the County have been eliminated to avoid "doubling up" the revenues and expenditures. The *fund financial statements* provide a presentation of the County's major funds, along with a column for all non-major funds. In the case of governmental

activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

*Notes to the financial statements* provide additional detail concerning the financial activities and financial balances of the County. Additional information about the accounting practices of the County, investments of the County, and long-term debt are just a few of the items included in the notes to the financial statements.

### **FINANCIAL ANALYSIS OF THE COUNTY**

The following schedule provides a summary of the assets, liabilities and net assets of the County. At the end of fiscal year 2002, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental and business-type activities.

<b>Bay County, Florida</b>			
<b>Net Assets</b>			
	<b>Governmental Activities 2002</b>	<b>Business-type Activities 2002</b>	<b>Total 2002</b>
Current and other assets	\$ 80,326,357	\$ 110,168,986	\$190,495,343
Capital Assets	93,036,945	104,104,070	197,141,015
<b>Total Assets</b>	<b>173,363,302</b>	<b>214,273,056</b>	<b>387,636,358</b>
Current Liabilities			
(payable from current assets)	11,032,034	4,667,239	15,699,273
Current Liabilities			
(payable from restricted assets)	2,908,840	3,583,519	6,492,359
Non-current Liabilities	35,685,526	122,383,983	158,069,559
<b>Total Liabilities</b>	<b>49,626,450</b>	<b>130,634,741</b>	<b>180,261,191</b>
Net Assets Invested in Capital	78,773,257	30,840,440	109,613,697
Assets, net of related debt			
Net assets-restricted	9,768,340	2,210,971	11,979,311
Net assets-unrestricted	35,195,255	50,586,904	85,782,159
<b>Total Net Assets</b>	<b>\$123,736,852</b>	<b>\$ 83,638,315</b>	<b>\$207,375,167</b>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the County's largest portion of net assets (53 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net assets*, representing 6 percent of the County's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining

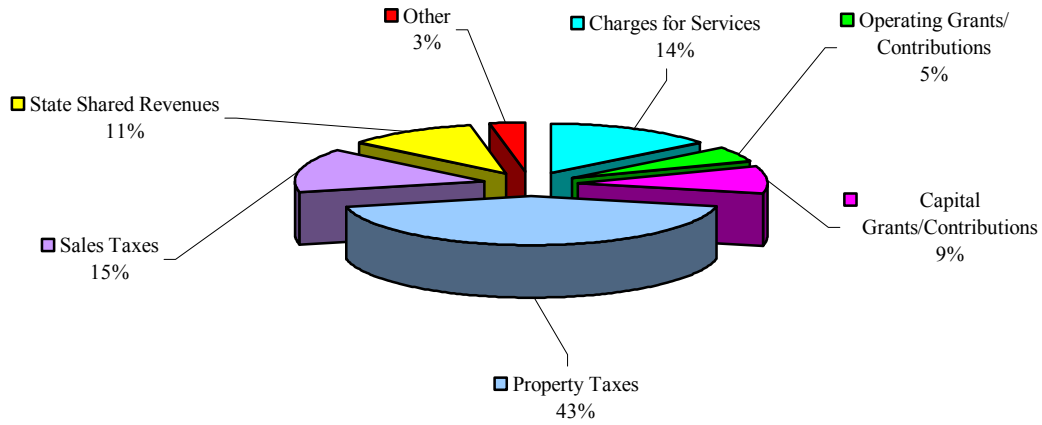
balance of *unrestricted net assets* (\$85,782,159) may be used to help meet the government's ongoing obligations to citizens and creditors.

Governmental activities non-current liabilities increased due to the issuance of the 2002 Sales Tax Revenue Bonds (\$18,140,000), reduced by principal reductions (\$1,550,000) of other long-term obligations.

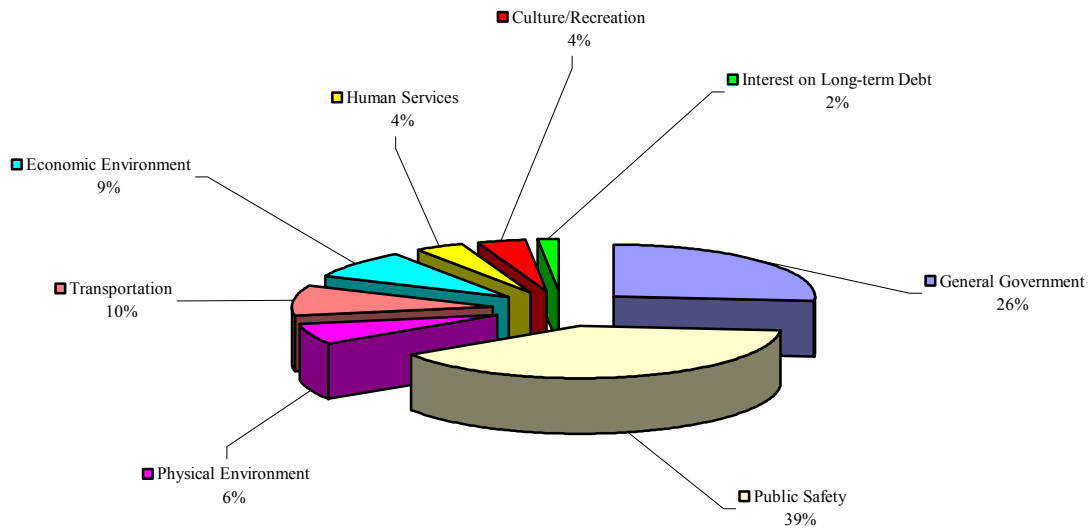
The following schedule provides a summary of the changes in net assets.

<b>Bay County, Florida</b>			
<b>Changes in Net Assets</b>			
	<b>Governmental Activities 2002</b>	<b>Business-type Activities 2002</b>	<b>Total 2002</b>
<b>Program Revenues:</b>			
Charges for Services	\$13,174,838	\$26,111,179	\$ 39,286,017
Operating Grants/Contributions	4,583,491	40,250	4,623,741
Capital Grants/Contributions	8,135,524	881,294	9,016,818
<b>General Revenues:</b>			
Property Taxes	39,571,968	-	39,571,968
Sales Taxes	13,348,068	-	13,348,068
State Shared Revenues	10,170,007	11,416,279	21,586,286
Other	2,698,647	3,325,315	6,023,962
<b>Total Revenues</b>	<b>91,682,543</b>	<b>41,774,317</b>	<b>133,456,860</b>
<b>Expenses:</b>			
General Government	20,763,406	-	20,763,406
Public Safety	30,860,048	-	30,860,048
Physical Environment	4,988,009	-	4,988,009
Transportation	7,497,618	-	7,497,618
Economic Environment	6,812,824	-	6,812,824
Human Services	3,211,624	-	3,211,624
Culture/Recreation	2,918,689	-	2,918,689
Interest on Long-term Debt	1,363,414	-	1,363,414
Water System Revenue	-	9,621,645	9,621,645
Retail Water & Wastewater	-	4,321,601	4,321,601
Industrial Wastewater	-	4,226,933	4,226,933
Solid Waste Fund	-	15,454,499	15,454,499
Building Services	-	1,299,282	1,299,282
<b>Total Expenses</b>	<b>78,415,632</b>	<b>34,923,960</b>	<b>113,339,592</b>
Increase in Net Assets Before Transfers	13,266,911	6,850,357	20,117,268
Transfers	2,675,863	2,081,562	4,757,425
<b>Increase in Net Assets</b>	<b>\$ 15,942,774</b>	<b>\$ 8,931,919</b>	<b>\$ 24,874,693</b>

### Revenues - Governmental Activities Fiscal Year Ended September 30, 2002



### Expenses-Governmental Activities Fiscal Year Ended September 30, 2002



Governmental activities revenues exceeded expenses by \$13,266,911, while business-type activities revenues exceeded expenses by \$6,850,357. Total revenues increased \$3,683,578 from the previous year. Increases in property values contributed to an increase in property taxes. A strong local economy, plus growth of the County generated increases in sales taxes and charges for services. Total expenses decreased \$6,797,096 from the previous year. Decreased spending for public safety (law enforcement, fire protection, and emergency assistance) and physical environment (water and sewer utilities) were primarily responsible for the decrease in expenses.

43% of the revenues for governmental activities are generated by property taxes, while most of the governmental resources are expended for general government (26%), public safety (39%), transportation (10%), and economic environment (9%) activities.

Charges for services provide 62% of the revenues for business-type activities. The initiation of wholesale water impact fees, which are used to expand and enhance the water system, also contributed to the increase in revenues for business-type activities.

## ***FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS***

### ***Governmental Funds***

#### **General Fund**

The main operating fund of the County is the General Fund. As of September 30, 2002, total assets were \$45,747,715 and total liabilities were \$6,257,772. At the end of fiscal year 2002, unreserved fund balance of the general fund was \$19,017,787, while total fund balance equaled \$39,489,943.

General fund's budget was amended during the year to reflect the delay of construction on the juvenile justice facility and the postponement of other capital projects. Revenues from ad valorem taxes exceeded the budget due to the fact state law requires that the County budget taxes at 95% of the total levy and actual collections were 96%. Charges for services also exceeded the budget due to the strength and continued growth of the local economy. Interest earnings exceeded budget due to the greater amount of funds available for investment. Actual expenditures for general government services proved to be significantly less than the final budget due to various infrastructure projects budgeted for, but not yet implemented or completed. Actual expenditures for culture and recreation services were also less than the final budget due to improvements to recreational facilities not being completed during the year. Medicaid payments were also significantly less than the final amount budgeted for human services.

## **Other Governmental Funds**

The *Transportation Fund* accounts for the use of gas taxes restricted for transportation improvements, such as roads and bridges. Numerous transportation projects, including those that span multiple years, were budgeted for in fiscal year 2002. The start of some projects were delayed, while others remained incomplete at year end, thus actual expenditures were significantly less than the final budget. Actual expenditures for approved maintenance projects also proved to be less than the final budget, due to projects being postponed, delayed, or actual costs being less than the amount anticipated.

The *Tourist Development Fund* is used to account for the local option three cent sales and use tourism tax, which is utilized to promote tourism in Bay County. These funds are also used to maintain and protect the beaches of the County.

The *MSTU-Fire Protection Fund* accounts for the provision of fire services throughout the County. Its primary source of revenue is ad valorem taxes, which comprise 92% of its funds.

## ***Proprietary Funds***

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. All proprietary funds are reported as major funds.

Unrestricted net assets of proprietary funds at the end of the year are presented below:

<b>FUND</b>	<b>2002 Unrestricted NET ASSETS</b>
Water System Revenue Fund	\$ 8,143,486
Retail Water and Wastewater	3,972,719
Industrial Wastewater	2,946,589
Solid Waste Fund	33,430,618
Building Services	<u>2,093,492</u>
<b>Totals</b>	<b><u>\$50,586,904</u></b>

The *Water System Revenue Fund* is used to account for the operations of the County's wholesale water system. The significant growth that the County continues to experience has contributed to the increase in sale of water to the local municipalities, thus Charges for Services revenue increased \$906,281 over the previous year. During the current fiscal year the County also implemented and began collecting a wholesale water impact fee. This fee charged to and paid by new customers generated an additional \$260,619 in revenues, which must be used to expand and enhance the water system.

The County's *Solid Waste Fund* accounts for the operations and maintenance of the County's landfill, transfer stations, and incinerator. The current tip fee rates established by the County generate sufficient funds to pay for the costs of current operations.

\$4,579,166 was generated by tip fees in the current fiscal year; this represents an increase of \$354,288 over the previous year's tip fee revenue. The County's half-cent surtax, which is utilized by solid waste for capital items, is set to expire in May 2003. As required by the Department of Environmental Protection, the County has set aside for the current fiscal year \$911,592 for the long term care and closure of the landfill. To date the County has accrued a total liability for post closure care of \$9,658,575. As of September 30, 2002, total assets were \$96,569,499, total liabilities were \$50,253,769 and net assets \$46,315,729.

### ***CAPITAL ASSETS ACTIVITY***

The following schedule provides a summary of the County's capital assets activity. The County's total investment in capital assets for both its governmental and business type activities as of September 30, 2002, was \$197,141,015 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in process.

Major capital asset events during the current fiscal year included the following:

- Land was purchased next to the Coastal Systems Station to provide a buffer zone with the relocation of the base's main gate entrance at a cost of \$510,096.
- Various street construction projects totaling \$1,864,150, were completed in the current fiscal year, along with \$1,335,145 in storm water drainage projects.
- The County's 800 megahertz intergovernmental radio system was completed in the current fiscal year at a cost of \$8,832,265. This system will provide intergovernmental communication capabilities that were previously unavailable to local municipalities and law enforcement agencies.
- Construction continued on the \$4.6 million Juvenile Justice Facility; construction in process as of the close of the fiscal year had reached \$1,496,741.

#### **Capital Assets (net of depreciation)**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	<u>2002</u>	<u>2002</u>	<u>2002</u>
Land	\$10,226,243	\$ 1,126,485	\$ 11,352,728
Construction in Process	2,515,252	11,153,155	13,668,407
Buildings and Improvements	29,037,883	90,759,370	119,797,253
Equipment	13,938,230	1,065,060	15,003,290
Infrastructure	<u>37,319,337</u>	<u>-</u>	<u>37,319,337</u>
Total	<u>\$93,036,945</u>	<u>\$104,104,070</u>	<u>\$197,141,015</u>



## ***DEBT MANAGEMENT***

At the end of the current fiscal year, the County had total bonded debt outstanding of \$129,644,967. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

### **Outstanding Bonded Debt as of September 30, 2002**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
	<b><u>2002</u></b>	<b><u>2002</u></b>	
Revenue Bonds	<b><u>\$29,880,000</u></b>	<b><u>\$99,764,967</u></b>	<b><u>\$129,644,967</u></b>

The County's total debt increased by \$12,680,657 during the current fiscal year. The key factor contributing to this increase was the issuance in May 2002, of \$18,140,000 of revenue bonds to finance the construction of three new fire stations, the construction of a juvenile justice facility, and the purchase of a newly constructed facility to house the public defender and state attorney.

All of the County's debt maintains a "AAA" rating from Standard & Poor's, a "Aaa" rating from Moody's Investors Service, and/or a "AAA" rating from Fitch. All of the County's issues are rated by one or a combination of two rating agencies.

The Florida Constitution and Bay County set no legal debt limits.

## ***OTHER FINANCIAL INFORMATION***

The County's economy remained strong during the current fiscal year. Despite national security and travel worries, and rising gas prices, tourism continued to be robust with a 5.5% increase in the Local Option Tourist Development Tax. Building permits issued on new single and multi-family residential units were up 34% in the current fiscal year. The County's unemployment rate remained steady in 2002, at 5.9%, slightly higher than the state's average unemployment rate of 5.5%. One of the County's main focuses in the upcoming year is a \$16 million water plant expansion and enhancement project. Upon completion, this project will not only increase the County's ability to supply water to its current citizens and provide for future growth, but the plant's overall efficiency will also be greatly enhanced.

This report was prepared by Board Finance under the direction of the Clerk of the Circuit Court. Questions concerning this report or requests for additional information should be addressed to Board Finance, P.O. Box 2269, Panama City, Florida 32402, attention: Joey Rogers.

## BASIC FINANCIAL STATEMENTS

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Bay County, Florida  
Statement of Net Assets  
September 30, 2002

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Bay County Law Library	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 41,112,446	\$ 17,709,971	\$ 58,822,417	\$ 19,975	\$ 121,241	\$ 2,122
Accounts receivable	855,430	4,064,409	4,919,839	666	96,924	-
Special assessments receivable	359,114	-	359,114	-	-	-
Notes receivable	-	25,797,986	25,797,986	-	-	-
Accrued interest receivable	-	77,525	77,525	-	-	-
Prepaid expenses	73,205	-	73,205	-	-	-
Investments	20,479,588	32,426,574	52,906,162	-	-	57,073
Internal balances	-	3,268	3,268	-	-	-
Due from other governments	6,567,023	2,466,928	9,033,951	5,097	-	-
Investment in joint venture	-	130,928	130,928	-	-	-
Total current assets	69,446,806	82,677,589	152,124,395	25,738	218,165	59,195
Temporarily restricted assets						
Cash and cash equivalents	5,109,304	23,813,145	28,922,449	-	-	-
Investments	2,006,646	1,859,942	3,866,588	-	-	-
Total restricted assets	7,115,950	25,673,087	32,789,037	-	-	-
Noncurrent assets						
Notes receivable	3,763,601	-	3,763,601	-	-	-
Capital assets-net	93,036,945	104,104,070	197,141,015	226,232	-	-
Unamortized bond costs	-	1,818,310	1,818,310	-	-	-
Total noncurrent assets	96,800,546	105,922,380	202,722,926	226,232	-	-
Total assets	173,363,302	214,273,056	387,636,358	251,970	218,165	59,195
<b>LIABILITIES</b>						
Current liabilities (payable from current assets)						
Accounts payable and accrued expenses	8,567,171	3,992,850	12,560,021	2,430	108,749	10,500
Accrued compensated absences	405,719	97,846	503,565	-	-	-
Deferred revenues	1,741,078	-	1,741,078	-	-	-
Internal balances	3,268	-	3,268	-	-	-
Due to other governments	13,409	463,344	476,753	-	-	-
Capital leases	301,389	-	301,389	-	-	-
Customer deposits	-	113,199	113,199	-	-	-
Total current liabilities (payable from current assets)	11,032,034	4,667,239	15,699,273	2,430	108,749	10,500
Current liabilities (payable from restricted assets)						
Accrued interest payable	394,518	472,439	866,957	-	-	-
Notes payable	584,322	841,261	1,425,583	-	-	-
Bonds payable	1,930,000	1,838,283	3,768,283	-	-	-
Customer deposits	-	431,536	431,536	-	-	-
Total current liabilities (payable from restricted assets)	2,908,840	3,583,519	6,492,359	-	-	-
Noncurrent liabilities						
Accrued compensated absences	1,115,995	117,719	1,233,714	-	-	-
Notes payable	6,277,894	14,681,005	20,958,899	-	-	-
Capital leases	341,687	-	341,687	-	-	-
Bonds payable	27,950,000	97,926,684	125,876,684	-	-	-
Landfill postclosure	-	9,658,575	9,658,575	-	-	-
Total noncurrent liabilities	35,685,576	122,383,983	158,069,559	-	-	-
Total liabilities	49,626,450	130,634,741	180,261,191	2,430	108,749	10,500
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	78,773,257	30,840,440	109,613,697	226,232	-	-
Restricted for						
Debt service	2,053,262	586,964	2,640,226	-	-	-
Beach restoration	7,715,078	-	7,715,078	-	-	-
Other purposes	-	1,624,007	1,624,007	-	-	-
Unrestricted	35,195,255	50,586,904	85,782,159	23,308	109,416	48,695
Total net assets	\$ 123,736,852	\$ 83,638,315	\$ 207,375,167	\$ 249,540	\$ 109,416	\$ 48,695

Bay County, Florida  
Statement of Activities  
Year Ended September 30, 2002

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
<b>Primary Government</b>				
Governmental activities				
General government	\$ 20,763,406	\$ 11,140,486	\$ 2,901,084	\$ 3,463,735
Public safety	30,860,048	1,429,998	16,475	-
Physical environment	4,988,009	39,344	-	1,481,078
Transportation	7,497,618	565,010	1,639,555	1,253,484
Economic environment	6,812,824	-	-	1,937,227
Human services	3,211,624	-	26,377	-
Culture/recreation	2,918,689	-	-	-
Interest on long-term debt	1,363,414	-	-	-
Total governmental activities	<u>78,415,632</u>	<u>13,174,838</u>	<u>4,583,491</u>	<u>8,135,524</u>
Business-type activities				
Water system revenue	9,621,645	8,563,778	40,250	511,371
Retail water and wastewater	4,321,601	3,137,829	-	-
Industrial wastewater	4,226,933	4,169,987	-	24,026
Solid waste fund	15,454,499	8,995,003	-	345,897
Building services	1,299,282	1,244,582	-	-
Total business-type activities	<u>34,923,960</u>	<u>26,111,179</u>	<u>40,250</u>	<u>881,294</u>
Total primary government	<u>\$ 113,339,592</u>	<u>\$ 39,286,017</u>	<u>\$ 4,623,741</u>	<u>\$ 9,016,818</u>
<b>Component Units</b>				
Bay County Law Library	\$ 76,967	\$ 65,239	\$ 15,000	\$ -
Panama City Beach Convention and Visitors Bureau, Inc.	3,131,476	2,957,914	-	-
Mexico Beach Community Development Council, Inc.	146,417	139,023	2,500	-
Total component units	<u>\$ 3,354,860</u>	<u>\$ 3,162,176</u>	<u>\$ 17,500</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Sales taxes

State shared revenues

Interest earnings

Miscellaneous

Total general revenues

Transfers

Operating Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior period adjustment

Net assets - beginning (restated)

Net assets - ending

The accompanying notes are an integral part of the basic financial statements

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Bay County Law Library	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
\$ (3,258,101)	\$ -	\$ (3,258,101)	\$ -	\$ -	\$ -
(29,413,575)	-	(29,413,575)	-	-	-
(3,467,587)	-	(3,467,587)	-	-	-
(4,039,569)	-	(4,039,569)	-	-	-
(4,875,597)	-	(4,875,597)	-	-	-
(3,185,247)	-	(3,185,247)	-	-	-
(2,918,689)	-	(2,918,689)	-	-	-
(1,363,414)	-	(1,363,414)	-	-	-
<u>(52,521,779)</u>	<u>-</u>	<u>(52,521,779)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(506,246)	(506,246)	-	-	-
-	(1,183,772)	(1,183,772)	-	-	-
-	(32,920)	(32,920)	-	-	-
-	(6,113,599)	(6,113,599)	-	-	-
-	(54,700)	(54,700)	-	-	-
<u>-</u>	<u>(7,891,237)</u>	<u>(7,891,237)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(52,521,779)</u>	<u>(7,891,237)</u>	<u>(60,413,016)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	3,272	-	-
-	-	-	-	(173,562)	-
-	-	-	-	-	(4,894)
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,272</u>	<u>(173,562)</u>	<u>(4,894)</u>
39,571,968	-	39,571,968	-	-	-
13,348,068	-	13,348,068	-	-	-
10,170,007	11,416,279	21,586,286	-	-	-
1,222,344	2,238,960	3,461,304	-	60	3,852
1,476,303	1,086,355	2,562,658	3,486	4,730	5,923
<u>65,788,690</u>	<u>14,741,594</u>	<u>80,530,284</u>	<u>3,486</u>	<u>4,790</u>	<u>9,775</u>
2,675,863	2,081,562	4,757,425	-	-	-
<u>68,464,553</u>	<u>16,823,156</u>	<u>85,287,709</u>	<u>3,486</u>	<u>4,790</u>	<u>9,775</u>
<u>15,942,774</u>	<u>8,931,919</u>	<u>24,874,693</u>	<u>6,758</u>	<u>(168,772)</u>	<u>4,881</u>
107,395,082	74,444,729	181,839,811	242,782	278,188	43,814
398,996	261,667	660,663	-	-	-
<u>107,794,078</u>	<u>74,706,396</u>	<u>182,500,474</u>	<u>242,782</u>	<u>278,188</u>	<u>43,814</u>
<u>\$ 123,736,852</u>	<u>\$ 83,638,315</u>	<u>\$ 207,375,167</u>	<u>\$ 249,540</u>	<u>\$ 109,416</u>	<u>\$ 48,695</u>

Bay County, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2002

	General	Transportation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,507,000	\$ 7,656,142	\$ 14,528,615	\$ 42,691,757
Accounts receivable	247,688	17,421	464,723	729,832
Special assessments receivable	-	327,794	-	327,794
Notes receivable	3,763,600	-	-	3,763,600
Investments	17,347,247	6,664	5,117,062	22,470,973
Due from other funds	971,710	49,521	3,646	1,024,877
Due from other governments	2,910,470	958,563	2,697,989	6,567,022
Total assets	<u>\$ 45,747,715</u>	<u>\$ 9,016,105</u>	<u>\$ 22,812,035</u>	<u>\$ 77,575,855</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 4,447,575	\$ 274,081	\$ 755,927	\$ 5,477,583
Deferred revenues	1,741,079	-	-	1,741,079
Due to other funds	55,710	27,729	784,811	868,250
Due to other governments	13,408	-	-	13,408
Arbitrage payable	-	1,033	-	1,033
Other deposits held in escrow	-	4,060	-	4,060
Total liabilities	<u>6,257,772</u>	<u>306,903</u>	<u>1,540,738</u>	<u>8,105,413</u>
Fund balance				
Reserved for				
Long-term notes receivable	3,763,600	-	-	3,763,600
Debt service	827,491	-	351,271	1,178,762
Capital projects	10,013,159	-	13,543,343	23,556,502
Other purposes	2,867,906	874,500	-	3,742,406
Designated	3,000,000	-	-	3,000,000
Unreserved, reported in				
General fund	19,017,787	-	-	19,017,787
Special revenue funds	-	7,834,702	7,376,683	15,211,385
Total fund balance	<u>39,489,943</u>	<u>8,709,202</u>	<u>21,271,297</u>	<u>69,470,442</u>
Total liabilities and fund balance	<u>\$ 45,747,715</u>	<u>\$ 9,016,105</u>	<u>\$ 22,812,035</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	93,036,945
Accrued long-term debt interest expenses are not financial uses and, therefore, are not reported in the fund.	(394,518)
Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	125,270
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(38,501,287)</u>
Net assets of governmental activities	<u>\$ 123,736,852</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Year Ended September 30, 2002

	General	Transportation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 36,134,890	\$ 4,109,783	\$ 8,724,938	\$ 48,969,611
Licenses and permits	-	-	3,617,158	3,617,158
Intergovernmental	15,067,274	5,250,715	1,967,916	22,285,905
Charges for services	10,133,856	145,050	-	10,278,906
Fines and forfeitures	921,943	-	5,908	927,851
Special assessments	-	404,965	279,355	684,320
Interest	880,801	154,505	1,988,118	3,023,424
Miscellaneous	913,121	967,549	-	1,880,670
Total revenues	<u>64,051,885</u>	<u>11,032,567</u>	<u>16,583,393</u>	<u>91,667,845</u>
<b>EXPENDITURES</b>				
Current				
General government	21,513,376	-	421,851	21,935,227
Public safety	25,993,593	-	7,881,059	33,874,652
Physical environment	130,268	-	6,103,718	6,233,986
Transportation	388,859	9,096,552	-	9,485,411
Economic environment	2,150,891	-	4,086,845	6,237,736
Human services	2,434,123	-	497,997	2,932,120
Culture/recreation	2,918,689	-	-	2,918,689
Debt service				
Principal	1,075,692	885,000	468,107	2,428,799
Interest and fiscal charges	795,301	393,738	478,339	1,667,378
Total expenditures	<u>57,400,792</u>	<u>10,375,290</u>	<u>19,937,916</u>	<u>87,713,998</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>6,651,093</u>	<u>657,277</u>	<u>(3,354,523)</u>	<u>3,953,847</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	2,648,500	1,900,463	4,991,595	9,540,558
Transfer out	(5,538,837)	(1,325,857)	-	(6,864,694)
Debt issuance	13,150,971	-	6,246,720	19,397,691
Total other financing sources (uses)	<u>10,260,634</u>	<u>574,606</u>	<u>11,238,315</u>	<u>22,073,555</u>
Net change in fund balance	<u>16,911,727</u>	<u>1,231,883</u>	<u>7,883,792</u>	<u>26,027,402</u>
Fund balance at beginning of year	22,538,335	7,149,525	13,356,184	43,044,044
Prior period adjustment	39,881	327,794	31,321	398,996
Fund balance at beginning of year (restated)	<u>22,578,216</u>	<u>7,477,319</u>	<u>13,387,505</u>	<u>43,443,040</u>
Fund balance at end of year	<u>\$ 39,489,943</u>	<u>\$ 8,709,202</u>	<u>\$ 21,271,297</u>	<u>\$ 69,470,442</u>

The accompanying notes are an integral part of the basic financial statements



Bay County, Florida  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balance of Governmental Funds  
to the Statement of Activities  
Year Ended September 30, 2002

Amounts reported for governmental activities in the statement of activities (page B-17) are different because:

Net change in fund balance - total governmental funds (page B-19)	\$ 26,027,402
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,265,215
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	13,567
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.	(394,518)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(16,968,892)</u>
Change in net assets of governmental activities (page B-17)	<u>\$ 15,942,774</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 35,840,239	\$ 35,850,640	\$ 36,134,890	\$ 284,250
Intergovernmental	16,875,397	16,370,458	15,067,274	(1,303,184)
Charges for services	7,629,237	7,614,131	10,133,856	2,519,725
Fines and forfeitures	960,700	960,700	921,943	(38,757)
Interest	1,034,675	666,918	880,801	213,883
Miscellaneous	329,986	611,439	913,121	301,682
Total revenues	<u>62,670,234</u>	<u>62,074,286</u>	<u>64,051,885</u>	<u>1,977,599</u>
<b>EXPENDITURES</b>				
Current				
General government	36,282,804	30,398,056	21,513,376	8,884,680
Public safety	26,796,320	27,679,332	25,993,593	1,685,739
Physical environment	134,755	135,554	130,268	5,286
Transportation	175	175	388,859	(388,684)
Economic environment	1,908,331	2,403,004	2,150,891	252,113
Human services	2,556,311	2,747,889	2,434,123	313,766
Culture/recreation	3,645,028	3,987,097	2,918,689	1,068,408
Debt service				
Principal	1,075,692	1,075,692	1,075,692	-
Interest and fiscal charges	227,666	1,046,291	795,301	250,990
Total expenditures	<u>72,627,082</u>	<u>69,473,090</u>	<u>57,400,792</u>	<u>12,072,298</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,956,848)</u>	<u>(7,398,804)</u>	<u>6,651,093</u>	<u>14,049,897</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	1,360,383	2,648,500	1,288,117
Operating transfers out	-	(5,621,551)	(5,538,837)	82,714
Debt issuance	4,500,000	13,150,971	13,150,971	-
Total other financing sources (uses)	<u>4,500,000</u>	<u>8,889,803</u>	<u>10,260,634</u>	<u>1,370,831</u>
Net change in fund balance	<u>(5,456,848)</u>	<u>1,490,999</u>	<u>16,911,727</u>	<u>15,420,728</u>
Fund balance at beginning of year	22,538,335	22,538,335	22,538,335	-
Prior period adjustment	-	-	39,881	39,881
Fund balance at beginning of year (restated)	<u>22,538,335</u>	<u>22,538,335</u>	<u>22,578,216</u>	<u>39,881</u>
Fund balance at end of year	<u>\$ 17,081,487</u>	<u>\$ 24,029,334</u>	<u>\$ 39,489,943</u>	<u>\$ 15,460,609</u>

The accompanying notes are an integral part of the basic financial statements

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Transportation Fund  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,068,051	\$ 4,068,051	\$ 4,109,783	\$ 41,732
Intergovernmental	3,884,825	4,355,825	5,250,715	894,890
Charges for services	106,975	106,975	145,050	38,075
Special assessments	150,200	150,200	404,965	254,765
Interest	110,250	125,050	154,505	29,455
Miscellaneous	2,375	2,375	967,549	965,174
Total revenues	<u>8,322,676</u>	<u>8,808,476</u>	<u>11,032,567</u>	<u>2,224,091</u>
<b>EXPENDITURES</b>				
Current				
Transportation	10,651,296	11,937,677	9,096,552	2,841,125
Debt service				
Principal	885,000	885,000	885,000	-
Interest	<u>429,533</u>	<u>429,533</u>	<u>393,738</u>	<u>35,795</u>
Total expenditures	<u>11,965,829</u>	<u>13,252,210</u>	<u>10,375,290</u>	<u>2,876,920</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,643,153)</u>	<u>(4,443,734)</u>	<u>657,277</u>	<u>5,101,011</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	2,200,000	1,900,000	1,900,463	463
Operating transfers out	<u>(625,000)</u>	<u>(1,325,000)</u>	<u>(1,325,857)</u>	<u>(857)</u>
Total other financing sources (uses)	<u>1,575,000</u>	<u>575,000</u>	<u>574,606</u>	<u>(394)</u>
Net change in fund balance	<u>(2,068,153)</u>	<u>(3,868,734)</u>	<u>1,231,883</u>	<u>5,100,617</u>
Fund balance at beginning of year	7,149,525	7,149,525	7,149,525	-
Prior period adjustment	-	-	327,794	327,794
Fund balance at beginning of year (restated)	<u>7,149,525</u>	<u>7,149,525</u>	<u>7,477,319</u>	<u>327,794</u>
Fund balance at end of year	<u>\$ 5,081,372</u>	<u>\$ 3,280,791</u>	<u>\$ 8,709,202</u>	<u>\$ 5,428,411</u>

Bay County, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2002

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 3,802,235	\$ 2,750,826	\$ 346,692	\$ 8,605,594	\$ 2,204,624	\$ 17,709,971	\$ 3,529,993
Accounts receivable	1,431,719	477,974	1,163,076	984,574	7,066	4,064,409	156,921
Notes receivable	1,675,022	23,699,766	423,198	-	-	25,797,986	-
Accrued interest receivable	-	71,308	6,217	-	-	77,525	-
Prepaid expenses	-	-	-	-	-	-	73,205
Investments	2,001,351	-	-	30,425,223	-	32,426,574	15,261
Due from other funds	26,564	840	1,881	2,342	-	31,627	78,688
Due from other governments	-	581,589	-	1,885,339	-	2,466,928	-
Investment in joint venture	-	130,928	-	-	-	130,928	-
Total current assets	8,936,891	27,713,231	1,941,064	41,903,072	2,211,690	82,705,948	3,854,068
Restricted assets							
Cash and cash equivalents	21,213,663	838,919	-	1,760,563	-	23,813,145	-
Investments	-	-	-	1,859,942	-	1,859,942	-
Total restricted assets	21,213,663	838,919	-	3,620,505	-	25,673,087	-
Noncurrent assets							
Capital assets							
Property, plant and equipment	69,161,767	1,329,229	10,671,461	63,954,036	446,850	145,563,343	-
Less: accumulated depreciation	(18,002,536)	(352,918)	(9,004,214)	(13,789,170)	(310,435)	(41,459,273)	-
Unamortized bond costs	937,254	-	-	881,056	-	1,818,310	-
Total noncurrent assets	52,096,485	976,311	1,667,247	51,045,922	136,415	105,922,380	-
Total assets	82,247,039	29,528,461	3,608,311	96,569,499	2,348,105	214,301,415	3,854,068
<b>LIABILITIES</b>							
Current liabilities (payable from current assets)							
Accounts payable and accrued liabilities	1,621,187	197,535	550,969	1,577,297	45,862	3,992,850	3,490,216
Accrued compensated absences	26,498	16,199	5,222	22,820	27,107	97,846	-
Due to other funds	6,556	4,371	-	17,394	38	28,359	238,582
Due to other governments	-	463,344	-	-	-	463,344	-
Customer deposits	-	-	100,000	-	13,199	113,199	-
Total current liabilities (payable from current assets)	1,654,241	681,449	656,191	1,617,511	86,206	4,695,598	3,728,798
Current liabilities (payable from restricted assets)							
Accrued interest payable	243,961	71,308	-	157,170	-	472,439	-
Notes payable	-	841,261	-	-	-	841,261	-
Bonds payable	851,468	160,000	-	826,815	-	1,838,283	-
Customer deposits	-	109,760	-	321,776	-	431,536	-
Total current liabilities (payable from restricted assets)	1,095,429	1,182,329	-	1,305,761	-	3,583,519	-
Noncurrent liabilities							
Accrued compensated absences	21,577	17,148	5,531	41,471	31,992	117,719	-
Notes payable	-	14,681,005	-	-	-	14,681,005	-
Bonds payable (net of unamortized discount)	52,278,733	8,017,500	-	37,630,451	-	97,926,684	-
Landfill post-closure liability	-	-	-	9,658,575	-	9,658,575	-
Total noncurrent liabilities	52,300,310	22,715,653	5,531	47,330,497	31,992	122,383,983	-
Total liabilities	55,049,980	24,579,431	661,722	50,253,769	118,198	130,663,100	3,728,798
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	18,020,114	976,311	-	11,707,600	136,415	30,840,440	-
Restricted							
Debt service	321,044	-	-	265,920	-	586,964	-
Renewal and replacement	712,415	-	-	-	-	712,415	-
Landfill closure and postclosure	-	-	-	911,592	-	911,592	-
Unrestricted	8,143,486	3,972,719	2,946,589	33,430,618	2,093,492	50,586,904	125,270
Total net assets	\$ 27,197,059	\$ 4,949,030	\$ 2,946,589	\$ 46,315,730	\$ 2,229,907	\$ 83,638,315	\$ 125,270

Bay County, Florida  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended September 30, 2002

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>OPERATING REVENUES</b>							
Charges for services	\$ 8,084,362	\$ 3,137,829	\$ 4,169,987	\$ 8,601,890	\$ 1,235,658	\$ 25,229,726	\$ 4,630,486
Miscellaneous	17,256	98,140	24,026	953,672	14,268	1,107,362	8,682
Total revenues	<u>8,101,618</u>	<u>3,235,969</u>	<u>4,194,013</u>	<u>9,555,562</u>	<u>1,249,926</u>	<u>26,337,088</u>	<u>4,639,168</u>
<b>OPERATING EXPENSES</b>							
Personal services	934,520	798,635	177,038	892,025	1,066,987	3,869,205	1,303,466
Contracted services	509,520	154,895	2,939,622	7,755,946	59,263	11,419,246	194,584
Repairs and maintenance	444,909	24,668	127,250	322,582	15,214	934,623	68,741
Utilities	1,075,464	7,620	668,831	27,568	3,483	1,782,966	15,225
Depreciation	2,012,484	43,401	222,339	3,665,849	58,013	6,002,086	-
Amortization	83,799	-	-	87,794	-	171,593	-
Materials	-	-	-	-	-	-	1,079,569
Insurance claims	-	-	-	-	-	-	1,093,393
Other operating expenses	1,467,328	1,757,946	91,853	76,356	96,322	3,489,805	953,778
Total operating expenses	<u>6,528,024</u>	<u>2,787,165</u>	<u>4,226,933</u>	<u>12,828,120</u>	<u>1,299,282</u>	<u>27,669,524</u>	<u>4,708,756</u>
Operating income (loss)	<u>1,573,594</u>	<u>448,804</u>	<u>(32,920)</u>	<u>(3,272,558)</u>	<u>(49,356)</u>	<u>(1,332,436)</u>	<u>(69,588)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Operating grant revenue	551,621	-	-	5,897	-	557,518	-
Interest income	729,641	980,467	32,397	930,760	45,114	2,718,379	74,406
Interest and fiscal charges	(2,991,863)	(926,044)	-	(2,236,065)	-	(6,153,972)	-
Taxes	-	-	-	11,419,079	-	11,419,079	-
Gain (loss) on investment	(101,761)	(608,393)	-	349,643	-	(360,511)	-
Gain on disposal of equipment	1,200	-	-	-	1,100	2,300	-
Total nonoperating revenues (expenses)	<u>(1,811,162)</u>	<u>(553,970)</u>	<u>32,397</u>	<u>10,469,314</u>	<u>46,214</u>	<u>8,182,793</u>	<u>74,406</u>
Income before transfers	(237,568)	(105,166)	(523)	7,196,756	(3,142)	6,850,357	4,818
Transfers in	-	-	-	-	2,109,729	2,109,729	803
Transfers out	(28,167)	-	-	-	-	(28,167)	(5,621)
Change in net assets	<u>(265,735)</u>	<u>(105,166)</u>	<u>(523)</u>	<u>7,196,756</u>	<u>2,106,587</u>	<u>8,931,919</u>	<u>-</u>
Total net assets at beginning of year	27,201,127	5,054,196	2,947,112	39,118,974	123,320	74,444,729	125,270
Prior period adjustment	261,667	-	-	-	-	261,667	-
Total net assets at beginning of year (restated)	<u>27,462,794</u>	<u>5,054,196</u>	<u>2,947,112</u>	<u>39,118,974</u>	<u>123,320</u>	<u>74,706,396</u>	<u>125,270</u>
Total net assets at ending of year	<u>\$ 27,197,059</u>	<u>\$ 4,949,030</u>	<u>\$ 2,946,589</u>	<u>\$ 46,315,730</u>	<u>\$ 2,229,907</u>	<u>\$ 83,638,315</u>	<u>\$ 125,270</u>

Bay County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2002

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 7,582,176	\$ 3,425,370	\$ 4,131,703	\$ 8,636,546	\$ 1,228,592	\$ 25,004,387	\$ 4,520,250
Cash received from miscellaneous operating activities	17,256	98,140	24,026	953,672	14,268	1,107,362	8,682
Cash paid to suppliers for goods and services	(2,415,029)	(2,463,163)	(3,744,007)	(8,019,463)	(151,922)	(16,793,584)	(2,943,663)
Cash paid to employees for services	(927,131)	(789,125)	(172,679)	(896,133)	(971,149)	(3,756,217)	(1,014,352)
Net cash provided by operating activities	<u>4,257,272</u>	<u>271,222</u>	<u>239,043</u>	<u>674,622</u>	<u>119,789</u>	<u>5,561,948</u>	<u>570,917</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Operating transfers	(28,167)	-	-	-	2,109,729	2,081,562	(4,818)
Operating grants	551,621	-	-	5,897	-	557,518	-
Taxes	-	-	-	11,419,079	-	11,419,079	-
Net cash provided by (used in) noncapital financing activities	<u>523,454</u>	<u>-</u>	<u>-</u>	<u>11,424,976</u>	<u>2,109,729</u>	<u>14,058,159</u>	<u>(4,818)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Principal paid on bond maturities	(840,000)	(152,500)	-	(1,260,000)	-	(2,252,500)	-
Interest paid on debt	(2,964,563)	(927,204)	-	(1,931,398)	-	(5,823,165)	-
Principal paid on debt	-	(530,761)	-	-	-	(530,761)	-
Proceeds from sale of fixed assets	1,200	-	-	-	1,100	2,300	-
Purchase of fixed assets	(6,660,714)	(88,681)	(38,574)	(3,634,602)	(71,108)	(10,493,679)	-
Net cash used in capital and related financing activities	<u>(10,464,077)</u>	<u>(1,699,146)</u>	<u>(38,574)</u>	<u>(6,826,000)</u>	<u>(70,008)</u>	<u>(19,097,805)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sale and maturities of investment securities	29,862,199	3,258,714	40,455	-	-	33,161,368	2,882,777
Return of investment	-	87,021	-	4,104,470	-	4,191,491	-
Interest and dividends on investments	729,641	981,627	32,397	930,760	45,114	2,719,539	74,406
Collections on loans	42,424	992,616	73,288	-	-	1,108,328	-
Issuance of new loans	-	(309,355)	-	-	-	(309,355)	-
Net cash provided by investing activities	<u>30,634,264</u>	<u>5,010,623</u>	<u>146,140</u>	<u>5,035,230</u>	<u>45,114</u>	<u>40,871,371</u>	<u>2,957,183</u>
Net increase in cash and cash equivalents	24,950,913	3,582,699	346,609	10,308,828	2,204,624	41,393,673	3,523,282
Cash and cash equivalents at beginning of year	64,985	7,046	83	57,329	-	129,443	6,711
Cash and cash equivalents at end of year	<u>\$ 25,015,898</u>	<u>\$ 3,589,745</u>	<u>\$ 346,692</u>	<u>\$ 10,366,157</u>	<u>\$ 2,204,624</u>	<u>\$ 41,523,116</u>	<u>\$ 3,529,993</u>
Classified as :							
Current assets	\$ 3,802,235	\$ 2,750,826	\$ 346,692	\$ 8,605,594	\$ 2,204,624	\$ 17,709,971	\$ 3,529,993
Restricted assets	21,213,663	838,919	-	1,760,563	-	23,813,145	-
Totals	<u>\$ 25,015,898</u>	<u>\$ 3,589,745</u>	<u>\$ 346,692</u>	<u>\$ 10,366,157</u>	<u>\$ 2,204,624</u>	<u>\$ 41,523,116</u>	<u>\$ 3,529,993</u>

Bay County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2002

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ 1,573,594	\$ 448,804	\$ (32,920)	\$ (3,272,558)	\$ (49,356)	\$ (1,332,436)	\$ (69,588)
Adjustments to reconcile operating income to net cash provided by operating activities							
Depreciation	2,012,484	43,401	222,339	3,665,849	58,013	6,002,086	-
Amortization	83,799	-	-	87,794	-	171,593	-
(Increase) decrease in assets							
Accounts receivable	(502,186)	302,649	(38,284)	34,656	(7,066)	(210,231)	(34,387)
Inventories	30,584	-	-	7,491	-	38,075	-
Prepaid expenses	-	-	-	-	-	-	52,065
Due from other funds	24,776	(840)	(1,881)	(2,342)	-	19,713	(75,847)
Due from other governments	-	(581,589)	-	(82,856)	-	(664,445)	-
Increase (decrease) in liabilities							
Accounts payable	1,027,369	40,518	139,789	335,587	104,961	1,648,224	460,092
Deferred revenues	296	-	-	-	-	296	-
Due to other funds	-	3,031	(50,000)	17,222	38	(29,709)	238,582
Due to other governments	6,556	5,528	-	-	-	12,084	-
Customer deposits	-	9,720	-	(7,850)	13,199	15,069	-
Landfill postclosure liability	-	-	-	(108,371)	-	(108,371)	-
Total adjustments	2,683,678	(177,582)	271,963	3,947,180	169,145	6,894,384	640,505
Net cash provided by operating activities	\$ 4,257,272	\$ 271,222	\$ 239,043	\$ 674,622	\$ 119,789	\$ 5,561,948	\$ 570,917

Bay County, Florida  
Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2002

**ASSETS**

Cash and cash equivalents	\$ 3,249,756
Accounts receivable	14,443
Investments	<u>669,698</u>
Total assets	<u>3,933,897</u>

**LIABILITIES**

Bank overdraft	11,540
Accounts payable	1,776,709
Due to other governments	<u>2,145,648</u>
Total liabilities	<u>3,933,897</u>

**NET ASSETS**

Total net assets	<u><u>\$ -</u></u>
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BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the enterprise fund types in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Reporting Entity

Bay County is a political subdivision of the State of Florida, established under the legal authority of the Constitution, and operates under an elected legislative body consisting of five commissioners who are governed by state statutes and regulations. The County provides the following services to its residents: general government, public safety, physical environment, human services, transportation, economic environment and culture and recreation. In addition, the County operates water and sewer systems and sanitation services.

The Bay County Board of County Commissioners (Board) and the offices of the Clerk of Circuit Court, Sheriff, Supervisor of Elections, Tax Collector and Property Appraiser are operated as separate County agencies in accordance with applicable provisions of Florida Statutes. The offices of the Clerk of Circuit Court and Tax Collector operate on a fee system, whereby the officer retains fees, commissions and other revenue to pay all operating expenditures, including statutory compensation. Any excess income is remitted to the Board of County Commissioners after the end of the fiscal year. The offices of the Sheriff, Supervisor of Elections and the Property Appraiser operate on a budget system, whereby County appropriated funds are received from the Board of County Commissioners and unexpended appropriations are required to be returned to the Board.

Component Units

As required by GASB Statement 14, *The Financial Reporting Entity*, the accompanying financial statements present the County (as the primary government composed of the Board of County Commissioners and Constitutional officers) and the County's component units. Component units are entities for which the County is considered to be financially accountable and are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the County.

Bay County Law Library

The Bay County Law Library is operated by the County. The Law Library was created by the State of Florida Legislature, Chapter 69-835. A majority of the Law Library's board members are appointed by the Bay County Board of County Commissioners. The Law Library is presented as a governmental fund type with a fiscal year end of September 30. Complete financial statements for the Law Library may be obtained from the Bay County Finance Office at P.O. Box 2269, Panama City, Florida 32402.

Due to the nature and significance of the Law Library's relationship with the County, exclusion of the Law Library's financial operations would render the County's financial statements incomplete or misleading. The Law Library's governing body is not substantively the same as the governing body of the County and the Law Library does not provide services entirely or almost entirely to the County. The Law Library is therefore disclosed using the discrete presentation method.

Panama City Beach Convention and Visitors Bureau, Inc.

The Panama City Beach Convention and Visitors Bureau, Inc. (Bureau) is a nonprofit corporation organized under Chapter 617, *Florida Statutes*, whose purpose is to provide support for the Bay County Tourist Development Council, the Board of County Commissioners of Bay County, Florida, and where not in conflict with those two, the City of Panama City Beach, Florida. Its capital assets are the property of the County and are included in the County's capital assets. The Bureau is presented as a governmental fund type with a fiscal year end of September 30. Complete financial statements for the Bureau may be obtained from the Bay County Finance Office at P.O. Box 2269, Panama City, Florida 32402.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bay County Tourist Development Council board members are each appointed as members of the Bureau's governing body. The majority of the Bay County Tourist Development Council board members are appointed by the Bay County Board of County Commissioners. The County Commissioners have the ability to appoint, hire, reassign or dismiss persons responsible for the Bureau's day-to-day operations. Because the County appoints a voting majority and is able to impose its will on and is obligated to provide specific financial benefits to the Bureau, the Bureau is considered a component unit and the discrete presentation method has been used to report the Bureau's financial position and results of operations.

Mexico Beach Community Development Council, Inc.

The Mexico Beach Community Development Council, Inc. (Council) is a nonprofit corporation organized under Chapter 617, *Florida Statutes*, as a nonprofit corporation whose purpose is to provide support for the Bay County Tourist Development Council, the Board of County Commissioners of Bay County, Florida, and where not in conflict with those two, the City of Mexico Beach, Florida. Its capital assets are the property of the County and are included in the County's capital assets. The Council is presented as a governmental fund type with a fiscal year of September 30. Complete financial statements for the Council may be obtained from the Bay County Finance Office at P.O. Box 2269, Panama City, Florida 32402.

The Bay County Board of County Commissioners has the authority to appoint a voting majority of the Council's governing body, and can remove appointed members of the Council's governing board at will. The County is also legally obligated or has otherwise assumed the obligation to finance the deficits of or provide financial support to the Council. Because the County appoints a voting majority and is able to impose its will on and is obligated to provide specific financial benefits to the Council, the Council is considered a component unit and the discrete presentation method has been used to report the Council's financial position and results of operations.

Blended Component Units

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. There are no blended component units included in the County's financial reporting entity.

Measurement Focus and Basis of Accounting

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. The County chooses to eliminate the indirect costs between governmental activities to avoid duplicating revenues and expenditures.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statement includes financial information for the agency fund. The agency fund of the County primarily represents assets held by the County in a custodial capacity for other individuals or governments.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the County.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds

The County's enterprise funds and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Board applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not contradict GASB pronouncements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Basis of Presentation

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The County has used GASB Statement 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds, except for Building Services Fund which the County elected to report as a major fund as permitted by GASB Statement 34. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Major Funds

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources, except those required to be accounted for in another fund.

Transportation Fund - The Transportation Fund is used to account for the operations of the road and bridge departments. Financing is provided principally by ad valorem taxes and the County's share of state gasoline taxes.

Proprietary Major Funds

Solid Waste Fund – The solid waste fund is used to account for activities related to solid waste collection within the County.

Wholesale Water System Fund – The wholesale water system fund is used to account for activities related to the operations of the County's wholesale water system.

Waste Treatment Fund – The waste treatment fund is used to account for activities related to the operations of the industrial waste treatment facility.

Water and Sewer Retail Fund – The water and sewer retail fund is used to account for activities related to the County's retail water and sewer operations.

Building Services Fund – The building services fund is used to account for the operations of the building department which is financed by fees from permits, licenses and inspections.

Other Fund Types

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the County on a cost-reimbursement basis.

Agency Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency funds are accounted for using the accrual basis of accounting.

Noncurrent Governmental Assets/Liabilities

GASB Statement 34 requires noncurrent governmental assets, such as land, buildings and equipment and noncurrent governmental liabilities, such as general obligation bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net assets.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

Annual budgets are legally adopted for all governmental funds, except those indicated in Note 3, and all proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles, except as described in Note 3. All annual appropriations lapse at fiscal year end.

The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the Board.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Therefore, the fund level is the legal level of control for budget considerations. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Pursuant to Chapter 129, only the Board of County Commissioners can approve budget amendments that change the total approved budget appropriation of an individual fund. Department managers can transfer appropriations within the budget, but cannot change the total appropriation of an individual fund without the approval of the Board of County Commissioners.

If during the fiscal year additional revenue becomes available for appropriations in excess of those estimated in the budget, the Board by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various supplemental appropriations were approved by the Board in accordance with Florida Statutes.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is used in the governmental funds. However, all encumbrances lapse at year end and, accordingly, a reserve for encumbrances is not reported in the accompanying basic financial statements.

Encumbrances are reestablished at the beginning of the fiscal year if funds are appropriated in the annual budget. Encumbrances do not constitute expenditures or liabilities.



BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Money Market Investments

The County has adopted GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement 31 allows for money market investments that mature within one year of their acquisition date to be reported at amortized cost rather than fair value. A money market investment is defined as a short-term, highly liquid debt instrument, including commercial paper, banker's acceptances, and U.S. treasury and agency obligations. The County's investments that qualify as money market investments under GASB Statement 31 are reported at amortized cost.

External Investment Pools

Local Government Surplus Funds Trust Fund (pool) – The County maintained investments as disclosed in Note 6 in the Local Government Surplus Funds Trust Fund. This external investment pool, which is administered by the State of Florida Board of Administration, has adopted operating procedures consistent with the requirements for a "2a-7 like" pool and the fair value of the position in the pool is equal to the value of the pool shares. Pursuant to the provisions of GASB Statement 31, such investments are stated at cost.

In addition to fixed rate instruments, the pool may invest in various floating and/or adjustable rate securities. The interest rates on these securities all float relative to prevailing short-term interest rates such as LIBOR or federal fund rates. LIBOR (London Interbank Offered Rate) is the rate on dollar-dominated deposits, also known as Eurodollars, traded between banks in London. LIBOR is quoted daily in the Wall Street Journal's Money Rates and compares closely to the one-year Treasury Security Index. These investments represented 8% of the SBA's portfolio at year end.

Florida Local Governments Investment Trust Fund (FLGIT)

The County maintained investments as disclosed in Note 6 in the Florida Local Governments Investment Trust Fund (FLGIT). This external investment pool, which is administered by the Florida Association of Court Clerks Service Corporation, has adopted operating procedures consistent with the requirements for external investment pools that are not registered with the Securities and Exchange Commission. The fair value of the position in the FLGIT is equal to the value of the pool shares. Pursuant to the provisions of GASB Statement 31, such investments are reported at fair value, which is determined on a monthly basis based on quoted market prices.

Realized gains on these investments are disclosed in Note 6. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

year and sold in the current year were included as part of the change in the fair value of investments reported in the prior years and the current year. Complete financial statements for the FLGIT may be obtained from the Florida Association of Court Clerks (FACC) Service Corporation, at 3544 Maclay Boulevard, Tallahassee, Florida 32312.

Derivatives and Similar Debt and Investment Items

The County has not directly or indirectly used or written any derivatives or similar debt and investment items during the current year. However, the County did have indirect exposure to similar debt and investment items through the investments held in the Florida Local Governments Investment Trust (FLGIT) and the State of Florida Board of Administration. The FLGIT invested in various Collateralized Mortgage Obligations (CMOs) in the current year. The FLGIT has been assigned an “S1” Bond Fund Risk Rating, which is the lowest volatility rating listed by Standard and Poor’s and a AA+ credit rating which is the highest credit rating issued by Standard and Poor’s.

Management has adhered to the County’s investment policy requirements to monitor such investment activity on a periodic basis.

The Bay County Law Library follows investment guidelines for surplus funds as described in Florida Statutes, Section 218.415. The Law Library had no investment activity in the current year.

The articles of incorporation and the by-laws of the Panama City Beach Convention and Visitors Bureau, Inc. (Bureau), do not include investment policies. The Bureau had no investment activity in the current year.

The articles of incorporation and the by-laws of the Mexico Beach Community Development Council, Inc. (Council), do not include investment policies. The Council had no investment activity in the current year.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Water and sewer services are billed at various dates throughout the month. This billing method does not capture all amounts receivable by the County at the end of each fiscal year. The unbilled amounts and the variance between such amounts at September 30, 2002 and 2001 are not significant and have not been recorded. Special assessments due from property owners are recorded as receivables when the final assessment role is approved.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reported accounts receivable and special assessments receivable, including those for the component units, are deemed to be entirely collectible; therefore, an allowance for uncollectible accounts receivable has not been recorded.

The County's water and sewer receivables are comprised of wholesale and retail customers within the geographic area of Bay County. A significant portion of revenue is derived from wholesale sales to other governmental units within the County.

The County's special assessments receivable are comprised of amounts due from property owners within Bay County.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventory in the proprietary funds is valued at the lower of cost (first-in, first-out) or market. Governmental fund inventory is valued at cost (first-in, first-out). The County accounts for governmental funds inventory using the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, beach renourishment, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$750 or more and an estimated useful life in excess of one year. Infrastructure is capitalized when it exceeds \$125,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The Board holds legal title to the capital assets used in the operations of the Board, Clerk of the Circuit Court, Property Appraiser, Supervisor of Elections and Tax Collector, and is accountable for them under Florida Law.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Sheriff is accountable for and maintains capital asset records pertaining only to equipment used in his operations. These assets have been combined with the Board's governmental activities capital assets in the statement of net assets.

Capital Assets are stated at cost, except for contributed assets, which are recorded at fair market value on the date received. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Buildings	35-50 Years
Improvements	35-50 Years
Utility Plants	35-50 Years
Equipment	3-15 Years

Long-term Obligations

The County reports long-term debt of governmental funds at face value in the government-wide long-term liabilities. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide long-term liabilities. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Capitalization of Interest - Interest costs related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments in business-type activities. The County does not capitalize interest in governmental activities. During the year ended September 30, 2002, the County had no capitalized interest.

Unamortized Bond Costs

Bond issuance costs and legal fees associated with the issuance of Proprietary Fund revenue bonds are amortized over the life of the bonds using the straight-line method.

Unamortized Bond Discounts

Bond discounts associated with the issuance of Proprietary Fund revenue bonds are amortized using the straight-line method. For financial reporting, unamortized bond discounts are netted against the applicable long-term debt.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenues

Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

Landfill Closure Costs

Under the terms of current state and federal regulations, the County is required to place a final cover on closed landfill areas, and to perform certain monitoring and maintenance functions for a period of up to thirty years after closure. The County recognizes these costs of closure and post-closure maintenance over the active life of each landfill area, based on landfill capacity used during the period. Required obligations for closure and post-closure costs are recognized in the Solid Waste Fund.

Capital Contributions

The capital contributions accounted for in the proprietary fund types represent contributions from other funds, developers, state and federal grant programs, and impact fees charged to new customers for their anticipated burden on the existing system. The contributions amount is reported after nonoperating revenues and expenses on the statement of revenues, expenses, and changes in fund assets in accordance with GASB Statement 33.

Accrued Compensated Absences

The County's policy is to grant paid absences for vacation and sick leave. Employees, except those of the Property Appraiser and Tax Collector, are permitted to accumulate a limited amount of earned but unused vacation benefits which will be paid to them upon termination. Governmental and proprietary fund types accrue vacation benefits in the period they are earned. Only the current portion of accrued annual leave is recorded in the governmental fund types. Both the current and noncurrent estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentations.

County employees, except for those of the Property Appraiser and Tax Collector, are permitted to accumulate a limited amount of earned but unused sick leave benefits. Employees of the Clerk of Circuit Court are paid for a portion of sick leave benefits upon termination based on years of service with the Clerk. Clerk's office employees with ten to fifteen years of service are paid 60% of accrued sick leave, employees with fifteen to twenty years of service are paid 80% of accrued sick leave, and employees with more than twenty years service are paid 100% of accrued sick leave upon termination, up to a maximum of 240 hours.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sheriff's office employees who retire with a minimum of ten years of service with the Sheriff's office will receive payment for sick leave. Only employees that are designated as retired by the Florida Retirement System are eligible. Eligible employees can accrue ten hours for each year of service to the Sheriff's office, up to a maximum of 250 hours. An accrual has been made in the accompanying financial statements for the sick leave of employees who have in excess of ten years of service.

All other County employees who terminate employment with the County will forfeit all unused sick leave. Employees hired before November 3, 1987 who retire under the County's retirement plan will be paid for the lesser of the amount of sick leave at the time of retirement or the amount of sick leave accumulated as of November 3, 1987, not to exceed 480 hours. An accrual has been made in the accompanying financial statements for the lesser of sick leave hours at November 3, 1987 or current sick leave hours, calculated at current hourly wage for these employees. Any employee hired after November 3, 1987, will not be eligible for payment of unused sick leave upon retirement.

Employee sick and vacation leave does not accumulate for the Bay County Law Library. Therefore, no accrual has been made in the accompanying financial statements.

The vacation leave policy of the Panama City Beach Convention and Visitors Bureau, Inc. provides for all full-time employees to earn between eight and twelve hours of vacation leave each month, depending upon the length of employment, for a maximum of 240 hours per calendar year. Vacation time earned but not used is accrued by the Bureau up to 240 hours per employee.

The Bureau's sick leave policy provides for all full-time employees to earn eight hours of sick leave each month. All unused sick leave is forfeited at termination of employment. Earned but unpaid sick leave is not accrued as a liability since the amount does not vest to employees.

The Mexico Beach Community Development Council, Inc.'s vacation policy provides for all full-time employees to earn forty hours of vacation leave after one year of service. Vacation time earned but not used is accrued by the Council. As of September 30, 2002, no accrual was recorded by the Council.

The Council's sick leave policy provides for all full-time employees to earn thirty-two hours of sick leave on an annual basis. All unused sick leave is forfeited at termination of employment. Earned but unpaid sick leave is not accrued as a liability since the amount does not vest to employees.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

New Accounting Standards

Effective October 1, 2001, the County adopted the provisions of *Government Accounting Standards Board (GASB) Statement 34, Basic Financial statements - and Management's Discussion and Analysis - for State and Local Governments*; *GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus*; and *GASB Statement 38, Certain Financial Statements Note Disclosures*. The effect of adopting GASB 34 and 37 is primarily a change in the presentation of the financial statements. The adoption of GASB Statement 38, modifies, rescinds and establishes certain financial statement disclosure requirements.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Differences Between Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

Total fund balances of the County's governmental funds (\$69,470,442) differs from net assets of governmental activities (\$123,736,852) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the County as a whole.

Cost of capital assets	\$ 114,754,524
Less: Accumulated depreciation	<u>(21,717,579)</u>
Total capital assets	<u>\$ 93,036,945</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Long – term debt

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2002 were:

Bonds payable	\$ (29,880,000)
Notes payable	(6,862,216)
Capital leases	(643,076)
Compensated absences	<u>(1,115,995)</u>
Total	<u>\$ (38,501,287)</u>

Accrued interest

Accrued liabilities in the statement of net assets differs from the amount reported in governmental funds due to accrued interest on bonds payable and notes payable.

Bonds payable	\$ (127,071)
Notes payable	<u>(267,447)</u>
Total	<u>\$ (394,518)</u>

Internal service funds

Internal service funds are used by management to charge the costs of fleet management and insurance activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County.

Internal service funds	<u>\$ 125,270</u>
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Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The net change in fund balances for governmental funds (\$26,027,402) differs from the change in net assets for governmental activities (\$15,942,774) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.



BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 12,551,987
Depreciation expense	<u>(5,286,772)</u>
Difference	<u>\$ 7,265,215</u>

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.

Sale of fixed assets	<u>\$ 13,567</u>
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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.

Net accrued bond interest payable	\$ (127,071)
Net accrued note payable interest payable	<u>(267,447)</u>
Net adjustment	<u>\$ (394,518)</u>

Long-term debt transactions

In the statement of activities, debt and capital lease proceeds increase long-term liabilities. However, in the governmental funds, debt and capital lease proceeds are treated as other financing sources since they provide current financial resources to governmental funds.

Repayments of bond principal and capital lease principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Debt proceeds	\$ (18,981,000)
Capital lease proceeds	(416,691)
Debt principal payments made	2,120,716
Capital lease principal payments made	<u>308,083</u>
Total	<u>\$ (16,968,892)</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 3 – BUDGETS

The County adopts budgets on a basis consistent with U.S. generally accepted accounting principles (GAAP) except as follows:

Special Revenue Funds

The following special revenue funds in the Sheriff's office were not budgeted:

- Law Enforcement Training Fund
- Special Law Enforcement Trust Fund
- Special Contribution Fund
- D. U. I. Fund
- Junior Deputies
- Federal Seizure Account
- Seizure Trust

The following special revenue funds in the Clerk's office were not budgeted:

- Records Modernization Trust
- Circuit Court Facility
- County Court Facility
- Family Mediation Fund
- 10/6/3 Fund

NOTE 4 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded budget appropriations at the fund level during the year ended September 30, 2002 as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Intergovernmental Radio Communications Fund	\$ 2,188,190	\$ 4,812,223	\$ (2,624,033)

Expenditures during the year ended September 30, 2002 in excess of budgeted amounts were offset by excess revenues earned in prior years. The Board of County Commissioners approved the expenditures, however the budget was not formally amended.

NOTE 5 – RESTRICTED ASSETS

Certain assets of the various funds are required by resolution and ordinance to be set aside and used for specific purposes and are not available to be used for general operations. These assets consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 5,109,304	\$ 23,813,145	\$ 28,922,449
Investments	2,006,646	1,859,942	3,866,588
	<u>\$ 7,115,950</u>	<u>\$ 25,673,087</u>	<u>\$ 32,789,037</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 5 – RESTRICTED ASSETS (Continued)

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Water and Sewer Retail	Solid Waste	Total
Accrued Interest Payable	\$ 394,518	\$ 243,961	\$ 71,308	\$ 157,170	\$ 866,957
Customer Deposits	-	-	109,760	321,776	431,536
Notes Payable, Current Portion	584,322	-	841,261	-	1,425,583
Bonds Payable, Current Portion	1,930,000	851,468	160,000	826,815	3,768,283
Payable from Restricted Assets	<u>\$ 2,908,840</u>	<u>\$ 1,095,429</u>	<u>\$ 1,182,329</u>	<u>\$ 1,305,761</u>	<u>\$ 6,492,359</u>

NOTE 6 – DEPOSITS AND INVESTMENTS

Deposits – All cash resources of the County are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that the County funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Investments – Florida Statutes, Section 218.415, authorizes the County to invest surplus funds in the following:

The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Savings accounts in state-certified qualified public depositories.

Certificates of deposits in state-certified qualified public depositories.

Direct obligations of the U.S. Treasury.

The investments in the State Board of Administration Investment Pool and the Florida Local Governments Investment Trust are not categorized as they are not evidenced by securities that exist in physical or book entry form.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

Florida Statutes provides that funds awaiting clearing may be invested. Pursuant to an agreement with a local financial institution, cash on deposit, including the County's float, was invested in an overnight repurchase agreement investing in United States Treasury Obligations. In addition to the amounts shown for this fund in the tabulation below, the County had funds totaling \$948,369 (made up entirely of float) invested in this same fund.

The repurchase agreement invests exclusively with approved dealers in bills, notes, and bonds issued by the United States Treasury and other repurchase agreement transactions (all other repurchase agreements are also collateralized at 102% with United States Treasury obligations).

The Florida Local Government Investment Trust Fund (Trust) is a professionally managed fund available only to public entities in Florida. The investment policy of the Trust restricts investments to direct obligations of or securities fully guaranteed by the United States; obligations of certain federal agencies, including collateralized obligations; repurchase agreements; and commercial paper.

Investments	Category			Reported Amount Fair Value
	1	2	3	
U.S. Government Securities	\$ 28,505,977	\$ -	\$ -	\$ 28,505,977
SunTrust Money Market Investment Funds	16,551,015	-	-	16,551,015
U.S. Treasury Notes	2,042,983	-	-	2,042,983
Time Deposits	1,010,145	-	-	1,010,145
Other	384,469	-	-	384,469
	<u>\$ 48,494,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,494,589</u>
Florida Local Government Investment Trust				<u>8,278,161</u>
Total Investments				<u>\$ 56,772,750</u>

The County's investments at September 30, 2002 are summarized and categorized under GASB Statement 3 guidelines in the preceding table to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by another party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which securities are held by another party or by its trust department or agent but not in the County's name.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 7 – PROPERTY TAXES

Property tax revenue is recognized when received. The property tax calendar is as follows:

Lien Date	January 1
Levy Date	October 1
Tax Bills Mailed	November 30
Payments Due By	March 31
Delinquent Date	April 1
Tax Sale - Delinquent Property Taxes	June 1

NOTE 8 – NOTES RECEIVABLE

Notes receivable recorded in the various funds at September 30, 2002 are as follows:

General Fund

Note receivable from Bay Medical Center, interest due monthly, principal due March, 2005. Interest accruing at a rate equal to the interest rate earned on the Florida State Board of Administration Pool Fund plus fifteen basis points.

\$ 3,763,601

Total Notes Receivable – General Fund

3,763,601

Enterprise Funds

Note receivable from Stone Container Corporation, due in monthly installments of \$8,423 which includes principal and interest at 6%, through July 1, 2007.

423,198

Note receivable from the Joint Venture (Military Point Advanced Wastewater Treatment Facility) principal and interest based upon the 1996 Wastewater System Revenue Bonds and State Revolving Fund Note. Reduction of the principal balance mirrors the principal reduction of the Bonds Payable and Note Payable.

23,699,766

Note Receivable from Stone Container Corporation, principal and interest based upon the 1997 Water System Revenue Bonds. Reduction of the principal balance equivalent to 8.85% of the principal balance and reductions for the Bonds Payable.

1,444,706

Note Receivable from Arizona Chemical Company, principal and interest based upon the 1997 Water System Revenue Bonds. Reduction of the principal balance equivalent to 1.41% of the principal balance and reductions for the Bonds Payable

230,316

Total Notes Receivable – Enterprise Funds

25,797,986

Total Notes Receivable – All Funds

\$ 29,561,587

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 9 – CAPITAL ASSETS

Changes in capital assets of the governmental-type activities fund are summarized as follows:

	September 30, 2001	Additions	Deletions	September 30, 2002
Capital Assets, Not Being Depreciated				
Land	\$ 9,707,598	\$ 558,645	\$ (40,000)	\$ 10,226,243
Construction in Process	-	2,902,634	(387,382)	2,515,252
Total Capital Assets, Not Being Depreciated	<u>9,707,598</u>	<u>3,461,279</u>	<u>(427,382)</u>	<u>12,741,495</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	39,331,694	857,029	(5,839,376)	34,349,347
Furniture and Equipment	28,186,509	4,077,554	(2,504,599)	29,759,464
Infrastructure	<u>1,104,566</u>	<u>37,761,077</u>	<u>(961,425)</u>	<u>37,904,218</u>
Total Capital Assets, Being Depreciated	<u>68,622,769</u>	<u>42,695,660</u>	<u>(9,305,400)</u>	<u>102,013,029</u>
Less Accumulated Depreciation				
Buildings and Improvements	(4,455,880)	(873,301)	17,717	(5,311,464)
Furniture and Equipment	(10,975,320)	(5,780,962)	935,048	(15,821,234)
Infrastructure	<u>(44,135)</u>	<u>(540,746)</u>	-	<u>(584,881)</u>
Total Accumulated Depreciation	<u>(15,475,335)</u>	<u>(7,195,009)</u>	<u>952,765</u>	<u>(21,717,579)</u>
Total Capital Assets, Being Depreciated, Net	<u>53,147,434</u>	<u>35,500,651</u>	<u>(8,352,635)</u>	<u>80,295,450</u>
Total Governmental-Type Activities Capital Assets, Net	<u>\$ 62,855,032</u>	<u>\$ 38,961,930</u>	<u>\$ (8,780,017)</u>	<u>\$ 93,036,945</u>

The following schedule summarizes the capital assets of the County's business-type activities at September 30, 2002:

	Water System	Retail Water & Waste Water	Industrial Waste Water	Solid Waste	Building Services	Total
Land	\$ 826,780	\$ 3,500	\$ -	\$ 296,205	\$ -	\$ 1,126,485
Buildings	2,122,185	-	108,992	47,604,061	-	49,835,238
Improvements	59,237,893	1,290,754	10,044,021	7,691,840	-	78,264,508
Furniture and Equipment	1,657,873	34,975	518,448	2,525,812	446,850	5,183,958
Construction in Process	<u>5,317,036</u>	<u>-</u>	<u>-</u>	<u>5,836,118</u>	<u>-</u>	<u>11,153,154</u>
Total	69,161,767	1,329,229	10,671,461	63,954,036	446,850	145,563,343
Less: Accumulated Depreciation	<u>(18,002,536)</u>	<u>(352,918)</u>	<u>(9,004,214)</u>	<u>(13,789,170)</u>	<u>(310,435)</u>	<u>(41,459,273)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 51,159,231</u>	<u>\$ 976,311</u>	<u>\$ 1,667,247</u>	<u>\$ 50,164,866</u>	<u>\$ 136,415</u>	<u>\$ 104,104,070</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 9 – CAPITAL ASSETS (Continued)

	September 30, 2001	Increases	Deletions	September 30, 2002
Capital Assets, Not Being Depreciated				
Land	\$ 1,413,112	\$ -	\$ (286,627)	\$ 1,126,485
Construction in Process	4,730,025	10,033,902	(3,610,773)	11,153,154
Total Capital Assets, Not Being Depreciated	<u>6,143,137</u>	<u>10,033,902</u>	<u>(3,897,400)</u>	<u>12,279,639</u>
Capital Assets, Being Depreciated				
Buildings	49,713,471	123,908	(2,141)	49,835,238
Improvements Other Than Buildings	74,265,309	4,108,192	(108,993)	78,264,508
Furniture and Equipment	4,638,192	632,728	(86,962)	5,183,958
Total Capital Assets, Being Depreciated	<u>128,616,972</u>	<u>4,864,828</u>	<u>(198,096)</u>	<u>133,283,704</u>
Less Accumulated Depreciation	<u>(35,270,952)</u>	<u>(6,275,283)</u>	<u>86,962</u>	<u>(41,459,273)</u>
Total Capital Assets, Being Depreciated, Net	<u>93,346,020</u>	<u>(1,410,455)</u>	<u>(111,134)</u>	<u>91,824,431</u>
Business-Type Activities Capital Assets, Net	<u>\$ 99,489,157</u>	<u>\$ 8,623,447</u>	<u>\$ (4,008,534)</u>	<u>\$ 104,104,070</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 2,281,407
Public safety	1,343,590
Physical environment	263,281
Transportation	471,487
Economic environment	581,088
Human services	319,405
Total depreciation expenses - governmental activities	<u>\$ 5,260,258</u>
Business-type activities	
Wholesale water system	\$ 2,012,484
Retail water & wastewater	43,401
Industrial wastewater	222,339
Solid waste	3,665,849
Building services	58,013
Total depreciation expense - business-type activities	<u>\$ 6,002,086</u>

NOTE 10 - CAPITAL LEASES

The County has entered into lease agreements to finance various vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the inception date.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 10 - CAPITAL LEASES

The assets acquired through capital leases are as follows:

Cost of Assets Under Capital Leases	Sheriff	Property Appraiser	Tax Collector
Vehicles	\$ 940,317	\$ -	\$ -
Equipment	-	17,264	17,404
Total	940,317	17,264	17,404
Less: Accumulated Depreciation	(95,022)	(17,264)	(17,404)
Net	\$ 845,295	\$ -	\$ -

The future minimum lease obligations and the net present value of these minimum lease payments as if September 30, 2002 were as follows:

Year Ending September 30,	Sheriff	Property Appraiser	Tax Collector
2003	\$ 288,453	\$ 6,154	\$ 6,782
2004	254,160	6,120	-
2005	110,572	-	-
Total Minimum Lease Payments	653,185	12,274	6,782
Less Amount Representing Interest	(27,328)	(1,424)	(413)
Present Value of Minimum Lease Payments	\$ 625,857	\$ 10,850	\$ 6,369

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Plan Description – The County participates in the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, established the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefits provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling 850-414-6346.



BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy – The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. The rates effective October 1, 2001 – June 30, 2002 were 7.30% and 15.14% for regular employees and elected officials, respectively. The rates effective July 1, 2002 – September 30, 2002 were 5.76% and 11.86% for regular employees and elected officials, respectively. The rates for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) were 12.67% effective October 1, 2001- June 30, 2002, and 9.11% effective from July 1, 2002 – September 30, 2002. The County's contributions for the years ended September 30, 2002, 2001, and 2000 were \$2,564,974, \$2,757,681, and \$2,760,944, respectively, and are equal to the required contributions for each year.

NOTE 12 – NOTES PAYABLE – ENTERPRISE FUNDS

Notes payable, in the Enterprise Funds at September 30, 2002 are summarized below:

State Revolving Fund Program (SRF #1) consists of approved loans in the original amount of \$30,481,500 payable to the State of Florida Department of Environmental Protection State Revolving Fund Program. Interest rates range from 2.59% to 3.07% per annum. The semi-annual loan payment is \$1,000,240, including interest and principal. Payments began on September 15, 1999, and continue thereafter until all amounts have been fully paid. The loan is collateralized by the anticipated net system revenues of MPAWTF. Bay County is liable for one-half of the total obligation and semi-annual loan payment amount.	\$ 11,939,068
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State Revolving Fund Program (SRF #2) consists of approved loans in the original amount of \$4,411,200 payable to the State of Florida Department of Environmental Protection State Revolving Fund Program. The interest rate is 3.03% per annum. The semi-annual loan payment is \$147,858, including interest and principal. Payments began on November 15, 1999 and continue through November 15, 2002. Starting on May 15, 2003, the semi-annual loan payment is reduced to \$132,319 and the loan matures on November 15, 2019. The loans are collateralized by the anticipated net system revenues of MPAWTF. Bay County is liable for the total obligation.	3,583,198
Total Notes Payable-Enterprise Funds	15,522,266
Less: Current Portion	841,261
Long-Term Portion of Enterprise Fund's	
Notes Payable	\$ 14,681,005

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 12 – NOTES PAYABLE – ENTERPRISE FUNDS (Continued)

Minimum debt service requirements to maturity on the notes are as follows:

Year Ending September 30	Principal	Interest	Total
2003	\$ 841,261	\$ 290,314	\$ 1,131,575
2004	889,424	375,454	1,264,878
2005	912,402	352,476	1,264,878
2006	935,978	328,900	1,264,878
2007	960,168	304,710	1,264,878
2008-2012	5,186,346	1,138,044	6,324,390
2013-2017	5,090,442	432,607	5,523,049
2018-2020	706,245	33,721	739,966
Total	<u>\$ 15,522,266</u>	<u>\$ 3,256,226</u>	<u>\$ 18,778,492</u>

NOTE 13 – BONDS PAYABLE – ENTERPRISE FUNDS

The bonds payable in the Enterprise Funds at September 30, 2002 are summarized below:

Wholesale Water System Fund	
Series 1997	\$ 16,862,010
Series 2000	<u>36,268,191</u>
	53,130,201
Water and Sewer Retail	
Series 1996	8,177,500
Solid Waste Fund	
Series 1998	<u>38,457,266</u>
Total Bonds Payable – Enterprise Funds	<u>\$ 99,764,967</u>

Enterprise Fund Bonds Payable	Wholesale Water System	Water and Sewer Retail	Solid Waste	Total
Current Portion	\$ 851,468	\$ 160,000	\$ 826,815	\$ 1,838,283
Long-Term Portion	<u>52,278,733</u>	<u>8,017,500</u>	<u>37,630,451</u>	<u>97,926,684</u>
Total Bonds Payable	<u>\$ 53,130,201</u>	<u>\$ 8,177,500</u>	<u>\$ 38,457,266</u>	<u>\$ 99,764,967</u>

Water System Refunding Revenue Bonds – Series 1997

Authorized and issued \$18,885,000, interest from 3.75% to 5.125%, principal payable annually on September 1 commencing September 1, 1998. Interest payable semiannually on March 1 and September 1. The principal and interest are payable solely from and secured by a junior, subordinate and inferior lien upon the net revenue derived from the operation of the County's Water System. Average annual debt service is \$1,400,828.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 13 – BONDS PAYABLE – ENTERPRISE FUNDS (Continued)

These bonds were issued to provide funds which, along with other available funds of the County, will be sufficient to acquire and construct improvements to the System (the 1997 Project), to purchase for deposit to the reserve account a surety bond in an amount equal to the series 1997 reserve requirements and to pay expenses incurred in issuing the Series 1997 Bonds.

\$ 16,862,010

Wastewater System Revenue Bonds Series 1996

Authorized and issued \$21,610,000, interest at 3.7% to 5.7%, principal and interest payable semiannually on March 1 and September 1, beginning September 1, 1999, collateralized by the net revenues of the Joint Venture (Military Point Advanced Wastewater Treatment Facility). Average annual debt service is \$1,567,065. Bay County is liable for one-half of the total obligation.

8,177,500

Solid Waste Sales Tax Revenue Bonds – Series 1998

Authorized and issued \$47,700,000, interest from 3.0% to 4.75%, principal payable annually on September 1 commencing September 1, 1999. Interest payable semiannually on March 1 and September 1. The principal and interest are payable solely from and secured by a prior lien upon and pledge of the proceeds of the Local Government Half-Cent Sales Tax. Average annual debt service is \$3,189,788.

These bonds were issued to provide funds which, along with other available funds of the County, will be sufficient to acquire the Resource Recovery Facility, to refund the Solid Waste Resource Recovery Revenue Refunding Bonds – Series 1992, to purchase a reserve account insurance policy, and to pay expenses incurred in issuing the Series 1998 Bonds.

38,457,266

Water System Revenue Bonds – Series 2000

Authorized and issued \$38,120,000, interest from 4.1% to 5.45%, principal payable annually on September 1 commencing September 1, 2000. Interest payable semiannually on March 1 and September 1. The principal and interest are payable solely from and secured by a lien upon the net revenues to be derived from the operation of the County's wholesale water system and impact fees, to the extent approved by the County. Average annual debt service is \$2,832,983.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 13 – BONDS PAYABLE – ENTERPRISE FUNDS (Continued)

These bonds were issued to provide funds which, along with other available funds of the County, will be sufficient to acquire and construct improvements to the County's water system, finance the cost of refunding all of the County's outstanding Water System Revenue Bonds, Series 1979 and Water System Refunding Revenue Bonds, Series 1992, to capitalize interest on a portion of the Series 2000 Bonds for twenty four months, to purchase a surety bond for deposit to the reserve account, and to pay expenses incurred in issuing the Series 2000 Bonds.

	36,268,191
Total Bonds Payable – Business-type Activities	99,764,967
Less: Current Portion	(1,838,283)
Long-Term Portion of Business-type Activities	
Bonds Payable	<u>\$ 97,926,684</u>

The annual debt service requirements to amortize the bonds payable at September 30, 2002 are as follows:

Year Ending September 30	Principal	Interest	Total
2003	\$ 1,838,283	\$ 5,276,234	\$ 7,114,517
2004	1,930,783	5,179,313	7,110,096
2005	2,033,283	5,075,770	7,109,053
2006	2,143,283	4,966,002	7,109,285
2007	2,263,283	4,849,849	7,113,132
2008-2012	14,326,567	22,240,083	36,566,650
2013-2017	19,965,050	17,988,306	37,953,356
2018-2022	26,343,789	12,314,337	38,658,126
2023-2027	18,647,780	5,792,762	24,440,542
2028-2030	10,272,866	1,201,845	11,474,711
Total	<u>\$ 99,764,967</u>	<u>\$ 84,884,501</u>	<u>\$ 184,649,468</u>

The principal balance of defeased debt outstanding at September 30, 2002 is as follows:

Water System Revenue Bonds – Series 1979 and Water System Refunding Revenue Bonds- Series 1992.	\$ 3,840
Water and Sewer Bonds - Series 1980	\$ 3,726,693
Water System Construction Refunding Bonds - Series 1991	\$ 4,749
Water System Refunding Revenue Bonds - Series 1991	\$ 3,953,967
Solid Waste Resource Recovery Revenue Refunding Bonds – Series 1992	\$ 125

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 14 – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Changes in long-term liabilities for governmental activities are summarized as follows:

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002	Due Within One Year
Notes Payable	\$ 6,591,931	\$ 841,000	\$ 570,715	\$ 6,862,216	\$ 584,322
Capital Leases Payable	534,467	416,692	308,083	643,076	301,389
Bonds Payable	13,290,000	18,140,000	1,550,000	29,880,000	1,930,000
Accrued Compensation Absences	1,135,147	386,567	-	1,521,714	405,719
	<u>\$ 21,551,545</u>	<u>\$19,784,259</u>	<u>\$ 2,428,798</u>	<u>\$38,907,006</u>	<u>\$ 3,221,430</u>

Notes payable at September 30, 2002 consists of the following:

\$5,590,000 Multi-County Loan Program Governmental Unit Note Payable to Escambia County, Florida. The note bears an interest rate of 7.2% per annum. Principal is payable annually on July 1, commencing July 1, 2011. Interest is payable semi-annually on January 1 and July 1, commencing July 1, 1991. The note is secured by a pledge upon the third and fourth cent of the Local Option Gas Tax and the Constitutional Gas Tax. The 1994 Transportation Refunding Bonds defeased \$5,090,000 of this debt.

A portion of the loan is expected to be repaid due to payment of debt service on the Escambia County Bonds from earnings on the Debt Service Reserve Fund resulting in the total principal payments by Bay County being less than the principal amount of the loan. The loan is recorded at par since such a reduction in principal is subject to a degree of uncertainty. Additionally, the potential for increased liability exists in the event that earnings on the Debt Service Reserve Fund are insufficient to pay a portion of the Escambia County Bonds. Should this occur, the terms of the note require the participating governmental units to pay additional amounts as necessary to repay the Bonds.

\$ 500,000

\$600,000 advances (plus investment income earned) payable to the State of Florida Department of Transportation Toll Facilities Revolving Trust Fund. Funds advanced under this agreement must be used by the Bay County Bridge Authority for specified purposes relating to the proposed construction of a toll bridge across North Bay in Bay County. No specific repayment terms have been established. Principal and interest are due from the Road and Bridge Fund. However, the agreement states that repayment shall begin no later than seven years after the date of advance (January 22, 1991) provided repayment shall be completed no later than twelve years after the date of the advance. If repayment is to be made during the time period referred to above, a schedule of such repayment shall be submitted to the Department of Transportation. Repayment of funds advanced shall not include interest; however, interest accruing from the investment of advances shall be paid to the department.

102,603

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 14 – LONG - TERM LIABILITIES - GOVERNMENTAL ACTIVITIES (Continued)

\$6,250,000 note payable to Motorola Inc. for 800 Mhz communication system. The note bears interest at 5.5% per annum. Payments of \$732,743 are due annually, through January 2012, beginning January 1, 2001.

	6,259,613
Total Notes Payable – Governmental Activities	6,862,216
Less: Current Portion	584,322
Long-Term Portion of Notes Payable, Governmental Activities	<u>\$ 6,277,894</u>

Debt service requirements to maturity on notes payable at September 30, 2002 are as follows:

Year Ending September 30	Principal	Interest	Total
2003	\$ 584,322	\$ 392,596	\$ 976,918
2004	509,156	365,159	874,315
2005	538,158	336,157	874,315
2006	568,812	305,503	874,315
2007	601,214	273,101	874,315
2008-2012	3,560,554	811,024	4,371,578
2013-2014	500,000	72,000	572,000
Total	<u>\$ 6,862,216</u>	<u>\$ 2,555,540</u>	<u>\$ 9,417,756</u>

Capital leases payable consist of lease purchase agreements on equipment. The leased equipment is capitalized at the present value of the minimum lease payments in the governmental activities long-term liabilities. The future minimum lease payments under capital leases as of September 30, 2002 are as follows:

Year Ending September 30,	Sheriff	Property Appraiser	Tax Collector	Total
2003	\$ 288,866	\$ 6,154	\$ 6,369	\$ 301,389
2004	235,687	4,696	-	240,383
2005	101,304	-	-	101,304
Total	<u>\$ 625,857</u>	<u>\$ 10,850</u>	<u>\$ 6,369</u>	<u>\$ 643,076</u>

Governmental Activity Revenue Bonds consist of the following at September 30, 2002:

Transportation Improvement Revenue Bonds – Series 1993

Authorized and issued \$8,745,000, interest varying from 2.75% to 4.90%, principal payable annually on September 1, commencing September 1, 1994, interest payable semi-annually on March 1 and September 1, commencing September 1, 1993. The bonds and interest thereon are payable solely from and secured by a) a prior lien upon the first four-cents of the local option gas tax received by the County from the State of Florida, b) the constitutional gas tax distributed to the County, and c) monies on deposit in certain funds and accounts created pursuant to Ordinance No. 88-12 of the County (payable from debt service fund).

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 14 – LONG - TERM LIABILITIES - GOVERNMENTAL ACTIVITIES  
(Continued)

These bonds were issued to provide funds along with other available funds of the County, to refund the Transportation Improvement Revenue Bonds - Series 1988. The refunding was undertaken to reduce total debt service payments by \$611,210 over the next eleven years and to obtain an economic gain (the difference between the present value of the old and new debt) of \$276,008. The proceeds were escrowed and an agent was designated to provide all future debt service payments on the Series 1988 Bonds. As a result, the Series 1988 Bonds are considered to be defeased. \$ 1,905,000

Transportation Improvement Revenue Bonds – Series 1994

Authorized and issued \$6,020,000, interest varying from 4.6% to 5.1%, principal payable annually on September 1, commencing September 1, 2005, interest payable semi-annually on March 1 and September 1, commencing September 1, 1994. The bonds and interest thereon are payable solely from and secured by a) a prior lien upon and pledge of the first four-cents of the local option gas tax received by the County from the State of Florida, b) the constitutional gas tax distributed to the County, and c) cash on deposit in certain funds and accounts created pursuant to Ordinance No. 88-12 of the County (payable from debt service fund).

These bonds were issued to provide funds for the primary purpose of advance refunding \$5,090,000 in aggregate principal amount of the County's amended governmental unit note obligation dated December 3, 1990 payable to Escambia County, Florida, with an interest rate of 7.2%. The refunding was undertaken to reduce total debt service payments by almost \$1,150,000 over the next 21 years and to obtain an economic gain (the difference between the present value of the old and new debt) of \$201,142. The proceeds were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments or the portion of the government unit note obligation that was advance refunded. As a result, \$5,090,000 of the government unit note obligation is considered to be defeased.

6,020,000

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 14 – LONG - TERM LIABILITIES - GOVERNMENTAL ACTIVITIES (Continued)

Public Improvement Revenue Bonds – Series 1996

Authorized and issued \$6,830,000, interest varying from 3.9% to 5.1%, principal payable annually on October 1, commencing October 1, 1997, interest payable semi-annually on April 1 and October 1, commencing April 1, 1997. The bonds and interest thereon are payable solely from and secured by a lien upon pledged funds per Resolution 96-1960 which includes a) building permit fees, b) excess county officer fees, c) license fees, d) investment earnings, and e) to the extent the same may lawfully be pledged to secure bonds, fines and forfeiture revenues.

These bonds were issued to a) fund the acquisition of a jail and work camp complex in Bay County, including, without limitation, the acquisition of all property rights, appurtenances, easements and franchises relating thereto; b) purchase a municipal bond debt service insurance policy; and c) pay the costs of issuance of the Series 1996 Bonds.

3,815,000

Sales Tax Revenue Bonds – Series 2002

Authorized and issued \$18,140,000, interest varying from 3.00% to 5.125%, principal is payable annually on September 1 beginning in 2003, interest payable annually on September 1 beginning in 2002. The bonds are special obligations of the County and are payable solely from and secured on a parity equally and ratably with the Bay County, Florida Sales Tax Revenue Bonds, Series 1998 by a prior lien and pledge of a) the proceeds of the local government half-cent sales tax distributed to the County pursuant to Chapter 218, Part VI, Florida Statutes, and b) until applied in accordance with the provisions of the resolution, all cash, including investments thereof, in certain funds and accounts established under the resolution.



BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 14 – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

The following table sets forth the sources and uses of funds for the Series 2002 Bonds.

Sources

Par Amount of Series 2002 Bonds	\$ 18,140,000
Less: Original Issue Discount	(324,678)
Plus: Accrued Interest	69,897
Total Sources	<u>\$ 17,885,219</u>

Uses

Deposit to Series 2002 Account of the Construction Fund	\$ 16,212,088
Underwriters' Discount	116,302
Payment Account	69,897
Issuance Costs	308,231
Deposit to Debt Service Reserve Fund	1,178,701
Total Uses	<u>\$ 17,885,219</u>

The Series 2002 bonds were issued to a) acquire, construct and equip a new State Attorney and Public Defender office, a new Juvenile Justice Courthouse and three new fire stations within the County; b) fully fund the reserve account; and c) pay costs of issuance of the Series 2002 bonds, including a municipal bond insurance premium.

	<u>18,140,000</u>
Total Bonds Payable – Governmental Activities	29,880,000
Less: Current Portion	<u>(1,930,000)</u>
Long-Term Portion Governmental Activities Bonds Payable	<u>\$ 27,950,000</u>

The annual debt service requirements to amortize the revenue bonds payable at September 30, 2002 are as follows:

Year Ending September 30	Principal	Interest	Total
2003	\$ 1,930,000	\$ 833,532	\$ 2,763,532
2004	2,020,000	1,331,826	3,351,826
2005	1,835,000	1,236,752	3,071,752
2006	1,910,000	1,152,652	3,062,652
2007	2,005,000	1,063,249	3,068,249
2008-2012	5,640,000	4,473,251	10,113,251
2013-2017	2,425,000	3,560,250	5,985,250
2018-2022	3,085,000	2,938,438	6,023,438
2023-2027	3,955,000	2,120,644	6,075,644
2028-2032	5,075,000	1,111,098	6,186,098
Total	<u>\$ 29,880,000</u>	<u>\$ 19,821,692</u>	<u>\$ 49,701,692</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 14 – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

The principal balance of defeased long-term debt outstanding at September 30, 2002 is as follows:

Note Payable – Multi County Loan Program	\$ 6,572,852
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NOTE 15 – COMPENSATED ABSENCES

The County's compensated absences at September 30, 2002 is as follows:

	Governmental Activities	Business-Type Activities	Total
Current	\$ 405,719	\$ 97,846	\$ 503,565
Long-Term	1,115,995	117,719	1,233,714
Total	\$ 1,521,714	\$ 215,565	\$ 1,737,279

NOTE 16 – INTERFUND RECEIVABLES AND PAYABLES, AND INTERFUND TRANSFERS

At September 30, 2002, interfund receivables and payables are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund:	\$ 1,899,136	\$ -
Special Revenue Funds:		
Transportation Trust	172	-
Criminal Justice Trust	-	477,368
Fire Protection	-	1,421,768
Proprietary Funds:		
Enterprise Funds:		
Solid Waste	-	172
Waste Treatment	-	50,000
Wholesale Water System	51,340	-
Water and Sewer Retail	-	1,340
Total	\$ 1,950,648	\$ 1,950,648

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 16 - INTERFUND RECEIVABLES AND PAYABLES, AND INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2002 were as follows:

	Transfers Out	Transfers In
Governmental Funds:		
General Fund:	\$ 5,538,837	\$ 2,648,500
Special Revenue Funds:		
Transportation	1,325,857	1,900,463
Stormwater Management	-	4,623,081
Bridge Authority	14,060	-
Intergovernmental Radio Communications	-	368,514
Community Action Agency	32,218	-
Building Action Agency	2,109,729	-
Law Enforcement Trust	142,851	-
Infrastructure Trust	2,203,339	-
SHIP Grant	250,411	-
Proprietary Funds:		
Enterprise Funds:		
Water System Revenue	28,167	-
Building Services	-	2,109,729
Internal Service Funds :		
Other Internal Services	5,621	-
Workers' Compensation	-	658
Insurance	-	145
Total	<u>\$ 11,651,090</u>	<u>\$ 11,651,090</u>

The County's routine transfers include transfers to (a) match for Special Revenue grant requirements, (b) to other funds based on budgetary requirements and (c) revenues from a fund that by statute or budgetary authority must collect them for funds that are required by statute or budgetary authority to expend them.

NOTE 17 – FUND EQUITY

Restricted Net Assets

The County has established certain restrictions within the net assets section of the enterprise funds.

Restricted net assets at September 30, 2002, consist of the following:

	Wholesale Water System	Solid Waste	Total Enterprise Funds
Restricted for Debt Service	\$ 321,044	\$ 265,920	\$ 586,964
Restricted for Renewal and Replacement	712,415	-	712,415
Restricted for Landfill Closure and Post-Closure	-	911,592	911,592
Total	<u>\$ 1,033,459</u>	<u>\$ 1,177,512</u>	<u>\$ 2,210,971</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 17 – FUND EQUITY (Continued)

Reserved Fund Balances

The County has established certain reserves within the fund equity section of the governmental funds. Reserved fund balances at September 30, 2002, consist of the following:

General Fund:

Reserved for Long-Term Notes Receivable	\$ 3,763,600
Reserved for Debt Service	827,491
Reserved for Capital Projects	10,013,159
Reserved for Workers Compensation	1,542,660
Reserved for Grants	566,422
Reserved for Insurance	463,985
Reserved for Boating Improvement	294,839
	<hr/> <u>\$ 17,472,156</u>

Special Revenue Funds:

Reserved for Debt Service	\$ 351,271
Reserved for Capital Projects	13,543,343
Reserved for Bond Retirement	874,500
	<hr/> <u>\$ 14,769,114</u>

Designated Fund Balance

The County has established certain designations within the fund equity section of the governmental funds. Designated fund balance at September 30, 2002 consists of the following:

General Fund:

Designated for Emergency Contingency	<u>\$ 3,000,000</u>
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NOTE 18 – COMMITMENTS AND CONTINGENCIES

Bond Commitment

Bay County entered into an Interlocal Agreement for Airport support with the City of Panama City and the Panama City-Bay County Airport and Industrial District. \$5,150,000 Airport Revenue Bonds, Series 1993 were issued by the Panama City-Bay County Airport and Industrial District and are primarily payable from and secured by a lien on the net revenues of the airport facilities. The County and the City of Panama City have covenanted in the Agreement to appropriate in their annual budgets amounts that are sufficient to satisfy any deficiency in the required deposits to the bond fund. The County does not anticipate that any material appropriations will be required.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 18 – COMMITMENTS AND CONTINGENCIES (Continued)

Claims and Judgments

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government or agency. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government or agency. As of September 30, 2002, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

Landfill Costs

The County has two landfills. The Majette landfill closed in September 1987. The Steelfield Road Phase I landfill is currently estimated to have sufficient capacity at current waste generation disposal rates to accept waste through September 2003. State and federal laws and regulations require that the County place a final cover on its landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites for 30 years after closure. Management currently estimates that the cost to close the Steelfield landfill will be approximately \$437,789 and the post closure costs to maintain and monitor the Steelfield and Majette landfills will be approximately \$473,803 per year. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Included in the liabilities of the Enterprise Funds is a \$9,658,575 landfill closure and postclosure care liability at September 30, 2002, which represents the cumulative amount reported to date based on 100% usage (filled) capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2002. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County was in compliance with these requirements and at September 30, 2002, \$911,592 is held for these purposes. These are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 18 – COMMITMENTS AND CONTINGENCIES (Continued)

Legal Contingencies

The County is involved in certain litigation and claims, as a defendant or plaintiff, arising in the ordinary course of operations. Legal counsel has indicated that the facts of the cases and the law are not sufficiently developed to allow an accurate prediction of the ultimate outcome of the litigation. As such, no estimate of losses, if any, can be determined.

The County entered into a contract with Florida Power Corporation (FPC) to provide FPC electricity from the Bay County Resource Recovery Facility (The Facility). The Facility is operated by Montenay Bay LLC. Under the contract, the County received early payments from FPC which would require repayment to FPC plus interest at 10.72% in the event of default. Bay County entered into a service contract in which Montenay Bay LLC is obligated to operate the Resource Recovery Facility and produce a guaranteed amount of electricity. In the opinion of the County's legal counsel, it does not appear likely that there will be a default by the County on the FPC contract. However, should the County default on the contract and require repayment of early payments and interest to FPC, Montenay Bay LLC as guarantor is obligated to pay the County all damages caused by such default, including but not limited to lost electricity revenues and any payments to FPC required pursuant to the FPC contract.

During the course of normal operations, the County entered into various other contractual agreements for which the County would be liable in the event of default. The actual amount of loss liability for these contracts cannot be reasonably estimated at this time.

Military Point Advanced Wastewater Treatment Facility

The County entered into debt financing agreements with the City of Callaway on behalf of the Military Point Advanced Wastewater Treatment Facility. As a result, Bay County is contingently liable for bonds payable and notes payable guaranteed by the City of Callaway. As of September 30, 2002, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway's portion of Note Payable	\$ 15,522,264
Related interest expense	3,256,226
Wastewater System Revenue Bonds Series 1996 (See Note 12)	8,177,500
Related interest expense	<u>6,971,984</u>
Total Contingent Liability – Joint Venture	<u>\$ 33,927,974</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 18 – COMMITMENTS AND CONTINGENCIES (Continued)

Environmental Contingency

As described in Note 21, Bay County is a joint owner of the Military Point Advanced Wastewater Treatment Facility (MPAWTF). MPAWTF received notice from the Florida Department of Environmental Protection (FDEP) that its subaqueous pipeline, which transports untreated sewage under St. Andrew Bay to the new wastewater treatment plant, was not in compliance with its permitted design. It was intended that the subaqueous pipeline would be completely covered by four and one-half feet of sand. Portions of the pipeline have not achieved the proper coverage.

Subsequently, Phoenix Construction Services, Inc. (Phoenix), the subaqueous pipeline contractor, sued Bay County, Florida, as operator of MPAWTF, for the amount of \$129,574 plus damages relating to its claim that MPAWTF obstructed and hindered the performance of the subaqueous pipeline project in order for the pipeline to be in compliance with its permitted design. Phoenix did not place a dollar amount on these additional damages. MPAWTF then filed a countersuit against Phoenix for breach of contract and was seeking damages of between \$1,300,000 and \$2,400,000 or the cost to repair the subaqueous pipeline as permitted.

The resulting litigation settlement that was proposed between Phoenix and MPAWTF included the solution of using Tensar marine mattresses to cover the pipeline. Under this settlement, if FDEP and the U.S. Army Corps of Engineers (COE) agree to permit the marine mattresses, then all claims between Phoenix and MPAWTF will be dismissed and the cost of installing the marine mattresses will be shared as follows: MPAWTF would be responsible for \$442,000 to be allocated between Bay County, Florida - \$221,000; City of Callaway - \$99,450; City of Parker - \$33,150; City of Springfield - \$57,460; and the Town of Cedar Grove - \$30,940 and Phoenix would be responsible for any remaining cost. MPAWTF would also pay \$155,047 to Phoenix for work that has already been performed on the pipeline.

MPAWTF received a proposed consent order in November 2002 from FDEP which would allow the use of the marine mattresses to cover the pipeline. The proposed consent order also calls for MPAWTF to pay fines in the amount of \$289,341 or perform in-kind environmental projects that have a value three times as great as the fine. If such fines are charged to MPAWTF under the marine mattress or complete burial solution, Bay County has proposed that it will perform the in-kind environmental projects to eliminate these fines. Therefore, no accrual has been made on MPAWTF's financial statements to reflect such fines.

In November 2002, the Bay County Board of County Commissioners voted unanimously to construct a new subaqueous pipeline to meet regulatory requirements. Bay County has received permission to go forward with this solution if the other owners' cost does not exceed \$221,000.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 19 – CONDUIT DEBT OBLIGATIONS

During the course of normal operations, the County entered into various conduit debt obligations. Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Bay County, Florida has no responsibility for the payment of these debt issues except for the payments received on the underlying lease or loan agreement. The County's conduit debt obligations at September 30, 2002 are summarized as follows:

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount Outstanding</u>
Bay County, Florida Variable/Fixed Rate Revenue Bonds, Series 2000 (Methodist Homes for the Aging Project)	October 1, 2001	\$ 7,885,000
Bay County, Florida 5.25% Pollution Control Revenue Refunding Bonds, Series 1996 (Gulf Power Company Project)	April 1, 1996	\$ 12,075,000
Bay County, Florida 5.10% Pollution Control Revenue Refunding Bonds, Series 1998A (International Paper)	March 1, 1998	\$ 7,250,000
Bay County, Florida Variable/Fixed Rate Revenue Bonds (Methodist Homes for the Aging Project)	December 21, 1999	\$ 2,500,000

NOTE 20 – SELF-INSURANCE – WORKERS' COMPENSATION

During fiscal year 1990, the County established a Workers' Compensation Fund (an internal service fund) to account for and finance its uninsured risks of loss relating to workers' compensation claims. Under this program, the Workers' Compensation Fund provides coverage for up to a maximum of \$200,000 for each workers' compensation claim through September 30, 2002. The County purchases commercial insurance for claims in excess of coverage provided by the Workers' Compensation Fund. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years.

All funds, except those which include certain volunteer Fire Department personnel of the County, participate in the program and make payments to the Workers' Compensation Fund based on estimates of the amounts needed to pay prior and current year claims. The claims liability of \$3,099,766 reported in the Workers' Compensation Fund at September 30, 2002 is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. The liability includes an estimate of incurred but not reported losses based on historical experience. Changes in the Workers' Compensation Fund's claims liability amount in fiscal 2001 and 2002 were as follows:



BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 20 – SELF-INSURANCE – WORKERS’ COMPENSATION (Continued)

	<u>Current Year Beginning of Fiscal-Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
October 1, 2000 - September 30, 2001	<u>\$ 2,650,000</u>	<u>\$ 703,810</u>	<u>\$ (703,810)</u>	<u>\$ 2,650,000</u>
October 1, 2001 - September 30, 2002	<u>\$ 2,650,000</u>	<u>\$ 803,884</u>	<u>\$ (354,118)</u>	<u>\$ 3,099,766</u>

NOTE 21 – INSURANCE

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The County accounts for its uninsured risk of loss with regard to workers' compensation as explained in Note 19. Other types of insurance coverage are explained in the following paragraphs.

The County is a member of the Florida Association of Counties Trust (FACT), a public entity risk pool, which provides general liability insurance coverage. The County pays an annual premium to the Trust and remains liable for the deductible of \$25,000 per claim. The claims liability of \$250,000 reported in the Self-Insurers' Fund is based on the requirements of Governmental Accounting Standards Board Statement 10.

These requirements are disclosed in Note 19. Changes in the Self-Insurers' Fund's claims liability amount in fiscal 2001 and 2002 were as follows:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
October 1, 2000 - September 30, 2001	<u>\$ 250,000</u>	<u>\$ 1,117,273</u>	<u>\$ (1,117,273)</u>	<u>\$ 250,000</u>
October 1, 2001 - September 30, 2002	<u>\$ 250,000</u>	<u>\$ 1,029,266</u>	<u>\$ (1,029,266)</u>	<u>\$ 250,000</u>

The County also purchases commercial insurance for other risks of loss, such as automobile liability, not covered by the Florida Association of Counties Trust. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 22 – JOINT VENTURE

Bay County, Florida allied with the cities of Callaway, Parker, Springfield and the Town of Cedar Grove on September 27, 1996 to supply existing and expanded wastewater treatment and disposal services. The mission of this joint venture is to provide these services in an economical, efficient and environmentally appropriate manner to their respective citizenry. This joint venture, known as the Military Point Advanced Wastewater Treatment Facility (MPAWTF or system), assumed ownership of the existing wastewater treatment plant and then completed construction of a new seven million gallon per day advanced wastewater treatment facility which was placed in service on July 20, 1999. Funding for the new facility came through a combination of conventional borrowing and State Revolving Fund loans.

The joint venture is owned and governed by Bay County, Florida; the cities of Callaway, Parker, and Springfield; and the Town of Cedar Grove. One owner is selected by the others to be responsible for operating the System. The owner designated to be the Operator is Bay County, Florida. The Operator of the System, in accordance with the interlocal agreement, prepares the system's annual budget, sets treatment rates and collects funds sufficient to pay debt service, cost of operations and maintenance, renewal and replacement, and any enhancements to reserves. The results of operations and cash flows are accounted for in total within the financial statements of the joint venture. The County's interest in equity is reported within the County's Retail Water and Wastewater Fund. As of September 30, 2002, the County's investment in the joint venture was \$130,928. Complete financial statements for the joint venture may be obtained from the Operator at P.O. Box 2269, Panama City, Florida 32402.

Summary financial statements for the Military Point Advanced Wastewater Treatment Facility are as follows:

Statement of Net Assets  
September 30, 2002

Assets	<u>\$ 51,713,590</u>
Liabilities	<u>44,596,293</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,678,340
Restricted	3,416,425
Unrestricted	<u>1,022,532</u>
Total Net Assets	<u>7,117,297</u>
Total Liabilities and Net Assets	<u>\$ 51,713,590</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 22 – JOINT VENTURE (Continued)

Statement of Activities  
Year Ended September 30, 2002

Revenues	\$ 6,174,369
Expenses	<u>(5,961,067)</u>
Operating Income	213,302
Nonoperating Revenues (Expenses), Net	<u>(1,535,005)</u>
Net Loss Before Distributions	(1,321,703)
Distribution to Owners	<u>(233,341)</u>
Net Loss	(1,555,044)
 Net Assets, Beginning of Year	 <u>8,672,341</u>
Net Assets, End of Year	<u>\$ 7,117,297</u>

As of September 30, 2002 the County's portion of contributions and net assets in the joint venture is as follows:

County Investment, Beginning of Year	\$ 826,342
Less: 2002 County Share of Net Loss	(643,385)
2002 Distributions to Owners	(73,778)
Add: 2002 Release of Reserves	<u>21,749</u>

Ending Net Assets, September 30, 2002	<u>\$ 130,928</u>
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NOTE 23 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2002 the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2002, billings for these services totaled \$667,353.

As described in Note 21, Bay County is an owner of the Military Point Advanced Wastewater Treatment Facility. Bay County, Florida incurs operational expenses on behalf of the joint venture. Reimbursement for these expenses amounted to \$1,177,646 the year ended September 30, 2001. In addition, during the current year the County received \$925,821 from the joint venture, which was subsequently used to pay interest of \$925,821, related to the 1996 Bond Series and State Revolving Fund Loan Program as discussed in Notes 12 and 11, respectively.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 24- DELETED FUNDS TRANSFERRED

The \$4,757,425 difference between the net transfers of the governmental activities and business-type activities on the Statement of Activities at September 30, 2002 consists of the following transfers of the balances in the cash accounts out of closed funds that had no other activity during the year.

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 2,647,696
Enterprise Funds	-	2,109,729
Internal Service Funds	4,817	-
Closed Funds		
Bridge Authority	14,060	-
Community Action Agency	32,218	-
Law Enforcement Trust	142,851	-
Infrastructure Trust	2,203,339	-
Ship Grant	250,411	-
Building Safety	2,109,729	-
	<u>\$ 4,757,425</u>	<u>\$ 4,757,425</u>

NOTE 25 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended September 30, 2002 are summarized as follows:

	<u>Wholesale Water Systems</u>	<u>Retail Water &amp; Wastewater</u>	<u>Industrial Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Enterprise Funds: Contributed Capital, October 1	\$ 1,982,438	\$ 1,651,724	\$ 1,472,769	\$ (643,050)	\$ 4,463,881
Reclassified to Net Assets	<u>(1,982,438)</u>	<u>(1,651,724)</u>	<u>(1,472,769)</u>	<u>643,050</u>	<u>(4,463,881)</u>
Contributed Capital, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 26 - BUILDING SERVICES FUND

The building services fund is a new fund established during the year ended September 30, 2002 for the purpose of accounting for the operations of the building department. Fees from permits, licenses and inspections are recorded in this fund. A beginning net assets in this fund in the amount of \$123,320 represents the amount transferred from a special revenue fund to establish the Building Services Fund.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2002

NOTE 27 – PRIOR PERIOD ADJUSTMENT

Fees

Bay County received fees that are restricted for specific future uses as required by ordinances, statutes and resolutions. In prior years these fees were not recognized as revenues until expended. In the year ended September 30, 2002, the County began recognizing fee revenue when billed. As a result of this change in the method of reporting these revenues, an increase has been made to the beginning net assets of the County in the amount of \$915,621.

SHIP Program

The State of Florida Housing Finance Corporation funds Bay County's State Housing Initiatives Partnership (SHIP) Program. In addition to this state funding, the SHIP program receives interest income and reimbursements from mortgage loans that originated from program funding. This other income is required to be returned to the trust account and used for program expenditures. As a result of changing the method of reporting this program income for the year ended September 30, 2002, a decrease has been made to the beginning fund balance of the general fund in the amount of \$254,958. The deferred revenue for the SHIP program at September 30, 2002 is \$323,108.

Prior period adjustments are summarized as follows:

	Governmental-Type Activities			Business-Type Activities	Total
	General Fund	Transportation Fund	Municipal Services Benefit Unit Fund	Wholesale Water System	
Fees	\$ 294,839	\$ 327,794	\$ 31,321	\$ 261,667	\$ 915,621
SHIP Program	(254,958)	-	-	-	(254,958)
	<u>\$ 39,881</u>	<u>\$ 327,794</u>	<u>\$ 31,321</u>	<u>\$ 261,667</u>	<u>\$ 660,663</u>

# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

## Nonmajor Governmental Funds Special Revenue Funds

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

Stormwater Management – to account for the operations utilized in the management of stormwater operations. Funding is provided by the County's share of state gasoline taxes.

Tourist Development – to account for the Local Option Tourist Development Tax and the operations of the Tourist Development Council.

Public Safety – to account for the operations of the 911 emergency telephone system in the County. Funding is provided from telephone user charges.

Intergovernmental Radio Communications – to account for fees collected for the operation of an intergovernmental radio communications network. Funding is provided by traffic surcharges and charges to users of the system.

District Mosquito Control – to account for the operations of the mosquito control department. Funding is provided by ad valorem taxes and state funds.

MSTU Fire Protection – to account for the operations of the fire departments within the County. Funding is provided by ad valorem taxes.

Municipal Services Benefit Unit (MSBU) Fund – to account for County and citizen participation in neighborhood infrastructure and improvement projects. Funding is provided by transfers from the general fund and special assessments.

County Court Facility – to account for funds to be used exclusively in providing and maintaining facilities for the use of the County Court. Funding is provided by Florida Statute 28.241 and Ordinances 95-11 and 99-01.

10/6/3 Fund – to account for funds to be used as reimbursement for expenses in administering traffic regulations. Funding is provided by Florida Statute 318.18 and Administrative Order 86-12.

Circuit Court Facility – to account for funds to be used exclusively in providing and maintaining facilities for the use of the Circuit Court. Funding is provided by Florida Statute 28.241 and Ordinances 95-11 and 99-01.

Family Mediation – to account for funds to be utilized to defray the costs of family mediation services. Funding is provided by Florida Statute 44.108 and Ordinance 99-09.

Records Modernization – to account for funds to be used for modern technology for the storage, retrieval and public access of valuable court and government public records. Funding is provided by Florida Statute 28.24(15)(d).

Law Enforcement Training – to account for law enforcement training projects funded by fines collected on traffic violations.

Nonmajor Governmental Funds  
Special Revenue Funds

Special Law Enforcement Trust – to account for law enforcement related projects, funded by the proceeds from confiscated property forfeitures.

Special Contribution – to account for special projects and/or activities, funded by private sector donations.

D.U.I. – to account for nonvoluntary contributions from D.U.I. offenders used to finance the operations of the D.U.I. processing facility.

Junior Deputies – to provide youth with the opportunity to interface with law enforcement professionals to learn regulations and procedures. Funding is provided from the proceeds of a gospel sing.

Federal Seizure Account – to account for law enforcement related projects, funded by the proceeds from federal confiscated property forfeitures.

Seizure Trust – to account for law enforcement related projects, funded by the proceeds from nonfederal confiscated property forfeitures.



Bay County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2002

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,564,348	\$ 3,241,437	\$ 660,107	\$ 897,145
Accounts receivable	26,556	325,968	69,890	2,174
Investments	-	5,117,062	-	-
Due from other funds	-	1,801	191	301
Due from other governments	1,028,820	1,588,563	43,968	30,102
Total assets	<u>\$ 2,619,724</u>	<u>\$ 10,274,831</u>	<u>\$ 774,156</u>	<u>\$ 929,722</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities				
Accounts payable	\$ 397,162	\$ 202,427	\$ 13,201	\$ 2,292
Due to other funds	26,725	-	19,523	-
Total liabilities	<u>423,887</u>	<u>202,427</u>	<u>32,724</u>	<u>2,292</u>
Fund equity				
Fund balance				
Unreserved	2,195,837	1,327,326	741,432	927,430
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	8,745,078	-	-
Total fund equity	<u>2,195,837</u>	<u>10,072,404</u>	<u>741,432</u>	<u>927,430</u>
Total liabilities and fund equity	<u>\$ 2,619,724</u>	<u>\$ 10,274,831</u>	<u>\$ 774,156</u>	<u>\$ 929,722</u>

Special Revenue

District Mosquito Control	MSTU Fire Protection	MSBU Fund	County Court Facility	10/6/3 Fund	Circuit Court Facility
\$ 386,542	\$ 6,695,804	\$ 15,001	\$ 171,719	\$ 363,832	\$ 210,491
7,212	1,602	31,321	-	-	-
-	-	-	-	-	-
-	1,353	-	-	-	-
-	6,536	-	-	-	-
<u>\$ 393,754</u>	<u>\$ 6,705,295</u>	<u>\$ 46,322</u>	<u>\$ 171,719</u>	<u>\$ 363,832</u>	<u>\$ 210,491</u>
\$ 17,944	\$ 113,329	\$ -	\$ 900	\$ -	\$ 7,152
2,303	736,260	-	-	-	-
<u>20,247</u>	<u>849,589</u>	<u>-</u>	<u>900</u>	<u>-</u>	<u>7,152</u>
373,507	706,170	46,322	170,819	363,832	203,339
-	351,271	-	-	-	-
-	4,798,265	-	-	-	-
<u>373,507</u>	<u>5,855,706</u>	<u>46,322</u>	<u>170,819</u>	<u>363,832</u>	<u>203,339</u>
<u>\$ 393,754</u>	<u>\$ 6,705,295</u>	<u>\$ 46,322</u>	<u>\$ 171,719</u>	<u>\$ 363,832</u>	<u>\$ 210,491</u>

Bay County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2002

	Special Revenue			
	Family Mediation	Records Modernization	Law Enforcement Training	Special Law Enforcement Trust
<b>ASSETS</b>				
Cash and cash equivalents	\$ 50,281	\$ 238,259	\$ 4,937	\$ 749
Accounts receivable	-	-	-	-
Investments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 50,281</u>	<u>\$ 238,259</u>	<u>\$ 4,937</u>	<u>\$ 749</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities				
Accounts payable	\$ -	\$ 1,520	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>1,520</u>	<u>-</u>	<u>-</u>
Fund equity				
Fund balance				
Unreserved	50,281	236,739	4,937	749
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Total fund equity	<u>50,281</u>	<u>236,739</u>	<u>4,937</u>	<u>749</u>
Total liabilities and fund equity	<u>\$ 50,281</u>	<u>\$ 238,259</u>	<u>\$ 4,937</u>	<u>\$ 749</u>

Special Revenue

Special Contribution	D.U.I	Junior Deputies	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ 6,744	\$ -	\$ 1,836	\$ 18,590	\$ 793	\$ 14,528,615
-	-	-	-	-	464,723
-	-	-	-	-	5,117,062
-	-	-	-	-	3,646
-	-	-	-	-	2,697,989
<u>\$ 6,744</u>	<u>\$ -</u>	<u>\$ 1,836</u>	<u>\$ 18,590</u>	<u>\$ 793</u>	<u>\$ 22,812,035</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 755,927
-	-	-	-	-	784,811
-	-	-	-	-	1,540,738
6,744	-	1,836	18,590	793	7,376,683
-	-	-	-	-	351,271
-	-	-	-	-	13,543,343
<u>6,744</u>	<u>-</u>	<u>1,836</u>	<u>18,590</u>	<u>793</u>	<u>21,271,297</u>
<u>\$ 6,744</u>	<u>\$ -</u>	<u>\$ 1,836</u>	<u>\$ 18,590</u>	<u>\$ 793</u>	<u>\$ 22,812,035</u>

Bay County, Florida  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2002

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
<b>REVENUES</b>				
Taxes	\$ -	\$ 5,287,860	\$ -	\$ -
Intergovernmental	1,481,078	1,937,227	-	-
Charges for services	33,436	-	759,018	595,981
Special assessments	-	-	-	-
Interest	23,954	113,629	13,841	14,397
Miscellaneous	2,862	159,033	-	1,546,017
Total revenues	<u>1,541,330</u>	<u>7,497,749</u>	<u>772,859</u>	<u>2,156,395</u>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	-	774,247	4,222,950
Physical environment	6,018,466	-	-	-
Economic environment	-	4,086,845	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	468,107
Interest	-	-	-	121,166
Total expenditures	<u>6,018,466</u>	<u>4,086,845</u>	<u>774,247</u>	<u>4,812,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,477,136)</u>	<u>3,410,904</u>	<u>(1,388)</u>	<u>(2,655,828)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	4,623,081	-	-	368,514
Proceeds from debt instruments	-	-	-	841,000
Total other financing sources (uses)	<u>4,623,081</u>	<u>-</u>	<u>-</u>	<u>1,209,514</u>
Net change in fund balance	<u>145,945</u>	<u>3,410,904</u>	<u>(1,388)</u>	<u>(1,446,314)</u>
Fund balance at beginning of year	2,049,892	6,661,500	742,820	2,373,744
Prior period adjustments	-	-	-	-
Fund balance at beginning of year (restated)	<u>2,049,892</u>	<u>6,661,500</u>	<u>742,820</u>	<u>2,373,744</u>
Fund balance at end of year	<u>\$ 2,195,837</u>	<u>\$ 10,072,404</u>	<u>\$ 741,432</u>	<u>\$ 927,430</u>

Special Revenue

District Mosquito Control	MSTU Fire Protection	MSBU Fund	County Court Facility	10/6/3 Fund	Circuit Court Facility
\$ 532,838	\$ 2,904,240	\$ -	\$ -	\$ -	\$ -
26,377	16,474	-	-	-	-
-	75,000	-	34,909	251,221	53,205
-	-	5,908	-	-	-
9,466	85,411	4,408	2,711	6,526	2,310
8,000	165,598	-	-	-	-
<u>576,681</u>	<u>3,246,723</u>	<u>10,316</u>	<u>37,620</u>	<u>257,747</u>	<u>55,515</u>
-	87,704	-	3,888	222,492	9,315
-	2,493,452	-	-	-	-
-	-	85,252	-	-	-
-	-	-	-	-	-
497,997	-	-	-	-	-
-	-	-	-	-	-
-	357,173	-	-	-	-
<u>497,997</u>	<u>2,938,329</u>	<u>85,252</u>	<u>3,888</u>	<u>222,492</u>	<u>9,315</u>
<u>78,684</u>	<u>308,394</u>	<u>(74,936)</u>	<u>33,732</u>	<u>35,255</u>	<u>46,200</u>
-	-	-	-	-	-
-	5,405,720	-	-	-	-
-	5,405,720	-	-	-	-
<u>78,684</u>	<u>5,714,114</u>	<u>(74,936)</u>	<u>33,732</u>	<u>35,255</u>	<u>46,200</u>
294,823	141,592	89,937	137,087	328,577	157,139
-	-	31,321	-	-	-
<u>294,823</u>	<u>141,592</u>	<u>121,258</u>	<u>137,087</u>	<u>328,577</u>	<u>157,139</u>
<u>\$ 373,507</u>	<u>\$ 5,855,706</u>	<u>\$ 46,322</u>	<u>\$ 170,819</u>	<u>\$ 363,832</u>	<u>\$ 203,339</u>

Bay County, Florida  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2002

	Special Revenue			
	Family Mediation	Records Modernization	Law Enforcement Training	Special Law Enforcement Trust
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	89,715	66,287
Charges for services	23,004	142,142	-	-
Special assessments	-	-	-	-
Interest	238	2,464	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>23,242</u>	<u>144,606</u>	<u>89,715</u>	<u>66,287</u>
<b>EXPENDITURES</b>				
Current				
General government	7,105	91,347	-	-
Public safety	-	-	86,168	70,080
Physical environment	-	-	-	-
Economic environment	-	-	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>7,105</u>	<u>91,347</u>	<u>86,168</u>	<u>70,080</u>
Excess of revenues over (under) expenditures	<u>16,137</u>	<u>53,259</u>	<u>3,547</u>	<u>(3,793)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	-	-	-	-
Proceeds from debt instruments	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>16,137</u>	<u>53,259</u>	<u>3,547</u>	<u>(3,793)</u>
Fund balance at beginning of year	34,144	183,480	1,390	4,542
Prior period adjustments	-	-	-	-
Fund balance at beginning of year (restated)	<u>34,144</u>	<u>183,480</u>	<u>1,390</u>	<u>4,542</u>
Fund balance at end of year	<u>\$ 50,281</u>	<u>\$ 236,739</u>	<u>\$ 4,937</u>	<u>\$ 749</u>

Special Revenue

Special Contribution	D.U.I	Junior Deputies	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,724,938
-	-	-	-	-	3,617,158
-	-	-	-	-	1,967,916
-	-	-	-	-	5,908
-	-	-	-	-	279,355
6,960	-	20,220	71,160	8,268	1,988,118
<u>6,960</u>	<u>-</u>	<u>20,220</u>	<u>71,160</u>	<u>8,268</u>	<u>16,583,393</u>
-	-	-	-	-	421,851
3,919	131	29,406	82,701	118,005	7,881,059
-	-	-	-	-	6,103,718
-	-	-	-	-	4,086,845
-	-	-	-	-	497,997
-	-	-	-	-	468,107
-	-	-	-	-	478,339
<u>3,919</u>	<u>131</u>	<u>29,406</u>	<u>82,701</u>	<u>118,005</u>	<u>19,937,916</u>
<u>3,041</u>	<u>(131)</u>	<u>(9,186)</u>	<u>(11,541)</u>	<u>(109,737)</u>	<u>(3,354,523)</u>
-	-	-	-	-	4,991,595
-	-	-	-	-	6,246,720
-	-	-	-	-	11,238,315
<u>3,041</u>	<u>(131)</u>	<u>(9,186)</u>	<u>(11,541)</u>	<u>(109,737)</u>	<u>7,883,792</u>
3,703	131	11,022	30,131	110,530	13,356,184
-	-	-	-	-	31,321
<u>3,703</u>	<u>131</u>	<u>11,022</u>	<u>30,131</u>	<u>110,530</u>	<u>13,387,505</u>
<u>\$ 6,744</u>	<u>\$ -</u>	<u>\$ 1,836</u>	<u>\$ 18,590</u>	<u>\$ 793</u>	<u>\$ 21,271,297</u>



Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Stormwater Management  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,118,633	\$ 1,118,633	\$ 1,481,078	\$ 362,445
Charges for services	34,404	34,404	33,436	(968)
Interest	17,500	17,500	23,954	6,454
Miscellaneous	-	-	2,862	2,862
Total revenues	<u>1,170,537</u>	<u>1,170,537</u>	<u>1,541,330</u>	<u>370,793</u>
<b>EXPENDITURES</b>				
Physical environment	6,455,495	7,470,014	6,018,466	1,451,548
Total expenditures	<u>6,455,495</u>	<u>7,470,014</u>	<u>6,018,466</u>	<u>1,451,548</u>
Excess (deficiency) of revenues over (under) expenditures	(5,284,958)	(6,299,477)	(4,477,136)	1,822,341
<b>OTHER FINANCING SOURCES</b>				
Transfers in	5,025,000	4,594,520	4,623,081	28,561
Total other financing sources (uses)	<u>5,025,000</u>	<u>4,594,520</u>	<u>4,623,081</u>	<u>28,561</u>
Net change in fund balance	(259,958)	(1,704,957)	145,945	1,850,902
Fund balance at beginning of year	<u>2,049,892</u>	<u>2,049,892</u>	<u>2,049,892</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,789,934</u>	<u>\$ 344,935</u>	<u>\$ 2,195,837</u>	<u>\$ 1,850,902</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Tourist Development  
Year Ended September 30, 2002

	Bugeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,932,550	\$ 4,932,550	\$ 5,287,860	\$ 355,310
Intergovernmental	2,000,000	2,000,000	1,937,227	(62,773)
Interest	68,400	68,400	113,629	45,229
Miscellaneous	38,995	38,995	159,033	120,038
Total revenues	<u>7,039,945</u>	<u>7,039,945</u>	<u>7,497,749</u>	<u>457,804</u>
<b>EXPENDITURES</b>				
Economic environment	4,055,335	4,100,602	4,086,845	13,757
Total expenditures	<u>4,055,335</u>	<u>4,100,602</u>	<u>4,086,845</u>	<u>13,757</u>
Excess of revenues over expenditures	2,984,610	2,939,343	3,410,904	471,561
Fund balance at beginning of year	<u>6,661,449</u>	<u>6,661,499</u>	<u>6,661,499</u>	<u>-</u>
Fund balance at end of year	<u>\$ 9,646,059</u>	<u>\$ 9,600,842</u>	<u>\$ 10,072,403</u>	<u>\$ 471,561</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Public Safety  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 631,400	\$ 631,400	\$ 759,018	\$ 127,618
Interest	10,400	10,400	13,841	3,441
Total revenues	<u>641,800</u>	<u>641,800</u>	<u>772,859</u>	<u>131,059</u>
<b>EXPENDITURES</b>				
Public safety	<u>880,876</u>	<u>918,088</u>	<u>774,247</u>	<u>143,841</u>
Total expenditures	<u>880,876</u>	<u>918,088</u>	<u>774,247</u>	<u>143,841</u>
Excess (deficiency) of revenues over (under) expenditures	(239,076)	(276,288)	(1,388)	274,900
Fund balance at beginning of year	<u>742,820</u>	<u>742,820</u>	<u>742,820</u>	<u>-</u>
Fund balance at end of year	<u>\$ 503,744</u>	<u>\$ 466,532</u>	<u>\$ 741,432</u>	<u>\$ 274,900</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Intergovernmental Radio Communications  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 545,313	\$ 557,388	\$ 595,981	\$ 38,593
Interest	42,000	42,000	14,397	(27,603)
Miscellaneous	894,588	894,828	1,546,017	651,189
Total revenues	<u>1,481,901</u>	<u>1,494,216</u>	<u>2,156,395</u>	<u>662,179</u>
<b>EXPENDITURES</b>				
Public safety	137,972	1,349,874	4,222,950	(2,873,076)
Debt service				
Principal	468,107	468,107	468,107	-
Interest	370,208	370,209	121,166	249,043
Total expenditures	<u>976,287</u>	<u>2,188,190</u>	<u>4,812,223</u>	<u>(2,624,033)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>505,614</u>	<u>(693,974)</u>	<u>(2,655,828)</u>	<u>(1,961,854)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	368,124	368,124	368,514	390
Proceeds from debt instruments	-	-	841,000	841,000
Total other financing sources (uses)	<u>368,124</u>	<u>368,124</u>	<u>1,209,514</u>	<u>841,390</u>
Net change in fund balance	873,738	(325,850)	(1,446,314)	(1,120,464)
Fund balance at beginning of year	<u>2,373,744</u>	<u>2,373,744</u>	<u>2,373,744</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,247,482</u>	<u>\$ 2,047,894</u>	<u>\$ 927,430</u>	<u>\$ (1,120,464)</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
District Mosquito Control  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 527,867	\$ 527,867	\$ 532,838	\$ 4,971
Intergovernmental	16,300	24,903	26,377	1,474
Interest	9,400	9,400	9,466	66
Miscellaneous	-	-	8,000	8,000
Total revenues	<u>553,567</u>	<u>562,170</u>	<u>576,681</u>	<u>14,511</u>
<b>EXPENDITURES</b>				
Human services	<u>524,941</u>	<u>542,836</u>	<u>497,997</u>	<u>44,839</u>
Total expenditures	<u>524,941</u>	<u>542,836</u>	<u>497,997</u>	<u>44,839</u>
Excess of revenues over expenditures	28,626	19,334	78,684	59,350
Fund balance at beginning of year	<u>294,823</u>	<u>294,823</u>	<u>294,823</u>	<u>-</u>
Fund balance at end of year	<u>\$ 323,449</u>	<u>\$ 314,157</u>	<u>\$ 373,507</u>	<u>\$ 59,350</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
MSTU Fire Protection  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,896,314	\$ 2,896,314	\$ 2,904,240	\$ 7,926
Intergovernmental	3,720	3,720	16,474	12,754
Charges for services	75,000	75,000	75,000	-
Interest	29,800	88,029	85,411	(2,618)
Miscellaneous	-	148,447	165,598	17,151
Total revenues	<u>3,004,834</u>	<u>3,211,510</u>	<u>3,246,723</u>	<u>35,213</u>
<b>EXPENDITURES</b>				
General government	-	4,905,327	87,704	4,817,623
Public safety	7,689,054	4,023,548	2,493,452	1,530,096
Debt service				
Principal	380,425	259,054	-	259,054
Interest	487,948	417,008	357,173	59,835
Total expenditures	<u>8,557,427</u>	<u>9,604,937</u>	<u>2,938,329</u>	<u>6,666,608</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,552,593)</u>	<u>(6,393,427)</u>	<u>308,394</u>	<u>6,701,821</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from debt instruments	<u>5,820,000</u>	<u>6,845,779</u>	<u>5,405,720</u>	<u>(1,440,059)</u>
Total other financing sources (uses)	<u>5,820,000</u>	<u>6,845,779</u>	<u>5,405,720</u>	<u>(1,440,059)</u>
Net change in fund balance	267,407	452,352	5,714,114	5,261,762
Fund balance at beginning of year	<u>141,592</u>	<u>141,592</u>	<u>141,592</u>	<u>-</u>
Fund balance at end of year	<u>\$ 408,999</u>	<u>\$ 593,944</u>	<u>\$ 5,855,706</u>	<u>\$ 5,261,762</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
MSBU Fund  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 6,400	\$ 6,400	\$ 5,908	\$ (492)
Interest	500	500	4,408	3,908
Total revenues	<u>6,900</u>	<u>6,900</u>	<u>10,316</u>	<u>3,416</u>
<b>EXPENDITURES</b>				
Physical environment	<u>71,000</u>	<u>85,400</u>	<u>85,252</u>	<u>148</u>
Total expenditures	<u>71,000</u>	<u>85,400</u>	<u>85,252</u>	<u>148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(64,100)</u>	<u>(78,500)</u>	<u>(74,936)</u>	<u>3,564</u>
Fund balance at beginning of year	89,937	89,937	89,937	-
Prior period adjustment	-	-	31,321	31,321
Fund balance at beginning of year (restated)	<u>89,937</u>	<u>89,937</u>	<u>121,258</u>	<u>31,321</u>
Fund balance at end of year	<u>\$ 25,837</u>	<u>\$ 11,437</u>	<u>\$ 46,322</u>	<u>\$ 34,885</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 government and to other government units, on a cost reimbursement basis.

Other Internal Services Fund – to account for the costs of providing a maintenance facility and other goods and services used by other departments.

Workers' Compensation Fund – to account for the costs of providing a workers compensation program for the payment of workers compensation claims.

Insurance Fund – to account for the costs of providing a self-insured program for the payment of general liability claims.



Bay County, Florida  
Combining Statement of Net Assets  
Internal Service Funds  
September 30, 2002

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 172,247	\$ 3,077,829	\$ 279,917	\$ 3,529,993
Accounts receivable	122,852	34,050	19	156,921
Prepaid expenses	-	50,000	23,205	73,205
Investments	-	-	15,261	15,261
Due from other funds	64,749	172	13,767	78,688
Total current assets	<u>359,848</u>	<u>3,162,051</u>	<u>332,169</u>	<u>3,854,068</u>
Total assets	<u>359,848</u>	<u>3,162,051</u>	<u>332,169</u>	<u>3,854,068</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	121,266	3,112,051	256,899	3,490,216
Due to other funds	<u>238,582</u>	<u>-</u>	<u>-</u>	<u>238,582</u>
Total current liabilities	<u>359,848</u>	<u>3,112,051</u>	<u>256,899</u>	<u>3,728,798</u>
Total liabilities	<u>359,848</u>	<u>3,112,051</u>	<u>256,899</u>	<u>3,728,798</u>
<b>NET ASSETS</b>				
Unrestricted	-	50,000	75,270	125,270
Total net assets	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 75,270</u>	<u>\$ 125,270</u>

Bay County, Florida  
Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Internal Service Funds  
Year Ended September 30, 2002

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,648,535	\$ 911,742	\$ 1,070,209	\$ 4,630,486
Miscellaneous	-	8,682	-	8,682
Total revenues	<u>2,648,535</u>	<u>920,424</u>	<u>1,070,209</u>	<u>4,639,168</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,183,846	82,737	36,883	1,303,466
Contracted services	168,925	25,354	305	194,584
Repairs and maintenance	66,704	580	1,457	68,741
Utilities	13,889	673	663	15,225
Materials	1,079,569	-	-	1,079,569
Insurance claims	-	64,127	1,029,266	1,093,393
Other operating expenses	130,063	814,395	9,320	953,778
Total operating expenses	<u>2,642,996</u>	<u>987,866</u>	<u>1,077,894</u>	<u>4,708,756</u>
Operating income (loss)	<u>5,539</u>	<u>(67,442)</u>	<u>(7,685)</u>	<u>(69,588)</u>
<b>NONOPERATING REVENUES</b>				
Interest income	82	66,784	7,540	74,406
Total nonoperating revenues	<u>82</u>	<u>66,784</u>	<u>7,540</u>	<u>74,406</u>
Income before transfers	<u>5,621</u>	<u>(658)</u>	<u>(145)</u>	<u>4,818</u>
<b>OPERATING TRANSFERS</b>				
Transfers in	-	658	145	803
Transfers out	(5,621)	-	-	(5,621)
Net operating transfers in (out)	<u>(5,621)</u>	<u>658</u>	<u>145</u>	<u>(4,818)</u>
Change in net assets	-	-	-	-
Total net assets at beginning of year	<u>-</u>	<u>50,000</u>	<u>75,270</u>	<u>125,270</u>
Total net assets at ending of year	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 75,270</u>	<u>\$ 125,270</u>

Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2002

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,564,163	\$ 877,520	\$ 1,078,567	\$ 4,520,250
Cash received from miscellaneous operating activities	-	8,682	-	8,682
Cash paid to suppliers for goods and services	(1,484,974)	(466,651)	(992,038)	(2,943,663)
Cash paid to employees for services	(918,196)	(64,068)	(32,088)	(1,014,352)
Net cash provided by operating activities	<u>160,993</u>	<u>355,483</u>	<u>54,441</u>	<u>570,917</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating transfers in	-	658	145	803
Operating transfers out	(5,621)	-	-	(5,621)
Net cash provided by (used in) noncapital and related financing activities	<u>(5,621)</u>	<u>658</u>	<u>145</u>	<u>(4,818)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale and maturities of investment securities	15,960	2,649,500	217,317	2,882,777
Interest and dividends on investments	82	66,784	7,540	74,406
Net cash provided by investing activities	<u>16,042</u>	<u>2,716,284</u>	<u>224,857</u>	<u>2,957,183</u>
Net increase in cash and cash equivalents	171,414	3,072,425	279,443	3,523,282
Cash and cash equivalents at beginning of year	<u>833</u>	<u>5,404</u>	<u>474</u>	<u>6,711</u>
Cash and cash equivalents at end of year	<u>\$ 172,247</u>	<u>\$ 3,077,829</u>	<u>\$ 279,917</u>	<u>\$ 3,529,993</u>

Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2002

	<u>Other Internal Services</u>	<u>Workers' Compensation</u>	<u>Insurance</u>	<u>Total</u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS)</b>				
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 5,539	\$ (67,442)	\$ (7,685)	\$ (69,588)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation				
(Increase) decrease in assets				
Accounts receivable	(22,463)	(34,050)	22,126	(34,387)
Prepaid items	-	-	52,065	52,065
Due from other funds	(61,908)	(172)	(13,767)	(75,847)
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	1,243	457,147	1,702	460,092
Due to other funds	238,582	-	-	238,582
Total adjustments	155,454	422,925	62,126	640,505
Net cash provided by operating activities	<u>\$ 160,993</u>	<u>\$ 355,483</u>	<u>\$ 54,441</u>	<u>\$ 570,917</u>

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## Fiduciary Funds

### Agency Funds

Fines and Forfeitures – To account for funds collected and disbursed pursuant to statutes, administrative orders and ordinances.

Jury and Witness – This fund accounts for the receipt and disbursement of funds to jurors and witnesses on behalf of county and state agencies.

Tax Deed Assets – To account for the collections and disbursements related to property foreclosures.

Support – To account for the collection of child support payments, which are disbursed to the State Depository Unit (SDU).

Court Registry – This fund accounts for the collection and disbursement of deposits required by circuit and county court legal actions.

Cash Bond – Accounts for funds received from defendants of criminal and civil arrests required to assure that the defendant would meet the requirement to appear in court. Disposition of these bond funds is made as ordered by the court.

Restitution – To account for the collections and disbursements related to court ordered restitution.

Doc Stamps – To account for the collection of recording fees that are remitted to the State Department of Revenue.

Intangible Tax – To account for the collection of recording fees that are remitted to the State Department of Revenue.

Court Construction – To account for fees collected pursuant to Florida Statute 939.18 to be used for court construction.

Property Tax Fund – To account for the assets held by the Tax Collector as an agent for individuals, private organizations and other governments.

Tax Certificate – To account for collection and disbursement of funds from the sale of tax certificates.

Tag – This fund accounts for the receipt and distribution of collections such as vehicle tags, titles, sales tax and registration fees on behalf of various state agencies.

Other Suspense – Accounts for the receipt and disbursement of funds received from various sources such as purges from child support, transportation restitution, miscellaneous contracts, proceeds from court-ordered sale of abandoned property, etc. Disbursement of these funds is made in accordance with the purpose of the receipt.

Individual Depositors – Accounts for fees charged for the service of process in civil cases.

**Bay County, Florida**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended September 30, 2002**

	<u>Fines and Forfeitures</u>	<u>Jury and Witness</u>	<u>Tax Deed Assets</u>	<u>Support</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 388,964	\$ 7,387	\$ 40,899	\$ 5,123
Accounts Receivable	-	-	-	-
Investments	-	-	-	-
Total Assets	<u>\$ 388,964</u>	<u>\$ 7,387</u>	<u>\$ 40,899</u>	<u>\$ 5,123</u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Liabilities	-	-	40,899	5,123
Due to Other Governments	388,964	7,387	-	-
Total Liabilities	<u>\$ 388,964</u>	<u>\$ 7,387</u>	<u>\$ 40,899</u>	<u>\$ 5,123</u>

**Bay County, Florida**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended September 30, 2002**

	<u>Court Registry</u>	<u>Cash Bond</u>	<u>Restitution</u>	<u>Doc Stamps</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,723,048	\$ 294,386	\$ 20,080	\$ 273,227
Accounts Receivable	-	-	-	-
Investments	-	-	-	-
<b>Total Assets</b>	<u><u>\$ 1,723,048</u></u>	<u><u>\$ 294,386</u></u>	<u><u>\$ 20,080</u></u>	<u><u>\$ 273,227</u></u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Liabilities	1,723,048	-	4,948	-
Due to Other Governments	-	294,386	15,132	273,227
<b>Total Liabilities</b>	<u><u>\$ 1,723,048</u></u>	<u><u>\$ 294,386</u></u>	<u><u>\$ 20,080</u></u>	<u><u>\$ 273,227</u></u>



**Bay County, Florida**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended September 30, 2002**

	<u>Intangible Tax</u>	<u>Court Construction</u>	<u>Property Tax Fund</u>	<u>Tax Certificate</u>
<b>COMBINED TOTALS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 243,703	\$ 29,221	\$ 221,027	\$ 750
Accounts Receivable	-	-	-	-
Investments	-	-	669,698	-
Total Assets	<u>\$ 243,703</u>	<u>\$ 29,221</u>	<u>\$ 890,725</u>	<u>\$ 750</u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Liabilities	-	-	-	750
Due to Other Governments	243,703	29,221	890,725	-
Total Liabilities	<u>\$ 243,703</u>	<u>\$ 29,221</u>	<u>\$ 890,725</u>	<u>\$ 750</u>

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
Year Ended September 30, 2002

	<u>Tag</u>	<u>Other Suspense</u>	<u>Individual Depositors</u>	<u>Total</u>
<b>COMBINED TOTALS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,941	\$ 3,249,756
Accounts Receivable	14,443	-	-	14,443
Investments	-	-	-	669,698
Total Assets	<u>\$ 14,443</u>	<u>\$ -</u>	<u>\$ 1,941</u>	<u>\$ 3,933,897</u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ 11,540	-	-	\$ 11,540
Accounts Payable and Accrued Liabilities	-	-	1,941	1,776,709
Due to Other Governments	2,903	-	-	2,145,648
Total Liabilities	<u>\$ 14,443</u>	<u>\$ -</u>	<u>\$ 1,941</u>	<u>\$ 3,933,897</u>

**Bay County, Florida**  
 Combining Statement of Changes in Assets and Liabilities  
 Fiduciary Funds  
 Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>FINES AND FORFEITURES</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 395,109	\$ 4,878,039	\$ 4,884,184	\$ 388,964
Total Assets	<u>\$ 395,109</u>	<u>\$ 4,878,039</u>	<u>\$ 4,884,184</u>	<u>\$ 388,964</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 395,109	\$ 4,878,039	\$ 4,884,184	\$ 388,964
Total Liabilities	<u>\$ 395,109</u>	<u>\$ 4,878,039</u>	<u>\$ 4,884,184</u>	<u>\$ 388,964</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 19,961	\$ 37,781	\$ 50,355	\$ 7,387
Total Assets	<u>\$ 19,961</u>	<u>\$ 37,781</u>	<u>\$ 50,355</u>	<u>\$ 7,387</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 19,961	\$ 37,781	\$ 50,355	\$ 7,387
Total Liabilities	<u>\$ 19,961</u>	<u>\$ 37,781</u>	<u>\$ 50,355</u>	<u>\$ 7,387</u>
<b>TAX DEED</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 29,457	\$ 288,099	\$ 276,657	\$ 40,899
Total Assets	<u>\$ 29,457</u>	<u>\$ 288,099</u>	<u>\$ 276,657</u>	<u>\$ 40,899</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 29,457	\$ 288,099	\$ 276,657	\$ 40,899
Total Liabilities	<u>\$ 29,457</u>	<u>\$ 288,099</u>	<u>\$ 276,657</u>	<u>\$ 40,899</u>

**Bay County, Florida**  
 Combining Statement of Changes in Assets and Liabilities  
 Fiduciary Funds  
 Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,552	\$ 775,205	\$ 778,634	\$ 5,123
Total Assets	<u>\$ 8,552</u>	<u>\$ 775,205</u>	<u>\$ 778,634</u>	<u>\$ 5,123</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 8,552	\$ 775,205	\$ 778,634	\$ 5,123
Total Liabilities	<u>\$ 8,552</u>	<u>\$ 775,205</u>	<u>\$ 778,634</u>	<u>\$ 5,123</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 915,277	\$ 16,359,476	\$ 15,551,705	\$ 1,723,048
Total Assets	<u>\$ 915,277</u>	<u>\$ 16,359,476</u>	<u>\$ 15,551,705</u>	<u>\$ 1,723,048</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 915,277	\$ 16,359,476	\$ 15,551,705	\$ 1,723,048
Total Liabilities	<u>\$ 915,277</u>	<u>\$ 16,359,476</u>	<u>\$ 15,551,705</u>	<u>\$ 1,723,048</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 601,826	\$ 1,104,343	\$ 1,411,783	\$ 294,386
Total Assets	<u>\$ 601,826</u>	<u>\$ 1,104,343</u>	<u>\$ 1,411,783</u>	<u>\$ 294,386</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 601,826	\$ 1,104,343	\$ 1,411,783	\$ 294,386
Total Liabilities	<u>\$ 601,826</u>	<u>\$ 1,104,343</u>	<u>\$ 1,411,783</u>	<u>\$ 294,386</u>

**Bay County, Florida**  
**Combining Statement of Changes in Assets and Liabilities**  
**Fiduciary Funds**  
**Year Ended September 30, 2002**

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 20,094	\$ 456,539	\$ 456,553	\$ 20,080
Total Assets	<u>\$ 20,094</u>	<u>\$ 456,539</u>	<u>\$ 456,553</u>	<u>\$ 20,080</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 4,962	\$ 456,539	\$ 456,553	\$ 4,948
Due to Other Governments	15,132	-	-	15,132
Total Liabilities	<u>\$ 20,094</u>	<u>\$ 456,539</u>	<u>\$ 456,553</u>	<u>\$ 20,080</u>
<b>DOC STAMPS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 172,689	\$ 11,901,119	\$ 11,800,581	\$ 273,227
Total Assets	<u>\$ 172,689</u>	<u>\$ 11,901,119</u>	<u>\$ 11,800,581</u>	<u>\$ 273,227</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 172,689	\$ 11,901,119	\$ 11,800,581	\$ 273,227
Total Liabilities	<u>\$ 172,689</u>	<u>\$ 11,901,119</u>	<u>\$ 11,800,581</u>	<u>\$ 273,227</u>
<b>INTANGIBLE TAX</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 154,142	\$ 2,668,095	\$ 2,578,534	\$ 243,703
Total Assets	<u>\$ 154,142</u>	<u>\$ 2,668,095</u>	<u>\$ 2,578,534</u>	<u>\$ 243,703</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 154,142	\$ 2,668,095	\$ 2,578,534	\$ 243,703
Total Liabilities	<u>\$ 154,142</u>	<u>\$ 2,668,095</u>	<u>\$ 2,578,534</u>	<u>\$ 243,703</u>

**Bay County, Florida**  
 Combining Statement of Changes in Assets and Liabilities  
 Fiduciary Funds  
 Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>COURT CONSTRUCTION</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 30,175	\$ 464,654	\$ 465,608	\$ 29,221
Total Assets	<u>\$ 30,175</u>	<u>\$ 464,654</u>	<u>\$ 465,608</u>	<u>\$ 29,221</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 30,175	\$ 464,654	\$ 465,608	\$ 29,221
Total Liabilities	<u>\$ 30,175</u>	<u>\$ 464,654</u>	<u>\$ 465,608</u>	<u>\$ 29,221</u>
<b>PROPERTY TAX FUND</b>				
<b>ASSETS</b>				
Cash	\$ 56,585	\$ 4,482,672	\$ 4,318,230	\$ 221,027
Investments	698,310	100,685,640	100,714,252	669,698
Total Assets	<u>\$ 754,895</u>	<u>\$ 105,168,312</u>	<u>\$ 105,032,482</u>	<u>\$ 890,725</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 754,895	\$ 105,013,053	\$ 104,877,223	\$ 890,725
Total Liabilities	<u>\$ 754,895</u>	<u>\$ 105,013,053</u>	<u>\$ 104,877,223</u>	<u>\$ 890,725</u>
<b>TAX CERTIFICATE FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,905	\$ 4,387,084	\$ 4,391,239	\$ 750
Accounts Receivable	945	8,259	9,204	-
Total Assets	<u>\$ 5,850</u>	<u>\$ 4,395,343</u>	<u>\$ 4,400,443</u>	<u>\$ 750</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,850	\$ 17,700	\$ 22,800	\$ 750
Due to Other Governments	-	416,316	416,316	-
Total Liabilities	<u>\$ 5,850</u>	<u>\$ 434,016</u>	<u>\$ 439,116</u>	<u>\$ 750</u>

**Bay County, Florida**  
 Combining Statement of Changes in Assets and Liabilities  
 Fiduciary Funds  
 Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>TAG FUND</b>				
<b>ASSETS</b>				
Accounts Receivable	\$ 15,661	\$ 233,290	\$ 234,508	\$ 14,443
Total Assets	<u>\$ 15,661</u>	<u>\$ 233,290</u>	<u>\$ 234,508</u>	<u>\$ 14,443</u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ 15,661	\$ 16,637,656	\$ 16,641,777	\$ 11,540
Due to Other Governments	-	15,409,749	15,406,846	2,903
Total Liabilities	<u>\$ 15,661</u>	<u>\$ 32,047,405</u>	<u>\$ 32,048,623</u>	<u>\$ 14,443</u>
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash	\$ -	\$ 47,317	\$ 47,317	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 47,317</u>	<u>\$ 47,317</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ -	\$ 47,317	\$ 47,317	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 47,317</u>	<u>\$ 47,317</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash	\$ 2,071	\$ 270,186	\$ 270,316	\$ 1,941
Total Assets	<u>\$ 2,071</u>	<u>\$ 270,186</u>	<u>\$ 270,316</u>	<u>\$ 1,941</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,071	\$ 270,186	\$ 270,316	\$ 1,941
Total Liabilities	<u>\$ 2,071</u>	<u>\$ 270,186</u>	<u>\$ 270,316</u>	<u>\$ 1,941</u>

**Bay County, Florida**  
 Combining Statement of Changes in Assets and Liabilities  
 Fiduciary Funds  
 Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>COMBINED TOTALS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,410,843	\$ 48,120,609	\$ 47,281,696	\$ 3,249,756
Accounts Receivable	16,606	241,549	243,712	14,443
Investments	698,310	100,685,640	100,714,252	669,698
Total Assets	<u>\$ 3,125,759</u>	<u>\$ 149,047,798</u>	<u>\$ 148,239,660</u>	<u>\$ 3,933,897</u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ 15,661	\$ 16,637,656	\$ 16,641,777	\$ 11,540
Accounts Payable and Accrued Liabilities	966,169	18,167,205	17,356,665	1,776,709
Due to Other Governments	2,143,929	141,940,466	141,938,747	2,145,648
Total Liabilities	<u>\$ 3,125,759</u>	<u>\$ 176,745,327</u>	<u>\$ 175,937,189</u>	<u>\$ 3,933,897</u>



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**CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENT FUNDS**

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Bay County, Florida  
Capital Assets Used in the Operation of Governmental Funds  
Schedule By Source  
September 30, 2002

Governmental funds capital assets	
Land	\$ 10,226,243
Buildings and improvements	34,349,347
Furniture and equipment	29,759,464
Infrastructure	37,904,218
Construction in process	<u>2,515,252</u>
Total governmental funds capital assets	<u>\$ 114,754,524</u>
Investment in governmental funds capital assets by source	
General fund	\$ 56,503,796
Special revenue fund	56,666,283
Capital projects fund	<u>1,584,445</u>
Total governmental funds capital assets by source	<u>\$ 114,754,524</u>

Bay County, Florida  
Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
September 30, 2002

Page 1 of 2

Function/Activity	Land	Buildings and Improvements	Furniture and Equipment	Infrastructure	Construction in Process	Totals
<b>General Government</b>						
Board of County Commissioners	\$ 5,128,278	\$ 17,471,555	\$ 34,378	\$ -	\$ 2,067,149	\$ 24,701,360
County Administrator	-	-	64,112	-	-	64,112
Clerk of Circuit Court	-	263,546	1,358,757	-	-	1,622,303
Property Appraiser	-	-	522,098	-	-	522,098
Tax Collector	-	142,856	302,762	-	-	445,618
Supervisor of Elections	-	-	518,411	-	-	518,411
Courthouse	-	293,063	-	-	40,623	333,686
Circuit Court	-	-	518,689	-	-	518,689
State Attorney	-	-	9,772	-	-	9,772
Public Defender	-	-	8,373	-	-	8,373
Laboratory	-	62,594	67,601	-	-	130,195
Maintenance	-	81,532	257,724	-	-	339,256
Information Services	-	-	135,780	-	-	135,780
Risk Management	-	-	6,022	-	-	6,022
Workers Compensation	-	-	2,152	-	-	2,152
Insurance	-	-	13,209	-	-	13,209
Planning	-	-	61,427	-	-	61,427
Purchasing	-	278,392	17,833	-	-	296,225
Management and Budget	-	-	18,481	-	-	18,481
Total General Government	5,128,278	18,593,538	3,917,581	-	2,107,772	29,747,169
<b>Public Safety</b>						
Sheriff	40,000	6,250,447	7,938,781	-	-	14,229,228
Fire Control	444,000	230,597	5,505,960	-	407,480	6,588,037
Animal Control	-	-	130,973	-	-	130,973
Public Safety	453,962	2,860,946	359,491	-	-	3,674,399
Total Public Safety	937,962	9,341,990	13,935,205	-	407,480	24,622,637
<b>Physical Environment</b>						
Engineering Department	-	-	387,313	-	-	387,313
Mosquito Control	-	444,929	261,163	-	-	706,092
Extension Service	-	-	11,291	-	-	11,291
Total Physical Environment	-	444,929	659,767	-	-	1,104,696
<b>Transportation</b>						
Traffic Control	-	-	579,422	-	-	579,422
Road Department	1,130,950	-	8,152,129	-	-	9,283,079
Total Transportation	1,130,950	-	8,731,551	-	-	9,862,501

Bay County, Florida  
Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
September 30, 2002

Page 2 of 2

Function/Activity	Land	Buildings and Improvements	Furniture and Equipment	Infrastructure	Construction in Process	Totals
Economic Environment						
Veterans Services	-	-	26,419	-	-	26,419
Tourist Development Council	-	812,413	217,690	-	-	1,030,103
Total Economic Environment	-	812,413	244,109	-	-	1,056,522
Human Services						
Health Department	240,000	-	831,141	-	-	1,071,141
Medical Examiner	132,500	281,466	131,422	-	-	545,388
Guardian Ad Litem	-	-	948	-	-	948
Emergency Management	-	-	420,241	143,141	-	563,382
G. I. S.	-	-	66,043	-	-	66,043
Total Human Services	372,500	281,466	1,449,795	143,141	-	2,246,902
Culture/Recreation						
Parks and Recreation	2,457,509	4,875,011	817,647	-	-	8,150,167
Library	-	-	-	-	-	-
Total Culture/Recreation	2,457,509	4,875,011	817,647	-	-	8,150,167
Roads and Bridges						
Total Roads and Bridges	-	-	-	1,864,150	-	1,864,150
Storm Water						
Total Storm Water	159,644	-	-	1,335,146	-	1,494,790
Beach Renourishment						
Total Beach Renourishment	-	-	-	25,729,515	-	25,729,515
Intergovernmental Radio						
Total Intergovernmental Radio	39,400	-	3,809	8,832,266	-	8,875,475
Total Capital Assets	\$ 10,226,243	\$ 34,349,347	\$ 29,759,464	\$ 37,904,218	\$ 2,515,252	\$ 114,754,524

Bay County, Florida  
Capital Assets Used in Operation of Governmental Funds  
Schedule of Changes by Function and Activity  
Year Ended September 30, 2002

Page 1 of 2

Function/Activity	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>General Government</b>				
Board of County Commissioners	\$ 24,726,410	\$ 3,014,095	\$ 3,039,145	\$ 24,701,360
County Administrator	111,719	3,602	51,209	64,112
Clerk of Circuit Court	2,085,804	239,362	702,863	1,622,303
Property Appraiser	492,544	29,554	-	522,098
Tax Collector	326,001	153,213	33,596	445,618
Supervisor of Elections	486,980	390,434	359,003	518,411
Courthouse	354,578	81,134	102,026	333,686
Circuit Court	429,771	88,918	-	518,689
State Attorney	9,772	-	-	9,772
Public Defender	8,373	-	-	8,373
Laboratory	55,640	74,555	-	130,195
Maintenance	256,732	86,655	4,131	339,256
Information Services	119,151	16,629	-	135,780
Risk Management	6,022	-	-	6,022
Workers Compensation	458	1,694	-	2,152
Insurance	13,209	-	-	13,209
Planning	65,672	5,319	9,564	61,427
Purchasing	13,558	282,667	-	296,225
Management and Budget	18,481	-	-	18,481
<b>Total General Government</b>	<b>29,580,875</b>	<b>4,467,831</b>	<b>4,301,537</b>	<b>29,747,169</b>
<b>Public Safety</b>				
Sheriff	16,113,951	1,693,808	3,578,531	14,229,228
Fire Control	5,912,727	953,058	277,748	6,588,037
Building Department	423,203	-	423,203	-
Animal Control	115,630	15,343	-	130,973
Public Safety	3,965,480	577,651	868,732	3,674,399
<b>Total Public Safety</b>	<b>26,530,991</b>	<b>3,239,860</b>	<b>5,148,214</b>	<b>24,622,637</b>
<b>Physical Environment</b>				
Engineering Department	361,098	43,019	16,804	387,313
Mosquito Control	667,817	73,035	34,760	706,092
Extension Service	7,614	3,677	-	11,291
Environmental Public Service	2,301	-	2,301	-
<b>Total Physical Environment</b>	<b>1,038,830</b>	<b>119,731</b>	<b>53,865</b>	<b>1,104,696</b>
<b>Transportation</b>				
Traffic Control	496,352	149,667	66,597	579,422
Road Department	7,884,714	1,559,840	161,475	9,283,079
<b>Total Transportation</b>	<b>8,381,066</b>	<b>1,709,507</b>	<b>228,072</b>	<b>9,862,501</b>

Bay County, Florida  
Capital Assets Used in Operation of Governmental Funds  
Schedule of Changes by Function and Activity  
Year Ended September 30, 2002

Page 2 of 2

Function/Activity	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
Economic Environment				
Veterans Services	26,419	-	-	26,419
Tourist Development Council	1,892,129	33,571	895,597	1,030,103
Total Economic Environment	1,918,548	33,571	895,597	1,056,522
Human Services				
Health Department	965,223	149,843	43,925	1,071,141
Medical Examiner	519,164	26,224	-	545,388
Guardian Ad Litem	948	-	-	948
Emergency Management	563,382	-	-	563,382
G. I. S.	41,247	24,796	-	66,043
Total Human Services	2,089,964	200,863	43,925	2,246,902
Culture/Recreation				
Parks and Recreation	8,714,468	3,124,009	3,688,310	8,150,167
Library	75,625	-	75,625	-
Total Culture/Recreation	8,790,093	3,124,009	3,763,935	8,150,167
Roads and Bridges				
Total Roads and Bridges	-	1,864,150	-	1,864,150
Storm Water				
Total Storm Water	-	1,494,790	-	1,494,790
Beach Renourishment				
Total Beach Renourishment	-	25,729,515	-	25,729,515
Intergovernmental Radio				
Total Intergovernmental Radio	-	8,875,475	-	8,875,475
Total Capital Assets	\$ 78,330,367	\$ 50,859,302	\$ 14,435,145	\$ 114,754,524



# STATISTICAL SECTION

TABLE 1

**BAY COUNTY, FLORIDA  
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION(1)  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<u>FISCAL YEAR</u>	<u>TOTAL EXPENDITURES</u>	<u>GENERAL GOVERNMENT</u>		<u>PUBLIC SAFETY</u>		<u>PHYSICAL ENVIRONMENT</u>		<u>TRANSPORTATION</u>		<u>ECONOMIC ENVIRONMENT</u>		<u>HUMAN SERVICES</u>		<u>CULTURE/ RECREATION</u>		<u>DEBT SERVICE</u>	
1993	\$45,447,909	\$9,474,262	21%	\$16,668,609	37%	\$3,996,194	9%	\$7,501,253	17%	\$2,370,367	5%	\$2,882,547	6%	\$1,420,149	3%	\$1,134,528	2%
1994	\$50,416,341	\$10,534,290	21%	\$18,366,721	36%	\$5,044,485	10%	\$8,504,147	17%	\$2,587,704	5%	\$2,104,429	4%	\$1,432,705	3%	\$1,841,860	4%
1995	\$55,350,379	\$11,432,844	21%	\$20,596,184	37%	\$10,126,384	18%	\$5,134,884	9%	\$2,524,863	5%	\$2,283,724	4%	\$1,525,791	3%	\$1,725,705	3%
1996	\$67,407,524	\$12,248,416	18%	\$28,317,416	42%	\$10,415,098	15%	\$8,230,740	12%	\$2,584,813	4%	\$2,243,398	3%	\$1,634,088	2%	\$1,733,555	3%
1997	\$58,228,953	\$12,652,912	22%	\$22,437,438	39%	\$7,514,879	13%	\$6,115,030	11%	\$3,815,524	7%	\$2,002,408	3%	\$1,668,549	3%	\$2,022,213	3%
1998	\$68,288,878	\$13,796,103	20%	\$25,973,766	38%	\$6,359,626	9%	\$8,424,582	12%	\$6,499,423	10%	\$2,067,083	3%	\$2,480,239	4%	\$2,688,056	4%
1999	\$89,378,011	\$14,129,480	16%	\$30,429,036	34%	\$7,740,366	9%	\$8,079,827	9%	\$21,020,132	24%	\$2,222,626	2%	\$2,992,396	3%	\$2,764,148	3%
2000	\$78,212,651	\$14,607,580	19%	\$29,233,439	37%	\$7,853,591	10%	\$7,982,383	10%	\$8,540,631	11%	\$2,704,771	3%	\$4,559,110	6%	\$2,731,146	4%
2001	\$83,161,303	\$16,272,499	20%	\$36,541,283	44%	\$7,570,670	9%	\$8,880,461	11%	\$4,514,142	5%	\$2,777,735	3%	\$2,862,306	3%	\$3,742,207	5%
2002	\$87,713,998	\$21,935,227	25%	\$33,874,652	39%	\$6,233,986	7%	\$9,485,411	11%	\$6,237,736	7%	\$2,932,120	3%	\$2,918,689	3%	\$4,096,177	5%

(1) Includes expenditures of the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Fund.

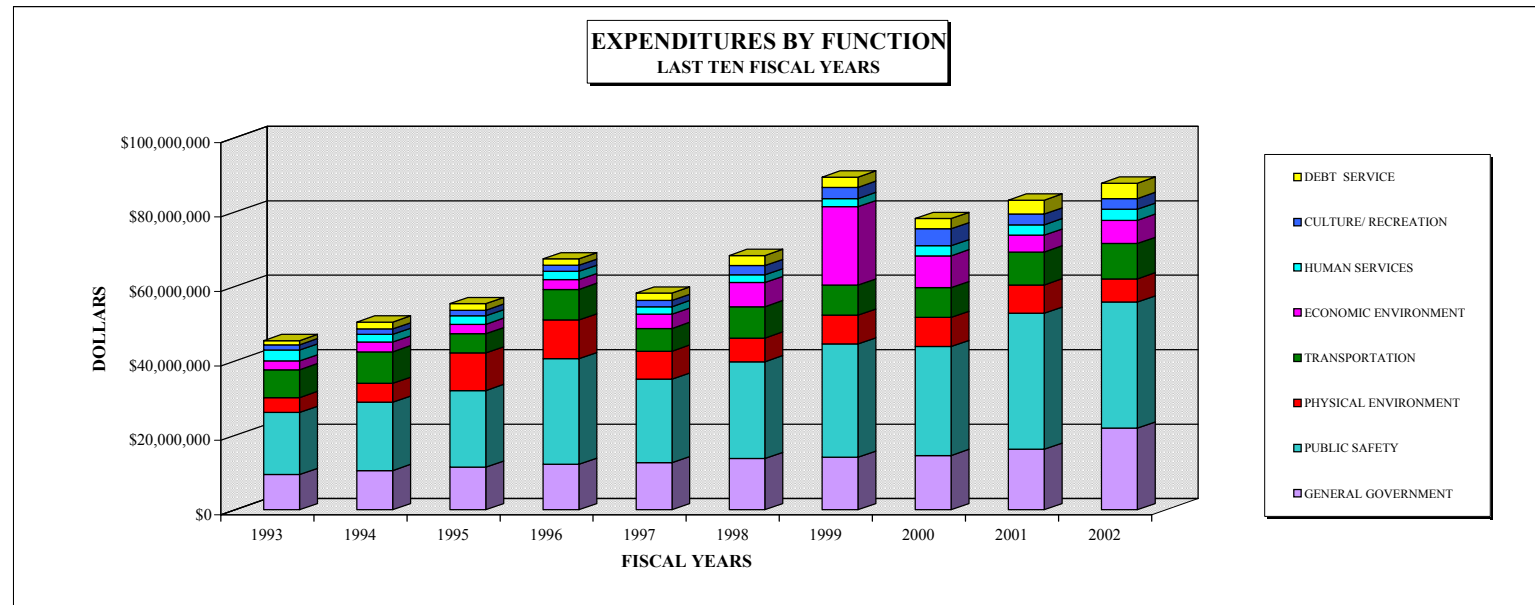


TABLE 2

**BAY COUNTY, FLORIDA  
GENERAL GOVERNMENT REVENUES BY SOURCE(1)  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<b>FISCAL YEAR</b>	<b>TOTAL REVENUE</b>	<b>TAXES</b>		<b>LICENSES AND PERMITS</b>		<b>INTERGOVERNMENTAL REVENUE</b>		<b>CHARGES FOR SERVICES</b>		<b>FINES AND FORFEITURES</b>		<b>SPECIAL ASSESSMENTS</b>		<b>INTEREST</b>		<b>MISCELLANEOUS</b>	
1993	\$47,306,012	\$23,455,255	50%	\$799,034	2%	\$14,686,673	30%	\$5,901,836	12%	\$914,487	2%	\$282,182	<1%	\$913,595	2%	\$352,950	1%
1994	\$57,083,600	\$30,977,000	54%	\$843,021	1%	\$16,666,010	29%	\$6,316,949	11%	\$1,161,363	2%	\$148,568	<1%	\$639,721	1%	\$330,968	1%
1995	\$57,422,215	\$27,528,216	48%	\$872,480	2%	\$17,869,927	30%	\$7,090,604	12%	\$1,173,545	2%	\$135,700	<1%	\$2,374,243	4%	\$377,500	1%
1996	\$61,780,768	\$27,159,956	43%	\$1,059,649	2%	\$21,612,087	35%	\$8,146,304	13%	\$1,405,693	2%	\$78,693	<1%	\$1,887,581	3%	\$430,805	1%
1997	\$61,374,241	\$28,760,603	47%	\$960,114	2%	\$19,437,768	31%	\$7,685,789	12%	\$1,257,900	2%	\$149,506	<1%	\$2,053,556	3%	\$1,069,005	2%
1998	\$68,786,226	\$34,527,355	50%	\$997,871	1%	\$20,304,213	29%	\$8,773,005	13%	\$1,075,326	2%	\$219,877	<1%	\$2,091,864	3%	\$796,715	1%
1999	\$88,969,664	\$37,535,296	42%	\$1,128,926	1%	\$37,497,650	42%	\$9,139,134	10%	\$1,069,897	1%	\$48,735	<1%	\$1,717,512	2%	\$832,514	<1%
2000	\$79,661,527	\$41,874,066	53%	\$1,214,223	2%	\$22,912,689	29%	\$9,073,445	11%	\$1,032,240	1%	\$282,566	<1%	\$2,253,882	3%	\$1,018,416	1%
2001	\$82,419,583	\$44,125,521	54%	\$1,026,313	1%	\$22,060,311	26%	\$10,738,073	13%	\$919,083	1%	\$303,668	<1%	\$2,251,802	3%	\$994,812	1%
2002	\$91,667,845	\$48,969,611	53%	\$3,617,158	4%	\$22,285,905	24%	\$10,278,906	11%	\$927,851	1%	\$684,320	<1%	\$3,023,424	4%	\$1,880,670	2%

C-2

(1) Includes revenues of the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Fund.

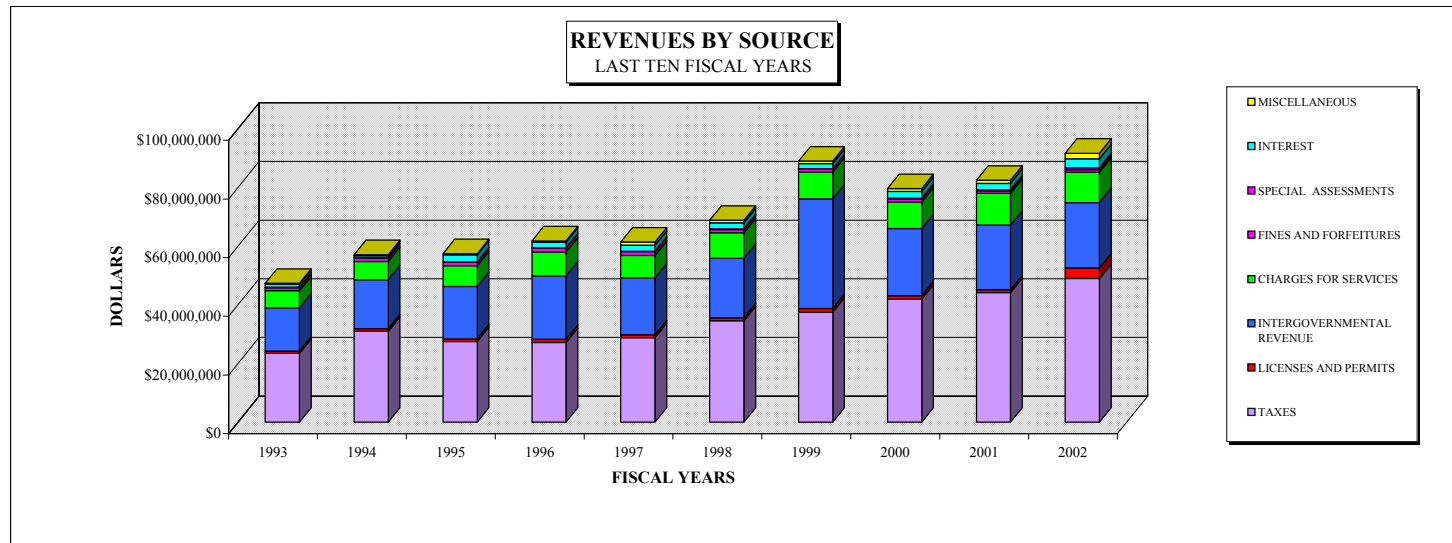


TABLE 3

**BAY COUNTY, FLORIDA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<b>FISCAL YEAR</b>	<b>TOTAL TAX LEVY (1)</b>	<b>TAX COLLECTIONS(2)</b>	<b>PERCENT OF LEVY COLLECTED</b>
1993	\$54,116,144	\$51,728,531	96%
1994	\$55,626,288	\$53,513,853	96%
1995	\$62,095,769	\$59,891,526	96%
1996	\$66,876,928	\$64,548,405	97%
1997	\$73,898,182	\$70,942,255	96%
1998	\$73,992,595	\$70,910,368	96%
1999	\$79,027,496	\$75,858,314	96%
2000	\$86,309,925	\$83,143,601	96%
2001	\$90,563,069	\$87,164,412	96%
2002	\$99,015,005	\$95,216,045	96%

*Source: Bay County Tax Collector's Office*

(1) Tax levies are funds for County and Special District purposes; municipal levies are excluded.

(2) Property taxes become due and payable on November 1 of each year. A four percent discount is allowed if the taxes are paid in November with the discount declining each month thereafter. Accordingly, taxes collected will not be 100% of the tax levy. Taxes become delinquent on April 1 each year and tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1 of each year. Any proceeds of tax certificates are included in this column.

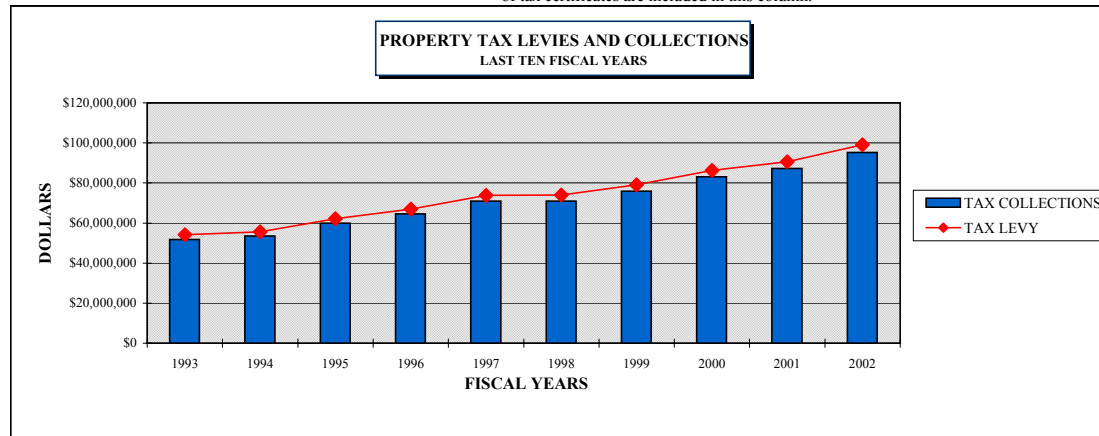


TABLE 4

**BAY COUNTY, FLORIDA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(IN THOUSANDS OF DOLLARS)**  
**(UNAUDITED)**

<b>FISCAL YEARS</b>	<b>REAL PROPERTY ASSESSED VALUE</b>	<b>REAL PROPERTY ESTIMATED ACTUAL VALUE</b>	<b>PERSONAL PROPERTY ASSESSED VALUE</b>	<b>PERSONAL PROPERTY ESTIMATED ACTUAL VALUE</b>	<b>CENTRALLY ASSESSED VALUE</b>	<b>TOTAL ASSESSED VALUE</b>	<b>ESTIMATED ACTUAL VALUE</b>	<b>RATIO OF TOTAL ASSESSED VALUE TO TOTAL ESTIMATED ACTUAL VALUE</b>
1993	\$3,308,180	\$5,642,097	\$558,319	\$924,931	\$7,067	\$3,873,566	\$6,574,095	58.92%
1994	\$3,400,832	\$5,781,128	\$579,962	\$952,633	\$15,936	\$3,996,730	\$6,749,697	59.21%
1995	\$3,599,983	\$6,019,973	\$625,569	\$1,012,683	\$10,527	\$4,236,079	\$7,043,183	60.14%
1996	\$3,653,357	\$6,117,389	\$662,851	\$1,099,951	\$10,444	\$4,326,653	\$7,227,784	59.86%
1997	\$4,028,180	\$6,526,656	\$697,168	\$1,192,078	\$9,084	\$4,734,432	\$7,727,818	61.26%
1998	\$4,335,327	\$3,875,320	\$742,896	\$1,281,557	\$10,578	\$5,088,801	\$8,167,455	62.31%
1999	\$4,847,077	\$7,541,464	\$734,153	\$1,333,077	\$10,206	\$5,591,436	\$8,884,747	62.93%
2000	\$5,189,691	\$7,860,767	\$781,984	\$1,319,395	\$11,175	\$5,982,852	\$9,191,338	65.09%
2001	\$5,772,706	\$8,659,204	\$821,660	\$1,394,849	\$10,332	\$6,604,699	\$10,064,385	65.62%
2002	\$6,240,041	\$9,157,180	\$846,415	\$1,446,838	\$9,800	\$7,096,256	\$10,613,817	66.86%

*Source: Property Appraiser's Office*

TABLE 5

**BAY COUNTY, FLORIDA  
PROPERTY TAX RATES(1)  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b><u>COUNTY-WIDE MILLAGES:</u></b>										
General County	5.5020	5.5020	5.5020	5.5020	5.5020	5.5020	5.5020	5.5020	5.5020	5.5020
Public Health	0.1300	0.1300	0.1300	0.1300	0.1300	0.1300	0.1600	0.1600	0.1600	0.1600
County Total	5.6320	5.6320	5.6320	5.6320	5.6320	5.6320	5.6620	5.6620	5.6620	5.6620
<b>COUNTY MOSQUITO (2)</b>	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852
<b>SCHOOL DISTRICTS</b>	8.0920	9.2730	9.4980	9.2260	9.3270	9.2690	8.9180	8.6690	8.5300	8.6550
<b>NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT</b>	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
<b><u>BAY COUNTY UNINCORPORATED:</u></b>										
MSTU (3)	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	1.0000	1.0000	1.0000	1.0000
<b><u>SPECIAL DISTRICT:</u></b>										
Beach Mosquito Control	0.3880	0.3930	0.3930	0.4250	0.3970	0.3930	0.3930	0.3544	0.2675	0.2990
<b><u>MUNICIPALITIES:</u></b>										
City of Panama City	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000
Panama City Downtown										
Improvement Board	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000
City of Lynn Haven	2.5000	2.5000	2.5000	2.5000	2.9000	2.9000	4.0000	4.0000	4.0000	4.0000
City of Mexico Beach	5.6100	5.5200	5.4000	5.3200	5.3200	4.3400	4.3100	4.9100	4.8500	4.6000

*Source: Property Appraiser's Office*

(1) Property Tax rates per \$1,000 assessed value.

(2) County Mosquito does not include the Beach Mosquito Control District.

(3) Fire Protection Districts located throughout the unincorporated sections of Bay County.

TABLE 6

**BAY COUNTY, FLORIDA  
PRINCIPAL TAXPAYERS  
(UNAUDITED)**

**2002 ASSESSMENTS - COUNTYWIDE**

<b>TAXPAYER</b>	<b>REAL ESTATE</b>	<b>% OF TOTAL OF ALL TAXPAYERS(1)</b>	<b>PERSONAL PROPERTY</b>	<b>% OF TOTAL OF ALL TAXPAYERS(2)</b>	<b>TOTAL</b>	<b>% OF TOTAL OF ALL TAXPAYERS</b>
Gulf Power Company	\$15,357,252	0.30%	\$130,425,060	16.68%	\$145,782,312	2.44%
Stone Container Corp.	\$22,887,312	0.44%	\$64,017,000	8.19%	\$86,904,312	1.45%
BellSouth Telecommunications	\$5,001,597	0.10%	\$74,106,024	9.48%	\$79,107,621	1.32%
Arizona Chemical Corp.	\$3,562,459	0.07%	\$38,154,897	4.88%	\$41,717,356	0.70%
St. Joe Corporation	\$82,030,873	1.58%	\$460,710	0.06%	\$82,491,583	1.38%
Berg Steel Pipe Corp.	\$213,259	0.00%	\$27,731,632	3.55%	\$27,944,891	0.47%
Hospital Corp. of America	\$13,411,809	0.26%	\$13,178,360	1.69%	\$26,590,169	0.44%
Wal-Mart	\$17,912,559	0.35%	\$4,030,669	0.52%	\$21,943,228	0.37%
Gulf Coast Electric Co-Op.	\$420,689	0.01%	\$21,975,446	2.81%	\$22,396,135	0.37%
Bay Point Hotel Associates	\$14,656,006	0.28%	\$4,390,909	0.56%	\$19,046,915	0.32%
<b>TOTAL ASSESSMENTS</b>	<b>\$175,453,815</b>	<b>3.38%</b>	<b>\$378,470,707</b>	<b>48.40%</b>	<b>\$553,924,522</b>	<b>9.26%</b>

(1) Assessed Value for all Real Property for fiscal year 2002 - \$6,240,041,000.

(2) Assessed Value for all Personal Property for fiscal year 2002 - \$846,415,000.

(3) Assessed Value for all Assessed Property for fiscal year 2002 - \$7,096,256,000.

*Source: Bay County Property Appraiser's Office*

**TABLE 7**

**BAY COUNTY, FLORIDA  
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT(1)  
SEPTEMBER 30, 2002**

<b><u>JURISDICTION</u></b>	<b><u>NET DEBT</u></b>	<b><u>PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT</u></b>	<b><u>OVERLAPPING NET DEBT</u></b>
District School Board	\$49,410,000	100%	\$49,410,000

*Source: Financial Statements of Jurisdictions listed*

(1) Balance per Financial Statements for period ended June 30, 2002.



**TABLE 8**  
**Page 1 of 2**

**BAY COUNTY, FLORIDA**  
**REVENUE BOND COVERAGE**  
**WATER SYSTEM FUND**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

<b>FISCAL YEAR(3)</b>	<b>GROSS REVENUES(1)</b>	<b>EXPENSES(2)</b>	<b>NET REVENUES AVAILABLE FOR DEBT SERVICE</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>	<b>COVERAGE</b>
1993	\$5,412,053	\$2,348,088	\$3,063,965	\$1,189,000	\$913,353	\$2,102,353	1.5
1994	\$5,315,796	\$2,004,757	\$3,311,039	\$360,000	\$777,239	\$1,137,239	2.9
1995	\$5,887,744	\$2,871,359	\$3,016,385	\$376,000	\$782,650	\$1,158,650	2.6
1996	\$5,718,081	\$2,682,288	\$3,035,793	\$393,000	\$741,501	\$1,134,501	2.7
1997	\$6,012,135	\$2,942,792	\$3,069,343	\$199,000	\$763,571	\$962,571	3.2
1998	\$6,346,894	\$2,905,846	\$3,441,048	\$490,000	\$1,208,307	\$1,698,307	2.0
1999	\$7,147,504	\$3,010,926	\$4,136,578	\$512,000	\$1,183,240	\$1,695,240	2.4
2000	\$9,199,931	\$3,104,938	\$6,094,993	\$540,000	\$1,893,202	\$2,433,202	2.5
2001	\$9,600,558	\$3,346,549	\$6,254,009	\$565,000	\$2,987,818	\$3,552,818	1.8
2002	\$9,384,080	\$4,431,741	\$4,952,339	\$840,000	\$2,964,563	\$3,804,563	1.3

(1) Operating and other revenues of the Wholesale Water System Fund.

(2) Operating expenses other than interest on debt, contributions to Joint Venture, depreciation

(3) On September 27, 1996, ownership of the County's Domestic Wastewater System was discontinued, and amortization of the Wholesale Water System Fund.

Deployment by the County related to this system was defensed. Activity related to other was created.

County's Domestic Waste Operations was removed for all years presented.

**TABLE 8**  
**Page 2 of 2**

**BAY COUNTY, FLORIDA  
REVENUE BOND COVERAGE  
SOLID WASTE FUND  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<b>FISCAL YEAR</b>	<b>GROSS REVENUES(1)</b>	<b>EXPENSES(2)</b>	<b>NET REVENUES AVAILABLE FOR DEBT SERVICE</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>	<b>COVERAGE</b>
1993	\$17,259,627	\$9,930,700	\$7,328,927	\$1,665,000	\$3,593,624	\$5,258,624	1.4
1994	\$18,886,421	\$10,637,372	\$8,249,049	\$1,455,000	\$3,526,503	\$4,981,503	1.7
1995	\$20,470,477	\$12,491,722	\$7,978,755	\$1,550,000	\$3,449,221	\$4,999,221	1.6
1996	\$27,218,191	\$17,852,576	\$9,365,615	\$1,665,000	\$3,359,747	\$5,024,747	1.9
1997	\$20,985,191	\$11,519,670	\$9,465,521	\$1,790,000	\$3,257,371	\$5,047,371	1.9
1998	\$21,562,843	\$14,025,001	\$7,537,842	\$1,950,000	\$3,182,607	\$5,132,607	1.5
1999	\$20,642,196	\$6,911,344	\$13,730,852	\$1,640,000	\$2,911,030	\$4,551,030	3.0
2000	\$20,799,363	\$8,044,600	\$12,754,763	\$1,180,000	\$2,012,861	\$3,192,861	4.0
2001	\$22,125,343	\$13,832,064	\$8,293,279	\$1,215,000	\$1,973,923	\$3,188,923	2.6
2002	\$22,260,841	\$9,074,477	\$13,186,364	\$1,260,000	\$1,931,398	\$3,191,398	4.1

(1) Operating and other revenues.

(2) Operating expenses other than interest on debt, depreciation and amortization.

TABLE 9

**BAY COUNTY, FLORIDA  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

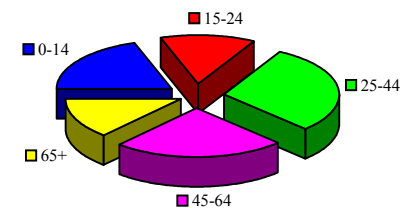
<u>YEAR</u>	<u>ESTIMATED POPULATION</u>	<u>PER CAPITA INCOME</u>	<u>UNEMPLOYMENT RATES</u>
1993	134,059	\$ 17,358.00	9.1%
1994	136,289	\$ 17,750.00	8.5%
1995	139,173	\$ 17,914.00	6.6%
1996	142,159	\$ 19,569.00	6.0%
1997	144,583	\$ 20,392.00	6.6%
1998	147,496	\$ 22,264.00	6.7%
1999	150,119	\$ 22,719.00	6.1%
2000	152,103	\$ 23,479.00	5.8%
2001	148,217	N/A	6.0%
2002	150,287	N/A	N/A

C-10

**AGE DISTRIBUTION OF POPULATION (2002 ESTIMATED)**

<u>AGE</u>	<u>TOTAL</u>	<u>PERCENT</u>
0-14	29,843	20%
15-24	19,676	13%
25-44	44,302	30%
45-64	36,318	24%
65+	20,148	13%
	<u>150,287</u>	<u>100%</u>

**AGE DISTRIBUTION OF POPULATION (2002)**



*Sources: University of Florida; Bureau of Economic and Business Research  
Florida County Comparison  
Bay County Chamber of Commerce*

N/A - Not Available

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**BAY COUNTY, FLORIDA  
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

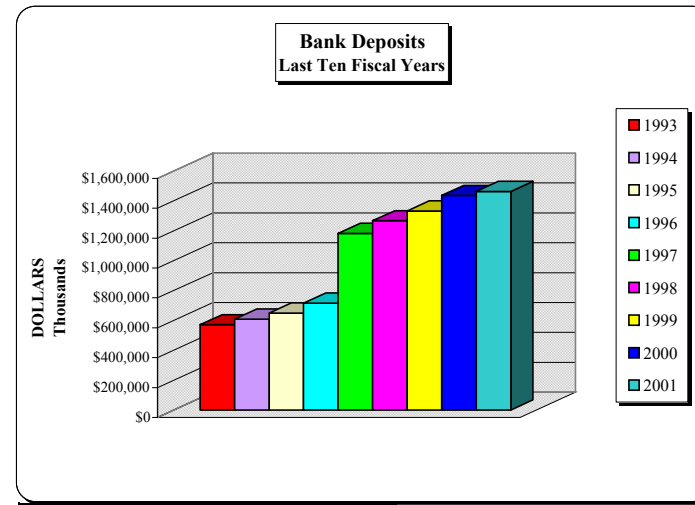
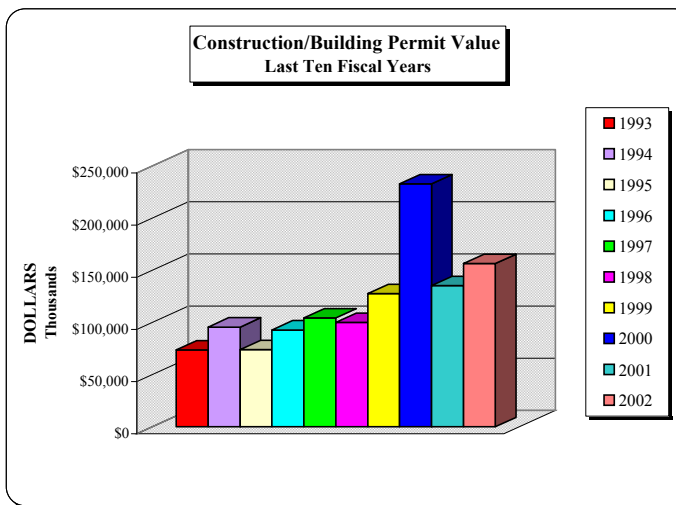
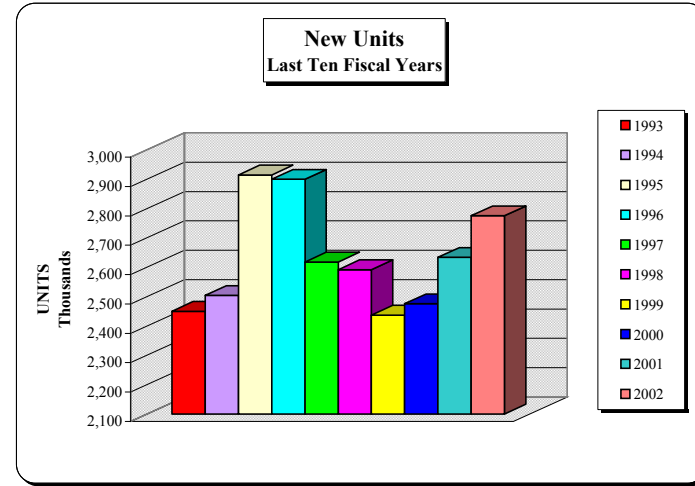
<b>YEAR</b>	<b>PROPERTY VALUE(1)</b>	<b>NUMBER OF NEW UNITS</b>	<b>CONSTRUCTION(1)(2) BUILDING PERMIT VALUE</b>	<b>BANK DEPOSITS(1)</b>
1993	\$3,308,180	2,450	\$73,643	\$570,127
1994	\$3,400,832	2,504	\$95,523	\$607,957
1995	\$3,599,983	2,915	\$73,985	\$648,331
1996	\$3,653,357	2,900	\$92,748	\$714,437
1997	\$4,028,180	2,618	\$104,149	\$1,180,602
1998	\$4,335,327	2,592	\$99,994	\$1,265,285
1999	\$4,847,077	2,437	\$127,659	\$1,330,488
2000	\$5,189,691	2,476	\$232,971	\$1,435,000
2001	\$5,772,706	2,634	\$135,203	\$1,461,000
2002	\$6,240,041	2,776	\$156,496	N/A

**Sources:** Bay County Property Appraiser  
Bay County Building Department  
University of Florida; Bureau of Economic and  
Business Research "2002 Statistical Abstract"

**Notes:** (1) Amounts in thousands of dollars  
(2) Permits issued by Bay County only  
N/A - Not available

TABLE 10  
Page 2 of 2  
(Graphs)

**BAY COUNTY, FLORIDA**  
**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**



Fiscal Year 2002 Not Available

**BAY COUNTY, FLORIDA**  
**MISCELLANEOUS STATISTICS**  
**(UNAUDITED)**

<b>General Information:</b>	Bay County ("The County") is located on the Gulf of Mexico in the Panhandle region of Northwest Florida.
<b>Date of Incorporation:</b>	July 1, 1913
<b>Land Area (square miles):</b>	764
<b>Government Structure:</b>	Constitutional County with a five member elected Board and five elected constitutional offices. These offices are Clerk of the Circuit and County Courts, Sheriff, Tax Collector, Supervisor of Elections and Property Appraiser.
<b>Populations:</b>	The County's estimated population through April, 2001 is 150,287. The population by age is as follows:

<u>Age</u>	<u>2001</u>	<u>Percentage</u>
0-14	29,843	20%
15-24	19,676	13%
25-44	44,302	30%
45-64	36,318	24%
65+	<u>20,148</u>	<u>13%</u>
TOTAL	<u>150,287</u>	<u>100%</u>

**Employers:**

The size of the County's Labor Force is estimated to be 65,013. The County's Ten Largest Employers are as follows:

<u><b>Name of Firm</b></u>	<u><b>Industry</b></u>	<u><b>Number of Employees</b></u>
<i>Tyndall Air Force Base</i>	<i>Military</i>	6,666
<i>Bay County School Board</i>	<i>Public Schools</i>	3,297
<i>U.S. Coastal Systems Station</i>	<i>Military</i>	2,449
<i>Bay Medical Center</i>	<i>Medical Facility</i>	1,895
<i>Sallie Mae</i>	<i>Broker/Student Loans</i>	1,080
<i>Gulf Coast Medical Center</i>	<i>Health Care</i>	750
<i>Smurfit-Stone Container</i>	<i>Kraft Linerboard</i>	588
<i>Trane Company</i>	<i>Air Conditioning/Heating</i>	580
<i>City of Panama City</i>	<i>Government</i>	527
<i>Peoples First Community Bank</i>	<i>Banking</i>	<u>520</u>
<b>TOTAL</b>		<b>18,352</b>

**Economic Development:**

The County is a foreign trade zone. The number of Industrial Parks developed is five and the total acreage zoned for manufacturing is 842. The primary industrial development contact is:

*Bay County Chamber of Commerce  
Economic Development Alliance  
Post Office Box 1850  
Panama City, Florida 32402  
(888)229-7483*



**Education:**

The County offers various opportunities for its citizens. Facilities, by purpose are listed as follows:

**Elementary to High School:** The County’s student enrollment is estimated to be nearly 27,000. There are approximately 1,700 certified teachers and administrators. The type and grade of schools are as follows:

<b><u>Type/Grades</u></b>	<b><u>Number</u></b>
Elementary/K-5	20
Elementary/K-8	1
Middle School/6-8	6
High School/9-12	6
Vocational School	1
Adult School	1

In addition, the public school system maintains a special education center for emotionally troubled students; a center for physically and mentally handicapped students; and a second chance school for high risk drop out students and severely emotionally disturbed students. Private schools, most of them affiliated with churches, offer education alternatives throughout the County.

**Colleges:**

- I. Gulf Coast Community College – two-year institution that offers transfer and career oriented fields of study leading to Associate in Arts and Science Degrees. In addition, thirty technical certificate programs and a broad variety of non-credit courses are offered.
- II. Florida State University – (Panama City Campus) Bachelor and Graduate Degree programs in a number of fields are offered. GCCC and FSU-(Panama City Campus), cooperate in a “two plus two program”. GCCC provides the first two years of classes towards a Baccalaureate degree and FSU-PC campus provides the last two years.
- III. Troy State University – (Tyndall AFB) offers undergraduate degree programs in psychology and business administration/management. In addition, TSU-Tyndall AFB offers Master degree programs covering several different fields.
- IV. Embry-Riddle Aeronautical University – (Tyndall AFB) offers degree programs in the Associate of Science and Bachelor of Science in Professional Aeronautics, a Bachelor of Science in Management of Technical Operations and a Masters of Aeronautical Science with specialization in Aeronautics or Management.

**Education (continued):**

**Vocational Schools:**

- I. Tom P. Haney Vocational/Technical Center – offers curriculums in various programs including data processing, welding, aviation, drafting, and computer-aided manufacturing.

**Transportation:**

The highways accessible by the County are U.S. Highways 98 and 231; State Roads 20, 22, 77, and 79; and Interstate I-10 (north of the County Line). Other transportation facilities are:

***Airport:***

Panama City/Bay County International Airport – utilized by three airlines and home to two fixed base operators offering charter flights, major and minor repairs, fuel service, flight training and aerial photography.

***Railroads:***

The BayLine Railroad L.L.C. – rail freight service to and from industrial and port facilities.

***Bus Service:***

Southern Greyhound – Provides inter-city bus transportation.

Bay Town Trolley – Provides Public transportation within the County.

***Port Facility:***

Port of Panama City – 2500 linear feet of deep water berth space and 600 linear feet of barge berthing space; controlling depth of port is 32 feet. The port has 400,000 square feet of warehouse space and three acres of open storage. Foreign Trade Zone #65 is located in Port Panama City.

**Health Care:**

The County is home to four hospitals, six nursing homes, and two psychiatric centers. They are as follows:

***Hospitals:***

- I. Bay Medical Center – bed capacity of 353; 214 physicians and over 1,900 staff members; provides services in twenty-eight fields of specialized medicine; state of the art services include: Outpatient Diagnostic, MRI (Magnetic Resonance Imaging), Sleep Disorders Laboratory, Hyperbaric Medicine, Computerized Tomography (C.T.) Scanner, Cardiac Catheterization Lab, Linear Accelerator, Critical Care Services, Lithotripsy, and a Neurosurgery and Open Heart Surgery Program. In addition the center supports two family medical clinics, a cancer center, hospice and a state of the art wellness center.
- II. Gulf Coast Medical Center – bed capacity of 176; nearly 268 doctors and more than 700 nurses, healthcare specialist, and service personnel; full service Medical/Surgical facility; provides acute care including obstetrics and gynecology, coronary care and intensive care, a full range of surgical services and a wide range of ancillary support, including: EKG/EEG, Laboratory, Pathology, Pharmacy, Physical Therapy, Respiratory Therapy, General & Special Radiology, Diagnostic Nuclear Medicine and ultrasound.
- III. Tyndall Air Force Base Hospital – (military) bed capacity of 20; provides services to active, retired and dependent personnel totaling nearly 34,000 local military residents.
- IV. Health South Emerald Coast Rehabilitation Hospital – bed capacity of 40; provides inpatient and outpatient therapy using state-of-the-art equipment and facilities seven days a week; therapeutic gym, transitional living apartment, therapeutic pool and on outdoor mobility area.

Healthcare (continued):

*Nursing Homes:*

<u>Name of Center</u>	<u># of beds</u>	<u>Name of Center</u>	<u># of beds</u>
Bay Center	160	Sea Breeze Health Care	120
Glencove Nursing Pavilion	115	Bay Crest Nursing Center	120
Panama City Nursing Center	120	Emerald Shores Health Care	77

*Psychiatric Centers:*

- I. Bay County Behavioral Health Center – bed capacity of 80, provides mental health services.
- II. Life Management Center - bed capacity of 12 (Crisis Stabilization Unit), provides mental health services for both private and indigent patients.

*Ambulance Service:*

Bay Medical Center provides ambulance and EMS Service to Bay County. In addition to emergency response, the Medical Center ambulance service provides critical care and non-emergency transport. There are 65 trained EMS professionals on staff at the Medical Center.

**Culture and Entertainment:**

Various organizations and facilities exist, which are dedicated to the enhancement of arts and culture in Bay County. Some of these associations are:

<u><b>Organization</b></u>	<u><b>Description</b></u>
<i>Bay Arts Alliance</i>	Provides quality, cultural events and programs
<i>Kaleidoscope Theater</i>	Community theater
<i>Junior Museum of Bay County</i>	Provides educational and cultural exhibits for the citizens of the County
<i>Marina Civic Center</i>	2,500 seat municipal auditorium
<i>Visual Arts Center of Northwest Florida</i>	Provides educational and cultural exhibits of art for the citizens of the County
<i>Martin Theater</i>	Community auditorium, seating capacity of 467
<i>Gulf Coast Community College Great Performer Series</i>	Presents cultural entertainment in the school's Fine Arts Auditorium to enhance the cultural climate of the community
<i>Panama City Music Association</i>	Provides a season of musical entertainment
<i>Museum of Man in the Sea</i>	The only deep water diving museum in the United States

**Recreation:**

Geographically located on the Gulf of Mexico, the County has a wide variety of natural resources and man-made facilities for recreational pursuits. Some of the facilities, by classification, are as follows:

**Waterways:** The County has very diversified waterways that offer both citizens and visitors abundant choices for all types of water sports.

<u><b>Name of Waterway</b></u>	<u><b>Description</b></u>
<i>Gulf of Mexico</i>	41 miles of beach front; beach width in most areas is between 100 and 700 feet; 37 public access points
<i>St. Andrew Bay System</i>	Four large bays, East, North, West, and St. Andrew comprise the system that serves as home to a variety of marine life; system is directly connected to the Gulf by a jetty structure
<i>Deer Point Reservoir</i>	Approximately 5,000 acre fresh water lake; serves as the County's potable water source and provides for fresh water fishing and other recreational purposes
<i>Lake Powell</i>	657 acre fresh water lake, designated as a Florida "Outstanding Water"
<i>Econfina Creek</i>	36 mile long spring-fed creek; state provides 15 miles of canoe trails for recreational enjoyment

Recreation (continued):

**Marina Facilities** – Twenty-two marinas with a total of 2,020 boat slips exist within the County; some of the larger facilities are:

<b><u>Name of Marina</u></b>	<b><u>Description</u></b>
<i>Panama City Marina</i>	Municipal Marina, covered, open and lift slips; marina store
<i>Bay Point Yacht and Country Club</i>	Private marina, 145 slips and berths for yachts up to 120 feet
<i>Treasure Island</i>	Private marina, boat ramp, 90 wet slips, 300 dry slips
<i>Holiday Lodge Marina</i>	Private marina, boat ramp; 113 wet slips

**Parks** – The County serves as home to over 8,000 acres (88 public parks) of land dedicated to outdoor recreation. Some of the larger facilities are as follows:

<b><u>Name of Facility</u></b>	<b><u>Description</u></b>
<i>St Andrews Bay State Recreational Area</i>	1,260 acre recreational complex; 178 developed camp sights; 1,950,000 square feet of saltwater beach; fishing piers; boat ramp; marina
<i>H G Harders Park</i>	76 acre recreational complex; 7 baseball/softball fields; 7 soccer fields; 6 tennis courts; 2 volleyball courts; model airplane field; model boat pond; 4 covered pavilions with picnic tables and a playground
<i>Deep Springs Parks</i>	40 acre recreational complex; 1 baseball/softball field; covered pavilion; fenced playground area; kiddie rides; hiking trails

Recreation (continued):

**Parks (continued):**

<b><u>Name of Facility</u></b>	<b><u>Description</u></b>
<i>MB Miller Park (County Pier)</i>	11 acre beach access park; fishing pier; 14 picnic tables, showers, swings and trail
<i>Simmons Park</i>	10 acre park; pavilion, 5 picnic tables; baseball, basketball and tennis court; walking track and trail
<i>Zollie Young Park</i>	10 acre park; community building, pavilion, 5 picnic tables; baseball, basketball, football and tennis; swings and other playground equipment
<i>Under the Oaks Park</i>	9 acre walking/jogging park; covered pavilions with 29 picnic tables

**Golf Courses** – Ten eighteen-hole golf courses are located within the county. The larger facilities are:

<b><u>Name of Facility</u></b>	<b><u>Description</u></b>
<i>Bay Point Resort and Country Club</i>	95 acre privately owned facility; two 18 hole courses
<i>Bay Dunes Golf Course</i>	125 acre facility; 18 hole course
<i>Hombre Golf Club</i>	18 hole, par 72 semi-private championship course
<i>Panama Country Club</i>	200 acre privately owned facility; 18 hole course

**Stadiums** – The County has one stadium within its borders.

<b><u>Name of Facility</u></b>	<b><u>Description</u></b>
<i>Tommy Oliver Stadium</i>	12 acre stadium; football/soccer field



**Libraries:**

The County has five public libraries with an estimated 170,000 total volumes. These libraries are as follows:

**Name of Facility**

*Bay County Public Library*

*Panama City Beach Library*

*Springfield Public Library*

*Parker Public Library*

*Lynn Haven Public Library*

**Media:**

The County has four television stations; sixteen radio stations, ten of which are FM; and four cable television companies to serve its citizens.

**Climate:**

The County's climate is moderate. The average Weather conditions are as follows:

<b>Average Summer Temperature</b>	<b>81.9F</b>
<b>Average Winter Temperature</b>	<b>53.2F</b>
<b>Average Yearly Rainfall</b>	<b>57.86"</b>

*Sources: University of Florida, Bureau of Economic and Business Research; "2002 Florida Statistical Abstract";  
 Bay County Chamber of Commerce*

# **COMPLIANCE**

## **SECTION**



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## INDEPENDENT AUDITORS' MANAGEMENT LETTER COMMENTS

The Honorable County Commissioners  
Bay County, Florida

We have audited the basic financial statements of Bay County, Florida, as of and for the year ended September 30, 2002, and have issued our report thereon dated February 28, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance with requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated February 28, 2003, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(g)1.a.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, or violations of laws, rules, regulations, or contractual provisions reported in the preceding annual financial audit report have been corrected. All inaccuracies, irregularities, shortages, defalcations, or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual report have been corrected.

The Rules of the Auditor General (Section 10.554(1)(g)1.b) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General for the status of prior year findings.

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provision of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Bay County, Florida complied with Section 218.415, Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.a), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that Bay County, Florida is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes as of the date of this report.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b), we determined that the annual financial report for Bay County, Florida for the year ended September 30, 2002, filed with the Department of Banking Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the County's annual financial audit report for the year ended September 30, 2002.

As required by the Rules of the Auditor General (Sections 10.554(g)6.c and 10.556), we applied financial condition assessment procedures. It is management's responsibility to monitor the county's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

This management letter is intended solely for the information of the Board of County Commissioners, Bay County, Florida's management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
February 28, 2003



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

The Honorable County Commissioners  
Bay County, Florida

We have audited the basic financial statements of Bay County, Florida as of and for the year ended September 30, 2002, and have issued our report dated February 28, 2003. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bay County, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. We noted matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting

Bay County, Florida  
Page Two

that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

This report is intended for the information of the Board of County Commissioners, Bay County's management and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
February 28, 2003



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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

The Honorable County Commissioners  
Bay County, Florida

### Compliance

We have audited the compliance of Bay County, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2002. The County's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the County's management. Our responsibility is to express an opinion on Bay County, Florida's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2002.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of County Commissioners, Bay County's management, and certain federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
February 28, 2003



BAY COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2002

Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	___ Yes	___ <input checked="" type="checkbox"/> No
Reportable conditions identified not considered to be material weaknesses?	___ Yes	___ <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	___ Yes	___ <input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:		
Material weaknesses identified?	___ Yes	___ <input checked="" type="checkbox"/> No
Reportable conditions identified not considered to be material weaknesses?	___ Yes	___ <input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs: Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	___ Yes	___ <input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Program</u>
66.606	Environmental Protection Agency Deer Point Lake Road Stabilization
83.548	U. S. Federal Emergency Management Agency Hazard Mitigation Grants
83.544	Tropical Storms

(Continued)

BAY COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2002

(Continued)

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ Yes    ☐ No

Section II - Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Section III - Federal Award Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133.

BAY COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2002

Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Reportable condition(s) identified? ☐ Yes ☒ No

Reportable conditions identified considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

**State Financial Assistance Awards**

Internal control over major projects:

Reportable condition(s) identified? ☐ Yes ☒ No

Reportable conditions identified considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major projects: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550? ☐ Yes ☒ No

Identification of major projects:

CSFA Numbers

Name of State Projects

52.901

State of Florida Housing Finance Corporation  
State Housing Initiatives Partnership Program

55.003

Florida Department of Transportation  
Highway Beautification Grant

31.003

Florida Executive Office of the Governor  
Enterprise Florida, Inc. Tank Booster Pump Project/CSS Land

(Continued)

BAY COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2002

(Continued)

Dollar threshold used to distinguish between Type A and Type B projects:	\$ 300,000
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Section II - Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Section III – State Financial Assistance Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with *Rules of the Auditor General*, Chapter 10.550.

Bay County, Florida  
Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2002

Prior – Year Findings

Finding Number	Finding	Questioned Costs
01-1	Public Safety Partnership and Community Policing Grants	None
	<p><i>Finding:</i> The Bay County Sheriff does not have adequate internal controls over compliance with the federal requirements regarding applicable laws, regulations, and the provisions of contracts and grant agreements. Specifically, internal control should be maintained over compliance with federal requirements relating to activities allowed and unallowed; allowable costs/cost principles and reporting. The lack of internal control over compliance with federal requirements resulted in instances of noncompliance that were not detected by the Sheriff's personnel (See Finding 01-2 and 01-3).</p>	
01-2	Public Safety Partnership and Community Policing Grants, CFDA # 16.710, Department of Justice, 1998 Universal Hiring Program Grant (98-UM-WX-2172)	\$35,425
	<p><i>Finding:</i> The Sheriff's Office requested reimbursements based on the original budgeted amount of the grant. Due to decreases in the cost of fringe benefits over the life of the grant, the Sheriff's Office received excess grant revenues. Due to inadequate knowledge of grant conditions and requirements, the excess grant proceeds were spent on unallowable expenditures.</p>	
01-3	Public Safety Partnership and Community Policing Grants, CFDA # 16.710, Department of Justice, 1998 Universal Hiring Program Grant (98-UM-WX-2172)	None
	<p><i>Finding:</i> The Sheriff's Office completed the financial status reports based on the budgeted grant expenditures rather than actual expenditures, therefore, the reports did not agree to the Sheriff's accounting records.</p>	
01-4	S.H.I.P. – State Housing Initiatives Partnership Program, CSFA # 52.901, Pass-Through from the State of Florida Housing Finance Corporation	None
	<p><i>Finding:</i> All of the grant funds received by the County for the SHIP program are expended through Community Development and Planning, Inc., a subrecipient. The audit report provided by the subrecipient indicated there were no reportable conditions, findings or questioned costs. However, a comparison of the audit to the County's records suggests potential undisclosed findings. The County is responsible for monitoring the subrecipient and therefore has the responsibility to insure the quality of their audit.</p>	

BAY COUNTY, FLORIDA  
Summary Schedule of Prior Audit Findings  
September 30, 2002

Disposition of Prior Year Findings	Prior Year Reference	Current Year Reference
Deficiencies have been corrected according to the Sheriff's Office prior year corrective action plan.	01-1	None
The Sheriff's Office has documented their understanding of grant requirements. Examination of reimbursement requests indicated adequate knowledge of grant conditions and requirements. No further unallowable costs were noted.	01-2	None
The Sheriff's Office corrected their method of completing financial status reports. They now agree with the Sheriff's accounting records.	01-3	None
The County is fulfilling its requirement to monitor its subrecipient by ensuring completion of their annual single audit and continual monitoring of applicable compliance requirements.	01-4	None

Bay County, Florida  
Schedule of Expenditures of Federal Awards  
And State Projects  
For the Fiscal Year Ended September 30, 2002

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<b>U.S. Department of Justice</b>			
Passed through Florida Department of Law Enforcement			
Frame Relay Technology Grant	16.579	01-CJ-J1-01-13-01-134	\$ 17,548
Lifeline	16.579	02CJ-2H-01-13-01-054	71,858
Law Enforcement Wide Areas Network	16.579	02CJ-2H-01-13-01-052	41,250
School Resource Officer Program	16.579	02CJ-2H-01-13-01-053	30,773
Local Law Enforcement Block Grants Program-FY02	16.592	2001-LB-BX-2111	41,733
Cops Grant	16.710	98-UM-WX-21-71	29,845
<b>Total U.S. Department of Justice:</b>			<u>233,007</u>
<b>U.S. Department of Transportation</b>			
Traffic Sign Specialist Grant	20.600	FR-02-28-02	37,219
CSS - Main Gate Grant	20.205	N6247-00-RP-00154	200,462
<b>Total U.S. Department of Transportation:</b>			<u>237,681</u>
<b>U.S. Federal Emergency Management Agency</b>			
Passed through Florida Department of Community Affairs			
Emergency Management Preparedness & Assistance	83.552	02CP-04-01-13-01-003	43,199
Hazard Mitigation Grant	83.548	00HM-8B-01-13-15-004	584,383
Hazard Mitigation Grant	83.548	01UN-6P-01-13-15-029	179,269
Hazard Mitigation Grant	83.548	01UN-6P-01-13-15-014	225
Hazard Mitigation Grant	83.548	01UN-6P-01-13-15-001	6,555
Hazard Mitigation Grant	83.548	03HM-4I-01-13-15-004	118
Hazard Mitigation Grant	83.548	01HM-4N-01-13-15-001	326,272
Tropical Storm Allison	83.544	02RM-27-01-13-01-004	2,105,296
Tropical Storm Helene	83.544	01RM-M3-01-13-01-003	34,104
Wildfires 2001	83.542	101021	13,962
<b>Total U.S. Federal Emergency Management Agency:</b>			<u>3,293,383</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Florida Department of Revenue			
Child Support Enforcement - Title IV Grant	93.563	CC303	186,153
Passed through Florida Department of Community Affairs			
Community Services Block Grant	93.569	02SB-95-12-00-01-001	156,591
<b>Total U.S. Department of Health and Human Services:</b>			<u>342,744</u>
<b>Environmental Protection Agency</b>			
Deerpont Lake Road Stabilization	66.606	XP-97412801-0	869,608
Vulnerability Assessment Study	66.476	HS-82983201-0	40,250
<b>Total Environmental Protection Agency</b>			<u>909,858</u>
<b>Department of Commerce</b>			
East Bay Pass Restoration	11.419	NA170Z2082	127,283
<b>Total Department of Commerce</b>			<u>127,283</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS:</b>			<u>\$ 5,143,956</u>

Bay County, Florida  
Schedule of Expenditures of Federal Awards  
And State Projects  
For the Fiscal Year Ended September 30, 2002

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<b><u>STATE OF FLORIDA</u></b>			
<b>Office of the State Courts Administrator</b>			
Child Dependency Grant - In - Aid	21.001	-----	\$ 789,525
Civil Traffic Hearing Officer Program	22.001	-----	10,246
<b>Total Office of the State Courts Administrator:</b>			<u>799,771</u>
<b>Florida Department of Juvenile Justice</b>			
Boot Camp	80.***	B8022	821,250
Bay County Drug Court	70/80***	-----	47,340
<b>Total Florida Department of Juvenile Justice:</b>			<u>868,590</u>
<b>Florida Department of Environmental Protection</b>			
Small Quantity Generator Assessment	37.013	HW439	6,000
McCall Everitt Park	37.017	F1019	21,473
<b>Total Florida Department of Environmental Protection:</b>			<u>27,473</u>
<b>Florida Department of Health and Rehabilitative Services</b>			
Emergency Medical Services	52.008	C1003	48,475
<b>Total Florida Department of Health and Rehabilitative Services:</b>			<u>48,475</u>
<b>Florida Department of Agriculture and Consumer Services</b>			
Mosquito Control	42.003	-----	87,752
<b>Total Florida Department of Agriculture and Consumer Services:</b>			<u>87,752</u>
<b>Florida Department of Community Affairs</b>			
Hazard Mitigation Grant	52.010	00HM-8B-01-13-15-004	194,794
Hazard Mitigation Grant	52.010	01UN-6P-01-13-15-029	7,470
Hazard Mitigation Grant	52.010	01UN-6P-01-13-15-014	75
Hazard Mitigation Grant	52.010	01UN-6P-01-13-15-001	2,185
Hazardous Material Grant	52.010	03HM-4I-01-13-15-004	10
Hazard Mitigation Grant	52.010	01HM-4N-01-13-15-001	108,757
Emergency Management Preparedness Grant	52.008	02CP-04-01-13-01-003	115,205
Tropical Storm Allison	52.017	02RM-2? -01-13-01-004	701,765
Tropical Storm Helene	52.017	01RM-M3-01-13-01-003	5,684
<b>Total Florida Department of Community Affairs:</b>			<u>1,135,945</u>
<b>Florida Department of Transportation</b>			
Highway Beautification Grant	55.003	AI435	337,426
<b>Total Florida Department of Transportation:</b>			<u>337,426</u>
<b>Florida Department of Revenue</b>			
East Bay Pass Dredging	73.***	DIG-00-03	1,511,533
<b>Total Florida Department of Revenue:</b>			<u>1,511,533</u>



Bay County, Florida  
Schedule of Expenditures of Federal Awards  
And State Projects  
For the Fiscal Year Ended September 30, 2002

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<b>Florida Department of Corrections</b>			
Local Law Enforcement Block Grant	80.***	2001-LB-BX-2111	4,637
<b>Total Florida Department of Corrections:</b>			4,637
<b>State of Florida Housing Finance Corporation</b>			
State Housing Initiatives Partnership Program	52.901	-----	1,335,865
<b>Total State of Florida Housing Finance Corporation:</b>			1,335,865
<b>Florida Fish and Wildlife Conservation Commission</b>			
Sandy Creek Boat Ramp	77.006	FWC 00282	57,248
Sandy Creek Boat Ramp	77.006	FWC 01056	123,938
<b>Total Florida Fish and Wildlife Conservation Commission:</b>			181,186
<b>Florida Executive Office of the Governor</b>			
Enterprise Florida, Inc. - Tank Booster Pump Project	31.003	DIG-99-09	2,495,265
CSS-Land	31.003	DIG-00-08	510,845
<b>Total Florida Executive Office of the Governor:</b>			3,006,110
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE:</b>			<u>\$ 9,344,763</u>

\*\*\* CSFA Numbers are not available for this program

## SUPPLEMENTARY INFORMATION

Statement of Sources and Uses of  
Sales Tax Revenues and System Revenues  
for the Bay County Solid Waste Fund  
Bay County, Florida  
Years Ended September 30, 1988 through September 30, 2002

	Year Ended September 30, 1988	Year Ended September 30, 1989	Year Ended September 30, 1990	Year Ended September 30, 1991	Year Ended September 30, 1992	Year Ended September 30, 1993
Sources of Sales Tax and System Revenues						
Sales Tax Revenue	\$ 1,586,313	\$ 4,575,088	\$ 6,138,457	\$ 5,661,613	\$ 6,325,935	\$ 6,767,527
Other System Revenue						
Electricity Revenue	3,736,030	3,684,736	3,957,087	3,953,624	3,643,566	3,044,996
Tipping Fees	-	-	-	-	4,274,055	4,593,236
Interest Revenue - Note Receivable	-	2,822,800	2,822,800	2,822,700	2,282,626	2,282,626
Interest Revenue - Other	1,134,647	906,236	416,354	994,260	1,069,038	381,982
Operating Transfers In	14,513	602,077	892,500	-	2,953,917	-
Grants	-	218,879	249,862	267,329	247,563	184,617
Forgiveness of Debt	-	-	872,967	-	-	-
Gain on Disposal of Equipment	-	-	-	-	1,115,945	-
Unrealized Gain on Investment	-	-	-	-	-	-
Miscellaneous	1,781	7,895	8,510	32,442	20,624	602
Total Sources of Sales Tax and System Revenues	<u>\$ 6,473,284</u>	<u>\$ 12,817,711</u>	<u>\$ 15,358,537</u>	<u>\$ 13,731,968</u>	<u>\$ 21,933,269</u>	<u>\$ 17,255,586</u>
Uses of Sales Tax and System Revenues						
Capital Costs of the Incinerator						
Bay County's Portion of Bond Principal Payments	510,000	580,000	645,000	710,000	-	1,665,000
Bay County's Portion of Bond Interest Payments	1,965,800	1,923,600	1,875,900	1,823,000	1,635,937	1,310,998
Incinerator Lease Payments	3,659,999	3,659,999	3,659,999	3,659,999	3,838,811	3,120,225
Qualified Capital Asset Purchases	697,116	25,489	37,940	35,234	-	-
Landfill Post-Closure Expense	-	-	-	-	-	-
Total Capital Costs of the Incinerator	<u>6,832,915</u>	<u>6,189,088</u>	<u>6,218,839</u>	<u>6,228,233</u>	<u>5,474,748</u>	<u>6,096,223</u>
Other Solid Waste System Expenses						
Personal Services	511,823	665,182	605,384	659,778	691,930	698,864
Utilities	16,702	17,318	19,157	17,668	17,424	15,785
Interest Expense from Leases and Notes Receivable	-	2,822,800	2,822,800	2,822,700	2,282,626	2,282,626
Other Interest Expense	7,796	202,564	-	-	111,197	-
Operating Transfers Out	-	485,000	34,042	-	550,442	-
Repairs, Maintenance and Other	-	-	-	-	-	-
Operating Expenses	<u>4,637,756</u>	<u>6,325,187</u>	<u>6,127,231</u>	<u>5,411,849</u>	<u>6,195,113</u>	<u>6,091,785</u>
Total Other Solid Waste System Expenses	<u>5,174,077</u>	<u>10,518,051</u>	<u>9,608,614</u>	<u>8,911,995</u>	<u>9,848,732</u>	<u>9,089,060</u>
Total Uses of Sales Tax and System Revenues	<u>\$ 12,006,992</u>	<u>\$ 16,707,139</u>	<u>\$ 15,827,453</u>	<u>\$ 15,140,228</u>	<u>\$ 15,323,480</u>	<u>\$ 15,185,283</u>
Comparison of Sales Tax Revenues to						
Capital Costs of the Incinerator						
Total Sales Tax Revenues	\$ 1,586,313	\$ 4,575,088	\$ 6,138,457	\$ 5,661,613	\$ 6,325,935	\$ 6,767,527
Total Capital Costs of the Incinerator	<u>6,832,915</u>	<u>6,189,088</u>	<u>6,218,839</u>	<u>6,228,233</u>	<u>5,474,748</u>	<u>6,096,223</u>
Excess (Deficit) of Sales Tax Revenue Over						
(Under) Capital Costs of the Incinerator	<u>\$ (5,246,602)</u>	<u>\$ (1,614,000)</u>	<u>\$ (80,382)</u>	<u>\$ (566,620)</u>	<u>\$ 851,187</u>	<u>\$ 671,304</u>
Reconciliation to Audited Financial Statements						
Total Sources of Sales Tax and System Revenues	\$ 6,473,284	\$ 12,817,711	\$ 15,358,537	\$ 13,731,968	\$ 21,933,269	\$ 17,255,586
Total Uses of Sales Tax and System Revenues	<u>12,006,992</u>	<u>16,707,139</u>	<u>15,827,453</u>	<u>15,140,228</u>	<u>15,323,480</u>	<u>15,185,283</u>
Net Sources in Excess (Deficit) of Uses	<u>(5,533,708)</u>	<u>(3,889,428)</u>	<u>(468,916)</u>	<u>(1,408,260)</u>	<u>6,609,789</u>	<u>2,070,303</u>
Adjustments:						
Debt Service - Principal	510,000	580,000	645,000	710,000	-	1,665,000
Depreciation and Amortization	(309,961)	(307,138)	(285,938)	(292,015)	(365,131)	(340,088)
Qualified Capital Asset Purchases	697,116	25,489	37,940	35,234	-	-
Extraordinary Loss	-	-	-	-	(4,942,897)	-
Net Increase (Decrease) in Retained						
Earnings per Audited Financial Statements	<u>\$ (4,636,553)</u>	<u>\$ (3,591,077)</u>	<u>\$ (71,914)</u>	<u>\$ (955,041)</u>	<u>\$ 1,301,761</u>	<u>\$ 3,395,215</u>

Year Ended September 30, 1994	Year Ended September 30, 1995	Year Ended September 30, 1996	Year Ended September 30, 1997	Year Ended September 30, 1998	Year Ended September 30, 1999	Year Ended September 30, 2000	Year Ended September 30, 2001	Year Ended September 30, 2002	Totals (Memorandum Only)
\$ 8,187,271	\$ 8,621,857	\$ 9,021,389	\$ 9,167,693	\$ 10,005,615	\$ 10,536,115	\$ 11,078,077	\$ 11,410,232	\$ 11,416,279	\$ 120,499,461
2,939,315	3,271,308	3,169,523	3,196,558	3,036,671	3,297,045	3,555,557	3,853,111	4,058,750	52,397,877
4,928,619	4,987,702	4,984,869	4,776,024	4,593,453	5,028,129	4,716,352	4,588,412	4,933,453	52,404,304
2,282,553	2,282,336	2,282,336	2,282,064	2,276,403	199,830	-	-	-	24,639,074
360,470	1,020,565	1,099,446	1,238,077	1,389,881	1,221,729	1,222,177	1,633,779	930,760	15,019,401
-	-	1,000,000	-	-	-	1,026	-	-	5,464,033
167,896	264,760	6,602,396	289,264	182,734	282,212	178,138	139,232	5,897	9,280,779
-	-	-	-	-	-	-	-	-	872,967
4,732	-	533	22,866	1,036	23,357	-	2,713	90,604	1,261,786
-	-	-	-	-	-	-	-	259,038	259,038
15,565	21,950	57,699	12,645	77,050	53,779	49,062	497,864	956,472	1,813,940
<u>\$ 18,886,421</u>	<u>\$ 20,470,478</u>	<u>\$ 28,218,191</u>	<u>\$ 20,985,191</u>	<u>\$ 21,562,843</u>	<u>\$ 20,642,196</u>	<u>\$ 20,800,389</u>	<u>\$ 22,125,343</u>	<u>\$ 22,651,253</u>	<u>\$ 283,912,660</u>
1,450,000	1,550,000	1,665,000	1,775,000	1,695,000	1,640,000	1,180,000	1,215,000	1,260,000	17,540,000
1,243,950	1,166,887	1,077,411	975,307	869,236	2,113,642	2,316,534	2,277,296	2,234,535	24,810,033
3,120,225	3,117,141	3,117,141	3,917,288	3,929,059	1,132,273	-	-	-	39,932,159
12,305	-	94,830	-	2,072,283	1,994,612	2,760,960	267,132	3,534,366	11,532,267
5,666,800	1,636,145	(143,775)	-	2,158,791	(2,462,963)	(438,466)	4,965,662	(108,371)	11,273,823
<u>11,493,280</u>	<u>7,470,173</u>	<u>5,810,607</u>	<u>6,667,595</u>	<u>10,724,369</u>	<u>4,417,564</u>	<u>5,819,028</u>	<u>8,725,090</u>	<u>6,920,530</u>	<u>105,088,282</u>
733,342	804,020	811,627	859,830	873,977	808,223	765,933	841,334	892,026	11,223,273
19,653	18,196	18,791	21,786	20,225	18,046	23,498	22,646	27,568	294,463
2,282,553	2,282,336	2,282,336	2,282,064	2,276,403	199,830	-	-	-	24,639,074
-	166,428	-	-	-	-	-	-	-	487,985
-	-	1,000,000	-	-	-	-	-	-	2,069,484
6,127,352	6,916,221	14,048,792	6,720,766	7,042,949	7,415,765	7,693,635	8,002,422	8,742,890	107,499,713
<u>9,162,900</u>	<u>10,187,201</u>	<u>18,161,546</u>	<u>9,884,446</u>	<u>10,213,554</u>	<u>8,441,864</u>	<u>8,483,066</u>	<u>8,866,402</u>	<u>9,662,484</u>	<u>146,213,992</u>
<u>\$ 20,656,180</u>	<u>\$ 17,657,374</u>	<u>\$ 23,972,153</u>	<u>\$ 16,552,041</u>	<u>\$ 20,937,923</u>	<u>\$ 12,859,428</u>	<u>\$ 14,302,094</u>	<u>\$ 17,591,492</u>	<u>\$ 16,583,014</u>	<u>\$ 251,302,274</u>
\$ 8,187,271	\$ 8,621,857	\$ 9,021,389	\$ 9,167,693	\$ 10,005,615	\$ 10,536,115	\$ 11,078,077	\$ 11,410,232	\$ 11,416,279	\$ 120,499,461
11,493,280	7,470,173	5,810,607	6,667,595	10,724,369	4,417,564	5,819,028	8,725,090	6,920,530	105,088,282
<u>\$ (3,306,009)</u>	<u>\$ 1,151,684</u>	<u>\$ 3,210,782</u>	<u>\$ 2,500,098</u>	<u>\$ (718,754)</u>	<u>\$ 6,118,551</u>	<u>\$ 5,259,049</u>	<u>\$ 2,685,142</u>	<u>\$ 4,495,749</u>	<u>\$ 15,411,179</u>
\$ 18,886,421	\$ 20,470,478	\$ 28,218,191	\$ 20,985,191	\$ 21,562,843	\$ 20,642,196	\$ 20,800,389	\$ 22,125,343	\$ 22,651,253	\$ 283,912,660
20,656,180	17,657,374	23,972,153	16,552,041	20,937,923	12,859,428	14,302,094	17,591,492	16,583,014	251,302,274
(1,769,759)	2,813,104	4,246,038	4,433,150	624,920	7,782,768	6,498,295	4,533,851	6,068,239	32,610,386
1,450,000	1,550,000	1,665,000	1,775,000	1,695,000	1,640,000	1,180,000	1,215,000	1,260,000	17,540,000
(472,176)	(476,400)	(475,118)	(423,925)	(400,214)	(1,423,105)	(3,603,784)	(3,730,621)	(3,665,849)	(16,571,463)
12,305	-	94,830	-	2,072,283	1,994,612	2,760,960	267,132	3,534,366	11,532,267
-	-	-	-	-	-	-	-	-	(4,942,897)
<u>\$ (779,630)</u>	<u>\$ 3,886,704</u>	<u>\$ 5,530,750</u>	<u>\$ 5,784,225</u>	<u>\$ 3,991,989</u>	<u>\$ 9,994,275</u>	<u>\$ 6,835,471</u>	<u>\$ 2,285,362</u>	<u>\$ 7,196,756</u>	<u>\$ 40,168,293</u>

Bay County, Florida  
Notes to the Statement of Sources and Uses of Sales Tax Revenues  
and System Revenues for the Bay County Solid Waste Fund  
Years Ended September 30, 1988 through September 30, 2002

**Note 1 – Solid Waste Fund**

The Solid Waste Fund is an enterprise fund of Bay County, Florida that is used to account for activities related to solid waste collection within the County.

**Note 2 – Local Government Infrastructure Surtax**

Florida Statutes provide for counties to levy a discretionary infrastructure surtax. The infrastructure surtax revenues may be used to finance, plan and construct infrastructure and to acquire land for public recreation or conservation or protection of natural resources and to finance the closure of county owned or municipally owned solid waste landfills that are already closed or are required to be closed by order of the Department of Environmental Protection.

**Note 3 – Landfill Post Closure Expense**

The County is required to accrue a liability for the estimated post-closure costs for the landfills. The County receives an independent engineering report annually that provides an estimated cost to close the landfills at the end of their useful life. The post-closure liability is adjusted annually based on the engineers' report. In 1996, 1999 and 2000 the estimated liability decreased from the prior year resulting in reduction in post-closure expense for that year.

**Note 4 – Reconciliation to Audited Financial Statements**

U.S. generally accepted accounting principles provide for capital assets and long-term debt to be recorded on the balance sheet. Capital assets are depreciated over the useful life of the asset. Long-term debt is reduced through principal repayments. Therefore, the transactions for the purchase of capital assets and the repayment of long-term debt do not have a direct effect on the Statement of Revenues, Expenses and Changes in Retained Earnings.

The accompanying Statement of Sources and Uses of Sales Tax Revenues and System Revenues for the Bay County Solid Waste Fund, includes the actual cash expenses that are allowable from the surtax revenues which includes the purchase of capital assets and the repayments of long-term debt. In order to reconcile from Net Income (Loss) per Analysis to Net Increase (Decrease) in Retained Earnings, the expenses for capital assets and long-term debt repayments are added back.

In 1992 the County recorded an extraordinary loss on an in-substance defeasance of debt. In order to reconcile to the Net Increase (Decrease) in Retained Earnings, the extraordinary loss is subtracted from operating revenues and expenses.

**"FINANCIAL STATEMENTS AND COMPLIANCE REPORTS"**  
BAY COUNTY CONSTITUTIONAL OFFICERS

**BAY COUNTY, FLORIDA**

**September 30, 2002**

**CLERK OF CIRCUIT COURT**

Harold Bazzel

**PROPERTY APPRAISER**

Richard Davis

**TAX COLLECTOR**

Peggy Brannon

**SHERIFF**

Guy Tunnell

**SUPERVISOR OF ELECTIONS**

Mark Andersen

BAY COUNTY, FLORIDA

September 30, 2002

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**SUPERVISOR OF  
ELECTIONS**



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## INDEPENDENT AUDITORS' REPORT

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Bay County, Florida

We have audited the accompanying special purpose financial statements of the Bay County Supervisor of Elections as of and for the year ended September 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Supervisor of Elections' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and present only the Supervisor of Elections and are not intended to present fairly the financial position, changes in financial position, and cash flows of Bay County, Florida, in conformity with accounting principles generally accepted in the United States of America.

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Page Two

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Supervisor of Elections as of September 30, 2002, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the special purpose financial statements, effective October 1, 2001, the Supervisor of Elections adopted *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; *GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus*; and *GASB Statement 38, Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2003 on our consideration of the Bay County Supervisor of Election's internal control over financial reporting and our tests of his compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Supervisor of Elections, management, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
January 30, 2003

Bay County Supervisor of Elections  
Balance Sheet  
All Fund Types  
September 30, 2002

	GOVERNMENTAL FUND TYPE
	General
<b>ASSETS</b>	
Cash	\$ 125,317
Accounts Receivable	245
	<hr/>
Total Assets	\$ 125,562
	<hr/>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	77,618
Due to Other Governments	47,944
	<hr/>
Total Liabilities	\$ 125,562
	<hr/>
<b>FUND BALANCE</b>	
Unreserved	-
	<hr/>
Total Liabilities and Fund Balance	\$ 125,562
	<hr/>

The accompanying notes are an integral part of these special purpose financial statements

Bay County Supervisor of Elections  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
General Fund  
Year Ended September 30, 2002

**REVENUES**

Charges for Services	\$ 24,856
Qualifying Fees	5,118
Interest	<u>4,742</u>
	34,716

**EXPENDITURES**

Current	
General Government	<u>845,415</u>
Excess (Deficiency) of Expenditures Over (Under) Revenues	<u>(810,699)</u>

**OTHER FINANCING SOURCES (USES)**

Budget Appropriations from Board of County Commissioners	856,421
Reversion to Board of County Commissioners	<u>(45,722)</u>
Total Other Financing Sources (Uses)	<u>810,699</u>

Net Changes in Fund Balance	-
Fund Balance - Beginning	<u>-</u>
Fund Balance - Ending	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these special purpose financial statements

Bay County Supervisor of Elections  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 4,854	\$ 4,854	\$ 24,856	\$ 20,002
Qualifying Fees	2,500	2,500	5,118	2,618
Interest	2,100	2,100	4,742	2,642
	9,454	9,454	34,716	25,262
<b>EXPENDITURES</b>				
Current				
General Government	791,512	858,854	845,415	13,439
Excess (Deficiency) of Expenditures Over (Under) Revenues	(782,058)	(849,400)	(810,699)	38,701
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget Appropriations from Board of County Commissioners	782,058	849,400	856,421	7,021
Reversion to Board of County Commissioners	-	-	(45,722)	(45,722)
Total Other Financing Sources (Uses)	782,058	849,400	810,699	(38,701)
Net Changes in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these special purpose financial statements



Bay County Supervisor of Elections  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Bay County Supervisor of Elections (Supervisor) is an integral part of Bay County, Florida and is an elected Constitutional Officer who is governed by state statutes and regulations. The Supervisor of Elections is included in the Bay County, Florida basic financial statements. The Supervisor of Elections operates on a budgetary system, whereby appropriated funds are received from the Board of County Commissioners and unexpended appropriations are required to be returned to the Board of County Commissioners after the end of the fiscal year.

Basis of Presentation – Fund Accounting – Accounts are organized on the basis of fund types each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund type is used by the Supervisor of Elections:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of the Supervisor of Elections. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities generally are included on the balance sheet. Fund balance (net current assets) is considered a measurement of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special purpose financial statements. Accordingly, it relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenue is recognized in the accounting period in which it becomes both measurable and available to pay current liabilities. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for principal and interest on long-term obligations, which is recorded when due.

Bay County Supervisor of Elections  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Budgets – The preparation, adoption, and amendment of the Supervisor of Elections' budget is governed by Chapter 129, Florida Statutes. The budget is prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. Budgetary data presented in the accompanying special purpose financial statements in the final budgeted amounts column represent the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data. All budget appropriations lapse after the end of the fiscal year.

Employee Leave Benefits – It is the Supervisor of Election's policy to grant paid absences for vacation and sick leave. Employees are permitted to accumulate a limited amount of earned but unused sick and vacation benefits which will be paid to them upon termination. Governmental fund types accrue benefits in the period they are earned; however, only the current portion of the accrued benefits is recorded in the governmental fund types. The long-term portion is recorded in the long-term liabilities of the Bay County Board of County Commissioners.

Capital Assets – Capital assets of the Supervisor of Elections are accounted for by the Board of County Commissioners and are included in the Board's basic financial statements. Under Florida law, the Board holds legal title and is accountable for these assets.

Cash and Cash Equivalents – The Supervisor of Elections considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from these estimates.

New Accounting Standards - Effective October 1, 2001, the Supervisor of Elections adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; *GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, Omnibus*; and *GASB Statement 38, Certain Financial Statement Note Disclosures*. The effect of adopting GASB Statements 34 and 37 is primarily a change in the presentation of the financial statements. The Supervisor of Elections is no longer required to present his account groups on the face of the special purpose financial statements. The adoption of GASB Statement 38, modifies, rescinds and establishes certain financial statement disclosure requirements.

Bay County Supervisor of Elections  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 2 – DEPOSITS

All cash resources of the Supervisor of Elections are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the Supervisor of Elections' funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

NOTE 3 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Bay County Supervisor of Elections contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling 850-414-6346.

Funding Policy – The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. Rates effective October 1, 2001 – June 30, 2002 are 7.3% and 15.14% for regular employees and elected county officials, respectively. Rates effective July 1, 2002 – September 30, 2002 are 5.76% and 11.86% for regular employees and elected county officials, respectively. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.67% effective from October 1, 2001 – June 30, 2002 and 9.11% effective from July 1, 2002 – September 30, 2002. The Supervisor of Elections' contributions for the years ended September 30, 2002, 2001 and 2000 were \$27,143, \$32,487, and \$33,425, respectively, and are equal to the required contributions for each year.



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## INDEPENDENT AUDITORS' MANAGEMENT LETTER COMMENTS

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Bay County, Florida

We have audited the special purpose financial statements of the Bay County Supervisor of Elections for the fiscal year ended September 30, 2002, and have issued our report thereon dated January 30, 2003.

We have issued our report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Governmental Auditing Standard*, dated January 30, 2003. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards U.S. generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554 (1)(g)1.a) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, irregularities, shortages, defalcations, fraud, or violations of laws, rules, regulations, or contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, irregularities, shortages, defalcations, or violations of laws, rules, regulations, or contractual provisions disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.554(1)(g)1.b) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Page Two

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County Supervisor of Elections complied with Section 218.415, Florida Statutes

The Rules of the Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questions costs: (a) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (b) improper or illegal expenditures; (c) improper or inadequate accounting procedures (e.g., the omission of required disclosure from financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. Our audit disclosed no matters required to be disclosed pursuant to Section 10.554(1)(g)4., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(g)5.) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County Supervisor of Elections was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Supervisor of Elections has no component units.

As required by the Rules of the Auditor General (Section 10.554 (1)(g)6.a), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Bay County Supervisor of Elections is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes as of the date of this report.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b), we determined that the annual financial report for Bay County Supervisor of Elections for the fiscal year ended September 30, 2002, filed with the Department of Banking and Finance pursuant to Section 218.503(1), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2002.

As required by the Rules of the Auditor General (Section 10.554(g)6.c and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

The Honorable Mark Andersen  
Bay County Supervisor of Election  
Page Three

This management letter is intended solely for the information of the Bay County Supervisor of Elections, the Bay County Board of County Commissioners, the State of Florida Office of the Auditor General, and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
January 30, 2003

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

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Bay County, Florida

We have audited the special purpose financial statements of the Bay County Supervisor of Elections as of and for the year ended September 30, 2002, and have issued our report dated January 30, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the financial statements included a paragraph explaining that the Supervisor of Elections is an integral part of Bay County, the primary government for financial reporting purposes.

Compliance

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



The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Page Two

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bay County Supervisor of Elections' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management of the Bay County Supervisor of Elections management, the Board of County Commissioners, and appropriate federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
January 30, 2003

**CLERK OF CIRCUIT  
COURT**



CARR • RIGGS & INGRAM, LLC

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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## INDEPENDENT AUDITORS' REPORT

The Honorable Harold Bazzel  
Bay County Clerk of Circuit Court  
Bay County, Florida

We have audited the accompanying special purpose financial statements of the Bay County Clerk of Circuit Court as of and for the year ended September 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Bay County Clerk of Circuit Court's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and present only the Clerk and are not intended to present fairly the financial position, changes in financial position, and cash flows of Bay County, Florida, in conformity with accounting principles generally accepted in the United States of America.

The Honorable Harold Bazzel  
Bay County Clerk of Circuit Court  
Page Two

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Clerk as of September 30, 2002, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the special purpose financial statements, effective October 1, 2001, the Clerk adopted *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; *GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus*; and *GASB Statement 38, Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2003 on our consideration of the Bay County Clerk of Circuit Court's internal control over financial reporting and our tests of his compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
January 24, 2003

Bay County Clerk of Circuit Court  
Combined Balance Sheet  
All Fund Types  
September 30, 2002

	GOVERNMENTAL FUND TYPES		TOTAL (Memorandum Only)
	General	Special Revenue	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 327,092	\$ 1,032,014	\$ 1,359,106
Accounts Receivable	68,967	2,567	71,534
Investments	75,050	-	75,050
Due from Other Governments	193,982	-	193,982
Total Assets	<u>\$ 665,091</u>	<u>\$ 1,034,581</u>	<u>\$ 1,699,672</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 279,075	\$ 2,012	\$ 281,087
Deferred Revenue	1,751	-	1,751
Due to Other Governments	384,265	7,560	391,825
Total Liabilities	<u>665,091</u>	<u>9,572</u>	<u>674,663</u>
<b>FUND BALANCE</b>			
Unreserved	-	1,025,009	1,025,009
Total Fund Balance	<u>-</u>	<u>1,025,009</u>	<u>1,025,009</u>
Total Liabilities and Fund Balance	<u>\$ 665,091</u>	<u>\$ 1,034,581</u>	<u>\$ 1,699,672</u>

The accompanying notes are an integral part of these special purpose financial statements

Bay County Clerk of Circuit Court  
Combined Statement of Revenues, Expenditures and Changes in Fund  
Balance - All Governmental Fund Types  
Year Ended September 30, 2002

	GOVERNMENTAL FUND TYPE		TOTAL (Memorandum Only)
	General	Special Revenue	
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 186,153	\$ -	\$ 186,153
Charges for Services	2,696,242	504,480	3,200,722
Miscellaneous	47,323	14,249	61,572
Total Revenues	<u>2,929,718</u>	<u>518,729</u>	<u>3,448,447</u>
<b>EXPENDITURES</b>			
General Government	<u>4,401,490</u>	<u>334,147</u>	<u>4,735,637</u>
Total Expenditures	<u>4,401,490</u>	<u>334,147</u>	<u>4,735,637</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,471,772)</u>	<u>184,582</u>	<u>(1,287,190)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Budget Appropriations from Board of County Commissioners	1,856,037	-	1,856,037
Reversion to Board of County Commissioners	<u>(384,265)</u>	<u>-</u>	<u>(384,265)</u>
Total Other Financing Sources	<u>1,471,772</u>	<u>-</u>	<u>1,471,772</u>
Net Changes in Fund Balance	-	184,582	184,582
Fund Balance - Beginning	<u>-</u>	<u>840,427</u>	<u>840,427</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 1,025,009</u>	<u>\$ 1,025,009</u>

The accompanying notes are an integral part of these special purpose financial statements

Bay County Clerk of Circuit Court  
Combined Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 140,000	\$ 186,100	\$ 186,153	\$ 53
Charges for Services	2,087,130	2,339,580	2,696,242	356,662
Miscellaneous	50,500	47,500	47,323	(177)
Total Revenues	<u>2,277,630</u>	<u>2,573,180</u>	<u>2,929,718</u>	<u>356,538</u>
<b>EXPENDITURES</b>				
General Government	<u>4,106,130</u>	<u>4,417,980</u>	<u>4,401,490</u>	<u>16,490</u>
Total Expenditures	<u>4,106,130</u>	<u>4,417,980</u>	<u>4,401,490</u>	<u>16,490</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,828,500)</u>	<u>(1,844,800)</u>	<u>(1,471,772)</u>	<u>373,028</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget Appropriations from Board of County Commissioners	1,828,500	1,844,800	1,856,037	11,237
Reversion to Board of County Commissioners	-	-	(384,265)	(384,265)
Total Other Financing Sources (Uses)	<u>1,828,500</u>	<u>1,844,800</u>	<u>1,471,772</u>	<u>(373,028)</u>
Net Changes in Fund Balance	-	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Clerk of Circuit Court  
Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2002

**ASSETS**

Cash and Cash Equivalents	\$ 3,026,038
Total Assets	<u>3,026,038</u>

**LIABILITIES**

Accounts Payable	1,774,018
Due to Other Governments	<u>1,252,020</u>
Total Liabilities	<u>3,026,038</u>

**NET ASSETS**

Total Net Assets	<u>\$ -</u>
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The accompanying notes are an integral part of these special purpose financial statements



Bay County Clerk of Circuit Court  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Bay County Clerk of Circuit Court (Clerk) is an integral part of Bay County, Florida and is an elected Constitutional Officer who is governed by state statutes and regulations. The Clerk is included in the Bay County, Florida basic financial statements. The Clerk operates on a fee and budgetary system. Under the fee system, the officer retains fees, commissions, and other revenue to pay all operating expenditures, including statutory compensation. Under the budgetary system appropriated funds are received from the Board of County Commissioners and any unexpended appropriations are remitted to the Board of County Commissioners after the end of the fiscal year.

Basis of Presentation - Fund Accounting – Accounts are organized on the basis of fund types each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the Clerk:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of the Clerk. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Fiduciary Fund Types

Agency Funds – Agency funds are used to account for assets held by the Clerk as an agent for individuals, private organizations, other governments, and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities generally are included on the balance sheet. Fund balance (net current assets) is considered a measurement of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

Bay County Clerk of Circuit Court  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special purpose financial statements. Accordingly, it relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenue is recognized in the accounting period in which it becomes both measurable and available to pay current liabilities. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for principal and interest on long-term obligations, which is recorded when due.

Budgets – The preparation, adoption, and amendment of the Clerk budget is governed by Chapter 129, Florida Statutes. The budget is prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. Budgetary data presented in the accompanying special purpose financial statements represents the final budgetary data in the final budgeted amounts column. In this column the effects of budget amendments have been applied to original budgetary data. All budget appropriations lapse at the end of the fiscal year.

Cash Equivalents – The Clerk considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Employee Leave Benefits – It is the Clerk's policy to grant paid absences for vacation and sick leave. Employees are permitted to accumulate a limited amount of earned but unused vacation benefits which will be paid to employees in good standing upon termination. A portion of accrued sick leave is paid to employees who terminate based on length of service with the Clerk's office. Employees who have ten to fifteen years of service will receive 60% of accrued sick leave upon termination, employees with fifteen to twenty years of service will receive 80% of accrued sick leave, and employees with more than twenty years of service will receive 100% of their accrued sick leave balance up to a maximum of 240 hours. Governmental fund types accrue benefits in the period they are earned; however, only the current portion of the accrued benefits is recorded in the governmental fund types. The long-term portion is recorded in the long-term liabilities of the Board of County Commissioners.

Capital Assets – Capital assets of the Clerk are accounted for by the Board of County Commissioners and are included in the Board's basic financial statements. Under Florida law, the Board holds legal title and is accountable for these assets.

Bay County Clerk of Circuit Court  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from these estimates.

Memorandum Only - Total Columns – The total columns on the combined special purpose financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Such data may not be comparable to consolidated financial statements since interfund eliminations have not been made in the aggregation of this data.

New Accounting Standards - Effective October 1, 2001, the Clerk adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, Omnibus; and GASB Statement 38, Certain Financial Statement Note Disclosures*. The effect of adopting GASB Statements 34 and 37 is primarily a change in the presentation of the financial statements. The Clerk is no longer required to present his account groups on the face of the special purpose financial statements. The adoption of GASB Statement 38, modifies, rescinds and establishes certain financial statement disclosure requirements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits – All cash resources of the Clerk are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that the Clerk's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Investments – The Clerk is authorized to invest surplus funds in the investments allowed by Florida Statutes, Section 218.415. The Clerk's investments during the year ended September 30, 2002 consisted of investments in the Local Government Surplus Funds Trust. The Local Government Surplus Funds Trust Fund, an external investment pool administered by the State of Florida, Board of Administration (pool), has adopted operating procedures

Bay County Clerk of Circuit Court  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

consistent with the requirements for a “2a-7 like” pool pursuant to the provisions of GASB Statement 31. Therefore, the investment was valued at amortized cost and the fair value at September 30, 2002 was the account balance at that time of \$75,050.

Florida Statutes 215.47 includes a broad range of investments to enable the pool to administer its varied investment objectives. In addition to fixed rate instruments, the pool may invest in various floating and/or adjustable rate securities. The interest rates on these securities all float relative to prevailing short-term interest rates such as the LIBOR or Federal Fund rates. LIBOR (London InterBank Offered Rate) is the rate on dollar-denominated deposits, also known as Eurodollars, traded between banks in London. LIBOR is quoted daily in the Wall Street Journal’s Money Rates and compares closely to the 1-Year Treasury Security index. These investments represented 8% of the State Board of Administration’s portfolio at September 30, 2002.

NOTE 3 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Clerk contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling 850-414-6346.

Funding Policy – The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. Rates effective October 1, 2001 – June 30, 2002 are 7.30% and 15.14% for regular employees and elected county officials, respectively. Rates effective July 1, 2002 – September 30, 2002 are

Bay County Clerk of Circuit Court  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

5.76% and 11.86% for regular employees and elected county officials, respectively. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.67 effective from October 1, 2001 – June 30, 2002 and 9.11% effective from July 1, 2002 – September 30, 2002. The Clerk's contributions for the years ended September 30, 2002, 2001 and 2000 were \$188,715, \$222,256, and \$240,093, respectively, and all are equal to the required contributions for each year.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Clerk leased office and parking space for a one year period ended September 30, 2002. The lease includes five one-year renewal options for successive renewal terms of one year each through September 30. The Clerk also entered into a lease agreement to lease storage space beginning July 1, 1994 and ending June 30, 2004.

The future minimum rental payments under those operating leases are as follows:

<u>Year Ending</u> <u>September 30</u>	
2003	39,600
2004	<u>29,700</u>
Total	<u>\$ 69,300</u>

Lease expense for the year ended September 30, 2002 was \$80,026.

Bay County Clerk of Circuit Court  
Combining Statement of Changes  
In Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>FINES AND FORFEITURES</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 395,109	\$ 4,878,039	\$ 4,884,184	\$ 388,964
Total Assets	<u>\$ 395,109</u>	<u>\$ 4,878,039</u>	<u>\$ 4,884,184</u>	<u>\$ 388,964</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 395,109	\$ 4,878,039	\$ 4,884,184	\$ 388,964
Total Liabilities	<u>\$ 395,109</u>	<u>\$ 4,878,039</u>	<u>\$ 4,884,184</u>	<u>\$ 388,964</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 19,961	\$ 37,781	\$ 50,355	\$ 7,387
Total Assets	<u>\$ 19,961</u>	<u>\$ 37,781</u>	<u>\$ 50,355</u>	<u>\$ 7,387</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 19,961	\$ 37,781	\$ 50,355	\$ 7,387
Total Liabilities	<u>\$ 19,961</u>	<u>\$ 37,781</u>	<u>\$ 50,355</u>	<u>\$ 7,387</u>
<b>TAX DEED</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 29,457	\$ 288,099	\$ 276,657	\$ 40,899
Total Assets	<u>\$ 29,457</u>	<u>\$ 288,099</u>	<u>\$ 276,657</u>	<u>\$ 40,899</u>
<b>LIABILITIES</b>				
Accounts Payable and				
Accrued Liabilities	\$ 29,457	\$ 288,099	\$ 276,657	\$ 40,899
Total Liabilities	<u>\$ 29,457</u>	<u>\$ 288,099</u>	<u>\$ 276,657</u>	<u>\$ 40,899</u>

Bay County Clerk of Circuit Court  
Combining Statement of Changes  
In Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,552	\$ 775,205	\$ 778,634	\$ 5,123
Total Assets	<u>\$ 8,552</u>	<u>\$ 775,205</u>	<u>\$ 778,634</u>	<u>\$ 5,123</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 8,552	\$ 775,205	\$ 778,634	\$ 5,123
Total Liabilities	<u>\$ 8,552</u>	<u>\$ 775,205</u>	<u>\$ 778,634</u>	<u>\$ 5,123</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 915,277	\$ 16,359,476	\$ 15,551,705	\$ 1,723,048
Total Assets	<u>\$ 915,277</u>	<u>\$ 16,359,476</u>	<u>\$ 15,551,705</u>	<u>\$ 1,723,048</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 915,277	\$ 16,359,476	\$ 15,551,705	\$ 1,723,048
Total Liabilities	<u>\$ 915,277</u>	<u>\$ 16,359,476</u>	<u>\$ 15,551,705</u>	<u>\$ 1,723,048</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 601,826	\$ 1,104,343	\$ 1,411,783	\$ 294,386
Total Assets	<u>\$ 601,826</u>	<u>\$ 1,104,343</u>	<u>\$ 1,411,783</u>	<u>\$ 294,386</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 601,826	\$ 1,104,343	\$ 1,411,783	\$ 294,386
Total Liabilities	<u>\$ 601,826</u>	<u>\$ 1,104,343</u>	<u>\$ 1,411,783</u>	<u>\$ 294,386</u>

Bay County Clerk of Circuit Court  
Combining Statement of Changes  
In Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 20,094	\$ 456,539	\$ 456,553	\$ 20,080
Total Assets	<u>\$ 20,094</u>	<u>\$ 456,539</u>	<u>\$ 456,553</u>	<u>\$ 20,080</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 4,962	\$ 456,539	\$ 456,553	\$ 4,948
Due to Other Governments	15,132	-	-	15,132
Total Liabilities	<u>\$ 20,094</u>	<u>\$ 456,539</u>	<u>\$ 456,553</u>	<u>\$ 20,080</u>
<b>DOC STAMPS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 172,689	\$ 11,901,119	\$ 11,800,581	\$ 273,227
Total Assets	<u>\$ 172,689</u>	<u>\$ 11,901,119</u>	<u>\$ 11,800,581</u>	<u>\$ 273,227</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 172,689	\$ 11,901,119	\$ 11,800,581	\$ 273,227
Total Liabilities	<u>\$ 172,689</u>	<u>\$ 11,901,119</u>	<u>\$ 11,800,581</u>	<u>\$ 273,227</u>
<b>INTANGIBLE TAX</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 154,142	\$ 2,668,095	\$ 2,578,534	\$ 243,703
Total Assets	<u>\$ 154,142</u>	<u>\$ 2,668,095</u>	<u>\$ 2,578,534</u>	<u>\$ 243,703</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 154,142	\$ 2,668,095	\$ 2,578,534	\$ 243,703
Total Liabilities	<u>\$ 154,142</u>	<u>\$ 2,668,095</u>	<u>\$ 2,578,534</u>	<u>\$ 243,703</u>



Bay County Clerk of Circuit Court  
Combining Statement of Changes  
In Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>COURT CONSTRUCTION</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 30,175	\$ 464,654	\$ 465,608	\$ 29,221
Total Assets	<u>\$ 30,175</u>	<u>\$ 464,654</u>	<u>\$ 465,608</u>	<u>\$ 29,221</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 30,175	\$ 464,654	\$ 465,608	\$ 29,221
Total Liabilities	<u>\$ 30,175</u>	<u>\$ 464,654</u>	<u>\$ 465,608</u>	<u>\$ 29,221</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,347,282	\$ 38,933,350	\$ 38,254,594	\$ 3,026,038
Total Assets	<u>\$ 2,347,282</u>	<u>\$ 38,933,350</u>	<u>\$ 38,254,594</u>	<u>\$ 3,026,038</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 958,248	\$ 17,879,319	\$ 17,063,549	\$ 1,774,018
Due to Other Governments	1,389,034	21,054,031	21,191,045	1,252,020
Total Liabilities	<u>\$ 2,347,282</u>	<u>\$ 38,933,350</u>	<u>\$ 38,254,594</u>	<u>\$ 3,026,038</u>

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## INDEPENDENT AUDITORS' MANAGEMENT LETTER COMMENTS

The Honorable Harold Bazzel  
Bay County Clerk of Circuit Court  
Bay County, Florida

We have audited the special purpose financial statements of the Bay County Clerk of Circuit Court for the year ended September 30, 2002, and have issued our report thereon dated January 24, 2003.

We have issued our report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* dated January 24, 2003. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(g)1.a) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, or violations of laws, rules, regulations, or contractual provisions reported in the preceding annual financial audit report have been corrected. No inaccuracies, irregularities, shortages, defalcations, or violations of laws, rules, regulations, or contractual provisions were disclosed in the preceding annual report that required correcting.

The Rules of the Auditor General (Section 10.554(1)(g)1.b) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

The Honorable Harold Bazzel  
Bay County Clerk of Circuit Court  
Page Two

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County Clerk of Circuit Court complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs: (a) violations of laws, rules, regulations, or contractual provisions that have occurred, or are likely to have occurred; (b) improper or illegal expenditures; (c) improper or inadequate accounting procedures (e.g. the omission of required disclosures from financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. Our audit disclosed no matters required to be disclosed pursuant to Section 10.554(1)(g)4., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(g)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County Clerk of Circuit Court was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Clerk of Circuit Court has no component units.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.a), the scope of our audit included a review of the provisions of section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Bay County Clerk of Circuit Court is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes as of the date of this report.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b), we determined that the annual financial report for the Bay County Clerk of Circuit Court for the year ended September 30, 2002, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2002.

As required by the Rules of the Auditor General (Section 10.554(g)(6.c) and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

The Honorable Harold Bazzel  
Bay County Clerk of Circuit Court  
Page Three

This management letter is intended solely for the information of the Bay County Clerk of Circuit Court, the Bay County Board of County Commissioners, the State of Florida Office of the Auditor General, and appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
January 24, 2003

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

The Honorable Harold Bazzel  
Bay County Clerk of Circuit Court  
Bay County, Florida

We have audited the special purpose financial statements of the Bay County Clerk of Circuit Court as of and for the year ended September 30, 2002, and have issued our report dated January 24, 2003. 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. Our report on the financial statements included a paragraph explaining that the Clerk of the Circuit Court is an integral part of Bay County, the primary government for financial reporting purposes.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bay County Clerk of Circuit Court's internal control over financial reporting in order to

The Honorable Harold Bazzel  
Bay County Clerk of Circuit Court  
Page 2

determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Bay County Clerk of Circuit Court's management, the Board of County Commissioners, and appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
January 24, 2003



**PROPERTY  
APPRAISER**



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## INDEPENDENT AUDITORS' REPORT

The Office of the Honorable Richard Davis  
Bay County Property Appraiser  
Bay County, Florida

We have audited the accompanying special purpose financial statements of the Bay County Property Appraiser as of and for the year ended September 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Property Appraiser's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and present only the Property Appraiser and are not intended to present fairly the financial position, changes in financial position, and cash flows of Bay County, Florida, in conformity with accounting principles generally accepted in the United States of America.

The Office of the Honorable Richard Davis  
Bay County Property Appraiser  
Page Two

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Property Appraiser as of September 30, 2002, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the special purpose financial statements, effective October 1, 2001, the Property Appraiser adopted *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus; and GASB Statement 38, Certain Financial Statement Note Disclosures.*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2002 on our consideration of the Bay County Property Appraiser's internal control over financial reporting and our tests of his compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Property Appraiser, management, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
October 29, 2002

Bay County Property Appraiser  
Combined Balance Sheet -  
All Fund Types  
September 30, 2002

	GOVERNMENTAL FUND TYPE
	<u>General</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 24,954
Medical Reimbursements Receivable	<u>223</u>
Total Assets	<u><u>\$ 25,177</u></u>
<b>LIABILITIES</b>	
Due to Other Governments	<u>\$ 25,177</u>
Total Liabilities	<u>25,177</u>
<b>FUND BALANCE</b>	
Unreserved	<u>-</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 25,177</u></u>

The accompanying notes are an integral part of these special purpose financial statements

Bay County Property Appraiser  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
General Fund  
Year Ended September 30, 2002

**REVENUES**

Charges for Services	\$ 39,449
Interest Income	5,496
Total Revenues	<u>44,945</u>

**EXPENDITURES**

Current	
General Government	1,985,144
Debt Service	
Principal Retirement	3,950
Interest and Fiscal Charges	1,161
Total Expenditures	<u>1,990,255</u>

Excess of Expenditures Over Revenues	<u>(1,945,310)</u>
--------------------------------------	--------------------

**OTHER FINANCING SOURCES (USES)**

Budget Appropriations from Board of County Commissioners	1,963,727
Reversion to Board of County Commissioners	(24,875)
Proceeds from Debt Instruments	6,458
Total Other Financing Sources (Uses)	<u>1,945,310</u>

Net Changes in Fund Balance	-
-----------------------------	---

Fund Balance - Beginning	<u>-</u>
--------------------------	----------

Fund Balance - Ending	<u><u>\$ -</u></u>
-----------------------	--------------------

Bay County Property Appraiser  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for Services	\$ 26,108	\$ 23,796	\$ 39,449	\$ 15,653
Interest Income	-	-	5,496	5,496
Total Revenues	<u>26,108</u>	<u>23,796</u>	<u>44,945</u>	<u>21,149</u>
<b>EXPENDITURES</b>				
Current				
General Government	1,984,724	1,988,870	1,985,144	3,726
Debt Service				
Principal Retirement	3,950	3,950	3,950	-
Interest and Fiscal Charges	1,161	1,161	1,161	-
Total Expenditures	<u>1,989,835</u>	<u>1,993,981</u>	<u>1,990,255</u>	<u>3,726</u>
Excess of Expenditures Over (Under) Revenues	<u>(1,963,727)</u>	<u>(1,970,185)</u>	<u>(1,945,310)</u>	<u>24,875</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget Appropriations from Board of County Commissioners	1,963,727	1,963,727	1,963,727	-
Reversion to Board of County Commissioners	-	-	(24,875)	(24,875)
Proceeds from Debt Instruments	-	6,458	6,458	-
Total Other Financing Sources (Uses)	<u>1,963,727</u>	<u>1,970,185</u>	<u>1,945,310</u>	<u>24,875</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Property Appraiser  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Bay County Property Appraiser (Property Appraiser) is an integral part of Bay County, Florida and is an elected Constitutional Officer who is governed by state statutes and regulations. The Property Appraiser is included in the Bay County, Florida basic financial statements. The Property Appraiser operates on a budgetary system, whereby appropriated funds are received from the Board of County Commissioners and any unexpended appropriations are remitted to the Board of County Commissioners after the end of the fiscal year.

Basis of Presentation - Fund Accounting – Accounts are organized on the basis of fund types, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund type is used by the Property Appraiser:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of the Property Appraiser. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities generally are included on the balance sheet. Fund balance (net current assets) is considered a measurement of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special purpose financial statements. Accordingly, it relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenue is recognized in the accounting period in which it becomes both measurable and available to pay current liabilities. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for principal and interest on long-term obligations, which is recorded when due.

Budgets – The preparation, adoption, and amendment of the Property Appraiser's budget is governed by Chapter 129, Florida Statutes. The budget is prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. Budgetary data presented in the accompanying special purpose financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data. All budget appropriations lapse at the end of the fiscal year.

Bay County Property Appraiser  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Leave Benefits – Employee sick and vacation leave is not accumulated. Therefore, no corresponding accrual has been made in the accompanying special purpose financial statements.

Capital Assets – Capital assets of the Property Appraiser are accounted for by the Board of County Commissioners and are included in the Board's basic financial statements. Under Florida law, the Board holds legal title and is accountable for these assets.

Cash Equivalents – The Property Appraiser considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Estimates – The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from these estimates.

New Accounting Standards - Effective October 1, 2001, the Property Appraiser adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; *GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, Omnibus*; and *GASB Statement 38, Certain Financial Statement Note Disclosures*. The effect of adopting GASB Statements 34 and 37 is primarily a change in the presentation of the financial statements. The Property Appraiser is no longer required to present his account groups on the face of the special purpose financial statements. The adoption of GASB Statement 38, modifies, rescinds and establishes certain financial statement disclosure requirements.

NOTE 2 – DEPOSITS

All cash resources of the Property Appraiser are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that the Property Appraiser's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.



Bay County Property Appraiser  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 3 –LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2002:

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
Capital Leases Payable	\$ 8,342	\$ 6,458	\$ 3,950	\$ 10,850

Capital leases payable consists of lease purchase agreements on equipment. The leased equipment is capitalized at the present value of the minimum lease payments in the capital assets of the Bay County Board of County Commissioners. No depreciation has been provided on these assets. The related obligations are accounted for in the County's long-term liabilities. The lease is payable in quarterly installments of \$765, which includes interest of 6.015%, through July, 2004. Principal maturities are as follows:

Year Ended September 30,	
2003	\$ 3,060
2004	3,060
Total	6,120
Less: amount representing interest	(394)
Total	\$ 5,726

During the year ended September 30, 2002 the Property Appraiser entered into a lease purchase agreement to purchase a new phone system costing \$6,458. The interest rate is 16.29% payable in monthly installments of \$228 until January 2005. Principle maturities are as follows:

Year Ended September 30,	
2003	\$ 2,735
2004	2,735
2005	685
Total	6,155
Less: amount representing interest	(1,031)
Total	\$ 5,124

Bay County Property Appraiser  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 3 – GENERAL LONG-TERM DEBT (Continued)

The total cost of equipment purchased under lease purchases is \$17,264. Total principle maturities are as follows:

Year Ended September 30,	
2003	\$ 6,154
2004	6,120
Total	<u>12,274</u>
Less: amount representing interest	(1,424)
Total	<u><u>\$ 10,850</u></u>

NOTE 4 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Bay County Property Appraiser contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling 850-414-6346.

Funding Policy – The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. Rates effective October 1, 2001 – June 30, 2002 are 7.30% and 15.14% for regular employees and elected county officials, respectively. Rates effective July 1, 2002 – September 30, 2002 are 5.76% and 11.86% for regular employees and elected county officials, respectively. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.67% effective October 1, 2001 – June 30, 2002 and 9.11% for the period July 1, 2002 – September 30, 2002. The Property Appraiser's contributions for the years ended September 30, 2002, 2001 and 2000 were \$108,786, \$132,202, and \$136,813, respectively, and are equal to the required contributions for each year.

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## INDEPENDENT AUDITORS' MANAGEMENT LETTER COMMENTS

The Office of the Honorable Richard Davis  
Bay County Property Appraiser  
Bay County, Florida

We have audited the special purpose financial statements of the Bay County Property Appraiser for the year ended September 30, 2002, and have issued our report thereon dated October 29, 2002.

We have issued our report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* dated October 29, 2002. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554 (1)(g)1.a) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, irregularities, shortages, defalcations, fraud, or violations of laws, rules, regulations, or contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, irregularities, shortages, defalcations, or violations of laws, rules, regulations, or contractual provisions disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.554(1)(g)1.b) require that we address in the management letter if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit

report have been followed. During the prior year, ended September 30, 2001, the Property Appraiser's actual expenditures exceeded budget appropriations at the individual fund level. This condition did not exist for the year ended September 30, 2002.

Instances of Noncompliance:

Section 193.023(2), Florida Statutes states:

In making his or her assessment of the value of real property, the Property Appraiser is required to inspect physically the property every 3 years to ensure that the tax roll meets all the requirements of law. However, the property appraiser shall physically inspect any parcel of taxable real property upon the request of the taxpayer or owner.

Prior and current year audit procedures determined there are parcels of real property that have not been inspected physically within the last three years. We recommend the Property Appraiser take the necessary actions to comply with the Florida Statutes.

The audit procedures performed and evidence obtained did not indicate that a material misstatement of the financial statements has occurred because of this instance of noncompliance. However, we do feel that it is important that you are made aware of this matter.

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County Property Appraiser complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.54(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs: (a) violations of laws, rules, regulations, or contractual provisions that have occurred, or are likely to have occurred; (b) improper or illegal expenditures; (c) improper or inadequate accounting procedures (e.g. the omission of required disclosures from financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. Our audit disclosed no matters required to be disclosed pursuant to Section 10.544(1)(g)4., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.544(1)(g)5.) require that the name or official title and legal authority for the primary government and each component unit or the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County Property Appraiser was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Property Appraiser has no component units.

The Office of the Honorable Richard Davis  
Bay County Property Appraiser  
Page Three

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.a), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Bay County Property Appraiser is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes as of the date of this report.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b), we determined that the annual financial report for the Bay County Property Appraiser for the year ended September 30, 2002, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2002.

As required by the Rules of the Auditor General (Section 10.554(g)(6.c) and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of the Bay County Property Appraiser, the Bay County Board of County Commissioners, the State of Florida Office of the Auditor General, and appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
October 29, 2002

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

The Office of the Honorable Richard Davis  
Bay County Property Appraiser  
Bay County, Florida

We have audited the special purpose financial statements of the Bay County Property Appraiser as of and for the year ended September 30, 2002, and have issued our report dated October 29, 2002. 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. Our report on the financial statements included a paragraph explaining that the Property Appraiser is an integral part of Bay County, the primary government for financial reporting purposes.

Compliance

As part of obtaining reasonable assurance about whether the Bay County Property Appraiser's special purpose financial statements are free of material misstatement, we performed tests of his compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Property Appraiser's management in a separate letter dated October 29, 2002.



Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bay County Property Appraiser's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Bay County Property Appraiser's management, the Board of County Commissioners, and appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
October 29, 2002

# **TAX COLLECTOR**



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## INDEPENDENT AUDITORS' REPORT

The Honorable Peggy Brannon  
Bay County Tax Collector  
Bay County, Florida

We have audited the accompanying special purpose financial statements of the Bay County Tax Collector as of and for the year ended September 30, 2002 as listed in the table of contents. These financial statements are the responsibility of the Tax Collector's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and present only the Tax Collector and are not intended to present fairly the financial position, changes in financial position, and cash flows of Bay County, Florida, in conformity with accounting principles generally accepted in the United States of America.

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Two

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tax Collector as of September 30, 2002, and the results of her operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the special purpose financial statements, effective October 1, 2001, the Tax Collector adopted *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; *GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus*; and *GASB Statement 38, Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2002 on our consideration of the Bay County Tax Collector's internal control over financial reporting and our tests of her compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Tax Collector, management, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
October 30, 2002

Bay County Tax Collector  
Combined Balance Sheet  
All Fund Types  
September 30, 2002

	GOVERNMENTAL FUND TYPE <u>General</u>	FIDUCIARY FUND TYPE <u>Agency</u>	TOTAL (Memorandum Only)
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,299,955	\$ 221,777	\$ 1,521,732
Accounts Receivable	-	14,443	14,443
Investments	-	669,698	669,698
	<u>-</u>	<u>669,698</u>	<u>669,698</u>
Total Assets	<u>\$ 1,299,955</u>	<u>\$ 905,918</u>	<u>\$ 2,205,873</u>
<b>LIABILITIES</b>			
Bank Overdraft	\$ -	\$ 11,540	\$ 11,540
Due to Other Governments	1,299,955	893,628	2,193,583
Due to Private Companies	-	750	750
Total Liabilities	<u>1,299,955</u>	<u>905,918</u>	<u>2,205,873</u>
<b>FUND BALANCE</b>			
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 1,299,955</u>	<u>\$ 905,918</u>	<u>\$ 2,205,873</u>

Bay County Tax Collector  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
General Fund  
Year Ended September 30, 2002

**REVENUES**

Charges for Services	\$ 1,203,361
Miscellaneous	96,960
Total Revenues	<u>1,300,321</u>

**EXPENDITURES**

Current	
General Government	1,903,893
Debt Service	
Principal Retirement	5,665
Interest and Fiscal Charges	1,117
Total Expenditures	<u>1,910,675</u>

Excess of Expenditures Over (Under) Revenues	<u>(610,354)</u>
--	------------------

**OTHER FINANCING SOURCES (USES)**

Budget Appropriations from Board of County Commissioners	1,902,059
Reversion to Board of County Commissioners	<u>(1,291,705)</u>
Total Other Financing Sources (Uses)	<u>610,354</u>

Net Changes in Fund Balance	-
-----------------------------	---

Fund Balance - Beginning	<u>-</u>
--------------------------	----------

Fund Balance - Ending	<u><u>\$ -</u></u>
-----------------------	--------------------

The accompanying notes are an integral part of these special purpose financial statements

Bay County Tax Collector  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2002

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 68,062	\$ 1,203,361	\$ 1,135,299
Miscellaneous	-	96,960	96,960
Total Revenues	<u>68,062</u>	<u>1,300,321</u>	<u>1,232,259</u>
<b>EXPENDITURES</b>			
Current			
General Government	1,963,339	1,903,893	59,446
Debt Service			
Principal Retirement	5,665	5,665	-
Interest and Fiscal Charges	1,117	1,117	-
Total Expenditures	<u>1,970,121</u>	<u>1,910,675</u>	<u>59,446</u>
Excess of Expenditures Over (Under) Revenues	<u>(1,902,059)</u>	<u>(610,354)</u>	<u>1,291,705</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Budget Appropriations from Board of County Commissioners	1,902,059	1,902,059	-
Reversion to Board of County Commissioners	-	(1,291,705)	(1,291,705)
Total Other Financing Sources (Uses)	<u>1,902,059</u>	<u>610,354</u>	<u>(1,291,705)</u>
Net Changes in Fund Balance	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these special purpose financial statements

Bay County Tax Collector  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Bay County Tax Collector (Tax Collector) is an integral part of Bay County, Florida and is an elected Constitutional Officer who is governed by state statutes and regulations. The Tax Collector is included in the Bay County, Florida basic financial statements. The Tax Collector operates on a budgetary and fee system. Under the fee system, the officer retains fees, commissions, and other revenue to pay all operating expenditures, including statutory compensation. Under the budgetary system, appropriated funds are received from the Board of County Commissioners and any unexpended appropriations are remitted to the Board of County Commissioners after the end of the fiscal year.

Basis of Presentation - Fund Accounting – Accounts are organized on the basis of fund types, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the Tax Collector:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of the Tax Collector. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Fund Type

Agency Funds – Agency funds are used to account for assets held by the Tax Collector as an agent for individuals, private organizations, other governments, and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities generally are included on the balance sheet. Fund balance (net current assets) is considered a measurement of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.



Bay County Tax Collector  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special purpose financial statements. Accordingly, it relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenue is recognized in the accounting period in which it becomes both measurable and available to pay current liabilities. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for principal and interest on long-term obligations, which is recorded when due.

Budgets – The preparation, adoption, and amendment of the Tax Collector's budget is governed by Chapter 129, Florida Statutes. The budget is prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. Budgetary data presented in the accompanying special purpose financial statements represent the original and final budgetary data. There were no amendments to the original budget. All budget appropriations lapse at the end of the fiscal year.

Employee Leave Benefits – Employee sick and vacation leave is not accumulated. Therefore, no accrual has been made in the accompanying special purpose financial statements.

Capital Assets – Capital assets of the Tax Collector are accounted for by the Board of County Commissioners and are included in the Board's basic financial statements. Under Florida law, the Board holds legal title and is accountable for these assets.

Cash Equivalents – The Tax Collector considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Money Market Investments - The Tax Collector has adopted GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement 31 allows for money market investments that mature within one year of their acquisition date to be reported at amortized cost rather than fair value. A money market investment is defined as a short-term, highly liquid debt instrument, including commercial paper, banker's acceptances, and U.S. treasury and agency obligations. The Tax Collector's investments that qualify as money market investments under GASB Statement 31 are reported at amortized cost.

Investment in State Pool – The Local Government Surplus Funds Trust Fund, and external investment pool administered by the State of Florida Board of Administration (pool), has adopted operating procedures consistent with the requirement for a "2a-7 like" pool and the fair value of the position in the pool is equal to the value of the pool shares. Pursuant to the provisions of GASB Statement 31, such investments are stated at cost.

Bay County Tax Collector  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from these estimates.

Memorandum Only - Total Columns – The total columns on the combined special purpose financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Such data may not be comparable to consolidated financial statements since interfund eliminations have not been made in the aggregation of this data.

New Accounting Standards - Effective October 1, 2001, the Tax Collector adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, Omnibus; and GASB Statement 38, Certain Financial Statement Note Disclosures*. The effect of adopting GASB Statements 34 and 37 is primarily a change in the presentation of the financial statements. The Tax Collector is no longer required to present her account groups on the face of the special purpose financial statements. The adoption of GASB Statement 38, modifies, rescinds and establishes certain financial statement disclosure requirements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits – All cash resources of the Tax Collector are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the Tax Collector's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Investments – Florida Statutes, Section 218.415, authorizes the Tax Collector to invest surplus funds in the following:

The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Savings accounts in state-certified qualified public depositories.

Bay County Tax Collector  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Certificates of deposits in state-certified qualified public depositories.

Direct obligations of the U.S. Treasury.

Federal agencies and instrumentalities.

The Tax Collector's investments at September 30, 2002 are summarized and categorized under GASB Statement 3 guidelines to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by the Tax Collector or its agent in the Tax Collector's name. Category 2 includes uninsured and unregistered investments for which the securities are held by another party's trust department or agent in the Tax Collector's name. Category 3 includes uninsured and unregistered investments for which securities are held by another party or by its trust department or agent not in the Tax Collector's name.

The investments in the State Board of Administration Investment Pool and money market funds cannot be categorized because they are not evidenced by securities that exist in physical or book entry form.

Florida Statutes provide that funds awaiting clearing may be invested. Pursuant to an agreement with a local financial institution, cash on deposit, including the Tax Collector's float, was invested in an Overnight Repurchase Agreement investing in United States Treasury Obligations. All amounts related to the repurchase agreement are correctly included with cash at September 30, 2002.

Investments at September 30, 2002, are shown below:

	<u>Carrying Amount</u>
Local Government Surplus Funds (SBA Pool)	\$ 389,987
SunTrust Bank Money Market Investment Funds	279,711
Total Deposits	<u>230,027</u>
 Total Deposits and Investments	 <u>\$ 899,725</u>

NOTE 3 – PROPERTY TAXES

Property tax revenue is recognized when levied to the extent that it results in current receivables. The property tax calendar is as follows:

Lien Date	January 1
Levy Date	October 1
Tax Bills Mailed	November 30
Payments Due By	March 31
Delinquent Date	April 1
Tax Sales – Delinquent Property Taxes	June 1

Bay County Tax Collector  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2002:

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
Capital Leases Payable	\$ 12,034	\$ -	\$ 5,665	\$ 6,369

Capital leases payable consist of lease purchase agreements on equipment. The leased equipment is capitalized at the present value of the minimum lease payments in the capital assets of the Bay County Board of County Commissioners. No depreciation has been provided on these assets. The related obligations are accounted for in the County's long-term liabilities. The leases are payable in monthly installments of \$565, which includes interest at 11.8%, through September, 2003. Principal maturities are as follows:

Year Ending <u>September 30</u> 2003	\$ 6,782
Total	6,782
Less: amount representing interest	(413)
Total	<u>\$ 6,369</u>

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Bay County Tax Collector contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling 850-414-6346.

Bay County Tax Collector  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy – The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. Rates effective October 1, 2001 – June 30, 2002 are 7.30% and 15.14% for regular employees and elected county officials, respectively. Rates effective July 1, 2002 – September 30, 2002 are 5.76% and 11.86% for regular employees and elected county officials, respectively. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.67% effective from October 1, 2001 – June 30, 2002 and 9.11% effective from July 1, 2002 – September 30, 2002. The tax collector contributions for the years ended September 30, 2002, 2001 and 2000 were \$86,164, \$116,350 and \$119,337, respectively, and are equal to the required contributions for each year.

NOTE 6 – BANK OVERDRAFT

On September 30, 2002 the Tax Collector had a negative cash balance at one financial institution. This overdraft was due to NSF checks deposited and satisfactory payments were not received. The checks are held or put on collection with the State Attorney's Office until paid.

**Bay County Tax Collector**  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>PROPERTY TAX FUND</b>				
<b>ASSETS</b>				
Cash	\$ 56,585	\$ 4,482,672	\$ 4,318,230	\$ 221,027
Investments	698,310	100,685,640	100,714,252	669,698
Total Assets	<u>\$ 754,895</u>	<u>\$ 105,168,312</u>	<u>\$ 105,032,482</u>	<u>\$ 890,725</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 754,895	\$ 105,013,053	\$ 104,877,223	\$ 890,725
Total Liabilities	<u>\$ 754,895</u>	<u>\$ 105,013,053</u>	<u>\$ 104,877,223</u>	<u>\$ 890,725</u>
<b>TAX CERTIFICATE FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,905	\$ 4,387,084	\$ 4,391,239	\$ 750
Accounts Receivable	945	8,259	9,204	-
Total Assets	<u>\$ 5,850</u>	<u>\$ 4,395,343</u>	<u>\$ 4,400,443</u>	<u>\$ 750</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ -	\$ 416,316	\$ 416,316	\$ -
Due to Private Companies	5,850	17,700	22,800	750
Total Liabilities	<u>\$ 5,850</u>	<u>\$ 434,016</u>	<u>\$ 439,116</u>	<u>\$ 750</u>
<b>TAG FUND</b>				
<b>ASSETS</b>				
Accounts Receivable	\$ 15,661	\$ 233,290	\$ 234,508	\$ 14,443
Total Assets	<u>\$ 15,661</u>	<u>\$ 233,290</u>	<u>\$ 234,508</u>	<u>\$ 14,443</u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ 15,661	\$ 16,637,656	\$ 16,641,777	\$ 11,540
Due to Other Governments	-	15,409,749	15,406,846	2,903
Total Liabilities	<u>\$ 15,661</u>	<u>\$ 32,047,405</u>	<u>\$ 32,048,623</u>	<u>\$ 14,443</u>

**Bay County Tax Collector**  
 Combining Statement of Changes in Assets and Liabilities  
 All Agency Funds  
 Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>TOTAL-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 61,490	\$ 8,869,756	\$ 8,709,469	\$ 221,777
Accounts Receivable	16,606	241,549	243,712	14,443
Investments	698,310	100,685,640	100,714,252	669,698
Total Assets	<u>\$ 776,406</u>	<u>\$ 109,796,945</u>	<u>\$ 109,667,433</u>	<u>\$ 905,918</u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ 15,661	\$ 16,637,656	\$ 16,641,777	\$ 11,540
Due to Other Governments	754,895	120,839,118	120,700,385	893,628
Due to Private Companies	5,850	17,700	22,800	750
Total Liabilities	<u>\$ 776,406</u>	<u>\$ 137,494,474</u>	<u>\$ 137,364,962</u>	<u>\$ 905,918</u>

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## INDEPENDENT AUDITORS' MANAGEMENT LETTER COMMENTS

The Honorable Peggy Brannon  
Bay County Tax Collector  
Bay County, Florida

We have audited the special purpose financial statements of the Bay County Tax Collector for the fiscal year ended September 30, 2002, and have issued our report thereon dated October 30, 2002.

We have issued our report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Governmental Auditing Standard*, dated October 30, 2002. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554 (1)(g)1.a) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, irregularities, shortages, defalcations, fraud, or violations of laws, rules, regulations, or contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, irregularities, shortages, defalcations, or violations of laws, rules, regulations, or contractual provisions disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.554(1)(g)1.b) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County Tax Collector complied with Section 218.415, Florida Statutes.

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Two

The Rules of the Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questions costs: (a) violations of laws, rules, regulations, or contractual provisions that have occurred, or are likely to have occurred; (b) improper or illegal expenditures; (c) improper or inadequate accounting procedures (e.g., the omission of required disclosure from financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. Our audit disclosed no matters required to be disclosed pursuant to Section 10.554(1)(g)4., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(g)5.) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County Tax Collector was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Tax Collector has no component units.

As required by the Rules of the Auditor General (Section 10.554 (1)(g)6.a), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Bay County Tax Collector is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes as of the date of this report.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b), we determined that the annual financial report for Bay County Tax Collector for the year ended September 30, 2002, filed with the Department of Banking and Finance pursuant to Section 218.503(1), Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2002.

As required by the Rules of the Auditor General (Section 10.554(g)(6.c) and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of the Bay County Tax Collector, the Bay County Board of County Commissioners, the State of Florida Office of the Auditor General, and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
October 30, 2002



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

The Honorable Peggy Brannon  
Bay County Tax Collector  
Bay County, Florida

We have audited the special purpose financial statements of the Bay County Tax Collector as of and for the year ended September 30, 2002, and have issued our report dated October 30, 2002. 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. Our report on the financial statements included a paragraph explaining that the Tax Collector is an integral part of Bay County, the primary government for financial reporting purposes.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bay County Tax Collector's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Two

financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Bay County Tax Collector's management, the Board of County Commissioners, and appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
October 30, 2002

**SHERIFF**



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## INDEPENDENT AUDITORS' REPORT

The Honorable Guy M. Tunnell  
Bay County Sheriff  
Bay County, Florida

We have audited the accompanying special purpose financial statements of the Bay County Sheriff as of and for the year ended September 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Bay County Sheriff's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and present only the Bay County Sheriff and are not intended to present fairly the financial position, changes in financial position, and cash flows of Bay County, Florida, in conformity with accounting principles generally accepted in the United States of America.

The Honorable Guy M. Tunnell  
Bay County Sheriff  
Page Two

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bay County Sheriff as of September 30, 2002, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the special purpose financial statements, effective October 1, 2001, the Bay County Sheriff adopted *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus; and GASB Statement 38, Certain Financial Statement Note Disclosures.*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2003 on our consideration of the Bay County Sheriff's internal control over financial reporting and our tests of his compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
February 28, 2003

Bay County Sheriff  
Combined Balance Sheet  
All Fund Types  
September 30, 2002

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>ASSETS</b>			
Cash	\$ 82,587	\$ 33,649	\$ 116,236
Due from Other Governments	<u>137,250</u>	<u>-</u>	<u>137,250</u>
Total Assets	<u>\$ 219,837</u>	<u>\$ 33,649</u>	<u>\$ 253,486</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 187,609	\$ -	\$ 187,609
Due to Other Governments	<u>32,228</u>	<u>-</u>	<u>32,228</u>
Total Liabilities	<u>219,837</u>	<u>-</u>	<u>219,837</u>
<b>FUND BALANCES</b>			
Fund Balance			
Unreserved	<u>-</u>	<u>33,649</u>	<u>33,649</u>
Total Fund Balance	<u>-</u>	<u>33,649</u>	<u>33,649</u>
Total Liabilities and Fund Balance	<u>\$ 219,837</u>	<u>\$ 33,649</u>	<u>\$ 253,486</u>



Bay County Sheriff  
Combined Statement of Revenues, Expenditures and  
Changes in Fund Balance - All Governmental Fund Types  
Year Ended September 30, 2002

	General	Special Revenue	TOTAL (Memorandum Only)
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 1,055,740	\$ 156,001	\$ 1,211,741
Interest Income	19,796	-	19,796
Miscellaneous	59,082	106,608	165,690
Total Revenues	<u>1,134,618</u>	<u>262,609</u>	<u>1,397,227</u>
<b>EXPENDITURES</b>			
Current			
General Government	622,233	-	622,233
Public Safety	13,439,456	390,411	13,829,867
Debt Service			
Principal Retirement	298,469	-	298,469
Interest	20,088	-	20,088
Total Expenditures	<u>14,380,246</u>	<u>390,411</u>	<u>14,770,657</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,245,628)</u>	<u>(127,802)</u>	<u>(13,373,430)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Budget Appropriations from			
Board of County Commissioners	12,867,623	-	12,867,623
Proceeds from Debt Instruments	410,233	-	410,233
Reversion to Board of County Commissioners	<u>(32,228)</u>	<u>-</u>	<u>(32,228)</u>
Total Other Financing Sources	<u>13,245,628</u>	<u>-</u>	<u>13,245,628</u>
Net Change in Fund Balances	-	(127,802)	(127,802)
Fund Balance - Beginning	<u>-</u>	<u>161,451</u>	<u>161,451</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 33,649</u>	<u>\$ 33,649</u>

The accompanying notes are an integral part of these special purpose financial statements

Bay County Sheriff  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 942,933	\$ 1,060,281	\$ 1,055,740	\$ (4,541)
Interest Income	-	-	19,796	19,796
Miscellaneous	145,686	73,772	59,082	(14,690)
Total Revenues	<u>1,088,619</u>	<u>1,134,053</u>	<u>1,134,618</u>	<u>565</u>
<b>EXPENDITURES</b>				
Current				
General Government	623,918	623,918	622,233	1,685
Public Safety	13,013,767	13,469,434	13,439,456	29,978
Debt Service				
Principal Retirement	298,469	298,469	298,469	-
Interest and Fiscal Charges	20,088	20,088	20,088	-
Total Expenditures	<u>13,956,242</u>	<u>14,411,909</u>	<u>14,380,246</u>	<u>31,663</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,867,623)</u>	<u>(13,277,856)</u>	<u>(13,245,628)</u>	<u>32,228</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget Appropriations from Board of County Commissioners	12,867,623	12,867,623	12,867,623	-
Proceeds from Debt Instruments	-	410,233	410,233	-
Reversion to Board of County Commissioners	-	-	(32,228)	(32,228)
Total Other Financing Sources (Uses)	<u>12,867,623</u>	<u>13,277,856</u>	<u>13,245,628</u>	<u>(32,228)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Sheriff  
Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2002

**ASSETS**

Cash and Cash Equivalents	\$ 1,941
Total Assets	<u>1,941</u>

**LIABILITIES**

Accounts Payable	1,941
Due to Other Governments	<u>-</u>
Total Liabilities	<u>1,941</u>

**NET ASSETS**

Total Net Assets	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of the special purpose financial statements

Bay County Sheriff  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Bay County Sheriff (Sheriff) is an integral part of Bay County, Florida and is an elected Constitutional Officer who is governed by state statutes and regulations. The Sheriff is included in the Bay County, Florida basic financial statements. The office of the Sheriff operates on a budgetary system, whereby appropriated funds are received from the Board of County Commissioners and unexpended appropriations are required to be returned to the Board of County Commissioners after the end of the fiscal year.

Basis of Presentation - Fund Accounting – Accounts are organized on the basis of fund types, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the Sheriff:

Governmental Fund Types

General Fund – The General Fund is the general operating fund of the Sheriff. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Fiduciary Fund Type

Agency Funds – Agency funds are used to account for assets held by the Sheriff as an agent for individuals, private organizations, other governments, and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities generally are included on the balance sheet. Fund balance (net current assets) is considered a measurement of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

Bay County Sheriff  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special purpose financial statements. Accordingly, it relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenue is recognized in the accounting period in which it becomes both measurable and available to pay current liabilities. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for principal and interest on long-term obligations, which is recorded when due.

Budgets – The preparation, adoption, and amendment of the Sheriff's budget is governed by Chapters 30 and 129, Florida Statutes. The budget is prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. Budgetary data presented in the accompanying special purpose financial statements in the final budgeted amounts column represent the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data. All budget appropriations lapse at the end of the fiscal year.

Employee Leave Benefits – It is the Sheriff's policy to grant paid absences for vacation and sick leave. Accumulated sick leave is not paid upon termination of employment with the Sheriff. Therefore, no accrual has been made in the accompanying special purpose financial statements.

Employees may accrue compensatory time for overtime worked up to a maximum of 120 hours. Upon termination or retirement unused compensatory time is paid at the employees' regular rate.

Employees are permitted to accumulate a limited amount of earned but unused vacation benefits which will be paid to employees upon termination or retirement. Governmental fund types accrue sick leave and vacation benefits in the period they are earned; however, only the current portion of accrued leave is recorded in the governmental fund types.

Capital Assets – Capital assets for the Sheriff used in governmental fund type operations are reported in the governmental activities column in the Bay County, Florida's government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$750 or more and an estimated useful life in excess of one year. Donated fixed assets are recorded at estimated fair market value on the date received.

Bay County Sheriff  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents – The Sheriff considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from these estimates.

Memorandum Only - Total Columns – The total columns on the combined special purpose financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Such data may not be comparable to consolidated financial statements since interfund eliminations have not been made in the aggregation of this data.

New Accounting Standards - Effective October 1, 2001, the Sheriff adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, Omnibus; and GASB Statement 38, Certain Financial Statement Note Disclosures*. The effect of adopting GASB Statements 34 and 37 is primarily a change in the presentation of the financial statements. The Sheriff is no longer required to present his account groups on the face of the special purpose financial statements. The adoption of GASB Statement 38, modifies, rescinds and establishes certain financial statement disclosure requirements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits – All cash resources of the Sheriff are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that the Sheriff's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Investments – The Sheriff is authorized to invest surplus funds in the investments allowed by Florida Statutes, Section 218.415. The Sheriff had no investments at September 30, 2002.

Bay County Sheriff  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 3 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2002 are summarized as follows:

	Balance September 30, 2001	Transfers	Additions	Deductions	Balance September 30, 2002
Autos, Furniture and Equipment	\$ 6,338,882	\$ 1,145,542	\$ 414,843	\$ 900,803	\$ 6,998,464
Property Held Under Capital Leases	806,894	(276,810)	410,233	-	940,317
Total	<u>\$ 7,145,776</u>	<u>\$ 868,732</u>	<u>\$ 825,076</u>	<u>\$ 900,803</u>	<u>\$ 7,938,781</u>

Transfers include \$276,810 of property that is no longer under capital lease and has been reclassified under autos, furniture and equipment. In addition \$868,732 in equipment was transferred from the Bay County Board of Commissioners to be accounted for and maintained by the Sheriff.

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2002:

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
Capital Leases Payable	\$ 514,092	\$ 410,233	\$ 298,468	\$ 625,857
Compensated Absences	469,801	72,545	-	542,346
Total	<u>\$ 983,893</u>	<u>\$ 482,778</u>	<u>\$ 298,468</u>	<u>\$ 1,168,203</u>

Capital leases payable consist of lease purchase agreements on automobiles. The leased automobiles are accounted for at the present value of the minimum lease payments. Future minimum lease payments at September 30, 2002, are summarized as follows:

Year Ending <u>September 30</u>	
2003	\$ 288,453
2004	254,160
2005	<u>110,572</u>
Total	653,185
Less: amount representing interest	<u>(27,328)</u>
Total	<u>\$ 625,857</u>

Bay County Sheriff  
Notes to Special Purpose Financial Statements  
September 30, 2002

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Bay County Sheriff contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling 850-414-6346.

Funding Policy – The System provides vesting of benefits after six years of creditable service. Regular employees are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Special risk employees are eligible for normal retirement after six years of service and attaining age fifty-five, or twenty-five years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. Rates effective October 1, 2001 – June 30, 2002 are 7.30% and 18.44% for regular employees and special risk employees, respectively. Rates effective July 1, 2002 – September 30, 2002 are 5.76% and 16.01% for regular employees and special risk employees, respectively. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.67% effective October 1, 2001 - June 30, 2002, and 9.11% effective from July 1, 2002 - September 30, 2002. Contributions for the years ended September 30, 2002, 2001 and 2000 were \$1,213,426, \$1,183,591 and \$1,218,920 respectively, and are equal to the required contributions for each year.



**Bay County Sheriff**  
 Combining Statement of Changes in Assets and Liabilities  
 All Agency Funds  
 Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash	\$ -	\$ 47,317	\$ 47,317	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 47,317</u>	<u>\$ 47,317</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ -	\$ 47,317	\$ 47,317	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 47,317</u>	<u>\$ 47,317</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash	\$ 2,071	\$ 270,186	\$ 270,316	\$ 1,941
Total Assets	<u>\$ 2,071</u>	<u>\$ 270,186</u>	<u>\$ 270,316</u>	<u>\$ 1,941</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,071	\$ 270,186	\$ 270,316	\$ 1,941
Total Liabilities	<u>\$ 2,071</u>	<u>\$ 270,186</u>	<u>\$ 270,316</u>	<u>\$ 1,941</u>

**Bay County Sheriff**  
 Combining Statement of Changes in Assets and Liabilities  
 All Agency Funds  
 Year Ended September 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 2,071	\$ 317,503	\$ 317,633	\$ 1,941
Total Assets	<u>\$ 2,071</u>	<u>\$ 317,503</u>	<u>\$ 317,633</u>	<u>\$ 1,941</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,071	\$ 270,186	\$ 270,316	\$ 1,941
Due to Other				
Governments	<u>-</u>	<u>47,317</u>	<u>47,317</u>	<u>-</u>
Total Liabilities	<u>\$ 2,071</u>	<u>\$ 317,503</u>	<u>\$ 317,633</u>	<u>\$ 1,941</u>

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## INDEPENDENT AUDITORS' MANAGEMENT LETTER COMMENTS

Honorable Guy M. Tunnell  
County Sheriff  
County, Florida

have audited the special purpose financial statements of the Bay County Sheriff for fiscal year ended September 30, 2002, and have issued our report thereon dated January 28, 2003.

have issued our report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* dated February 28, 2003. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(g)1.a) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, or violations of laws, rules, regulations, or contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, irregularities, shortages, defalcations, or violations of laws, rules, regulations, contractual provisions disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.554(1)(g)1.b) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

The Honorable Guy M. Tunnell  
Bay County Sheriff  
Page Two

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County Sheriff complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs: (a) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (b) improper or illegal expenditures; (c) improper or inadequate accounting procedures (e.g. the omission of required disclosures from financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that come to the attention of the auditor. Our audit disclosed no matters required to be disclosed pursuant to Section 10.554(1)(g)4., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(g)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Sheriff has no component units.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.a), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Bay County Sheriff is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes as of the date of this report.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b), we determined that the annual financial report for the Bay County Sheriff for the fiscal year ended September 30, 2002, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2002.

As required by the Rules of the Auditor General (Sections 10.554(g)6.c and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on the representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the Bay County Sheriff, the Bay County Board of County Commissioners, the State of Florida Office of the Auditor General, and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
February 28, 2003



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

The Honorable Guy M. Tunnell  
Bay County Sheriff  
Bay County, Florida

We have audited the special purpose financial statements of the Bay County Sheriff as of and for the year ended September 30, 2002, and have issued our report dated February 28, 2003. 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. Our report on the financial statements included a paragraph explaining that the Sheriff is an integral part of Bay County, the primary government for financial reporting purposes.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bay County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special purpose

The Honorable Guy M. Tunnell  
Bay County Sheriff  
Page Two

financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Bay County Sheriff's management, the Board of County Commissioners, and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, LLC*

Panama City, Florida  
February 28, 2003