

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF**

**BAY COUNTY, FLORIDA**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

**PREPARED BY THE OFFICE**

**OF**

**HAROLD BAZZEL  
CLERK OF CIRCUIT COURT**

**JOSEPH ROGERS  
FINANCE OFFICER**

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# INTRODUCTORY SECTION

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# HAROLD BAZZEL

CLERK OF CIRCUIT COURT, BAY COUNTY



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February 13, 2004

Honorable Jerry L. Girvin, Chairman and  
Distinguished Members of the Board of  
County Commissioners  
Honorable Guy Tunnell, Sheriff  
Honorable Mark A. Andersen, Supervisor of Elections  
Honorable Rick Barnett, 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, 2003. 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 opinion of the independent auditors, the Management's Discussion and Analysis (MD & A), 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 and State Projects; 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**

The County has prepared its 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). GASB 34 establishes a 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, 2002, to September 30, 2003, 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 five 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 2003 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. The County purchased a 40,000 square foot facility that houses the State Attorney and the Public Defender Offices. A new 19,166 square foot Juvenile Justice Facility was built to help ease overcrowding of the County Courthouse.

The Municipal Services Tax Unit (Fire Services Division) completed construction of a new 15,052 square foot Fire Station located on Panama City Beach. The Fire Services Division also purchased three new fire trucks and received a grant for the purpose of terrorism preparedness equipment.

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 awarded the Blue Wave Certification for the second year and has been voted as one of the best vacation spots to visit.

**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 of a new Laboratory Facility should be completed in early 2004. This facility will be more suited to the current and future needs of the County. 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. Construction of a new 14,000 square foot Animal Control Facility is scheduled to begin in early 2004. This facility will shelter 100 dogs and 100 cats with state of the art technology for animal intake, processing, euthanasia and disposal.

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. All this is in preparation for the construction of a new bridge that will replace the existing Hathaway Bridge. Renovations are being planned for many of the County's more traveled bridges. The Federal Highway Administration and the State Department of Transportation have 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. The Panama City Mall will undergo major renovations and construction has begun for additional stores. 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.

### **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, 2002. 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.

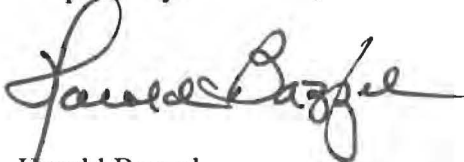
A Certificate of Achievement is valid for a period of one year only. Bay County has been awarded the Certificate of Achievement for fourteen consecutive years (fiscal years ended September 30, 1989 through 2002). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA for approval.

### **Acknowledgments**

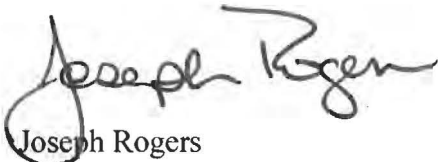
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Clerk's Division of Board Finance, the Office of Management and Budget, and the various directors of the County departments. The efforts of Tammy Pate – Building Department; Lee Rooks, Robert Snaidman and Dianne Raffield – Property Appraiser's Office; Marty Kirkland – Tax Collector's Office; and Linda Kennedy – Bay District School Board are particularly noteworthy.

We would also like to thank the Constitutional Officers; Guy Tunnell, Rick Barnett, Mark Andersen, Peggy Brannon; County Commissioners: John G. Newberry, Jerry Girvin, George Gainer, Cornel Brock, Michael J. Ropa, and County Manager Pamela Brangaccio 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.

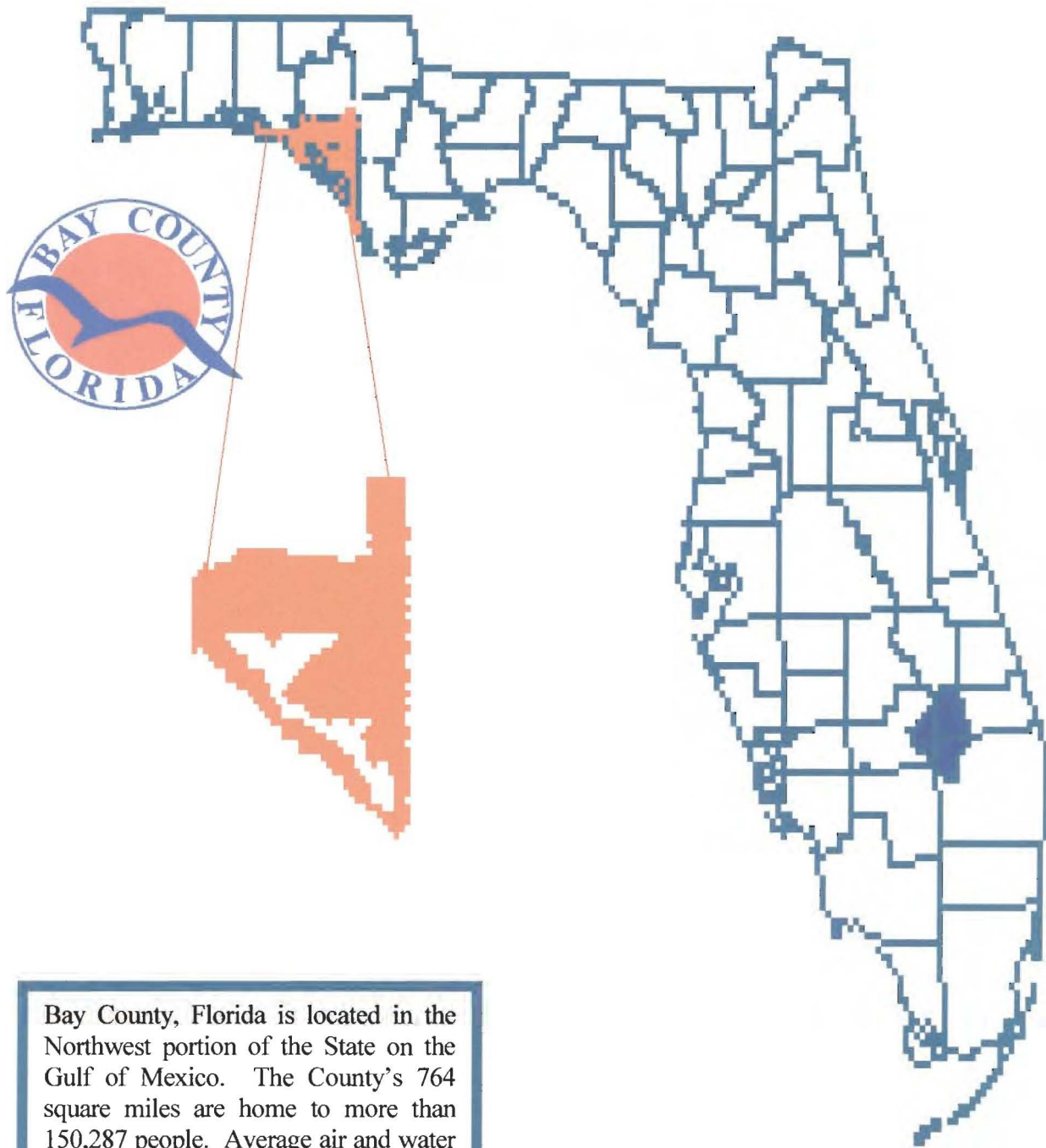
Respectfully submitted,



Harold Bazzel  
Clerk of Circuit Court



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 150,287 people. Average air and water temperatures are 67.55F and 72.3F 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*



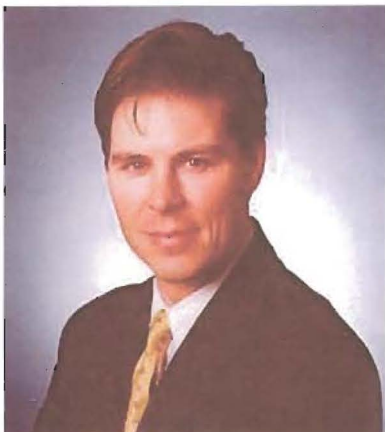
*George B. Gainer  
Commissioner  
District II*



*Cornel Brock  
Commissioner  
District III*



*Jerry L. Girvin  
Commissioner  
District IV*



*Michael J. Ropa  
Commissioner  
District V*

## County Officials Bay County, Florida



*Mark Andersen  
Supervisor of Elections*



*Harold Bazzel  
Clerk of Circuit Court*



*Rick Barnett  
Property Appraiser*



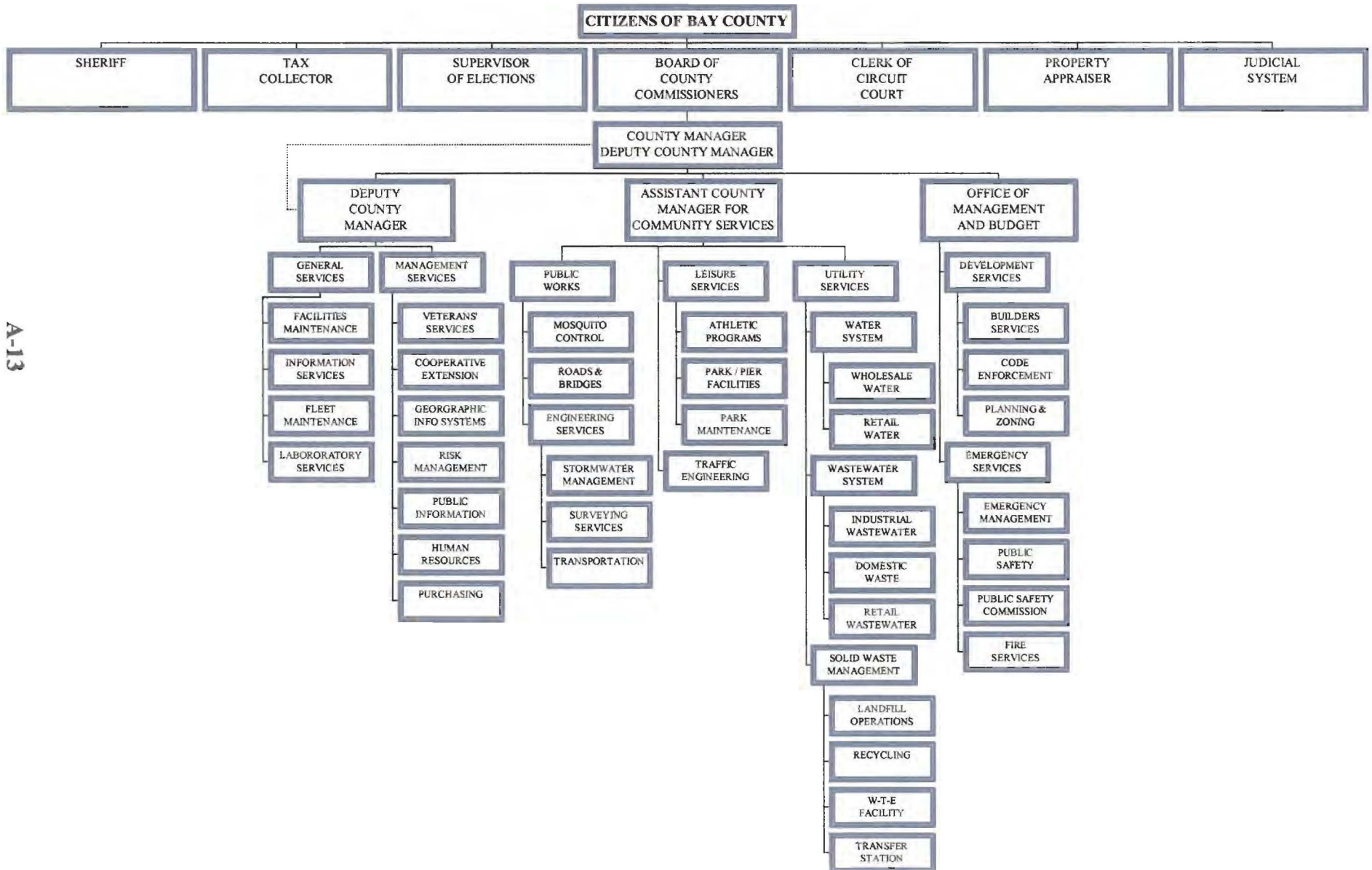
*Peggy Brannon  
Tax Collector*



*Guy Tunnell  
Sheriff*

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# BAY COUNTY ORGANIZATIONAL CHART Fiscal Year 2003



# *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, 2002.*

*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

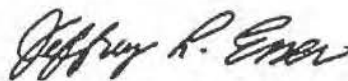
Bay County,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2002

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



President



Executive Director

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# FINANCIAL SECTION

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BUSINESS CONSULTANTS

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Mississippi Society of  
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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, 2003, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Florida, as of September 30, 2003, 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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2004 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 accounting principles generally accepted in the United States of America. 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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
February 13, 2004

**Bay County, Florida**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Year Ended September 30, 2003**

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 \$231,849,031 (net assets). Of this amount, \$44,432,855 is unrestricted net assets for governmental activities and \$52,944,531 is unrestricted net assets for business-type activities, while \$11,518,294 is restricted net assets for governmental activities and \$2,462,812 is restricted net assets for business-type activities.
- Total net assets increased by \$3,046,264. Of this amount, \$(150,524) is attributable to governmental activities and \$3,196,788 is attributable to business-type activities.
- As of September 30, 2003, general fund's unreserved fund balance was \$14,433,083 or 19 percent of total general fund expenditures.
- Governmental activities revenues increased to \$92,016,008 or approximately 1 percent, while governmental activities expenditures also increased 17 percent to \$92,043,403. Business-type activities revenues decreased to \$36,382,994 or 13 percent, while business-type activities expenditures also decreased 4 percent to \$33,309,335.
- Issuance of Transportation Improvement Revenue Refunding Bonds, Series 2003, Capital Improvement Revenue Bonds, Series 2003A, and Taxable Capital Improvement Revenue Bonds, Series 2003B, caused an increase of \$14.1 million in governmental debt. Proceeds of the Transportation Improvement Revenue Refunding Bonds, Series 2003, were used to refund the outstanding Transportation Improvement Revenue Bonds, Series 1994. The Capital Improvement Revenue Bonds, Series 2003A, proceeds will be utilized to refinance certain outstanding obligations for equipment and infrastructure of the County. Proceeds from the Taxable Capital Improvement Revenue Bonds, Series 2003B, were used to construct a fire station and refinance additional outstanding obligations for equipment of the County.

***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, Inc. and Panama City Beach Convention and Visitors Bureau, Inc. 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 fund.

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*, 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 2003, 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.

### **Bay County, Florida Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Current and Other Assets	\$ 73,215,451	\$ 80,326,357	\$ 109,719,796	\$110,168,986	\$182,935,247	\$190,495,343
Capital Assets	129,471,479	93,036,945	102,293,054	104,104,070	231,764,533	218,568,615
<b>Total Assets</b>	<b>202,686,930</b>	<b>173,363,302</b>	<b>212,012,850</b>	<b>214,273,056</b>	<b>414,699,780</b>	<b>409,063,958</b>
Current Liabilities (payable from current assets)	10,608,657	11,032,034	3,694,739	4,667,239	14,303,396	15,699,273
Current Liabilities (payable from restricted assets)	9,940,870	2,908,840	4,179,928	3,583,519	14,120,798	6,492,359
Non-current Liabilities	35,675,501	35,685,526	118,751,054	122,383,983	154,426,555	158,069,559
<b>Total Liabilities</b>	<b>56,225,028</b>	<b>49,626,450</b>	<b>126,625,721</b>	<b>130,634,741</b>	<b>182,850,749</b>	<b>180,261,191</b>
Net Assets Invested in Capital Assets, net of related debt	90,510,753	78,773,257	29,979,786	30,840,440	120,490,539	131,041,297
Net assets-restricted	11,518,294	9,768,340	2,462,812	2,210,971	13,981,106	11,979,311
Net assets-unrestricted	44,432,855	35,195,255	52,944,531	50,586,904	97,377,386	85,782,159
<b>Total Net Assets</b>	<b>\$146,461,902</b>	<b>\$123,736,852</b>	<b>\$ 85,387,129</b>	<b>\$ 83,638,315</b>	<b>\$231,849,031</b>	<b>\$228,802,767</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 (52 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* (\$97,377,386) may be used to help meet the government's ongoing obligations to citizens and creditors.



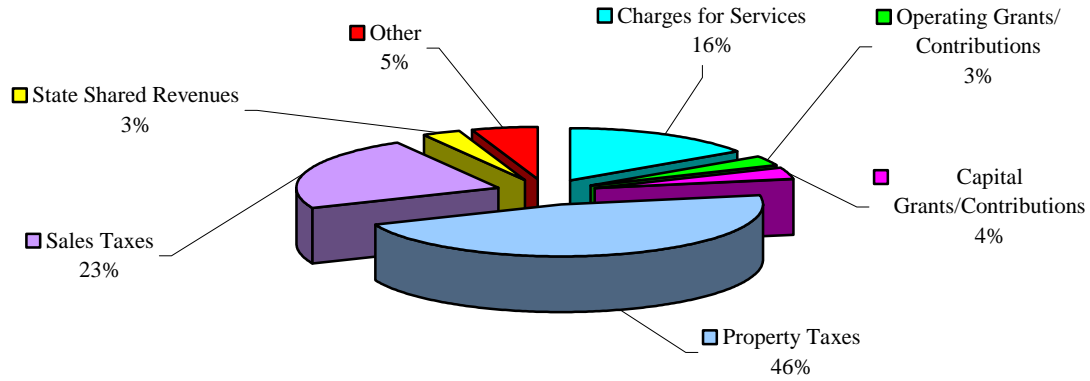
Governmental activities non-current liabilities increased due to the issuance of the 2003 Transportation Improvement Revenue Refunding Bonds (\$6,290,000), the 2003A Capital Improvement Revenue Bonds (\$7,170,000), and the 2003B Taxable Capital Improvement Revenue Bonds (\$710,000), reduced by principal reductions (\$7,950,000) of other long-term obligations.

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

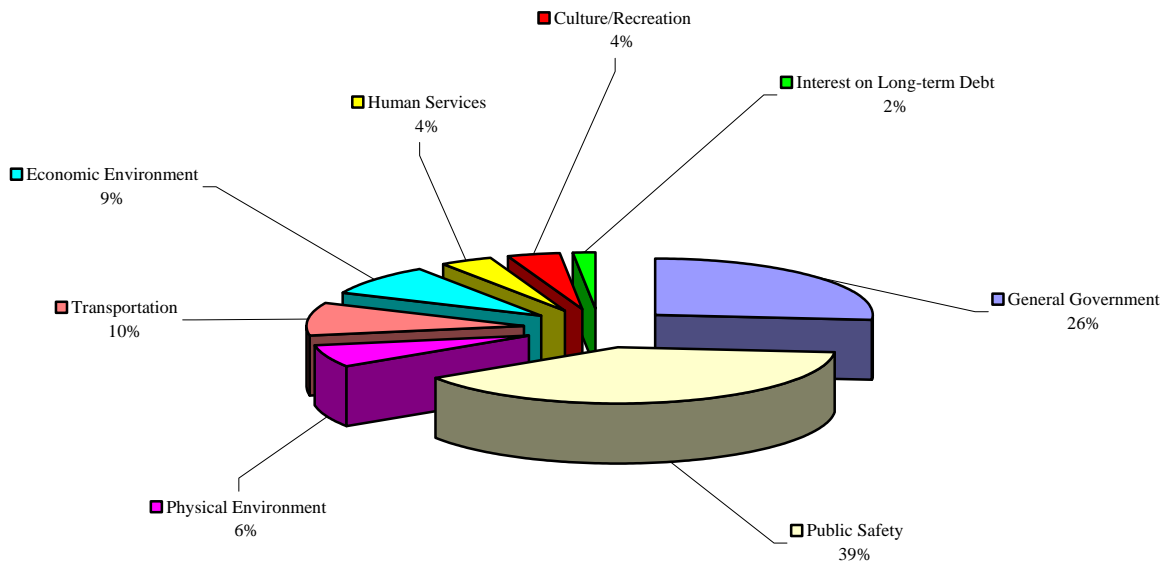
### Bay County, Florida Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Program Revenues:</b>						
Charges for Services	\$ 14,319,346	\$13,174,838	\$ 25,264,417	\$26,111,179	\$ 39,583,763	\$ 39,286,017
Operating						
Grants/Contributions	2,932,602	4,583,491	78,648	40,250	3,011,250	4,623,741
Capital Grants/Contributions	3,308,285	8,135,524	372,770	881,294	3,681,055	9,016,818
<b>General Revenues:</b>						
Property Taxes	42,615,587	39,571,968	-	-	42,615,587	39,571,968
Sales Taxes	21,094,586	13,348,068	7,525,384	-	26,619,970	13,348,068
State Shared Revenues	2,831,535	10,170,007	-	11,416,279	2,831,535	21,586,286
Other	4,914,067	2,698,647	3,141,775	3,325,315	8,055,842	6,023,962
<b>Total Revenues</b>	<b>92,016,008</b>	<b>91,682,543</b>	<b>36,382,994</b>	<b>41,774,317</b>	<b>128,399,002</b>	<b>133,456,860</b>
<b>Expenses:</b>						
General Government	21,005,446	20,763,406	-	-	21,005,446	20,763,406
Public Safety	35,938,773	30,860,048	-	-	35,938,773	30,860,048
Physical Environment	544,977	4,988,009	-	-	544,977	4,988,009
Transportation	17,638,208	7,497,618	-	-	17,638,208	7,497,618
Economic Environment	8,244,138	6,812,824	-	-	8,244,138	6,812,824
Human Services	3,575,234	3,211,624	-	-	3,575,234	3,211,624
Culture/Recreation	3,214,651	2,918,689	-	-	3,214,651	2,918,689
Interest on Long-term Debt	1,881,976	1,363,414	-	-	1,881,976	1,363,414
Water System Revenue	-	-	9,645,198	9,621,645	9,645,198	9,621,645
Retail Water & Wastewater	-	-	3,863,782	4,321,601	3,863,782	4,321,601
Industrial Wastewater	-	-	3,836,251	4,226,933	3,836,251	4,226,933
Solid Waste Fund	-	-	14,720,170	15,454,499	14,720,170	15,454,499
Building Services	-	-	1,243,934	1,299,282	1,243,934	1,299,282
<b>Total Expenses</b>	<b>92,043,403</b>	<b>78,415,632</b>	<b>33,309,335</b>	<b>34,923,960</b>	<b>125,352,738</b>	<b>113,339,592</b>
Increase (Decrease) in Net Assets Before Transfers	(27,395)	13,266,911	3,073,659	6,850,357	3,046,264	20,117,268
Transfers	(123,129)	2,675,863	123,129	2,081,562	-	4,757,425
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (150,524)</b>	<b>\$15,942,774</b>	<b>\$3,196,788</b>	<b>\$8,931,919</b>	<b>\$ 3,046,264</b>	<b>\$ 24,874,693</b>

### Revenues - Governmental Activities Fiscal Year Ended September 30, 2003



### Expenses-Governmental Activities Fiscal Year Ended September 30, 2003



Governmental activities expenses exceeded revenues by \$27,395, while business-type activities revenues exceeded expenses by \$3,073,659. Total revenues decreased \$5,057,858 from the previous year. Increases in property values contributed to an increase in property taxes, while a decrease in sales tax revenues and contributions through capital grants contributed greatly to the overall decrease in revenues. The expiration of the half cent surtax in May 2003 was the greatest factor contributing to the decline in revenues. Total expenses increased \$12,013,146 from the previous year. Increased spending for public safety (law enforcement, fire protection, and emergency assistance) and transportation (roads, bridges, and storm water management) were primarily responsible for the increase in expenses.

46% 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 69% of the revenues for business-type activities. The decrease in sales tax revenue for business-type activities was the greatest contributor to the overall decrease in business-type revenues.

## ***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, 2003, total assets were \$31,920,280 and total liabilities were \$5,115,209. At the end of fiscal year 2003, unreserved fund balance of the general fund was \$17,433,083, while total fund balance equaled \$26,805,071.

General fund's budget was amended during the year to reflect additional construction projects, the increased cost of housing prisoners, as well as the increased cost of providing court appointed attorneys. 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.

#### **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 2003. 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 91% 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>2003</b>	<b>2002</b>
<b>FUND</b>	<b>Unrestricted NET ASSETS</b>	<b>Unrestricted NET ASSETS</b>
Water System Revenue Fund	\$ 9,215,015	\$ 8,143,486
Retail Water and Wastewater	3,795,284	3,972,719
Industrial Wastewater	1,416,913	2,946,589
Solid Waste Fund	36,011,698	33,430,618
Building Services	<u>2,505,621</u>	<u>2,093,492</u>
<b>Totals</b>	<b><u>\$52,944,531</u></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 the collection of wholesale water impact fees, thus miscellaneous revenues increased \$778,304 over the previous year. This fee charged to and paid by new customers must be used to expand and enhance the water system. Charges for Services decreased by \$655,714, due to a lower demand by Panama City Beach for wholesale water. The lower demand resulted from the demolition of several large hotels and delayed construction of several new resort facilities and condominium complexes.

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. \$4,832,451 was generated by tip fees in the current fiscal year; this represents an increase of \$253,285 over the previous year's tip fee revenue. The County's half-cent surtax, which was utilized by solid waste for capital items, expired in May 2003. As required by the Department of Environmental Protection, the County has set aside for the current fiscal year \$1,184,626 for the long term care and closure of its landfill. To date the County has accrued a total liability for post closure care of \$9,448,422.

As of September 30, 2003, total assets were \$96,735,013; total liabilities were \$48,661,563 and net assets \$48,073,450.

### ***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, 2003, was \$231,764,533 (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:

- Construction was completed on the \$1,953,876, Thomas Drive Fire Station during the current fiscal year. This new facility will enhance fire protection on the eastern end of Panama City Beach.
- The County purchased the newly constructed State Attorney and Public Defender building at the corner of 4<sup>th</sup> Street and Magnolia Avenue at a cost of \$6,974,202.
- The new Juvenile Justice Facility, valued at \$4,656,571, was completed at the end of the current fiscal year. This new facility will provide much needed courtroom and office space.
- Construction continued on the \$1.7 million Sand Hills Fire Station; construction in process as of the close of the fiscal year had reached \$531,181. Construction also continued on the \$1.7 million Bear Creek Fire Station; with construction in process totaling \$1,390,128 at the end of the current fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 8,741,245	\$10,226,243	\$ 931,872	\$1,126,485	\$ 9,636,549	\$11,352,728
Construction in Process	2,542,486	2,515,252	10,462,543	11,153,155	13,005,029	13,668,407
Buildings and Improvements	31,418,985	29,037,883	992,606	90,759,370	32,670,464	19,797,253
Equipment	15,060,216	13,938,230	695,026	1,065,060	15,532,937	15,003,290
Infrastructure	71,708,547	37,319,337	89,211,007	---	160,919,554	37,319,337
Total	<u>\$129,471,479</u>	<u>\$93,036,945</u>	<u>\$102,293,054</u>	<u>\$104,104,070</u>	<u>\$231,764,533</u>	<u>\$197,141,015</u>

Additional information on the County's capital assets can be found in Note 8 – Capital Assets, of the notes to the financial statements of this report.

## ***DEBT MANAGEMENT***

At the end of the current fiscal year, the County had total bonded debt outstanding of \$133,846,740. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

### **Outstanding Bonded Debt**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenue Bonds	\$36,045,653	\$29,880,000	\$97,801,087	\$99,764,967	\$133,846,740	\$129,644,967

The County's total debt increased by \$4,201,773 during the current fiscal year. The key factor contributing to this increase was the issuance in July 2003, of \$6,290,000 of revenue bonds to refund an outstanding issue of bonds. Another factor contributing to the increase was the issuance of the Capital Improvement Revenue Bonds, Series 2003 A & B, totaling \$7,880,000.

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. More detailed information about the County's liabilities is presented in Notes 11 and 12 of the notes to the financial statements.

## ***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 1% increase in the Local Option Tourist Development Tax. Building permits issued on new single and multi-family residential units were up approximately 12% in the current fiscal year. The County's unemployment rate remained steady in 2003, at 5.4%, slightly higher than the state's average unemployment rate of 5.1%. 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, 2003

	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	\$ 30,998,381	\$ 25,088,288	\$ 56,086,669	\$ 22,455	\$ 261,575	\$ 20,163
Accounts receivable	895,236	3,704,469	4,599,705	733	5,525	-
Special assessments receivable	397,684	-	397,684	-	-	-
Notes receivable	-	24,706,546	24,706,546	-	-	-
Accrued interest receivable	-	76,157	76,157	-	-	-
Prepaid expenses	198,565	-	198,565	-	-	-
Investments	18,278,028	29,749,172	48,027,200	-	-	-
Internal balances	(74,154)	74,154	-	-	-	-
Due from other governments	3,830,201	654,529	4,484,730	5,197	-	-
Total current assets (unrestricted)	54,523,941	84,053,315	138,577,256	28,385	267,100	20,163
Temporarily restricted assets						
Cash and cash equivalents	12,647,841	6,968,049	19,615,890	-	-	-
Investments	2,059,987	16,962,899	19,022,886	-	-	-
Total current assets (temporarily restricted)	14,707,828	23,930,948	38,638,776	-	-	-
Noncurrent assets						
Notes receivable	3,763,601	-	3,763,601	-	-	-
Capital assets-net	129,471,479	102,293,054	231,764,533	226,232	-	-
Unamortized bond costs	220,081	1,735,533	1,955,614	-	-	-
Total noncurrent assets	133,455,161	104,028,587	237,483,748	226,232	-	-
Total assets	202,686,930	212,012,850	414,699,780	254,617	267,100	20,163
<b>LIABILITIES</b>						
Current liabilities (payable from current assets)						
Accounts payable and accrued expenses	9,290,458	2,663,525	11,953,983	3,646	323,282	820
Accrued compensated absences	409,652	107,210	516,862	-	-	-
Deferred revenues	500,309	-	500,309	-	-	-
Due to other governments	27,079	440,984	468,063	-	-	-
Capital leases	381,159	-	381,159	-	-	-
Investment in joint venture	-	460,654	460,654	-	-	-
Customer deposits	-	22,366	22,366	-	-	-
Total current liabilities (payable from current assets)	10,608,657	3,694,739	14,303,396	3,646	323,282	820
Current liabilities (payable from restricted assets)						
Accrued interest payable	365,611	463,647	829,258	-	-	-
Notes payable	7,085,259	849,140	7,934,399	-	-	-
Bonds payable	2,490,000	2,482,500	4,972,500	-	-	-
Customer deposits	-	384,641	384,641	-	-	-
Total current liabilities (payable from restricted assets)	9,940,870	4,179,928	14,120,798	-	-	-
Noncurrent liabilities						
Accrued compensated absences	1,250,817	131,300	1,382,117	-	-	-
Notes payable	500,000	13,852,745	14,352,745	-	-	-
Capital leases	369,031	-	369,031	-	-	-
Bonds payable	33,555,653	95,318,587	128,874,240	-	-	-
Landfill postclosure liability	-	9,448,422	9,448,422	-	-	-
Total noncurrent liabilities	35,675,501	118,751,054	154,426,555	-	-	-
Total liabilities	56,225,028	126,625,721	182,850,749	3,646	323,282	820
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	90,510,753	29,979,786	120,490,539	226,232	-	-
Restricted for						
Debt service	3,803,216	586,623	4,389,839	-	-	-
Beach restoration	7,715,078	-	7,715,078	-	-	-
Other purposes	-	1,876,189	1,876,189	-	-	-
Unrestricted	44,432,855	52,944,531	97,377,386	24,739	(56,182)	19,343
Total net assets	\$ 146,461,902	\$ 85,387,129	\$ 231,849,031	\$ 250,971	\$ (56,182)	\$ 19,343

Bay County, Florida  
Statement of Activities  
Year Ended September 30, 2003

		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	\$ 21,005,446	\$ 12,652,133	\$ 259,185	\$ 1,557,651
Public safety	35,938,773	1,421,733	1,262,714	40,105
Physical environment	544,977	73,015	1,393,673	-
Transportation	17,638,208	171,945	-	1,471,959
Economic environment	8,244,138	-	-	238,570
Human services	3,575,234	520	17,030	-
Culture and recreation	3,214,651	-	-	-
Interest on long-term debt	1,881,976	-	-	-
Total governmental activities	<u>92,043,403</u>	<u>14,319,346</u>	<u>2,932,602</u>	<u>3,308,285</u>
Business-type activities				
Wholesale water system	9,645,198	7,428,648	74,750	250,000
Retail water and wastewater	3,863,782	3,413,244	-	-
Industrial wastewater	3,836,251	3,826,186	-	-
Solid waste	14,720,170	9,029,767	3,898	122,770
Building services	1,243,934	1,566,572	-	-
Total business-type activities	<u>33,309,335</u>	<u>25,264,417</u>	<u>78,648</u>	<u>372,770</u>
Total primary government	<u>\$ 125,352,738</u>	<u>\$ 39,583,763</u>	<u>\$ 3,011,250</u>	<u>\$ 3,681,055</u>
<b>Component Units</b>				
Bay County Law Library	\$ 79,231	\$ 62,376	\$ 15,000	\$ -
Panama City Beach Convention and Visitors Bureau, Inc.	3,890,421	3,743,959	-	-
Mexico Beach Community Development Council, Inc.	187,350	153,173	3,091	-
Total component units	<u>\$ 4,157,002</u>	<u>\$ 3,959,508</u>	<u>\$ 18,091</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				
Sales taxes				
State shared revenues				
Interest earnings				
Other Contributions				
Miscellaneous				
Total general revenues				
Transfers				
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.
\$ (6,536,477)	\$ -	\$ (6,536,477)	\$ -	\$ -	\$ -
(33,214,221)	-	(33,214,221)	-	-	-
921,711	-	921,711	-	-	-
(15,994,304)	-	(15,994,304)	-	-	-
(8,005,568)	-	(8,005,568)	-	-	-
(3,557,684)	-	(3,557,684)	-	-	-
(3,214,651)	-	(3,214,651)	-	-	-
(1,881,976)	-	(1,881,976)	-	-	-
(71,483,170)	-	(71,483,170)	-	-	-
-	(1,891,800)	(1,891,800)	-	-	-
-	(450,538)	(450,538)	-	-	-
-	(10,065)	(10,065)	-	-	-
-	(5,563,735)	(5,563,735)	-	-	-
-	322,638	322,638	-	-	-
-	(7,593,500)	(7,593,500)	-	-	-
(71,483,170)	(7,593,500)	(79,076,670)	-	-	-
-	-	-	(1,855)	-	-
-	-	-	-	(146,462)	-
-	-	-	-	-	(31,086)
-	-	-	(1,855)	(146,462)	(31,086)
42,615,587	-	42,615,587	-	-	-
21,094,586	7,525,384	28,619,970	-	-	-
2,831,535	-	2,831,535	-	-	-
1,117,194	2,452,356	3,569,550	-	766	1,684
2,534,775	-	2,534,775	-	-	-
1,262,098	689,419	1,951,517	3,286	10	50
71,455,775	10,667,159	82,122,934	3,286	776	1,734
(123,129)	123,129	-	-	-	-
71,332,646	10,790,288	82,122,934	3,286	776	1,734
(150,524)	3,196,788	3,046,264	1,431	(145,686)	(29,352)
123,736,852	83,638,315	207,375,167	249,540	109,416	48,695
22,875,574	(1,447,974)	21,427,600	-	(19,912)	-
146,612,426	82,190,341	228,802,767	249,540	89,504	48,695
\$ 146,461,902	\$ 85,387,129	\$ 231,849,031	\$ 250,971	\$ (56,182)	\$ 19,343

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

Bay County, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2003

	General	Transportation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,870,156	\$ 8,471,393	\$ 21,414,511	\$ 41,756,060
Accounts receivable	189,733	209,170	349,854	748,757
Special assessments receivable	-	327,484	70,200	397,684
Notes receivable	3,763,601	-	-	3,763,601
Investments	13,197,138	-	5,097,752	18,294,890
Deposits	39,594	-	-	39,594
Due from other funds	284,149	107,871	54,768	446,788
Due to other governments	2,575,909	1,012,114	242,178	3,830,201
Total assets	<u>\$ 31,920,280</u>	<u>\$ 10,128,032</u>	<u>\$ 27,229,263</u>	<u>\$ 69,277,575</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 4,564,476	\$ 740,195	\$ 730,705	\$ 6,035,376
Deferred revenues	500,309	-	-	500,309
Due to other funds	23,345	56,124	96,549	176,018
Due to other governments	27,079	-	-	27,079
Total liabilities	<u>5,115,209</u>	<u>796,319</u>	<u>827,254</u>	<u>6,738,782</u>
Fund balance				
Reserved for				
Long-term notes receivable	3,763,600	-	-	3,763,600
Debt service	900,877	874,500	351,271	2,126,648
Capital projects	1,650,926	858,827	5,777,894	8,287,647
Other purposes	3,056,585	-	10,115,063	13,171,648
Unreserved, reported in				
General fund	14,433,083	-	-	14,433,083
General fund - designated	3,000,000	-	-	3,000,000
Special revenue funds	-	7,598,386	10,157,781	17,756,167
Total fund balance	<u>26,805,071</u>	<u>9,331,713</u>	<u>26,402,009</u>	<u>62,538,793</u>
Total liabilities and fund balance	<u>\$ 31,920,280</u>	<u>\$ 10,128,032</u>	<u>\$ 27,229,263</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.				129,471,479
Internal service funds are used by management to charge the costs of fleet management, workers compensation and insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.				229,078
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				<u>(45,777,448)</u>
Net assets of governmental activities				<u>\$ 146,461,902</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Year Ended September 30, 2003

	General	Transportation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 38,887,478	\$ 4,013,102	\$ 9,020,676	\$ 51,921,256
Licenses and permits	3,965	-	-	3,965
Intergovernmental	16,458,738	4,278,187	877,110	21,614,035
Charges for services	10,319,754	171,945	1,977,624	12,469,323
Fines and forfeitures	892,312	-	-	892,312
Special assessments	-	305,634	73,015	378,649
Interest	634,413	124,412	269,043	1,027,868
Miscellaneous	795,781	604,233	519,542	1,919,556
Total revenues	<u>67,992,441</u>	<u>9,497,513</u>	<u>12,737,010</u>	<u>90,226,964</u>
<b>EXPENDITURES</b>				
Current				
General government	30,748,131	-	230,390	30,978,521
Public safety	31,081,656	-	9,026,128	40,107,784
Physical environment	145,514	-	4,895,950	5,041,464
Transportation	178	11,487,126	-	11,487,304
Economic environment	3,232,631	-	4,446,429	7,679,060
Human services	2,994,964	-	611,211	3,606,175
Culture and recreation	3,052,015	-	-	3,052,015
Debt service				
Principal	1,459,653	930,000	706,793	3,096,446
Interest and fiscal charges	813,987	412,305	685,136	1,911,428
Bond issuance costs	-	-	63,673	63,673
Total expenditures	<u>73,528,729</u>	<u>12,829,431</u>	<u>20,665,710</u>	<u>107,023,870</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(5,536,288)</u>	<u>(3,331,918)</u>	<u>(7,928,700)</u>	<u>(16,796,906)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	3,897,154	4,159,384	8,056,538
Transfers out	(7,688,456)	-	(420,031)	(8,108,487)
Debt issuance	539,872	6,290,000	9,320,059	16,149,931
Premium on bonds issued	-	65,470	-	65,470
Payment to refunded bond escrow agent	-	(6,298,195)	-	(6,298,195)
Total other financing sources (uses)	<u>(7,148,584)</u>	<u>3,954,429</u>	<u>13,059,412</u>	<u>9,865,257</u>
Net change in fund balance	(12,684,872)	622,511	5,130,712	(6,931,649)
Fund balance at beginning of year	<u>39,489,943</u>	<u>8,709,202</u>	<u>21,271,297</u>	<u>69,470,442</u>
Fund balance at end of year	<u>\$ 26,805,071</u>	<u>\$ 9,331,713</u>	<u>\$ 26,402,009</u>	<u>\$ 62,538,793</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, 2003

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)	\$ (6,931,649)
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.	12,160,275
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	1,398,494
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.	(107,808)
Internal service funds are used by management to charge the costs of fleet management, workers compensation and insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	103,808
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>(6,773,644)</u>
Change in net assets of governmental activities (page B-17)	<u><u>\$ (150,524)</u></u>

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
Taxes	\$ 38,252,143	\$ 38,269,071	\$ 38,887,478	\$ 618,407
Licenses and permits	-	4,000	3,965	(35)
Intergovernmental	13,761,982	15,769,130	16,458,738	689,608
Charges for services	7,910,837	8,312,262	10,319,754	2,007,492
Fines and forfeitures	945,200	945,200	892,312	(52,888)
Interest	376,556	376,556	634,413	257,857
Miscellaneous	544,496	557,445	795,781	238,336
Total revenues	<u>61,791,214</u>	<u>64,233,664</u>	<u>67,992,441</u>	<u>3,758,777</u>
<b>EXPENDITURES</b>				
Current				
General government	28,907,723	34,845,364	30,748,131	4,097,233
Public safety	28,011,440	31,596,600	31,081,656	514,944
Physical environment	138,877	150,377	145,514	4,863
Transportation	175	175	178	(3)
Economic environment	1,862,943	3,100,687	3,232,631	(131,944)
Human services	2,771,030	2,989,250	2,994,964	(5,714)
Culture and recreation	3,670,674	3,723,874	3,052,015	671,859
Debt service				
Principal	1,459,658	1,459,658	1,459,653	5
Interest and fiscal charges	828,446	828,748	813,987	14,761
Total expenditures	<u>67,650,966</u>	<u>78,694,733</u>	<u>73,528,729</u>	<u>5,166,004</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,859,752)</u>	<u>(14,461,069)</u>	<u>(5,536,288)</u>	<u>8,924,781</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,306,250	1,427,921	-	(1,427,921)
Transfers out	(7,899,506)	(7,933,502)	(7,688,456)	245,046
Debt issuance	-	539,872	539,872	-
Total other financing sources (uses)	<u>(6,593,256)</u>	<u>(5,965,709)</u>	<u>(7,148,584)</u>	<u>(1,182,875)</u>
Net change in fund balance	(12,453,008)	(20,426,778)	(12,684,872)	7,741,906
Fund balance at beginning of year	<u>39,489,943</u>	<u>39,489,943</u>	<u>39,489,943</u>	<u>-</u>
Fund balance at end of year	<u>\$ 27,036,935</u>	<u>\$ 19,063,165</u>	<u>\$ 26,805,071</u>	<u>\$ 7,741,906</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, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,085,732	\$ 4,085,732	\$ 4,013,102	\$ (72,630)
Intergovernmental	5,119,997	5,802,551	4,278,187	(1,524,364)
Charges for services	123,400	123,400	171,945	48,545
Special assessments	204,250	204,250	305,634	101,384
Interest	47,075	47,075	124,412	77,337
Miscellaneous	51,319	223,743	604,233	380,490
Total revenues	<u>9,631,773</u>	<u>10,486,751</u>	<u>9,497,513</u>	<u>(989,238)</u>
<b>EXPENDITURES</b>				
Current				
Transportation	14,790,016	15,609,880	11,487,126	4,122,754
Debt service				
Principal	930,000	930,000	930,000	-
Interest	387,938	387,938	412,305	(24,367)
Total expenditures	<u>16,107,954</u>	<u>16,927,818</u>	<u>12,829,431</u>	<u>4,098,387</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,476,181)</u>	<u>(6,441,067)</u>	<u>(3,331,918)</u>	<u>3,109,149</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,477,122	3,477,122	3,897,154	420,032
Debt issuance	-	-	6,290,000	6,290,000
Premium on bonds issued	-	-	65,470	65,470
Payment to refunded bond escrow agent	-	-	(6,298,195)	(6,298,195)
Total other financing sources (uses)	<u>3,477,122</u>	<u>3,477,122</u>	<u>3,954,429</u>	<u>477,307</u>
Net change in fund balance	(2,999,059)	(2,963,945)	622,511	3,586,456
Fund balance at beginning of year	<u>8,709,202</u>	<u>8,709,202</u>	<u>8,709,202</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,710,143</u>	<u>\$ 5,745,257</u>	<u>\$ 9,331,713</u>	<u>\$ 3,586,456</u>



Bay County, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2003

	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	\$ 3,409,869	\$ 3,394,288	\$ 615,216	\$ 16,025,298	\$ 1,643,617	\$ 25,088,288	\$ 1,890,162
Accounts receivable	722,799	267,813	1,184,439	1,529,271	147	3,704,469	146,479
Notes receivable	1,641,772	22,719,385	345,389	-	-	24,706,546	-
Accrued interest receivable	-	69,940	6,217	-	-	76,157	-
Prepaid expenses	-	-	-	-	-	-	158,970
Investments	2,035,792	-	-	26,707,443	1,005,937	29,749,172	2,043,125
Due from other funds	89,432	-	-	-	-	89,432	136,277
Due from other governments	-	624,844	-	29,685	-	654,529	-
Total current assets (unrestricted)	7,899,664	27,076,270	2,151,261	44,291,697	2,649,701	84,068,593	4,375,013
Temporarily restricted assets							
Cash and cash equivalents	4,285,302	932,413	-	1,750,334	-	6,968,049	-
Investments	15,225,102	-	-	1,737,797	-	16,962,899	-
Total current assets (temporarily restricted)	19,510,404	932,413	-	3,488,131	-	23,930,948	-
Noncurrent assets							
Capital assets							
Property, plant and equipment	72,322,879	1,343,633	10,780,104	64,363,932	493,315	149,303,863	-
Less: accumulated depreciation	(20,732,057)	(400,979)	(9,237,770)	(16,247,680)	(392,323)	(47,010,809)	-
Unamortized bond costs	896,600	-	-	838,933	-	1,735,533	-
Total noncurrent assets	52,487,422	942,654	1,542,334	48,955,185	100,992	104,028,587	-
Total assets	79,897,490	28,951,337	3,693,595	96,735,013	2,750,693	212,028,128	4,375,013
<b>LIABILITIES</b>							
Current liabilities (payable from current assets)							
Accounts payable and accrued liabilities	303,857	358,996	625,605	1,324,268	50,799	2,663,525	3,664,734
Accrued compensated absences	33,440	21,574	3,045	22,414	26,737	107,210	-
Due to other funds	4,454	16	702	7,545	2,561	15,278	481,201
Due to other governments	-	440,984	-	-	-	440,984	-
Investment in joint venture	-	460,654	-	-	-	460,654	-
Customer deposits	-	-	-	-	22,366	22,366	-
Total current liabilities (payable from current assets)	341,751	1,282,224	629,352	1,354,227	102,463	3,710,017	4,145,935
Current liabilities (payable from restricted assets)							
Accrued interest payable	240,479	69,940	-	153,228	-	463,647	-
Notes payable	-	849,140	-	-	-	849,140	-
Bonds payable	965,000	167,500	-	1,350,000	-	2,482,500	-
Customer deposits	-	122,524	100,000	162,117	-	384,641	-
Total current liabilities (payable from restricted assets)	1,205,479	1,209,104	100,000	1,665,345	-	4,179,928	-
Noncurrent liabilities							
Accrued compensated absences	26,646	19,326	4,996	38,715	41,617	131,300	-
Notes payable	-	13,852,745	-	-	-	13,852,745	-
Bonds payable (net of unamortized discount)	51,313,733	7,850,000	-	36,154,854	-	95,318,587	-
Landfill postclosure liability	-	-	-	9,448,422	-	9,448,422	-
Total noncurrent liabilities	51,340,379	21,722,071	4,996	45,641,991	41,617	118,751,054	-
Total liabilities	52,887,609	24,213,399	734,348	48,661,563	144,080	126,640,999	4,145,935
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	16,782,408	942,654	1,542,334	10,611,398	100,992	29,979,786	-
Restricted for							
Debt service	320,895	-	-	265,728	-	586,623	-
Renewal and replacement	691,563	-	-	-	-	691,563	-
Landfill closure and postclosure	-	-	-	1,184,626	-	1,184,626	-
Unrestricted	9,215,015	3,795,284	1,416,913	36,011,698	2,505,621	52,944,531	229,078
Total net assets	\$ 27,009,881	\$ 4,737,938	\$ 2,959,247	\$ 48,073,450	\$ 2,606,613	\$ 85,387,129	\$ 229,078

Bay County, Florida  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended September 30, 2003

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
OPERATING REVENUES							
Charges for services	\$ 7,428,648	\$ 3,413,244	\$ 3,826,186	\$ 9,029,767	\$ 1,566,572	\$ 25,264,417	\$ 5,111,700
Miscellaneous	795,560	93,470	-	322,883	13,709	1,225,622	4,690
Total revenues	8,224,208	3,506,714	3,826,186	9,352,650	1,580,281	26,490,039	5,116,390
OPERATING EXPENSES							
Personal services	1,153,458	842,026	193,425	964,506	958,152	4,111,567	1,394,249
Contracted services	600,201	126,948	2,533,799	7,530,431	108,683	10,900,062	196,491
Repairs and maintenance	435,786	49,438	146,870	348,786	22,483	1,003,363	144,659
Utilities	910,667	9,026	630,144	27,406	3,554	1,580,797	18,056
Depreciation	2,244,519	48,061	215,190	3,566,626	58,933	6,133,329	-
Amortization	83,799	-	-	87,794	-	171,593	-
Materials	-	-	-	-	-	-	1,316,717
Insurance claims	-	-	-	-	-	-	1,183,870
Other operating expenses	1,262,332	1,887,713	116,823	5,609	92,129	3,364,606	857,658
Total operating expenses	6,690,762	2,963,212	3,836,251	12,531,158	1,243,934	27,265,317	5,111,700
Operating income (loss)	1,533,446	543,502	(10,065)	(3,178,508)	336,347	(775,278)	4,690
NONOPERATING REVENUES (EXPENSES)							
Operating grant revenue	324,750	-	-	126,668	-	451,418	-
Interest income	507,827	961,943	30,339	916,502	35,745	2,452,356	47,169
Interest and fiscal charges	(2,954,436)	(900,570)	-	(2,189,012)	-	(6,044,018)	-
Taxes	-	-	-	7,525,384	-	7,525,384	-
Gain (loss) on investments	-	(525,967)	-	-	-	(525,967)	-
Loss on disposal of equipment	(485)	-	(7,616)	(2,135)	-	(10,236)	-
Total nonoperating revenues (expenses)	(2,122,344)	(464,594)	22,723	6,377,407	35,745	3,848,937	47,169
Income before transfers	(588,898)	78,908	12,658	3,198,899	372,092	3,073,659	51,859
Transfers in	401,720	-	-	6,795	4,614	413,129	51,949
Transfers out	-	(290,000)	-	-	-	(290,000)	-
Change in net assets	(187,178)	(211,092)	12,658	3,205,694	376,706	3,196,788	103,808
Total net assets at beginning of year	27,197,059	4,949,030	2,946,589	46,315,730	2,229,907	83,638,315	125,270
Prior period adjustment	-	-	-	(1,447,974)	-	(1,447,974)	-
Total net assets at beginning of year (restated)	27,197,059	4,949,030	2,946,589	44,867,756	2,229,907	82,190,341	125,270
Total net assets at end of year	\$ 27,009,881	\$ 4,737,938	\$ 2,959,247	\$ 48,073,450	\$ 2,606,613	\$ 85,387,129	\$ 229,078

Bay County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2003

	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	\$ 8,074,700	\$ 3,593,754	\$ 3,806,704	\$ 10,183,407	\$ 1,582,658	\$ 27,241,223	\$ 5,064,553
Cash received from miscellaneous operating activities	795,560	93,470	-	322,883	13,709	1,225,622	4,690
Cash paid to suppliers for goods and services	(4,541,225)	(1,937,986)	(3,351,401)	(8,382,593)	(214,804)	(18,428,009)	(3,683,907)
Cash paid to employees for services	(1,128,640)	(834,866)	(197,034)	(970,338)	(953,482)	(4,084,360)	(1,081,160)
Net cash provided by operating activities	<u>3,200,395</u>	<u>914,372</u>	<u>258,269</u>	<u>1,153,359</u>	<u>428,081</u>	<u>5,954,476</u>	<u>304,176</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	401,720	-	-	6,795	4,614	413,129	51,949
Transfers out	-	(290,000)	-	-	-	(290,000)	-
Operating grants	324,750	-	-	126,668	-	451,418	-
Taxes	-	-	-	7,525,384	-	7,525,384	-
Net cash provided by (used in) noncapital financing activities	<u>726,470</u>	<u>(290,000)</u>	<u>-</u>	<u>7,658,847</u>	<u>4,614</u>	<u>8,099,931</u>	<u>51,949</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Principal paid on bond maturities	(925,000)	(160,000)	-	(1,305,000)	-	(2,390,000)	-
Interest paid on debt	(2,927,531)	(901,938)	-	(1,886,037)	-	(5,715,506)	-
Principal paid on debt	-	(820,381)	-	-	-	(820,381)	-
Proceeds from sale of capital assets	1,321	-	-	-	-	1,321	-
Purchase of capital assets	(2,677,916)	(14,404)	(97,893)	(2,968,121)	(23,510)	(5,781,844)	-
Net cash used in capital and related financing activities	<u>(6,529,126)</u>	<u>(1,896,723)</u>	<u>(97,893)</u>	<u>(6,159,158)</u>	<u>(23,510)</u>	<u>(14,706,410)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sale and maturities of investment securities	-	-	-	14,022,822	-	14,022,822	-
Purchase of investments	(15,259,543)	-	-	(10,182,897)	(1,005,937)	(26,448,377)	(2,043,125)
Return of investment	-	65,615	-	-	-	65,615	-
Interest and dividends on investments	507,827	963,311	30,339	916,502	35,745	2,453,724	47,169
Collections on loans	33,250	1,000,878	77,809	-	-	1,111,937	-
Issuance of new loans	-	(20,497)	-	-	-	(20,497)	-
Net cash provided by (used in) investing activities	<u>(14,718,466)</u>	<u>2,009,307</u>	<u>108,148</u>	<u>4,756,427</u>	<u>(970,192)</u>	<u>(8,814,776)</u>	<u>(1,995,956)</u>
Net increase (decrease) in cash and cash equivalents	(17,320,727)	736,956	268,524	7,409,475	(561,007)	(9,466,779)	(1,639,831)
Cash and cash equivalents at beginning 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>
Cash and cash equivalents at end of year	<u>\$ 7,695,171</u>	<u>\$ 4,326,701</u>	<u>\$ 615,216</u>	<u>\$ 17,775,632</u>	<u>\$ 1,643,617</u>	<u>\$ 32,056,337</u>	<u>\$ 1,890,162</u>
Classified as :							
Current assets	\$ 3,409,869	\$ 3,394,288	\$ 615,216	\$ 16,025,298	\$ 1,643,617	\$ 25,088,288	\$ 1,890,162
Restricted assets	4,285,302	932,413	-	1,750,334	-	6,968,049	-
Totals	<u>\$ 7,695,171</u>	<u>\$ 4,326,701</u>	<u>\$ 615,216</u>	<u>\$ 17,775,632</u>	<u>\$ 1,643,617</u>	<u>\$ 32,056,337</u>	<u>\$ 1,890,162</u>

Bay County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2003

	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)	\$ 1,533,446	\$ 543,502	\$ (10,065)	\$ (3,178,508)	\$ 336,347	\$ (775,278)	\$ 4,690
Adjustments to reconcile operating income (loss) to net cash provided by operating activities							
Depreciation	2,244,519	48,061	215,190	3,566,626	58,933	6,133,329	-
Amortization	83,799	-	-	87,794	-	171,593	-
(Increase) decrease in assets							
Accounts receivable	708,920	210,161	(21,363)	(544,697)	6,919	359,940	10,441
Prepaid expenses	-	-	-	-	-	-	(70,504)
Due from other funds	(62,868)	840	1,881	2,342	-	(57,805)	(57,588)
Due from other governments	-	(43,255)	-	1,855,654	-	1,812,399	-
Increase (decrease) in liabilities							
Accounts payable	(1,305,319)	169,014	71,924	(256,191)	14,192	(1,306,380)	174,518
Deferred revenues	-	-	-	-	-	-	-
Due to other funds	(2,102)	(4,355)	702	(9,849)	2,523	(13,081)	242,619
Due to other governments	-	(22,360)	-	-	-	(22,360)	-
Customer deposits	-	12,764	-	(159,659)	9,167	(137,728)	-
Landfill postclosure liability	-	-	-	(210,153)	-	(210,153)	-
Total adjustments	1,666,949	370,870	268,334	4,331,867	91,734	6,729,754	299,486
Net cash provided by operating activities	\$ 3,200,395	\$ 914,372	\$ 258,269	\$ 1,153,359	\$ 428,081	\$ 5,954,476	\$ 304,176

Bay County, Florida  
Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2003

**ASSETS**

Cash and cash equivalents	\$ 4,538,429
Accounts receivable	<u>17,418</u>
Total assets	<u><u>\$ 4,555,847</u></u>

**LIABILITIES**

Bank overdraft	\$ 722
Accounts payable	2,212,967
Due to other governments	<u>2,342,158</u>
Total liabilities	<u><u>\$ 4,555,847</u></u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bay County, Florida (County) have been prepared in accordance with U.S. 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. In accordance with GASB Statement 20, 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. 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 State's 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, 2003

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, 2003

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, 2003

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, 2003

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 funds 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, 2003

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 expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other 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, 2003

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 gasoline taxes.

Proprietary Major Funds

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

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

Industrial Wastewater Fund – This fund is used to account for activities related to the operations of the industrial waste treatment facility.

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

Building Services Fund – This 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. The services provided by these funds are fleet maintenance, workers' compensation and insurance.

Agency Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, and 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, 2003

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, 2003

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 5 in the Local Government Surplus Funds Trust Fund. This external investment pool, which is administered by the State of Florida State Board of Administration (SBA), 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 London Interbank Offered Rate (LIBOR) or federal fund rates. LIBOR 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 14% of the SBA's portfolio at year end.

Florida Local Governments Investment Trust Fund

The County maintained investments as disclosed in Note 5 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 5. 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 more than one

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

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 State Board of Administration. The FLGIT invested in various Collateralized Mortgage Obligations (CMOs) in the current year. The FLGIT has been assigned a “S1” Bond Fund Risk Rating, which is the lowest volatility rating listed by Standard and Poor’s and a AAAs 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, 2003 and 2002 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, 2003

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 \$100,000. 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, 2003

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	20-50 Years
Improvements	20-50 Years
Utility Plants	35-50 Years
Equipment	3-15 Years
Infrastructure	10-50 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, 2003, 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, 2003

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 postclosure maintenance over the active life of each landfill area, based on landfill capacity used during the period. Required obligations for closure and postclosure 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 are 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 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, 2003

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, 2003, 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, 2003

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.

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$45,777,448 difference are as follows:

Bonds payable	\$ 36,100,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(119,147)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(220,081)
Plus: Issuance premium (to be amortized as interest expense)	64,799
Accrued interest payable	365,611
Capital leases payable	750,190
Notes payable	7,585,259
Compensated absences	1,250,817
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 45,777,448</u>

Another element of that reconciliation states, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$129,471,479 difference are as follows:

Cost of capital assets	\$ 252,483,798
Less: Accumulated depreciation	<u>(123,012,319)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 129,471,479</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

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

Explanation of certain differences between the governmental fund statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of this \$12,160,275 difference are as follows:

Capital outlay	\$ 19,975,254
Depreciation expense	<u>(7,814,979)</u>
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 12,160,275</u>

Another element of that reconciliation states, "the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this \$1,398,494 difference are as follows:

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.	\$ (422,952)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	2,090,996
The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	<u>(269,550)</u>
Net adjustments to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 1,398,494</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

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

Another element of that reconciliation states, "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, premium, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(6,773,644) difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (569,775)
Issuance of bonds	(14,170,000)
Issuance of note payable	(1,440,058)
Plus premium	(65,471)
Less issuance cost	63,788
Principal repayments:	
Bonds	1,930,000
Capital leases	462,661
Notes payable	717,016
Payment to escrow agent for refunding	<u>6,298,195</u>
Net adjustment to decrease <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u><u>\$ (6,773,644)</u></u>

Another element of that reconciliation states, "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." The details of this \$(107,808) difference are as follows:

Compensated absences	\$ (134,823)
Accrued interest	28,907
Amortization of deferred charge on refunding	(1,254)
Amortization of issuance costs	(1,310)
Amortization of bond premium	<u>672</u>
Net adjustment to decrease <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u><u>\$ (107,808)</u></u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

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  
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 – 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:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 12,647,841	\$ 6,968,049	\$ 19,615,890
Investments	2,059,987	16,962,899	19,022,886
	<u>\$ 14,707,828</u>	<u>\$ 23,930,948</u>	<u>\$ 38,638,776</u>

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Water and Sewer Retail	Industrial Wastewater	Solid Waste	Total
Accrued interest payable	\$ 365,611	\$ 240,479	\$ 69,940	\$ -	\$ 153,228	\$ 829,258
Customer deposits	-	-	122,524	100,000	162,117	384,641
Notes payable, current portion	7,085,259	-	849,140	-	-	7,934,399
Bonds payable, current portion	2,390,000	965,000	167,500	-	1,350,000	4,872,500
Payable from restricted assets	<u>\$ 9,840,870</u>	<u>\$ 1,205,479</u>	<u>\$ 1,209,104</u>	<u>\$ 100,000</u>	<u>\$ 1,665,345</u>	<u>\$ 14,020,798</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 5 – 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.

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 overnight in United States Treasury Obligations per the repurchase agreement.

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 (FLGIT) is a professionally managed fund available only to public entities in Florida. The investment policy of FLGIT 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.



BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments	Category			Reported Amount Fair Value
	1	2	3	
U.S. Government Securities	\$ 26,616,013	\$ -	\$ -	\$ 26,616,013
Money market investment funds	27,453,520	-	-	27,453,520
U.S. Treasury Notes	2,027,500	-	-	2,027,500
Time deposits	-	-	-	-
Other	210,431	-	-	210,431
	<u>\$ 56,307,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>56,307,464</u>
Florida Local Government Investment Trust				<u>10,742,622</u>
Total investments				<u>\$ 67,050,086</u>

The County's investments at September 30, 2003, 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 not in the County's name.

NOTE 6 – 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

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 7 – NOTES RECEIVABLE

Notes receivable recorded by the County at September 30, 2003 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 State of 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.

345,389

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.

22,719,385

Note receivable from Stone Container Corporation, principal and interest based upon the 1997 Water System Revenue Bonds. Reduction of the principal balance of the note receivable is equivalent to 8.85% of the principal balance and reductions for the bonds payable.

1,416,028

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

225,744

Total notes receivable – enterprise funds

24,706,546

Total notes receivable – all funds

\$ 28,470,147

**BAY COUNTY, FLORIDA**  
**Notes to Basic Financial Statements**  
**September 30, 2003**

**NOTE 8 – CAPITAL ASSETS**

Changes in capital assets of the governmental activities funds are summarized as follows:

	September 30, 2002	Prior Period Adjustment	September 30, 2002 Adjusted	Increases	Decreases	Transfers/ Adjustments	September 30, 2003
Capital assets, not being depreciated							
Land	\$ 10,226,243	\$ (1,636,608)	\$ 8,589,635	\$ 115,042	\$ -	\$ 36,568	\$ 8,741,245
Construction in process	2,515,252	-	2,515,252	13,605,283	(13,578,049)	-	2,542,486
Total capital assets, not being depreciated	12,741,495	(1,636,608)	11,104,887	13,720,325	(13,578,049)	36,568	11,283,731
Capital assets, being depreciated							
Buildings and improvements	34,349,347	(3,755,813)	30,593,534	13,570,890	-	(344,082)	43,820,342
Furniture and equipment	29,759,464	-	29,759,464	4,915,174	(2,189,354)	-	32,485,284
Infrastructure	37,904,218	123,739,929	161,644,147	3,250,294	-	-	164,894,441
Total capital assets, being depreciated	102,013,029	119,984,116	221,997,145	21,736,358	(2,189,354)	(344,082)	241,200,067
Less accumulated depreciation							
Buildings and improvements	(5,311,464)	(6,440,230)	(11,751,694)	(834,048)	-	184,385	(12,401,357)
Furniture and equipment	(15,821,234)	(697,273)	(16,518,507)	(2,714,167)	1,807,606	-	(17,425,068)
Infrastructure	(584,881)	(88,334,431)	(88,919,312)	(4,266,582)	-	-	(93,185,894)
Total accumulated depreciation	(21,717,579)	(95,471,934)	(117,189,513)	(7,814,797)	1,807,606	184,385	(123,012,319)
Total capital assets, being depreciated, net	80,295,450	24,512,182	104,807,632	13,921,561	(381,748)	(159,697)	118,187,748
Total governmental activities capital assets, net	\$ 93,036,945	\$ 22,875,574	\$ 115,912,519	\$ 27,641,886	\$ (13,959,797)	\$ (123,129)	\$ 129,471,479

The following schedules summarizes the capital assets of the County's business-type activities at September 30, 2003:

	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total
Land	\$ 210,497	\$ 3,500	\$ -	\$ 717,875	\$ -	\$ 931,872
Buildings	2,316,033	-	134,702	232,314	61,520	2,744,569
Improvements	82,501	-	-	41,250	-	123,751
Furniture and equipment	734,824	-	137,777	2,361,418	431,795	3,665,814
Infrastructure	63,005,112	1,340,133	10,507,625	56,522,444	-	131,375,314
Construction in process	5,973,912	-	-	4,488,631	-	10,462,543
Total	72,322,879	1,343,633	10,780,104	64,363,932	493,315	149,303,863
Less: accumulated depreciation						
Buildings	(1,568,034)	-	(28,823)	(74,564)	(58,444)	(1,729,865)
Improvements	(71,802)	-	(35,812)	(38,235)	-	(145,849)
Furniture and equipment	(556,347)	-	(122,624)	(1,957,938)	(333,879)	(2,970,788)
Infrastructure	(18,535,874)	(400,979)	(9,050,511)	(14,176,943)	-	(42,164,307)
Total accumulated depreciation	(20,732,057)	(400,979)	(9,237,770)	(16,247,680)	(392,323)	(47,010,809)
Business-type activities capital assets, net	\$ 51,590,822	\$ 942,654	\$ 1,542,334	\$ 48,116,252	\$ 100,992	\$ 102,293,054

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

**NOTE 8 – CAPITAL ASSETS (Continued)**

	September 30, 2002	Prior Period Adjustment	September 30, 2002 Adjusted	Increases	Decreases	Transfers/ Adjustments	September 30, 2003
Capital assets, not being depreciated							
Land	\$ 1,143,306	\$ (12,305)	\$ 1,131,001	\$ 433,975	\$ -	\$ (633,104)	\$ 931,872
Construction in process	11,153,154	-	11,153,154	4,750,425	(5,441,036)	-	10,462,543
Total capital assets, not being depreciated	12,296,460	(12,305)	12,284,155	5,184,400	(5,441,036)	(633,104)	11,394,415
Capital assets, being depreciated							
Buildings	2,437,055	-	2,437,055	-	-	307,514	2,744,569
Improvements	2,636,172	(2,512,421)	123,751	-	-	-	123,751
Furniture and equipment	3,531,287	-	3,531,287	245,106	(110,579)	-	3,665,814
Infrastructure	124,662,369	-	124,662,369	5,670,242	-	1,042,703	131,375,314
Total capital assets, being depreciated	133,266,883	(2,512,421)	130,754,462	5,915,348	(110,579)	1,350,217	137,909,448
Less accumulated depreciation							
Buildings	(1,480,935)	-	(1,480,935)	(64,545)	-	(184,385)	(1,729,865)
Improvements	(1,221,505)	1,076,752	(144,753)	(1,096)	-	-	(145,849)
Furniture and equipment	(2,676,515)	-	(2,676,515)	(393,296)	99,023	-	(2,970,788)
Infrastructure	(36,080,318)	-	(36,080,318)	(5,674,392)	2	(409,599)	(42,164,307)
Total accumulated depreciation	(41,459,273)	1,076,752	(40,382,521)	(6,133,329)	99,025	(593,984)	(47,010,809)
Total capital assets, being depreciated, net	91,807,610	(1,435,669)	90,371,941	(217,981)	(11,554)	756,233	90,898,639
Total business-type activities capital assets, net	\$ 104,104,070	\$ (1,447,974)	\$ 102,656,096	\$ 4,966,419	\$ (5,452,590)	\$ 123,129	\$ 102,293,054

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

Governmental activities	
General government	\$ 923,893
Public safety	1,717,532
Physical environment	335,672
Transportation	3,912,669
Economic environment	571,754
Human services	37,040
Culture and recreation	316,237
Total depreciation expense - governmental activities	<u>\$ 7,814,797</u>
Business-type activities	
Wholesale water system	\$ 2,244,519
Retail water & wastewater	48,061
Industrial wastewater	215,190
Solid waste	3,566,626
Building services	58,933
Total depreciation expense - business-type activities	<u>\$ 6,133,329</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

**NOTE 9 - CAPITAL LEASES**

The County has entered into lease agreements to finance 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.

The cost of assets acquired through capital leases are as follows:

	Sheriff	Property Appraiser	Tax Collector
Vehicles	\$ 1,210,455	\$ -	\$ -
Equipment	-	17,265	29,904
Total	1,210,455	17,265	29,904
Less: accumulated depreciation	(414,365)	(17,265)	(5,981)
Net	<u>\$ 796,090</u>	<u>\$ -</u>	<u>\$ 23,923</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003 were as follows:

Year ending September 30	Sheriff	Property Appraiser	Tax Collector
2004	\$ 384,185	\$ 5,795	\$ 6,744
2005	295,497	684	6,744
2006	62,222	-	6,744
2007	-	-	2,810
Total minimum lease payments	741,904	6,479	23,042
Less amount representing interest	(20,779)	(456)	-
Present value of minimum lease payments	<u>\$ 721,125</u>	<u>\$ 6,023</u>	<u>\$ 23,042</u>

**NOTE 10 – 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, 2003

NOTE 10 – 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, 2002 – June 30, 2003 were 5.76% and 11.86% for regular employees and elected officials, respectively. The rates effective July 1, 2003 – September 30, 2003 were 7.39% and 15.23% for regular employees and elected officials, respectively. The rates for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) were 9.11% effective October 1, 2002 – June 30, 2003, and 9.11% effective from July 1, 2003 – September 30, 2003. The County's contributions for the years ended September 30, 2003, 2002, and 2001 were \$2,543,421, \$2,564,974, and \$2,757,681, respectively, and are equal to the required contributions for each year.

NOTE 11 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES

Notes payable, in the enterprise funds at september 30, 2003 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.

\$ 11,285,512

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, 2003. 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.

3,416,373

Total notes payable-enterprise funds 14,701,885

Less: current portion (849,140)

Long-term portion of enterprise funds

notes payable \$ 13,852,745

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

**NOTE 11 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)**

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

Year Ending September 30	Principal	Interest	Total
2004	\$ 849,140	\$ 273,409	\$ 1,122,549
2005	692,219	430,330	1,122,549
2006	713,470	409,079	1,122,549
2007	735,374	387,175	1,122,549
2008	757,950	364,599	1,122,549
2009-2013	4,151,405	1,461,340	5,612,745
2014-2018	4,831,315	781,430	5,612,745
2019-2020	1,971,012	280,880	2,251,892
Total	<u>\$ 14,701,885</u>	<u>\$ 4,388,242</u>	<u>\$ 19,090,127</u>

Enterprise Fund Bonds Payable:

	Wholesale Water System Series 1997	Wholesale Water System Series 2000	Water and Sewer Retail Series 1996	Solid Waste Series 1998	Total
Current portion	\$ 365,000	\$ 600,000	\$ 167,500	\$ 1,350,000	\$ 2,482,500
Long-term portion	16,480,000	36,115,000	7,850,000	39,750,000	100,195,000
	16,845,000	36,715,000	8,017,500	41,100,000	102,677,500
Less deferred amounts					
Issuance discounts	(283,918)	(711,790)	-	(909,622)	(1,905,330)
On refunding	(29,877)	(255,682)	-	(2,685,524)	(2,971,083)
Total bonds payable	<u>\$ 16,531,205</u>	<u>\$ 35,747,528</u>	<u>\$ 8,017,500</u>	<u>\$ 37,504,854</u>	<u>\$ 97,801,087</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.

These bonds were issued to provide funds which, along with other available funds of the County, were used 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.

\$ 16,531,205

**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.

8,017,500

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 11 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)

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, were used 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.

37,504,854

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 on 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.

These bonds were issued to provide funds which, along with other available funds of the County, were used 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.

Total bonds payable – business-type activities

35,747,528

Less: current portion

97,801,087

(2,482,500)

Long-term portion of business-type activities  
bonds payable

\$ 95,318,587



BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

**NOTE 11 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)**

The annual debt service requirements to maturity for bonds payable at September 30, 2003 are as follows:

Year ending September 30	Principal	Interest	Total
2004	\$ 2,482,500	\$ 5,179,314	\$ 7,661,814
2005	2,585,000	5,075,770	7,660,770
2006	2,695,000	4,966,002	7,661,002
2007	2,815,000	4,849,848	7,664,848
2008	2,935,000	4,727,070	7,662,070
2009-2013	17,052,500	21,445,900	38,498,400
2014-2018	21,247,500	16,986,066	38,233,566
2019-2023	27,877,500	10,967,469	38,844,969
2024-2028	15,897,500	4,753,324	20,650,824
2029-2030	7,090,000	665,893	7,755,893
Total	<u>\$ 102,677,500</u>	<u>\$ 79,616,656</u>	<u>\$ 182,294,156</u>

The principal balance of defeased debt outstanding at September 30, 2003 is as follows:

Water and Sewer Bonds - Series 1980	\$ 3,462,677
Water System Refunding Revenue Bonds - Series 1991	\$ 3,490,176

Changes in long-term liabilities - business-type activities:

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003	Due Within One Year
Bonds payable	\$ 105,067,500	\$ -	\$(2,390,000)	\$ 102,677,500	\$ 2,482,500
Adjusted for deferred amounts					
On refunding	(2,242,634)	-	337,304	(1,905,330)	-
For issuance discounts	(3,059,899)	-	88,816	(2,971,083)	-
Total bonds payable	99,764,967	-	(1,963,880)	97,801,087	2,482,500
Notes payable	15,522,266	-	(820,381)	14,701,885	849,140
Accrued compensated absences	215,565	120,827	(97,882)	238,510	107,210
Business-type activity- long-term liabilities	<u>\$ 115,502,798</u>	<u>\$ 120,827</u>	<u>\$(2,882,143)</u>	<u>\$ 112,741,482</u>	<u>\$ 3,438,850</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

**NOTE 12 – LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES**

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

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003	Due Within One Year
Bonds payable	\$ 29,880,000	\$14,170,000	\$ (7,950,000)	\$36,100,000	\$ 2,490,000
Adjusted for deferred amounts					
On refunding	-	(120,400)	1,254	(119,146)	-
For issuance premiums	-	65,471	(672)	64,799	-
Total bonds payable	29,880,000	14,115,071	(7,949,418)	36,045,653	2,490,000
Notes payable	6,862,216	1,440,058	(717,015)	7,585,259	7,085,259
Capital leases payable	643,076	569,776	(462,662)	750,190	381,159
Accrued compensated absences	1,521,714	544,474	(405,719)	1,660,469	409,652
	<u>\$ 38,907,006</u>	<u>\$16,669,379</u>	<u>\$ (9,534,814)</u>	<u>\$46,041,571</u>	<u>\$ 10,366,070</u>

Notes payable at September 30, 2003 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 on 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

\$1,440,058 note payable to a corporation for the purchase of fire equipment. The note bears interest at 6.1% per annum. Payments of \$184,645 are due annually in October, through 2011, beginning with an initial payment on February 10, 2003. In October 2003, this note was paid in full with proceeds from the Capital Improvement Revenue Bonds, Series 2003A.

1,307,365

\$6,250,000 note payable to a corporation 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 2002. In December 2003, this note was paid in full with the proceeds from the Capital Improvement Revenue Bonds, Series 2003A.

5,777,894

Total notes payable – governmental activities

7,585,259

Less: current portion

7,085,259

Long-term portion of notes payable - governmental activities

\$ 500,000

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 12 – LONG - TERM LIABILITIES - GOVERNMENTAL ACTIVITIES (Continued)

Debt service requirements to maturity on notes payable at September 30, 2003 are as follows:

Year ending September 30	Principal	Interest	Total
2004	\$ 7,085,259	\$ 186,409	\$ 7,271,668
2005	-	36,000	36,000
2006	-	36,000	36,000
2007	-	36,000	36,000
2008	-	36,000	36,000
2009-2013	-	180,000	180,000
2014	500,000	36,000	536,000
Total	<u>\$ 7,585,259</u>	<u>\$ 546,409</u>	<u>\$ 8,131,668</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, 2003 are as follows:

Year ending September 30	Sheriff	Property Appraiser	Tax Collector	Total
2004	\$ 384,185	\$ 5,795	\$ 6,744	\$ 396,724
2005	295,497	684	6,744	302,925
2006	62,222	-	6,744	68,966
2007	-	-	2,810	2,810
Total minimum lease payments	741,904	6,479	23,042	771,425
Less amount representing interest	(20,779)	(456)	-	(21,235)
Present value of minimum lease payments	<u>\$ 721,125</u>	<u>\$ 6,023</u>	<u>\$ 23,042</u>	<u>\$ 750,190</u>

Governmental activity revenue bonds consist of the following at September 30, 2003:

Transportation Improvement Revenue Refunding 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, 2003

NOTE 12 – 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.

\$ 975,000

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.

3,125,000

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.

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.

17,830,000

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 12 – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

Transportation Improvement Revenue Refunding Bonds - Series 2003

On July 1, 2003 the County issued \$6,290,000 of Transportation Improvement Revenue Refunding Bonds, Series 2003 at a premium of \$65,471. The proceeds of the bonds were used to refund the outstanding Transportation Improvement Revenue Bonds, Series 1994, and to pay the cost of issuing the bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$120,400. This difference is reported as a deferred amount on refunding. The County completed the refunding to reduce its debt service payments over the next eight years by \$400,263 and obtain an economic gain of \$348,353.

The bonds are special obligation bonds of the county payable solely from and secured by a) a prior lien and pledge of the first, second, third and fourth cents of the Local Option Gas Tax levied and received by the County pursuant to the provisions of Ordinance No.90-10 and b) the Constitutional Gas Tax distributed to the County pursuant to Chapter 206, Part I, Florida Statutes.

The Bonds are issued on a parity with the County's Transportation Improvement Revenue Refunding Bonds, Series 1993.

Interest varies from 2.0% to 3.125%, principal payable annually on September 1, commencing September 1, 2004, interest payable semi-annually on March 1 and September 1, commencing on September 1, 2003.

\$ 6,290,000

Capital Improvement Revenue Bonds, Series 2003A

Authorized and issued \$7,170,000, interest at 2.7%, principal payable semiannually on September 1 and March 1, commencing September 1, 2004, interest payable semi-annually on September 1 and March 1, commencing on March 1, 2004. The bonds and interest are payable from and secured by the covenant of the County to budget and appropriate non-ad valorem funds under Resolution No. 2486.

The bonds are to be used to refinance certain outstanding obligations for equipment and infrastructure of the County and to pay issuance costs of the Series 2003A Bonds.

7,170,000

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 12 – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

Taxable Capital Improvement Revenue Bonds, Series 2003B

Authorized and issued \$710,000, interest at 4.0%, principal payable semi-annually on September 1 and March 1, commencing September 1, 2004, interest payable semi-annually on September 1 and March 1, commencing on March 1, 2004. The Bonds and interest are payable from and secured by the covenant of the County to budget and appropriate non-advalorem funds under Resolution No. 2486.

The bonds are to be used to a) refinance certain outstanding obligations for equipment and infrastructure of the County, b) to acquire and construct a fire station and c) pay issuance costs of the Series 2003B Bonds.

	\$ 710,000
Total bonds payable – governmental activities	36,100,000
Less: current portion	(2,490,000)
Long-term portion governmental activities bonds payable	<u>\$ 33,610,000</u>

The annual debt service requirements to maturity for the revenue bonds payable at September 30, 2003 are as follows:

Year ending September 30	Principal	Interest	Total
2004	\$ 2,490,000	\$ 1,483,122	\$ 3,973,122
2005	2,775,000	1,320,654	4,095,654
2006	2,860,000	1,230,809	4,090,809
2007	2,955,000	1,135,762	4,090,762
2008	2,165,000	1,058,274	3,223,274
2009-2013	8,760,000	4,258,200	13,018,200
2014-2018	2,540,000	3,336,140	5,876,140
2019-2023	3,240,000	2,637,440	5,877,440
2024-2028	4,155,000	1,725,844	5,880,844
2029-2032	4,160,000	546,325	4,706,325
Total	<u>\$ 36,100,000</u>	<u>\$ 18,732,570</u>	<u>\$ 54,832,570</u>

The principal balance of defeased long-term debt outstanding at September 30, 2003 is as follows:

Note Payable – Multi County Loan Program	\$ 3,894
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NOTE 13 – COMPENSATED ABSENCES

The County's compensated absences at September 30, 2003 is as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 409,652	\$ 107,210	\$ 516,862
Long-term	1,250,817	131,300	1,382,117
Total	<u>\$ 1,660,469</u>	<u>\$ 238,510</u>	<u>\$ 1,898,979</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLES, AND INTERFUND TRANSFERS

At September 30, 2003, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund		
General	Internal service funds		\$ 284,149
Transportation	Other nonmajor governmental funds	\$ 46	
	Solid waste fund	367	
	Internal service funds	<u>107,458</u>	107,871
Other nonmajor governmental funds	Other nonmajor governmental funds		54,768
Wholesale water system	Internal service funds		89,432
Internal service funds	General fund	23,345	
	Transportation	56,124	
	Other nonmajor governmental funds	41,735	
	Water system revenue	4,454	
	Solid waste fund	7,178	
	Industrial wastewater	702	
	Building services	2,561	
	Water and sewer retail	16	
	Internal service funds	<u>162</u>	<u>136,277</u>
	Total		<u><u>\$ 672,497</u></u>

Interfund transfers during the year ended September 30, 2003 were as follows:

	Transfers In:				Total
	Transportation Fund	Nonmajor Governmental Funds	Internal Service Funds	Wholesale Water System	
Transfer out:					
General fund	\$ 3,477,123	\$ 4,159,384	\$ 51,949	\$ -	\$ 7,688,456
Transportation fund	-	-	-	-	-
Nonmajor governmental funds	420,031	-	-	-	420,031
Retail water and wastewater	-	-	-	290,000	290,000
Total	<u>\$ 3,897,154</u>	<u>\$ 4,159,384</u>	<u>\$ 51,949</u>	<u>\$ 290,000</u>	<u>8,398,487</u>
Transfer in of general capital assets to enterprise funds:					
To wholesale water system					111,720
To solid waste					6,795
To building services					4,614
Total transfers in					<u><u>\$ 8,521,616</u></u>

In the fund financial statements, total transfers in of \$8,521,616 are greater than total transfers out of \$8,398,487 because of the treatment of transfers of capital assets to the enterprise funds. During the year capital assets related to governmental funds, with a book value of \$123,129, were transferred to the enterprise funds. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the enterprise funds did report a transfer in for the capital resources received.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES, AND INTERFUND TRANSFERS (Continued)

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 15 – 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, 2003, consist of the following:

	Wholesale Water System	Solid Waste	Total Enterprise Funds
Restricted for debt service	\$ 320,895	\$ 265,728	\$ 586,623
Restricted for renewal and replacement	691,563	-	691,563
Restricted for landfill closure and postclosure	-	1,184,626	1,184,626
Total	<u>\$ 1,012,458</u>	<u>\$ 1,450,354</u>	<u>\$ 2,462,812</u>

Reserved Fund Balances

The County has established certain reserves within the fund equity section of the governmental funds. Reserved fund balances at September 30, 2003, consist of the following:

General fund:

Reserved for long-term notes receivable	\$ 3,763,600
Reserved for debt service	900,877
Reserved for capital projects	1,650,926
Reserved for workers compensation	1,583,668
Reserved for grants	510,101
Reserved for insurance	476,319
Reserved for boating improvement	352,444
Reserved for law enforcement	134,053
	<u>\$ 9,371,988</u>

Special revenue funds:

Reserved for debt service	1,225,771
Reserved for capital projects	6,636,721
Reserved for beach nourishment	7,715,078
Reserved for tourism promotion	2,399,985
	<u>\$ 17,977,555</u>



BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 15 – FUND EQUITY (Continued)

Designated Fund Balance

The County has established certain designations within the fund equity section of the governmental funds. Designated fund balance at September 30, 2003 consists of the following:

General fund:

Designated for emergency contingency	<u>\$ 3,000,000</u>
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NOTE 16 – 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.

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 2018. 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 \$584,870 and the post closure costs to maintain and monitor the Steelfield and Majette landfills will be approximately \$478,541 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 \$9,448,422 landfill closure and postclosure care liability at September 30, 2003, 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 2003. 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, 2003, \$1,184,626 was 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

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined to be necessary, these costs may need to be covered by charges to future landfill users or from future tax revenue.

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 potential amount of loss liability associated with a default 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, 2003, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of		
Callaway's portion of note payable	\$	14,701,885
Related interest expense		2,965,912
Wastewater System Revenue Bonds Series 1996 (see		
note 11)		8,017,500
Related interest expense		6,509,321
		<hr/>
Total contingent liability – joint venture	\$	32,194,618

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

Environmental Contingency

As described in Note 20, 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 do not have 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) agreed to permit the marine mattresses, then all claims between Phoenix and MPAWTF would be dismissed and the cost of installing the marine mattresses would be shared as follows: MPAWTF would be responsible for \$442,000 which would 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. 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, Florida 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 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, 2003

**NOTE 17 – 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, 2003 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 18 – WORKERS' COMPENSATION – SELF INSURANCE**

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, 2003. 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.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 18 – SELF-INSURANCE – WORKERS’ COMPENSATION (Continued)

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 \$3,260,325 reported in the workers' compensation fund at September 30, 2003 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 years 2002 and 2003 were as follows:

	<u>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, 2001 - September 30, 2002	\$ 2,650,000	\$ 803,884	\$ (354,118)	\$ 3,099,766
October 1, 2002 - September 30, 2003	\$ 3,099,766	\$ 708,104	\$ (547,545)	\$ 3,260,325

NOTE 19 – 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 18. 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 18. Changes in the self-insurers' fund's claims liability amount in fiscal years 2002 and 2003 were as follows:

	<u>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, 2001 - September 30, 2002	\$ 250,000	\$ 1,029,266	\$ (1,029,266)	\$ 250,000
October 1, 2002 - September 30, 2003	\$ 250,000	\$ 1,083,620	\$ (1,083,620)	\$ 250,000

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 did not exceed this commercial coverage during the year ended September 30, 2003.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 20 – JOINT VENTURE

Bay County, Florida entered into an interlocal agreement 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, 2003, the County's investment (liability) in the joint venture was \$(460,654). 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, 2003

Assets	<u>\$ 48,491,286</u>
Liabilities	<u>42,793,750</u>
Net assets	
Invested in capital assets, net of related debt	408,670
Restricted	3,958,726
Unrestricted	<u>1,330,140</u>
Total net assets	<u>5,697,536</u>
Total liabilities and net assets	<u>\$ 48,491,286</u>

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 20 – JOINT VENTURE (Continued)

Statement of Activities  
Year Ended September 30, 2003

Revenues	\$ 6,433,856
Expenses	<u>(6,108,687)</u>
Operating income	325,169
Nonoperating revenues (expenses), net	<u>(1,537,406)</u>
Net loss before distributions	(1,212,237)
Distribution to owners	<u>(207,524)</u>
Net loss	(1,419,761)
 Net assets, beginning of year	 <u>7,117,297</u>
Net assets, end of year	<u>\$ 5,697,536</u>

As of September 30, 2003 the County's portion of contributions and net assets in the joint venture is as follows:

County investment, beginning of year	\$ 130,928
Less: 2003 county share of net loss	(551,215)
2003 distributions to owners	(65,615)
Add: 2003 release of reserves	<u>25,248</u>

County investment in joint venture at September 30, 2003	<u>\$ (460,654)</u>
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NOTE 21 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2003 the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2003, billings for these services totaled \$817,859.

As described in Note 20, 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 \$1,333,635 the year ended September 30, 2003. In addition, during the current year the County recognized \$900,570 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$900,570, related to the 1996 Bond Series and State Revolving Fund Loan Program as discussed in Note 11.

BAY COUNTY, FLORIDA  
Notes to Basic Financial Statements  
September 30, 2003

NOTE 22 – PRIOR PERIOD ADJUSTMENT

Bay County, in accordance with the provisions of *Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, has capitalized and reported the County's infrastructure assets in the Statement of Net Assets. As a result of a detailed inventory of land, buildings and infrastructure systems, the County has corrected all categories of assets acquired in prior years in addition to adding the infrastructure assets.

As a result of the capitalization of infrastructure assets and correction of prior year's capital asset balances, an increase has been made to the beginning net assets of the County in the amount of \$21,427,600.

	<u>Government Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Land	\$ (1,636,608)	\$ (12,305)	\$(1,648,913)
Buildings	(3,694,290)	-	(3,694,290)
Infrastructure	123,678,405	(2,512,421)	121,165,984
Less accumulated depreciation	(95,471,933)	1,076,752	(94,395,181)
Net adjustment	<u>\$ 22,875,574</u>	<u>\$(1,447,974)</u>	<u>\$21,427,600</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.

Municipal Services Tax Unit (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 activities, funded by private sector donations.

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, 2003

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,126,175	\$ 5,934,537	\$ 593,173	\$ 6,528,022
Accounts receivable	2,783	298,090	47,774	-
Special assessments receivable	-	-	-	-
Investments	-	5,097,752	-	-
Due from other funds	-	-	54,768	-
Due from other governments	166,891	-	50,032	20,764
Total assets	<u>\$ 1,295,849</u>	<u>\$ 11,330,379</u>	<u>\$ 745,747</u>	<u>\$ 6,548,786</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities				
Accounts payable	\$ 232,496	\$ 67,938	\$ 21,481	\$ 34,021
Due to other funds	32,251	1,760	-	54,768
Total liabilities	<u>264,747</u>	<u>69,698</u>	<u>21,481</u>	<u>88,789</u>
Fund equity				
Fund balance				
Unreserved	1,031,102	1,145,618	724,266	682,103
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	5,777,894
Reserved for other purposes	-	10,115,063	-	-
Total fund equity	<u>1,031,102</u>	<u>11,260,681</u>	<u>724,266</u>	<u>6,459,997</u>
Total liabilities and fund equity	<u>\$ 1,295,849</u>	<u>\$ 11,330,379</u>	<u>\$ 745,747</u>	<u>\$ 6,548,786</u>

Special Revenue

District Mosquito Control	MSTU Fire Protection	MSBU Fund	County Court Facility	10/6/3 Fund	Circuit Court Facility
\$ 399,416	\$ 5,136,650	\$ 272,280	\$ 213,932	\$ 488,045	\$ 257,176
1,136	64	7	-	-	-
-	-	70,200	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,491	-	-	-	-
<u>\$ 400,552</u>	<u>\$ 5,141,205</u>	<u>\$ 342,487</u>	<u>\$ 213,932</u>	<u>\$ 488,045</u>	<u>\$ 257,176</u>
\$ 40,088	\$ 326,861	\$ -	\$ 2,120	\$ -	\$ 5,700
2,069	5,701	-	-	-	-
<u>42,157</u>	<u>332,562</u>	<u>-</u>	<u>2,120</u>	<u>-</u>	<u>5,700</u>
358,395	4,457,372	342,487	211,812	488,045	251,476
-	351,271	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>358,395</u>	<u>4,808,643</u>	<u>342,487</u>	<u>211,812</u>	<u>488,045</u>	<u>251,476</u>
<u>\$ 400,552</u>	<u>\$ 5,141,205</u>	<u>\$ 342,487</u>	<u>\$ 213,932</u>	<u>\$ 488,045</u>	<u>\$ 257,176</u>

Bay County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2003

	Special Revenue			
	Family Mediation	Records Modernization	Law Enforcement Training	Special Law Enforcement Trust
<b>ASSETS</b>				
Cash and cash equivalents	\$ 69,257	\$ 341,531	\$ 1,157	\$ 6,451
Accounts receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Investments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 69,257</u>	<u>\$ 341,531</u>	<u>\$ 1,157</u>	<u>\$ 6,451</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity				
Fund balance				
Unreserved	69,257	341,531	1,157	6,451
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Reserved for other purposes	-	-	-	-
Total fund equity	<u>69,257</u>	<u>341,531</u>	<u>1,157</u>	<u>6,451</u>
Total liabilities and fund equity	<u>\$ 69,257</u>	<u>\$ 341,531</u>	<u>\$ 1,157</u>	<u>\$ 6,451</u>

Special Revenue

Special Contribution	Junior Deputies	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ 2,222	\$ 15,054	\$ 29,091	\$ 342	\$ 21,414,511
-	-	-	-	349,854
-	-	-	-	70,200
-	-	-	-	5,097,752
-	-	-	-	54,768
-	-	-	-	242,178
<u>\$ 2,222</u>	<u>\$ 15,054</u>	<u>\$ 29,091</u>	<u>\$ 342</u>	<u>\$ 27,229,263</u>
\$ -	\$ -	\$ -	\$ -	\$ 730,705
-	-	-	-	96,549
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827,254</u>
2,222	15,054	29,091	342	10,157,781
-	-	-	-	351,271
-	-	-	-	5,777,894
-	-	-	-	10,115,063
<u>2,222</u>	<u>15,054</u>	<u>29,091</u>	<u>342</u>	<u>26,402,009</u>
<u>\$ 2,222</u>	<u>\$ 15,054</u>	<u>\$ 29,091</u>	<u>\$ 342</u>	<u>\$ 27,229,263</u>

Bay County, Florida  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2003

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
<b>REVENUES</b>				
Taxes	\$ -	\$ 5,292,568	\$ -	\$ -
Intergovernmental	558,719	107,900	-	-
Charges for services	-	-	764,036	581,916
Special assessments	-	-	-	-
Interest	14,563	113,485	9,534	30,923
Miscellaneous	5,979	120,753	-	270,354
Total revenues	<u>579,261</u>	<u>5,634,706</u>	<u>773,570</u>	<u>883,193</u>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	-	790,736	661,334
Physical environment	4,496,955	-	-	-
Economic environment	-	4,446,429	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	481,719
Interest	-	-	-	356,596
Bond issuance costs	-	-	-	47,118
Total expenditures	<u>4,496,955</u>	<u>4,446,429</u>	<u>790,736</u>	<u>1,546,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,917,694)</u>	<u>1,188,277</u>	<u>(17,166)</u>	<u>(663,574)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,172,990	-	-	368,394
Transfers out	(420,031)	-	-	-
Debt issued	-	-	-	5,827,747
Total other financing sources (uses)	<u>2,752,959</u>	<u>-</u>	<u>-</u>	<u>6,196,141</u>
Net change in fund balance	(1,164,735)	1,188,277	(17,166)	5,532,567
Fund balance at beginning of year	<u>2,195,837</u>	<u>10,072,404</u>	<u>741,432</u>	<u>927,430</u>
Fund balance at end of year	<u>\$ 1,031,102</u>	<u>\$ 11,260,681</u>	<u>\$ 724,266</u>	<u>\$ 6,459,997</u>



Special Revenue

District Mosquito Control	MSTU Fire Protection	MSBU Fund	County Court Facility	10/6/3 Fund	Circuit Court Facility
\$ 566,276	\$ 3,161,832	\$ -	\$ -	\$ -	\$ -
17,030	780	-	-	-	-
520	75,000	-	39,361	242,335	52,095
-	-	73,015	-	-	-
7,773	88,620	4,145	-	-	-
4,500	7,087	-	2,236	5,112	1,681
<u>596,099</u>	<u>3,333,319</u>	<u>77,160</u>	<u>41,597</u>	<u>247,447</u>	<u>53,776</u>
-	-	-	604	123,234	5,639
-	7,302,525	-	-	-	-
-	-	398,995	-	-	-
-	-	-	-	-	-
611,211	-	-	-	-	-
-	225,074	-	-	-	-
-	328,540	-	-	-	-
-	16,555	-	-	-	-
<u>611,211</u>	<u>7,872,694</u>	<u>398,995</u>	<u>604</u>	<u>123,234</u>	<u>5,639</u>
<u>(15,112)</u>	<u>(4,539,375)</u>	<u>(321,835)</u>	<u>40,993</u>	<u>124,213</u>	<u>48,137</u>
-	-	618,000	-	-	-
-	-	-	-	-	-
-	3,492,312	-	-	-	-
<u>-</u>	<u>3,492,312</u>	<u>618,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
(15,112)	(1,047,063)	296,165	40,993	124,213	48,137
<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>\$ 358,395</u>	<u>\$ 4,808,643</u>	<u>\$ 342,487</u>	<u>\$ 211,812</u>	<u>\$ 488,045</u>	<u>\$ 251,476</u>

Bay County, Florida  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2003

	Special Revenue			
	Family Mediation	Records Modernization	Law Enforcement Training	Special Law Enforcement Trust
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	105,696	86,985
Charges for services	20,440	201,921	-	-
Special assessments	-	-	-	-
Interest	-	-	-	-
Miscellaneous	286	2,034	-	-
Total revenues	<u>20,726</u>	<u>203,955</u>	<u>105,696</u>	<u>86,985</u>
<b>EXPENDITURES</b>				
Current				
General government	1,750	99,163	-	-
Public safety	-	-	109,476	81,283
Physical environment	-	-	-	-
Economic environment	-	-	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>1,750</u>	<u>99,163</u>	<u>109,476</u>	<u>81,283</u>
Excess of revenues over (under) expenditures	<u>18,976</u>	<u>104,792</u>	<u>(3,780)</u>	<u>5,702</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Debt issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	18,976	104,792	(3,780)	5,702
Fund balance at beginning of year	<u>50,281</u>	<u>236,739</u>	<u>4,937</u>	<u>749</u>
Fund balance at end of year	<u>\$ 69,257</u>	<u>\$ 341,531</u>	<u>\$ 1,157</u>	<u>\$ 6,451</u>

Special Revenue

Special Contribution	Junior Deputies	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 9,020,676
-	-	-	-	877,110
-	-	-	-	1,977,624
-	-	-	-	73,015
-	-	-	-	269,043
15,517	27,968	39,061	16,974	519,542
<u>15,517</u>	<u>27,968</u>	<u>39,061</u>	<u>16,974</u>	<u>12,737,010</u>
-	-	-	-	230,390
20,039	14,750	28,560	17,425	9,026,128
-	-	-	-	4,895,950
-	-	-	-	4,446,429
-	-	-	-	611,211
-	-	-	-	706,793
-	-	-	-	685,136
-	-	-	-	63,673
<u>20,039</u>	<u>14,750</u>	<u>28,560</u>	<u>17,425</u>	<u>20,665,710</u>
<u>(4,522)</u>	<u>13,218</u>	<u>10,501</u>	<u>(451)</u>	<u>(7,928,700)</u>
-	-	-	-	4,159,384
-	-	-	-	(420,031)
-	-	-	-	9,320,059
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,059,412</u>
(4,522)	13,218	10,501	(451)	5,130,712
<u>6,744</u>	<u>1,836</u>	<u>18,590</u>	<u>793</u>	<u>21,271,297</u>
<u>\$ 2,222</u>	<u>\$ 15,054</u>	<u>\$ 29,091</u>	<u>\$ 342</u>	<u>\$ 26,402,009</u>

Bay County, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Stormwater Management  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,000,000	\$ 1,175,000	\$ 558,719	\$ (616,281)
Interest	19,040	19,040	14,563	(4,477)
Miscellaneous	-	-	5,979	5,979
Total revenues	<u>1,019,040</u>	<u>1,194,040</u>	<u>579,261</u>	<u>(614,779)</u>
<b>EXPENDITURES</b>				
Physical environment	<u>5,316,479</u>	<u>5,921,798</u>	<u>4,496,955</u>	<u>1,424,843</u>
Total expenditures	<u>5,316,479</u>	<u>5,921,798</u>	<u>4,496,955</u>	<u>1,424,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,297,439)</u>	<u>(4,727,758)</u>	<u>(3,917,694)</u>	<u>810,064</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,172,990	3,172,990	3,172,990	-
Transfers out	-	-	(420,031)	(420,031)
Total other financing sources (uses)	<u>3,172,990</u>	<u>3,172,990</u>	<u>2,752,959</u>	<u>(420,031)</u>
Net change in fund balance	(1,124,449)	(1,554,768)	(1,164,735)	390,033
Fund balance at beginning of year	<u>2,195,837</u>	<u>2,195,837</u>	<u>2,195,837</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,071,388</u>	<u>\$ 641,069</u>	<u>\$ 1,031,102</u>	<u>\$ 390,033</u>

Bay County, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Tourist Development  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,845,203	\$ 4,845,203	\$ 5,292,568	\$ 447,365
Intergovernmental	174,817	304,592	107,900	(196,692)
Interest	62,985	62,985	113,485	50,500
Miscellaneous	45,625	45,625	120,753	75,128
Total revenues	<u>5,128,630</u>	<u>5,258,405</u>	<u>5,634,706</u>	<u>376,301</u>
<b>EXPENDITURES</b>				
Economic environment	<u>4,447,897</u>	<u>4,988,559</u>	<u>4,446,429</u>	<u>542,130</u>
Total expenditures	<u>4,447,897</u>	<u>4,988,559</u>	<u>4,446,429</u>	<u>542,130</u>
Excess of revenues over expenditures	680,733	269,846	1,188,277	918,431
Fund balance at beginning of year	<u>10,072,404</u>	<u>10,072,404</u>	<u>10,072,404</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,753,137</u>	<u>\$ 10,342,250</u>	<u>\$ 11,260,681</u>	<u>\$ 918,431</u>

Bay County, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Public Safety  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 650,342	\$ 650,342	\$ 764,036	\$ 113,694
Interest	6,990	6,990	9,534	2,544
Total revenues	<u>657,332</u>	<u>657,332</u>	<u>773,570</u>	<u>116,238</u>
<b>EXPENDITURES</b>				
Public safety	882,793	894,966	790,736	104,230
Total expenditures	<u>882,793</u>	<u>894,966</u>	<u>790,736</u>	<u>104,230</u>
Excess (deficiency) of revenues over (under) expenditures	(225,461)	(237,634)	(17,166)	220,468
Fund balance at beginning of year	<u>741,432</u>	<u>741,432</u>	<u>741,432</u>	<u>-</u>
Fund balance at end of year	<u>\$ 515,971</u>	<u>\$ 503,798</u>	<u>\$ 724,266</u>	<u>\$ 220,468</u>

Bay County, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Intergovernmental Radio Communications  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 557,808	\$ 558,518	\$ 581,916	\$ 23,398
Interest	5,400	5,400	30,923	25,523
Miscellaneous	234,499	270,354	270,354	-
Total revenues	<u>797,707</u>	<u>834,272</u>	<u>883,193</u>	<u>48,921</u>
<b>EXPENDITURES</b>				
Public safety	668,134	713,549	661,334	52,215
Debt service				
Principal	481,720	481,720	481,719	1
Interest	356,597	356,597	356,596	1
Bond issuance costs	-	-	47,118	(47,118)
Total expenditures	<u>1,506,451</u>	<u>1,551,866</u>	<u>1,546,767</u>	<u>5,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(708,744)</u>	<u>(717,594)</u>	<u>(663,574)</u>	<u>54,020</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	368,394	368,394	368,394	-
Debt issued	-	-	5,827,747	5,827,747
Total other financing sources	<u>368,394</u>	<u>368,394</u>	<u>6,196,141</u>	<u>5,827,747</u>
Net change in fund balance	(340,350)	(349,200)	5,532,567	5,881,767
Fund balance at beginning of year	<u>927,430</u>	<u>927,430</u>	<u>927,430</u>	<u>-</u>
Fund balance at end of year	<u>\$ 587,080</u>	<u>\$ 578,230</u>	<u>\$ 6,459,997</u>	<u>\$ 5,881,767</u>

Bay County, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
District Mosquito Control  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 555,002	\$ 555,002	\$ 566,276	\$ 11,274
Intergovernmental	16,300	23,741	17,030	(6,711)
Charges for services	-	-	520	520
Interest	6,034	6,034	7,773	1,739
Miscellaneous	-	-	4,500	4,500
Total revenues	<u>577,336</u>	<u>584,777</u>	<u>596,099</u>	<u>11,322</u>
<b>EXPENDITURES</b>				
Human services	<u>604,880</u>	<u>620,189</u>	<u>611,211</u>	<u>8,978</u>
Total expenditures	<u>604,880</u>	<u>620,189</u>	<u>611,211</u>	<u>8,978</u>
Excess of revenues over expenditures	(27,544)	(35,412)	(15,112)	20,300
Fund balance at beginning of year	<u>373,507</u>	<u>373,507</u>	<u>373,507</u>	<u>-</u>
Fund balance at end of year	<u>\$ 345,963</u>	<u>\$ 338,095</u>	<u>\$ 358,395</u>	<u>\$ 20,300</u>



Bay County, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
MSTU Fire Protection  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 3,095,161	\$ 3,095,161	\$ 3,161,832	\$ 66,671
Intergovernmental	3,720	3,720	780	(2,940)
Charges for services	98,244	98,244	75,000	(23,244)
Interest	32,899	32,899	88,620	55,721
Miscellaneous	-	7,084	7,087	3
Total revenues	<u>3,230,024</u>	<u>3,237,108</u>	<u>3,333,319</u>	<u>96,211</u>
<b>EXPENDITURES</b>				
Public safety	6,607,574	11,859,988	7,302,525	4,557,463
Debt service				
Principal	306,008	306,008	225,074	80,934
Interest	356,848	356,848	328,540	28,308
Bond issuance costs	-	-	16,555	(16,555)
Total expenditures	<u>7,270,430</u>	<u>12,522,844</u>	<u>7,872,694</u>	<u>4,650,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,040,406)</u>	<u>(9,285,736)</u>	<u>(4,539,375)</u>	<u>4,746,361</u>
<b>OTHER FINANCING SOURCES</b>				
Debt issued	<u>185,000</u>	<u>3,492,311</u>	<u>3,492,312</u>	<u>1</u>
Total other financing sources	<u>185,000</u>	<u>3,492,311</u>	<u>3,492,312</u>	<u>1</u>
Net change in fund balance	(3,855,406)	(5,793,425)	(1,047,063)	4,746,362
Fund balance at beginning of year	<u>5,855,706</u>	<u>5,855,706</u>	<u>5,855,706</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,000,300</u>	<u>\$ 62,281</u>	<u>\$ 4,808,643</u>	<u>\$ 4,746,362</u>

Bay County, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
MSBU Fund  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 4,002	\$ 4,002	\$ 73,015	\$ 69,013
Interest	2,096	2,096	4,145	2,049
Total revenues	<u>6,098</u>	<u>6,098</u>	<u>77,160</u>	<u>71,062</u>
<b>EXPENDITURES</b>				
Physical environment	<u>617,968</u>	<u>618,168</u>	<u>398,995</u>	<u>219,173</u>
Total expenditures	<u>617,968</u>	<u>618,168</u>	<u>398,995</u>	<u>219,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(611,870)</u>	<u>(612,070)</u>	<u>(321,835)</u>	<u>290,235</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	<u>618,000</u>	<u>618,000</u>	<u>618,000</u>	<u>-</u>
Total other financing sources	<u>618,000</u>	<u>618,000</u>	<u>618,000</u>	<u>-</u>
Net change in fund balance	6,130	5,930	296,165	290,235
Fund balance at beginning of year	<u>46,322</u>	<u>46,322</u>	<u>46,322</u>	<u>-</u>
Fund balance at end of year	<u>\$ 52,452</u>	<u>\$ 52,252</u>	<u>\$ 342,487</u>	<u>\$ 290,235</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, 2003

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 166,540	\$ 1,277,475	\$ 446,147	\$ 1,890,162
Accounts receivable	145,809	148	522	146,479
Prepaid expenses	-	50,000	108,970	158,970
Investments	-	2,043,125	-	2,043,125
Due from other funds	136,277	-	-	136,277
Total current assets	<u>448,626</u>	<u>3,370,748</u>	<u>555,639</u>	<u>4,375,013</u>
Total assets	<u>448,626</u>	<u>3,370,748</u>	<u>555,639</u>	<u>4,375,013</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	141,566	3,270,011	253,157	3,664,734
Due to other funds	257,458	52	223,691	481,201
Total current liabilities	<u>399,024</u>	<u>3,270,063</u>	<u>476,848</u>	<u>4,145,935</u>
Total liabilities	<u>399,024</u>	<u>3,270,063</u>	<u>476,848</u>	<u>4,145,935</u>
<b>NET ASSETS</b>				
Unrestricted	49,602	100,685	78,791	229,078
Total net assets	<u>\$ 49,602</u>	<u>\$ 100,685</u>	<u>\$ 78,791</u>	<u>\$ 229,078</u>

Bay County, Florida  
Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Internal Service Funds  
Year Ended September 30, 2003

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,036,454	\$ 928,220	\$ 1,147,026	\$ 5,111,700
Miscellaneous	-	4,690	-	4,690
Total revenues	<u>3,036,454</u>	<u>932,910</u>	<u>1,147,026</u>	<u>5,116,390</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,249,754	106,128	38,367	1,394,249
Contracted services	167,583	27,666	1,242	196,491
Repairs and maintenance	132,158	6,585	5,916	144,659
Utilities	14,040	2,008	2,008	18,056
Materials	1,316,717	-	-	1,316,717
Insurance claims	-	100,250	1,083,620	1,183,870
Other operating expenses	156,202	685,583	15,873	857,658
Total operating expenses	<u>3,036,454</u>	<u>928,220</u>	<u>1,147,026</u>	<u>5,111,700</u>
Operating income	<u>-</u>	<u>4,690</u>	<u>-</u>	<u>4,690</u>
<b>NONOPERATING REVENUES</b>				
Interest income	-	43,835	3,334	47,169
Total nonoperating revenues	<u>-</u>	<u>43,835</u>	<u>3,334</u>	<u>47,169</u>
Income before transfers	<u>-</u>	<u>48,525</u>	<u>3,334</u>	<u>51,859</u>
<b>TRANSFERS</b>				
Transfers in	49,602	2,160	187	51,949
Net transfers	<u>49,602</u>	<u>2,160</u>	<u>187</u>	<u>51,949</u>
Change in net assets	49,602	50,685	3,521	103,808
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>\$ 49,602</u>	<u>\$ 100,685</u>	<u>\$ 78,791</u>	<u>\$ 229,078</u>

Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2003

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,941,969	\$ 962,294	\$ 1,160,290	\$ 5,064,553
Cash received from miscellaneous operating activities	-	4,690	-	4,690
Cash paid to suppliers for goods and services	(2,038,776)	(681,029)	(964,102)	(3,683,907)
Cash paid to employees for services	(958,502)	(89,179)	(33,479)	(1,081,160)
Net cash provided by (used in) operating activities	(55,309)	196,776	162,709	304,176
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	49,602	2,160	187	51,949
Net cash provided by (used in) noncapital and related financing activities	49,602	2,160	187	51,949
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	(2,043,125)	-	(2,043,125)
Interest and dividends on investments	-	43,835	3,334	47,169
Net cash provided by (used in) investing activities	-	(1,999,290)	3,334	(1,995,956)
Net increase (decrease) in cash and cash equivalents	(5,707)	(1,800,354)	166,230	(1,639,831)
Cash and cash equivalents at beginning of year	172,247	3,077,829	279,917	3,529,993
Cash and cash equivalents at end of year	\$ 166,540	\$ 1,277,475	\$ 446,147	\$ 1,890,162

Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2003

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS)</b>				
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ -	\$ 4,690	\$ -	\$ 4,690
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
(Increase) decrease in assets				
Accounts receivable	(22,958)	33,902	(503)	10,441
Prepaid items	-	-	(70,504)	(70,504)
Due from other funds	(71,527)	172	13,767	(57,588)
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	20,300	157,960	(3,742)	174,518
Due to other funds	18,876	52	223,691	242,619
Total adjustments	(55,309)	192,086	162,709	299,486
Net cash provided by (used in) operating activities	<u>\$ (55,309)</u>	<u>\$ 196,776</u>	<u>\$ 162,709</u>	<u>\$ 304,176</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 taxes 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, 2003

	<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	\$ 398,778	\$ 5,853	\$ 19,450	\$ 479
Accounts receivable	-	-	-	-
Total assets	<u>\$ 398,778</u>	<u>\$ 5,853</u>	<u>\$ 19,450</u>	<u>\$ 479</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	19,450	479
Due to other governments	398,778	5,853	-	-
Total liabilities	<u>\$ 398,778</u>	<u>\$ 5,853</u>	<u>\$ 19,450</u>	<u>\$ 479</u>

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
Year Ended September 30, 2003

	<u>Court Registry</u>	<u>Cash Bond</u>	<u>Restitution</u>	<u>Doc Stamps</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,179,535	\$ 526,349	\$ 25,127	\$ 350,020
Accounts receivable	-	-	-	-
Total assets	<u>\$ 2,179,535</u>	<u>\$ 526,349</u>	<u>\$ 25,127</u>	<u>\$ 350,020</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	2,179,535	-	9,995	-
Due to other governments	-	526,349	15,132	350,020
Total liabilities	<u>\$ 2,179,535</u>	<u>\$ 526,349</u>	<u>\$ 25,127</u>	<u>\$ 350,020</u>

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
Year Ended September 30, 2003

	<u>Intangible Tax</u>	<u>Court Construction</u>	<u>Property Tax Fund</u>	<u>Tax Certificate</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 38,604	\$ 990,726	\$ 2,100
Accounts receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 38,604</u>	<u>\$ 990,726</u>	<u>\$ 2,100</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	-	2,100
Due to other governments	-	38,604	990,726	-
Total liabilities	<u>\$ -</u>	<u>\$ 38,604</u>	<u>\$ 990,726</u>	<u>\$ 2,100</u>

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
Year Ended September 30, 2003

	<u>Tag</u>	<u>Other Suspense</u>	<u>Individual Depositors</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 1,408	\$ 4,538,429
Accounts receivable	17,418	-	-	17,418
Total assets	<u>\$ 17,418</u>	<u>\$ -</u>	<u>\$ 1,408</u>	<u>\$ 4,555,847</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ 722	\$ -	\$ -	\$ 722
Accounts payable and accrued liabilities	-	-	1,408	2,212,967
Due to other governments	16,696	-	-	2,342,158
Total liabilities	<u>\$ 17,418</u>	<u>\$ -</u>	<u>\$ 1,408</u>	<u>\$ 4,555,847</u>

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>FINES AND FORFEITURES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 388,964	\$ 4,665,112	\$ 4,655,298	\$ 398,778
Total assets	<u>\$ 388,964</u>	<u>\$ 4,665,112</u>	<u>\$ 4,655,298</u>	<u>\$ 398,778</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 388,964	\$ 4,665,112	\$ 4,655,298	\$ 398,778
Total liabilities	<u>\$ 388,964</u>	<u>\$ 4,665,112</u>	<u>\$ 4,655,298</u>	<u>\$ 398,778</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,387	\$ 59,844	\$ 61,378	\$ 5,853
Total assets	<u>\$ 7,387</u>	<u>\$ 59,844</u>	<u>\$ 61,378</u>	<u>\$ 5,853</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 7,387	\$ 59,844	\$ 61,378	\$ 5,853
Total liabilities	<u>\$ 7,387</u>	<u>\$ 59,844</u>	<u>\$ 61,378</u>	<u>\$ 5,853</u>
<b>TAX DEED ASSETS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 40,899	\$ 281,542	\$ 302,991	\$ 19,450
Total assets	<u>\$ 40,899</u>	<u>\$ 281,542</u>	<u>\$ 302,991</u>	<u>\$ 19,450</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 40,899	\$ 281,542	\$ 302,991	\$ 19,450
Total liabilities	<u>\$ 40,899</u>	<u>\$ 281,542</u>	<u>\$ 302,991</u>	<u>\$ 19,450</u>

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,123	\$ 1,102,308	\$ 1,106,952	\$ 479
Total assets	<u>\$ 5,123</u>	<u>\$ 1,102,308</u>	<u>\$ 1,106,952</u>	<u>\$ 479</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 5,123	\$ 1,102,308	\$ 1,106,952	\$ 479
Total liabilities	<u>\$ 5,123</u>	<u>\$ 1,102,308</u>	<u>\$ 1,106,952</u>	<u>\$ 479</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,723,048	\$ 10,504,314	\$ 10,047,827	\$ 2,179,535
Total assets	<u>\$ 1,723,048</u>	<u>\$ 10,504,314</u>	<u>\$ 10,047,827</u>	<u>\$ 2,179,535</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,723,048	\$ 10,504,314	\$ 10,047,827	\$ 2,179,535
Total liabilities	<u>\$ 1,723,048</u>	<u>\$ 10,504,314</u>	<u>\$ 10,047,827</u>	<u>\$ 2,179,535</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 294,386	\$ 1,731,477	\$ 1,499,514	\$ 526,349
Total assets	<u>\$ 294,386</u>	<u>\$ 1,731,477</u>	<u>\$ 1,499,514</u>	<u>\$ 526,349</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 294,386	\$ 1,731,477	\$ 1,499,514	\$ 526,349
Total liabilities	<u>\$ 294,386</u>	<u>\$ 1,731,477</u>	<u>\$ 1,499,514</u>	<u>\$ 526,349</u>

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,080	\$ 417,732	\$ 412,685	\$ 25,127
Total assets	<u>\$ 20,080</u>	<u>\$ 417,732</u>	<u>\$ 412,685</u>	<u>\$ 25,127</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 4,948	\$ 417,732	\$ 412,685	\$ 9,995
Due to other governments	15,132	-	-	15,132
Total liabilities	<u>\$ 20,080</u>	<u>\$ 417,732</u>	<u>\$ 412,685</u>	<u>\$ 25,127</u>
<b>DOC STAMPS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 273,227	\$ 20,481,408	\$ 20,404,615	\$ 350,020
Total assets	<u>\$ 273,227</u>	<u>\$ 20,481,408</u>	<u>\$ 20,404,615</u>	<u>\$ 350,020</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 273,227	\$ 20,481,408	\$ 20,404,615	\$ 350,020
Total liabilities	<u>\$ 273,227</u>	<u>\$ 20,481,408</u>	<u>\$ 20,404,615</u>	<u>\$ 350,020</u>
<b>INTANGIBLE TAX</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 243,703	\$ 4,737,463	\$ 4,981,166	\$ -
Total assets	<u>\$ 243,703</u>	<u>\$ 4,737,463</u>	<u>\$ 4,981,166</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 243,703	\$ 4,737,463	\$ 4,981,166	\$ -
Total liabilities	<u>\$ 243,703</u>	<u>\$ 4,737,463</u>	<u>\$ 4,981,166</u>	<u>\$ -</u>



Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>COURT CONSTRUCTION</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,221	\$ 447,499	\$ 438,116	\$ 38,604
Total assets	<u>\$ 29,221</u>	<u>\$ 447,499</u>	<u>\$ 438,116</u>	<u>\$ 38,604</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 29,221	\$ 447,499	\$ 438,116	\$ 38,604
Total liabilities	<u>\$ 29,221</u>	<u>\$ 447,499</u>	<u>\$ 438,116</u>	<u>\$ 38,604</u>
<b>PROPERTY TAX FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 221,027	\$ 4,685,380	\$ 3,915,681	\$ 990,726
Investments	669,698	109,718,121	110,387,819	-
Total assets	<u>\$ 890,725</u>	<u>\$ 114,403,501</u>	<u>\$ 114,303,500</u>	<u>\$ 990,726</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 890,725	\$ 114,238,585	\$ 114,138,584	\$ 990,726
Total liabilities	<u>\$ 890,725</u>	<u>\$ 114,238,585</u>	<u>\$ 114,138,584</u>	<u>\$ 990,726</u>
<b>TAX CERTIFICATE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 750	\$ 5,624,029	\$ 5,622,679	\$ 2,100
Total assets	<u>\$ 750</u>	<u>\$ 5,624,029</u>	<u>\$ 5,622,679</u>	<u>\$ 2,100</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 750	\$ 935,905	\$ 934,555	\$ 2,100
Total liabilities	<u>\$ 750</u>	<u>\$ 935,905</u>	<u>\$ 934,555</u>	<u>\$ 2,100</u>

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>TAG</b>				
<b>ASSETS</b>				
Accounts receivable	\$ 14,443	\$ 264,717	\$ 261,742	\$ 17,418
Total assets	<u>\$ 14,443</u>	<u>\$ 264,717</u>	<u>\$ 261,742</u>	<u>\$ 17,418</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ 11,540	\$ 16,938,619	\$ 16,949,437	\$ 722
Due to other governments	2,903	15,928,869	15,915,076	16,696
Total liabilities	<u>\$ 14,443</u>	<u>\$ 32,867,488</u>	<u>\$ 32,864,513</u>	<u>\$ 17,418</u>
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 87,806	\$ 87,806	\$ -
Total assets	<u>\$ -</u>	<u>\$ 87,806</u>	<u>\$ 87,806</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 87,806	\$ 87,806	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 87,806</u>	<u>\$ 87,806</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,941	\$ 257,526	\$ 258,059	\$ 1,408
Total assets	<u>\$ 1,941</u>	<u>\$ 257,526</u>	<u>\$ 258,059</u>	<u>\$ 1,408</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,941	\$ 257,526	\$ 258,059	\$ 1,408
Total liabilities	<u>\$ 1,941</u>	<u>\$ 257,526</u>	<u>\$ 258,059</u>	<u>\$ 1,408</u>

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>COMBINED TOTALS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,249,756	\$ 55,083,440	\$ 53,794,767	\$ 4,538,429
Accounts receivable	14,443	264,717	261,742	17,418
Investments	669,698	109,718,121	110,387,819	-
Total assets	<u>\$ 3,933,897</u>	<u>\$ 165,066,278</u>	<u>\$ 164,444,328</u>	<u>\$ 4,555,847</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ 11,540	\$ 16,938,619	\$ 16,949,437	\$ 722
Accounts payable and accrued liabilities	1,776,709	13,499,327	13,063,069	2,212,967
Due to other governments	2,145,648	162,378,063	162,181,553	2,342,158
Total liabilities	<u>\$ 3,933,897</u>	<u>\$ 192,816,009</u>	<u>\$ 192,194,059</u>	<u>\$ 4,555,847</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, 2003

Governmental funds capital assets	
Land	\$ 8,741,245
Buildings and improvements	43,820,342
Furniture and equipment	32,485,284
Infrastructure	164,894,441
Construction in process	<u>2,542,486</u>
Total governmental funds capital assets	<u><u>\$ 252,483,798</u></u>
Investment in governmental funds capital assets by source	
General fund	\$ 62,428,352
Special revenue fund	<u>190,055,446</u>
Total governmental funds capital assets by source	<u><u>\$ 252,483,798</u></u>

Bay County, Florida  
Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
September 30, 2003

Function and Activity	Land	Buildings and Improvements	Furniture and Equipment	Infrastructure	Construction in Process	Total
<b>General Government</b>						
Board of County Commissioners	\$ 3,192,927	\$ 20,027,218	\$ 42,873	\$ -	\$ 2,542,486	\$ 25,805,504
County Administrator	-	65,962	65,993	-	-	131,955
Clerk of Circuit Court	-	297,656	1,425,766	-	-	1,723,422
Property Appraiser	-	514,682	514,137	-	-	1,028,819
Tax Collector	36,568	590,686	240,672	-	-	867,926
Supervisor of Elections	-	-	565,663	-	-	565,663
Circuit Court	-	-	500,189	-	-	500,189
State Attorney	-	-	9,772	-	-	9,772
Public Defender	-	-	8,373	-	-	8,373
Laboratory	-	62,594	76,194	-	-	138,788
Code Enforcement	-	61,520	37,501	-	-	99,021
Human Resources	-	-	3,640	-	-	3,640
Juvenile Justice	-	-	28,718	-	-	28,718
Maintenance	-	148,844	355,095	-	-	503,939
Information Services	-	91,189	146,602	-	-	237,791
Risk Management	-	-	868	-	-	868
Workers Compensation	-	-	2,152	-	-	2,152
Insurance	-	-	41,259	-	-	41,259
Planning	-	61,520	68,805	-	-	130,325
Purchasing	-	361,109	17,733	-	-	378,842
Management and Budget	-	44,138	18,481	-	-	62,619
Total General Government	3,229,495	22,327,118	4,170,486	-	2,542,486	32,269,585
<b>Public Safety</b>						
Sheriff	40,000	6,250,447	8,234,588	-	-	14,525,035
Fire Control	444,000	2,271,770	6,974,226	-	-	9,689,996
Animal Control	-	-	167,169	-	-	167,169
Public Safety	453,962	3,104,300	384,927	-	-	3,943,189
Total Public Safety	937,962	11,626,517	15,760,910	-	-	28,325,389
<b>Physical Environment</b>						
Engineering Department	-	91,189	348,697	-	-	439,886
Mosquito Control	-	460,909	287,549	-	-	748,458
Extension Service	-	-	11,472	-	-	11,472
Total Physical Environment	-	552,098	647,718	-	-	1,199,816
<b>Transportation</b>						
Traffic Control	-	90,405	652,840	-	-	743,245
Road Department	1,130,950	187,151	8,438,950	-	-	9,757,051
Total Transportation	1,130,950	277,556	9,091,790	-	-	10,500,296



Bay County, Florida  
Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
September 30, 2003

Function and Activity	Land	Buildings and Improvements	Furniture and Equipment	Infrastructure	Construction in Process	Total
Economic Environment						
Veterans Services	-	30,284	25,908	-	-	56,192
Tourist Development Council	-	812,413	225,127	-	-	1,037,540
Total Economic Environment	-	842,697	251,035	-	-	1,093,732
Human Services						
Health Department	240,000	2,182,257	1,063,292	-	-	3,485,549
Medical Examiner	132,500	281,466	131,422	-	-	545,388
Guardian Ad Litem	-	-	948	-	-	948
Emergency Management	-	38,868	414,763	173,902	-	627,533
G. I. S.	-	91,189	76,975	-	-	168,164
Total Human Services	372,500	2,593,780	1,687,400	173,902	-	4,827,582
Culture and Recreation						
Parks and Recreation	2,846,702	5,600,576	872,136	-	-	9,319,414
Total Culture and Recreation	2,846,702	5,600,576	872,136	-	-	9,319,414
Roads and Bridges						
Total Roads and Bridges	-	-	-	128,340,567	-	128,340,567
Stormwater						
Total Stormwater	159,644	-	-	1,714,579	-	1,874,223
Beach Renourishment						
Total Beach Renourishment	-	-	-	25,729,515	-	25,729,515
Intergovernmental Radio						
Total Intergovernmental Radio	63,992	-	3,809	8,935,878	-	9,003,679
Total Capital Assets	\$ 8,741,245	\$ 43,820,342	\$ 32,485,284	\$ 164,894,441	\$ 2,542,486	\$ 252,483,798

Bay County, Florida  
Capital Assets Used in Operation of Governmental Funds  
Schedule of Changes by Function and Activity  
Year Ended September 30, 2003

Function and Activity	Balance September 30, 2002	Additions	Deductions	Transfers	Balance September 30, 2003
General Government					
Board of County Commissioners	\$ 24,701,360	\$ 13,620,378	\$ 5,699,934	(6,816,300)	\$ 25,805,504
County Administrator	64,112	3,431	1,550	65,962	131,955
Clerk of Circuit Court	1,622,303	272,744	171,625	-	1,723,422
Property Appraiser	522,098	25,062	33,023	514,682	1,028,819
Tax Collector	445,618	-	62,090	484,398	867,926
Supervisor of Elections	518,411	51,387	4,135	-	565,663
Courthouse	333,686	-	-	(333,686)	-
Circuit Court	518,689	55,701	74,201	-	500,189
State Attorney	9,772	-	-	-	9,772
Public Defender	8,373	-	-	-	8,373
Laboratory	130,195	8,693	100	-	138,788
Code Enforcement	-	37,501	-	61,520	99,021
Human Resources	-	3,640	-	-	3,640
Juvenile Justice	-	28,718	-	-	28,718
Maintenance	339,256	98,871	1,500	67,312	503,939
Information Services	135,780	12,007	1,185	91,189	237,791
Risk Management	6,022	-	5,154	-	868
Workers' Compensation	2,152	-	-	-	2,152
Insurance	13,209	28,050	-	-	41,259
Planning	61,427	16,585	9,207	61,520	130,325
Purchasing	296,225	-	100	82,717	378,842
Management and Budget	18,481	-	-	44,138	62,619
Total General Government	<u>29,747,169</u>	<u>14,262,768</u>	<u>6,063,804</u>	<u>(5,676,548)</u>	<u>32,269,585</u>
Public Safety					
Sheriff	14,229,228	974,893	679,086	-	14,525,035
Fire Control	6,588,037	1,845,928	377,662	1,633,693	9,689,996
Animal Control	130,973	36,196	-	-	167,169
Public Safety	3,674,399	32,355	6,919	243,354	3,943,189
Total Public Safety	<u>24,622,637</u>	<u>2,889,372</u>	<u>1,063,667</u>	<u>1,877,047</u>	<u>28,325,389</u>
Physical Environment					
Engineering Department	387,313	15,742	54,358	91,189	439,886
Mosquito Control	706,092	75,771	33,405	-	748,458
Extension Service	11,291	1,400	1,219	-	11,472
Total Physical Environment	<u>1,104,696</u>	<u>92,913</u>	<u>88,982</u>	<u>91,189</u>	<u>1,199,816</u>
Transportation					
Traffic Control	579,422	125,447	52,029	90,405	743,245
Road Department	9,283,079	873,759	586,938	187,151	9,757,051
Total Transportation	<u>9,862,501</u>	<u>999,206</u>	<u>638,967</u>	<u>277,556</u>	<u>10,500,296</u>

**Bay County, Florida**  
**Capital Assets Used in Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**Year Ended September 30, 2003**

Function and Activity	Balance September 30, 2002	Additions	Deductions	Transfers	Balance September 30, 2003
Economic Environment					
Veterans Services	\$ 26,419	\$ 6,203	\$ 6,714	\$ 30,284	\$ 56,192
Tourist Development Council	1,030,103	7,437	-	-	1,037,540
Total Economic Environment	<u>1,056,522</u>	<u>13,640</u>	<u>6,714</u>	<u>30,284</u>	<u>1,093,732</u>
Human Services					
Health Department	1,071,141	234,461	2,310	2,182,257	3,485,549
Medical Examiner	545,388	-	-	-	545,388
Guardian Ad Litem	948	-	-	-	948
Emergency Management	563,382	33,961	8,678	38,868	627,533
G. I. S.	66,043	14,585	3,653	91,189	168,164
Total Human Services	<u>2,246,902</u>	<u>283,007</u>	<u>14,641</u>	<u>2,312,314</u>	<u>4,827,582</u>
Culture/Recreation					
Parks and Recreation	8,150,167	93,602	12,513	1,088,158	9,319,414
Library	-	-	-	-	-
Total Culture/Recreation	<u>8,150,167</u>	<u>93,602</u>	<u>12,513</u>	<u>1,088,158</u>	<u>9,319,414</u>
Roads and Bridges					
Total Roads and Bridges	<u>1,864,150</u>	<u>126,476,417</u>	<u>-</u>	<u>-</u>	<u>128,340,567</u>
Stormwater					
Total Stormwater	<u>1,494,790</u>	<u>379,433</u>	<u>-</u>	<u>-</u>	<u>1,874,223</u>
Beach Renourishment					
Total Beach Renourishment	<u>25,729,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,729,515</u>
Intergovernmental Radio					
Total Intergovernmental Radio	<u>8,875,475</u>	<u>128,204</u>	<u>-</u>	<u>-</u>	<u>9,003,679</u>
Total Capital Assets	<u>\$ 114,754,524</u>	<u>\$ 145,618,562</u>	<u>\$ 7,889,288</u>	<u>\$ -</u>	<u>\$ 252,483,798</u>

Note: Included in additions for Roads and Bridges is \$123,678,404 of infrastructure assets that were added in the current year in compliance with the implementation of GASB Statement 34. These assets were purchased or acquired in prior years.

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# STATISTICAL SECTION

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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>	
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%
2003	\$107,023,870	\$30,978,521	29%	\$40,107,784	37%	\$5,041,464	5%	\$11,487,304	11%	\$7,679,060	7%	\$3,606,175	3%	\$3,052,015	3%	\$5,071,547	5%

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

C-1

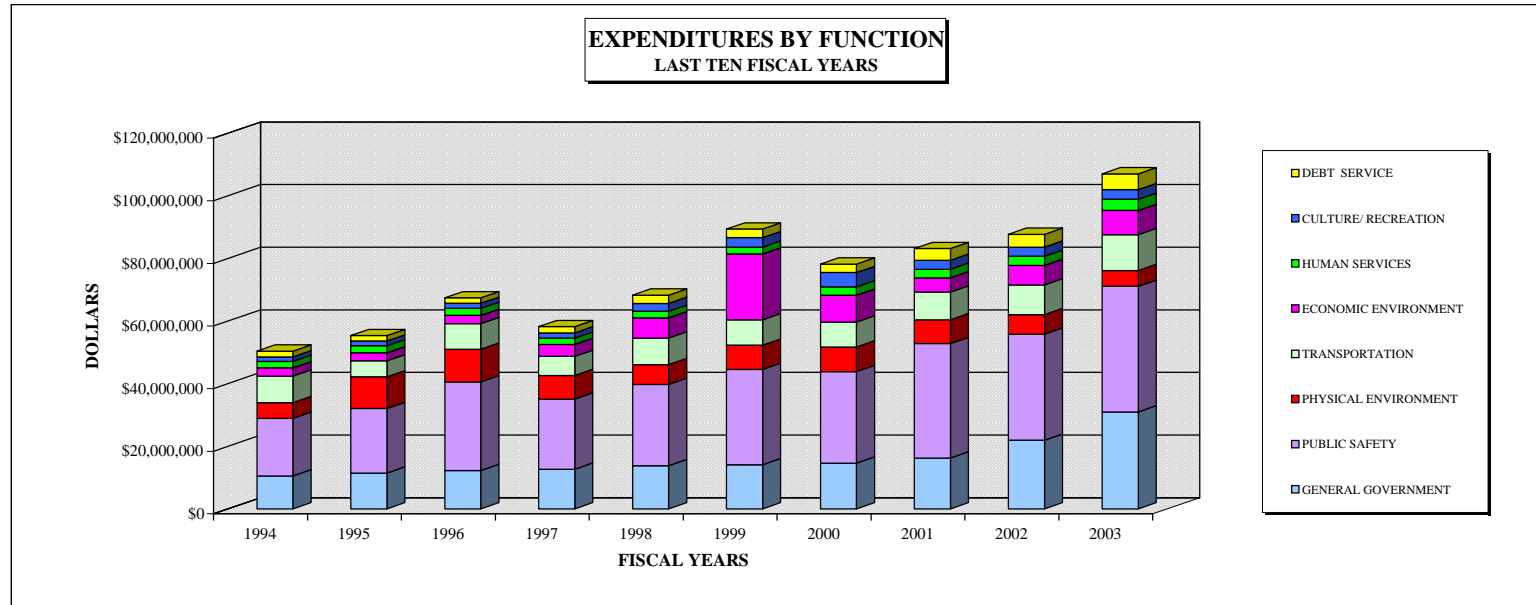
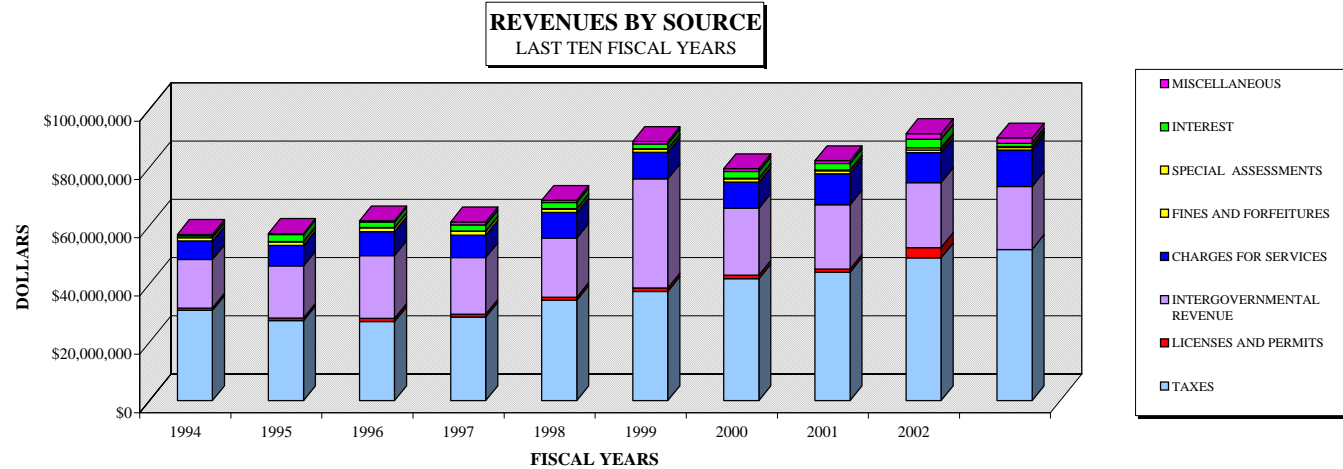


TABLE 2

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

<u>FISCAL YEAR</u>	<u>TOTAL REVENUE</u>	<u>TAXES</u>		<u>LICENSES AND PERMITS</u>		<u>INTERGOVERNMENTAL REVENUE</u>		<u>CHARGES FOR SERVICES</u>		<u>FINES AND FORFEITURES</u>		<u>SPECIAL ASSESSMENTS</u>		<u>INTEREST</u>		<u>MISCELLANEOUS</u>	
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%
2003	\$90,226,964	\$51,921,256	58%	\$3,965	0%	\$21,614,035	24%	\$12,469,323	14%	\$892,312	1%	\$378,649	<1%	\$1,027,868	2%	\$1,919,556	2%

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





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

<b><u>FISCAL YEAR</u></b>	<b><u>TOTAL TAX LEVY (1)</u></b>	<b><u>TAX COLLECTIONS(2)</u></b>	<b><u>PERCENT OF LEVY COLLECTED</u></b>
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%
2003	\$107,970,150	\$103,506,641	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 proceeds unpaid taxes and assessments must be sold no later than June 1 of each year. 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>
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%
2003	\$7,081,951	\$10,317,177	\$842,962	\$1,606,266	\$10,998	\$7,935,911	\$11,934,440	66.50%

*Source: Property Appraiser's Office*

TABLE 5

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

	<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>	<u>2003</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	0.1600	0.1600	0.1600	0.1600	0.1600
County Total	5.6320	5.6320	5.6320	5.6320	5.6320	5.6620	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>	9.2730	9.4980	9.2260	9.3270	9.2690	8.9180	8.6690	8.5300	8.6550	8.5690
<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	1.0000	1.0000	1.0000	1.0000	1.0000
<b><u>SPECIAL DISTRICT:</u></b>										
Beach Mosquito Control	0.3930	0.3930	0.4250	0.3970	0.3930	0.3930	0.3544	0.2675	0.2990	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	2.9000	2.9000	4.0000	4.0000	4.0000	4.0000	4.0000
City of Mexico Beach	5.5200	5.4000	5.3200	5.3200	4.3400	4.3100	4.9100	4.8500	4.6000	4.5500

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)

2003 ASSESSMENTS - COUNTYWIDE

TAXPAYER	REAL ESTATE	% OF TOTAL OF ALL TAXPAYERS(1)	PERSONAL PROPERTY	% OF TOTAL OF ALL TAXPAYERS(2)	TOTAL	% OF TOTAL OF ALL TAXPAYERS
Gulf Power Company	\$17,467,673	0.25%	\$330,949,037	39.26%	\$348,416,710	4.39%
Smurfit-Stone Container Corp.	\$24,824,224	0.35%	\$121,101,430	14.37%	\$145,925,654	1.84%
BellSouth Telecommunications	\$6,457,732	0.09%	\$71,942,036	8.53%	\$78,399,768	0.99%
Peoples First Community Bank Resort Hospitality Enterprises	\$67,847,616	0.96%	\$8,508,255	1.01%	\$76,355,871	0.96%
St. Joe Corporation	\$60,545,302	0.85%	\$324,370	0.04%	\$60,869,672	0.77%
Hilton Enterprises	\$39,277,398	0.55%	\$3,290,356	0.39%	\$42,567,754	0.54%
Hospital Corp. of America	\$13,768,341	0.19%	\$16,677,450	1.98%	\$30,445,791	0.38%
Arizona Chemical Company	\$3,773,640	0.05%	\$34,347,746	4.07%	\$38,121,386	0.48%
Eagles Landing, Ltd.	\$22,892,003	0.32%	\$220,459	0.03%	\$23,112,462	0.29%
Wal-mart Stores	\$18,889,117	0.27%	\$6,321,057	0.75%	\$25,210,174	0.32%
TOTAL ASSESSMENTS	\$275,743,046	3.89%	\$593,682,196	70.43%	\$869,425,242	10.96%

(1) Assessed Value for all Real Property for fiscal year 2003 - \$7,081,951,000.

(2) Assessed Value for all Personal Property for fiscal year 2003 - \$842,962,000.

(3) Assessed Value for all Assessed Property for fiscal year 2003 - \$7,935,911,000.

Source: Bay County Property Appraiser's Office

**TABLE 7**

**BAY COUNTY, FLORIDA  
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT(1)  
SEPTEMBER 30, 2003**

<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	\$43,310,000	100%	\$43,310,000

*Source: Financial Statements of Jurisdictions listed*

(1) Balance per Financial Statements for period ended June 30, 2003.

**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>
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
2003	\$9,056,785	\$4,362,444	\$4,694,341	\$925,000	\$2,927,531	\$3,852,531	1.2

(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 authorization 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>
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
2003	\$17,919,069	\$8,876,738	\$9,042,331	\$1,305,000	\$1,886,037	\$3,191,037	2.8

(1) Operating and other revenues.

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

TABLE 9

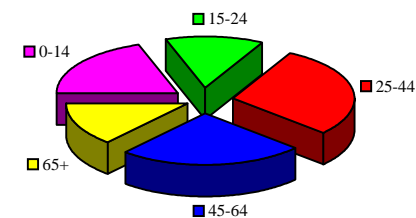
**BAY COUNTY, FLORIDA  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<u>YEAR</u>	<u>ESTIMATED POPULATION</u>	<u>PER CAPITA INCOME</u>	<u>UNEMPLOYMENT RATES</u>
1993	134,059	\$ 17,358	9.1%
1994	136,289	\$ 17,750	8.5%
1995	139,173	\$ 17,914	6.6%
1996	142,159	\$ 19,569	6.0%
1997	144,583	\$ 20,392	6.6%
1998	147,496	\$ 22,264	6.7%
1999	150,119	\$ 22,719	6.1%
2000	148,217	\$ 23,479	5.8%
2001	150,287	\$ 24,115	5.9%
2002	152,186	N/A	5.9%

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

<u>AGE</u>	<u>TOTAL</u>	<u>PERCENT</u>
0-14	29,852	20%
15-24	20,017	13%
25-44	44,060	29%
45-64	37,648	25%
65+	20,609	13%
	<u>152,186</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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**TABLE 10**  
**Page 1 of 2**

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

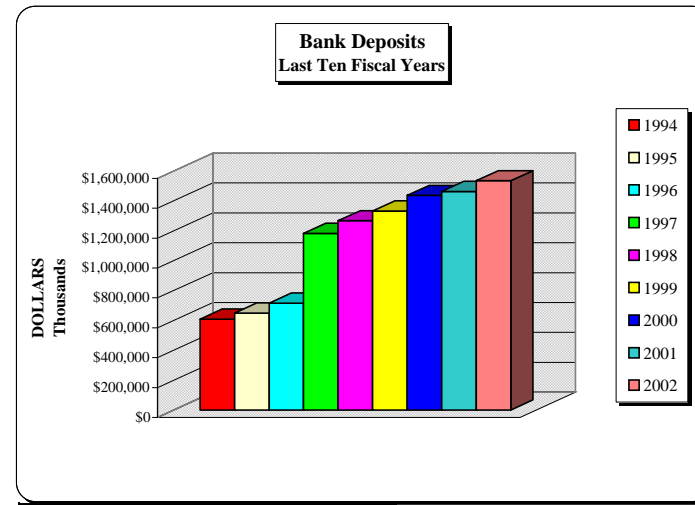
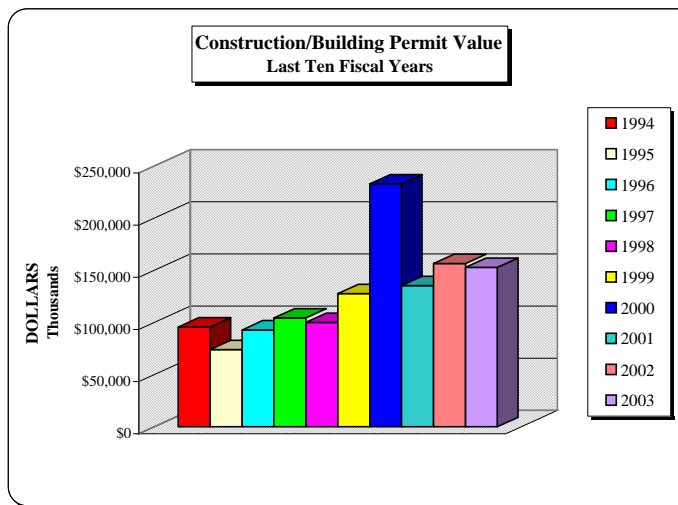
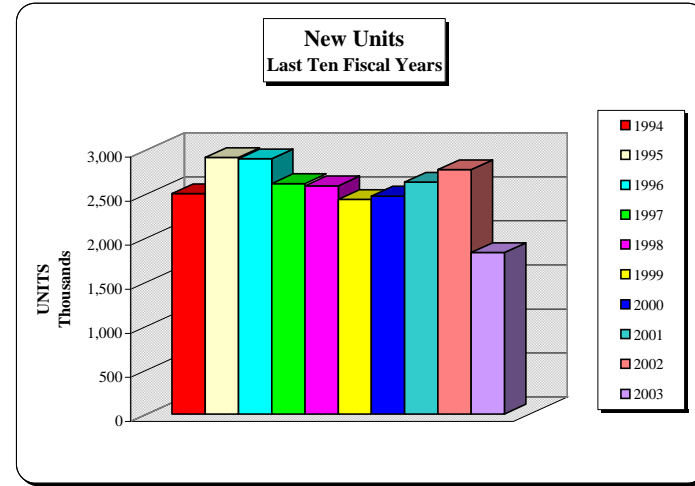
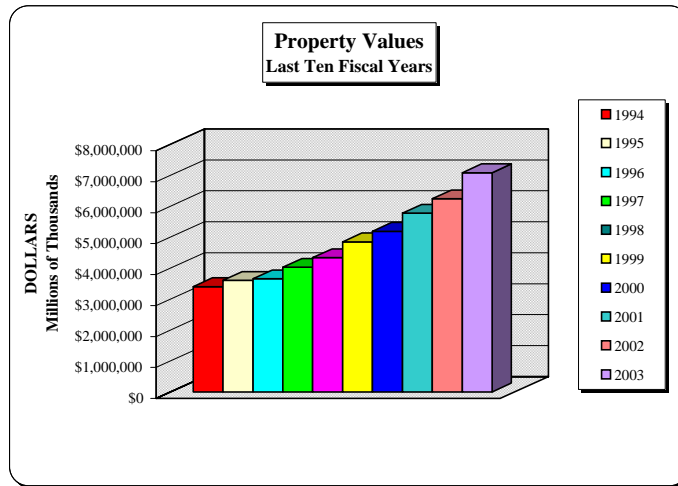
<b>YEAR</b>	<b>PROPERTY VALUE(1)</b>	<b>NUMBER OF NEW UNITS</b>	<b>CONSTRUCTION(1)(2) BUILDING PERMIT VALUE</b>	<b>BANK DEPOSITS(1)</b>
1994	\$3,400,832	2,504	\$95,523	\$607,957
1995	\$3,599,983	2,915	\$73,985	\$648,331
1996	\$3,653,357	2,900	\$92,748	\$714,437
1997	\$4,028,180	2,618	\$104,149	\$1,180,602
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	\$1,533,000
2003	\$7,081,951	1,835	\$152,747	N/A

*Sources: Bay County Property Appraiser  
Bay County Building Department  
University of Florida; Bureau of Economic and  
Business Research "2003 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 2003 Not Available

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

**General Information:** Bay County ("The County") is located on the Gulf of Mexico in the Panhandle region of Northwest Florida.

**Date of Incorporation:** July 1, 1913

**Land Area (square miles):** 764

**Government Structure:** 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.

**Populations:** The County's estimated population through April, 2002 is 152,186. The population by age is as follows:

<u>Age</u>	<u>2002</u>	<u>Percentage</u>
0-14	29,852	20%
15-24	20,017	13%
25-44	44,060	29%
45-64	37,648	25%
65+	20,609	13%
TOTAL	152,186	100%

**Employers:**

The size of the County's Labor Force is estimated to be 68,265. The County's Ten Largest Employers are as follows:

<u>Name of Firm</u>	<u>Industry</u>	<u>Number of Employees</u>
<i>Tyndall Air Force Base</i>	<i>Military</i>	6,666
<i>Bay County School Board</i>	<i>Public Schools</i>	3,300
<i>U.S. Coastal Systems Station</i>	<i>Military</i>	2,449
<i>Bay Medical Center</i>	<i>Medical Facility</i>	1,895
<i>Wal-mart Superstores</i>	<i>Department/Retail</i>	1,370
<i>Sallie Mae</i>	<i>Broker/Student Loans</i>	1,080
<i>Gulf Coast Medical Center</i>	<i>Medical Facility</i>	750
<i>Trane Company</i>	<i>Air Conditioning/Heating</i>	614
<i>Smurfit-Stone Container</i>	<i>Kraft Linerboard</i>	600
<i>City of Panama City</i>	<i>Government</i>	583
<b>TOTAL</b>		<b>19,307</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 1,800 certified teachers and administrators. The type and grade of schools are as follows:

<u><b>Type/Grades</b></u>	<u><b>Number</b></u>
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, eight 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/Skilled Care Facilities:*

<u>Name of Center</u>	<u># of beds</u>	<u>Name of Center</u>	<u># of beds</u>
Bay Center	160	Bay Crest Nursing Center	120
Gulf Coast Convalescent Center	120	Glen Cove Nursing Pavilion	115
Panama City Nursing Center	120	Emerald Shores Health Care	77
St. Andrew Bay Health & Rehab	120	Lisenby Skilled Care Facility	22

*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; 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
<i>MB Miller Park (County Pier)</i>	11 acre beach access park; fishing pier; 14 picnic tables, showers, swings and trail

Recreation (continued):

**Parks (continued):**

**Name of Facility**

*Simmons Park*

*Zollie Young Park*

*Under the Oaks Park*

**Description**

10 acre park; pavilion, 5 picnic tables; baseball, basketball and tennis court; walking track and trail

10 acre park; community building, pavilion, 5 picnic tables; baseball, basketball, football and tennis; swings and other playground equipment

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:

**Name of Facility**

*Bay Point Resort and Country Club*

*Bay Dunes Golf Course*

*Hombre Golf Club*

*Panama Country Club*

*Wild Heron Golf Club*

**Description**

95 acre privately owned facility; two 18 hole courses

125 acre facility; 18 hole course

18 hole, par 72 semi-private championship course

200 acre privately owned facility; 18 hole course

18 hole, private golf club

**Recreation (continued):**

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

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

**Libraries:**

The County has five public libraries with an estimated 181,000 total volumes. These libraries are as follows:

<u><b>Name of Facility</b></u>
<i>Bay County Public Library</i>
<i>Panama City Beach Library</i>
<i>Springfield Public Library</i>
<i>Parker Public Library</i>
<i>Lynn Haven Public Library</i>

**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>80.5F</b>
<b>Average Winter Temperature</b>	<b>59.5F</b>
<b>Average Yearly Rainfall</b>	<b>56.2"</b>

*Sources: University of Florida, Bureau of Economic and Business Research; " 2003 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, 2003, and have issued our report thereon dated February 13, 2004.

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 13, 2004, should be considered in conjunction with this management letter.

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. 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. There were no recommendations made in the proceeding 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 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.

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, for the Board of County Commissioners. For matters related to the individual constitutional officers, see the individual management letters which are included with the special-purpose financial statements for each agency.

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, 2003, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in agreement with the County's annual financial audit report for the year ended September 30, 2003.

As required by the Rules of the Auditor General (Sections 10.554(1)(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.

*Cary Riggs E. Ingram, L.L.C.*

Panama City, Florida  
February 13, 2004



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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, 2003, and have issued our report dated February 13, 2004. 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. 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 misstatement

Bay County, Florida  
Page Two

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. 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 Board of County Commissioners; Bay County Florida'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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
February 13, 2004



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM/STATE  
PROJECT 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, 2003. 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 program or state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

Bay County, Florida  
Page Two

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, 2003.

#### 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 functions. 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 Florida'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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
February 13, 2004



Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Projects  
Year Ended September 30, 2003

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 and State Projects**

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 and state projects:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Section 10.557, Rules of the Auditor General?	___ Yes	___ <input checked="" type="checkbox"/> No

Identification of major programs and state projects:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	U.S. Department of Justice
16.579	Bureau of Justice Assistance
	U. S. Federal Emergency Management Agency
83.548	Hazard Mitigation Grants
83.544	Tropical Storms

(Continued)

Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Projects  
Year Ended September 30, 2003

(Continued)

<u>CSFA Number</u>	<u>Name of State Projects</u>
52.901	State of Florida Housing Finance Corporation State Housing Initiatives Partnership Program
31.003	Florida Executive Office of the Governor Enterprise Florida, Inc. Tank Booster Pump Project/CSS Land/ CSS Test Range Operations Center/Underwater Acoustic Tracking Range

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 Awards and State Projects-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 and Chapter 10.550 Rules of the Auditor General.



Bay County, Florida  
Summary Schedule of Prior Year Audit Findings  
Year Ended September 30, 2003

**There were no prior year audit findings.**

Bay County, Florida  
Schedule of Expenditures of Federal Awards  
and State Projects  
For the Year Ended September 30, 2003

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<b>Department of Housing and Urban Development</b>			
Passed through Florida Department of Community Affairs Florida Small Cities Community Development Block Grant-FY03	14.228	01DB-27-01-13-01-G29	\$ 129,780
<b>Total Department of Housing and Urban Development</b>			<u>129,780</u>
<b>U.S. Department of Justice</b>			
Passed through Florida Department of Law Enforcement			
Anti-Terrorism Training & Equipment I	16.579	03-CJ-5A-01-13-01-001	57,688
Comprehensive Case Information System	16.579	03-CJ-5A-01-13-01-247	419,944
Domestic Security/Protect Gear	16.579	03-CJ-D8-01-13-01-234	55,849
Lifeline Program for Males	16.579	03-CJ-5A-01-13-01-003	52,087
School Resource Officer Program	16.579	03-CJ-5A-01-13-01-002	30,360
Local Law Enforcement Block Grants Program-FY03	16.592	2002-LB-BX-1479	69,452
Passed through State of Florida Office of Attorney General Victims of Crime Act	16.575	V2105	37,992
Passed through Florida Department of Community Affairs Equipment for Florida Strategy-FY03	16.007	02-NF-00-00-00-902	187,691
Cops in School	16.710	2002SHWX0040	<u>84,221</u>
<b>Total U.S. Department of Justice</b>			<u>995,284</u>
<b>U.S. Department of Transportation</b>			
CSS - Main Gate Grant	20.205	-----	<u>1,210,451</u>
<b>Total U.S. Department of Transportation</b>			<u>1,210,451</u>
<b>U.S. Federal Emergency Management Agency</b>			
Passed through Florida Department of Community Affairs			
Emergency Management Preparedness & Assistance	83.552	03-BG-04-01-13-01-003	35,625
Hazard Mitigation Grant	83.548	00HM-8B-01-13-15-004	131,947
Hazard Mitigation Grant	83.548	01UN-6P-01-13-15-014	142,825
Hazard Mitigation Grant	83.548	01UN-6P-01-13-15-001	50,695
Hazard Mitigation Grant	83.548	03UN-6P-01-13-15-281	86,738
Hazard Mitigation Grant	83.548	01HM-4L-01-13-15-043	8,662
Hazard Mitigation Grant	83.548	03HM-4L-01-13-15-004	60,401
Tropical Storm Allison	83.544	02-RM-27-01-13-01-004	<u>589,728</u>
<b>Total U.S. Federal Emergency Management Agency</b>			<u>1,106,621</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Florida Department of Community Affairs Community Services Block Grant	93.569	03-SB-2K-12-00-01-001	<u>188,869</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>188,869</u>
<b>Environmental Protection Agency</b>			
Vulnerability Assessment Study	66.476	HS-82983201-0	<u>74,750</u>
<b>Total Environmental Protection Agency</b>			<u>74,750</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,705,755</u>

Bay County, Florida  
Schedule of Expenditures of Federal Awards  
and State Projects  
For the Year Ended September 30, 2003

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<b>STATE OF FLORIDA</b>			
<b>Office of the State Courts Administrator</b>			
Child Dependency Grant - In - Aid	21.001	-----	\$ 39,101
Civil Traffic Hearing Officer Program	22.001	-----	9,863
<b>Total Office of the State Courts Administrator</b>			<b>48,964</b>
<b>Florida Department of Environmental Protection</b>			
Hazardous Waste Collection Center	37.010	S0042	100,000
Small Quantity Generator Assessment	37.013	HW439	3,898
Youngstown/Fountain Park	37.017	F3625	54,430
<b>Total Florida Department of Environmental Protection</b>			<b>158,328</b>
<b>Florida Department of Health and Rehabilitative Services</b>			
Emergency Medical Services	52.008	C-2003	40,105
<b>Total Florida Department of Health and Rehabilitative Services</b>			<b>40,105</b>
<b>Florida Department of Agriculture and Consumer Services</b>			
Mosquito Control	42.003	-----	17,029
<b>Total Florida Department of Agriculture and Consumer Services</b>			<b>17,029</b>
<b>Florida Department of Community Affairs</b>			
Hazard Mitigation Grant	52.010	00HM-8B-01-13-15-004	43,404
Hazard Mitigation Grant	52.010	01UN-6P-01-13-15-014	23,766
Hazard Mitigation Grant	52.010	01UN-6P-01-13-15-001	8,449
Hazard Mitigation Grant	52.010	03UN-6P-01-13-15-281	21,040
Hazard Mitigation Grant	52.010	01HM-4L-01-13-15-043	1,444
Hazard Mitigation Grant	52.010	03HM-4L-01-13-15-004	10,066
Emergency Management Preparedness Grant	52.008	03-BG-04-01-13-01-003	103,196
Tropical Storm Allison	52.017	02-RM-2?-01-13-01-004	98,288
Florida Small Cities Community Development Block Grant-FY03	52.***	01DB-27-01-13-01-G29	8,190
<b>Total Florida Department of Community Affairs</b>			<b>317,843</b>
<b>Florida Department of Transportation</b>			
Eleventh Street Sidewalk Project	55.008	AM132	527
Small County Outreach Program-FY03	55.009	408973-1-58-01	205,377
<b>Total Florida Department of Transportation</b>			<b>205,904</b>
<b>Florida Department of Corrections</b>			
Local Law Enforcement Block Grant	80.***	2002-LB-BX-1479	3,082
<b>Total Florida Department of Corrections</b>			<b>3,082</b>
<b>State of Florida Housing Finance Corporation</b>			
State Housing Initiatives Partnership Program	52.901	-----	996,187
<b>Total State of Florida Housing Finance Corporation</b>			<b>996,187</b>
<b>Florida Executive Office of the Governor</b>			
Enterprise Florida, Inc. - Tank Booster Pump Project	31.003	DIG-99-09	250,000
CSS Test Range Operations Center	31.003	DIG-99-10	659
CSS-Land	31.003	DIG-00-08	17,200
Underwater Acoustic Tracking Range	31.003	DIG-03-01	325,000
<b>Total Florida Executive Office of the Governor</b>			<b>592,859</b>
<b>TOTAL EXPENDITURES OF STATE PROJECTS</b>			<b>\$ 2,380,301</b>

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

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## 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, 2003

	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	Year Ended September 30, 1994
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	\$ 8,187,271
Other System Revenues							
Electricity Revenue	3,736,030	3,684,736	3,957,087	3,953,624	3,643,566	3,044,996	2,939,315
Tipping Fees	-	-	-	-	4,274,055	4,593,236	4,928,619
Interest Revenue - Note Receivable	-	2,822,800	2,822,800	2,822,700	2,282,626	2,282,626	2,282,553
Interest Revenue - Other	1,134,647	906,236	416,354	994,260	1,069,038	381,982	360,470
Operating Transfers In	14,513	602,077	892,500	-	2,953,917	-	-
Grants	-	218,879	249,862	267,329	247,563	184,617	167,896
Forgiveness of Debt	-	-	872,967	-	-	-	-
Gain on Disposal of Equipment	-	-	-	-	1,115,945	-	4,732
Unrealized Gain (Loss) on Investment	-	-	-	-	-	-	-
Miscellaneous	1,781	7,895	8,510	32,442	20,624	602	15,565
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>	<u>\$ 18,886,421</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	\$ 1,450,000
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	1,243,950
Incinerator Lease Payments	3,659,999	3,659,999	3,659,999	3,659,999	3,838,811	3,120,225	3,120,225
Qualified Capital Asset Purchases	697,116	25,489	37,940	35,234	-	-	12,305
Landfill Postclosure Expense	-	-	-	-	-	-	5,666,800
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>	<u>11,493,280</u>
Other Solid Waste System Expenses							
Personal Services	511,823	665,182	605,384	659,778	691,930	698,864	733,342
Utilities	16,702	17,318	19,157	17,668	17,424	15,785	19,653
Interest Expense from Leases and Notes Receivable	-	2,822,800	2,822,800	2,822,700	2,282,626	2,282,626	2,282,553
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>	<u>6,127,352</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>	<u>9,162,900</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>	<u>\$ 20,656,180</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	\$ 8,187,271
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>	<u>11,493,280</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>	<u>\$ (3,306,009)</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	\$ 18,886,421
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>	<u>20,656,180</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>	<u>(1,769,759)</u>
Adjustments:							
Debt Service - Principal	510,000	580,000	645,000	710,000	-	1,665,000	1,450,000
Depreciation and Amortization	(309,961)	(307,138)	(285,938)	(292,015)	(365,131)	(340,088)	(472,176)
Qualified Capital Asset Purchases	697,116	25,489	37,940	35,234	-	-	12,305
Extraordinary Loss	-	-	-	-	(4,942,897)	-	-
Net Increase (Decrease) in Retained							
Earnings/Net Assets 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>	<u>\$ (779,630)</u>

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	Year Ended September 30, 2003	Totals (Memorandum Only)
\$ 8,621,857	\$ 9,021,389	\$ 9,167,693	\$ 10,005,615	\$ 10,536,115	\$ 11,078,077	\$ 11,410,232	\$ 11,416,279	\$ 7,523,784	\$ 128,023,245
3,271,308	3,169,523	3,196,558	3,036,671	3,297,045	3,555,557	3,853,111	4,058,750	4,197,316	56,595,193
4,987,702	4,984,869	4,776,024	4,593,453	5,028,129	4,716,352	4,588,412	4,933,453	4,832,451	57,236,755
2,282,336	2,282,336	2,282,064	2,276,403	199,830	-	-	-	-	24,639,074
1,020,565	1,099,446	1,238,077	1,389,881	1,221,729	1,222,177	1,633,779	930,760	916,502	15,935,903
-	1,000,000	-	-	-	1,026	-	-	6,795	5,470,828
264,760	6,602,396	289,264	182,734	282,212	178,138	139,232	5,897	126,668	9,407,447
-	-	-	-	-	-	-	-	-	872,967
-	533	22,866	1,036	23,357	-	2,713	90,604	41,537	1,303,323
-	-	-	-	-	-	-	259,038	(73,514)	185,524
21,950	57,699	12,645	77,050	53,779	49,062	497,864	956,472	356,461	2,170,401
<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>\$ 17,928,000</u>	<u>\$ 301,840,660</u>
\$ 1,550,000	\$ 1,665,000	\$ 1,775,000	\$ 1,695,000	\$ 1,640,000	\$ 1,180,000	\$ 1,215,000	\$ 1,260,000	\$ 1,305,000	\$ 18,845,000
1,166,887	1,077,411	975,307	869,236	2,113,642	2,316,534	2,277,296	2,234,535	2,189,012	26,999,045
3,117,141	3,117,141	3,917,288	3,929,059	1,132,273	-	-	-	-	39,932,159
-	94,830	-	2,072,283	1,994,612	2,760,960	267,132	3,534,366	2,835,773	14,368,040
1,636,145	(143,775)	-	2,158,791	(2,462,963)	(438,466)	4,965,662	(108,371)	(210,153)	11,063,670
<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>6,119,632</u>	<u>111,207,914</u>
804,020	811,627	859,830	873,977	808,223	765,933	841,334	892,026	964,506	12,187,779
18,196	18,791	21,786	20,225	18,046	23,498	22,646	27,568	27,406	321,869
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
6,916,221	14,048,792	6,720,766	7,042,949	7,415,765	7,693,635	8,002,422	8,742,890	8,097,116	115,596,829
<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>9,089,028</u>	<u>155,303,020</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>\$ 15,208,660</u>	<u>\$ 266,510,934</u>
\$ 8,621,857	\$ 9,021,389	\$ 9,167,693	\$ 10,005,615	\$ 10,536,115	\$ 11,078,077	\$ 11,410,232	\$ 11,416,279	\$ 7,523,784	\$ 128,023,245
<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>6,119,632</u>	<u>111,207,914</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>\$ 1,404,152</u>	<u>\$ 16,815,331</u>
\$ 20,470,478	\$ 28,218,191	\$ 20,985,191	\$ 21,562,843	\$ 20,642,196	\$ 20,800,389	\$ 22,125,343	\$ 22,651,253	\$ 17,928,000	\$ 301,840,660
<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>15,208,660</u>	<u>266,510,934</u>
2,813,104	4,246,038	4,433,150	624,920	7,782,768	6,498,295	4,533,851	6,068,239	2,719,340	35,329,726
1,550,000	1,665,000	1,775,000	1,695,000	1,640,000	1,180,000	1,215,000	1,260,000	1,305,000	18,845,000
(476,400)	(475,118)	(423,925)	(400,214)	(1,423,105)	(3,603,784)	(3,730,621)	(3,665,849)	(3,654,419)	(20,225,882)
-	94,830	-	2,072,283	1,994,612	2,760,960	267,132	3,534,366	2,835,773	14,368,040
-	-	-	-	-	-	-	-	-	(4,942,897)
<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>\$ 3,205,694</u>	<u>\$ 43,373,987</u>

See the Accompanying Notes

**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, 2003**

**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 Postclosure Expense**

The County is required to accrue a liability for the estimated postclosure 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 postclosure liability is adjusted annually based on the engineers' report. In 1996, 1999, 2000, 2002 and 2003 the estimated liability decreased from the prior year resulting in a reduction in postclosure 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**

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**BAY COUNTY, FLORIDA**

**September 30, 2003**

**CLERK OF CIRCUIT COURT**

Harold Bazzel

**PROPERTY APPRAISER**

Rick Barnett

**TAX COLLECTOR**

Peggy Brannon

**SHERIFF**

Guy M. Tunnell

**SUPERVISOR OF ELECTIONS**

Mark Andersen

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September 30, 2003  
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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, 2003, as listed in the table of contents. These special-purpose 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, the special-purpose 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 are not intended to be a complete presentation under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments*. Additionally, the special-purpose statements present only the Supervisor of Elections and are not intended to present fairly the financial position and changes in financial position and of Bay County, Florida, in conformity with accounting principles generally accepted in the United States.

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, 2003, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2004 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, the Board of County Commissioners 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.

*Cam, Riggs & Ingram, L.L.C.*

Panama City, Florida  
January 23, 2004

Bay County Supervisor of Elections  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2003

	General
<b>ASSETS</b>	
Cash	\$ 27,414
Total Assets	<u>\$ 27,414</u>
 <b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	\$ 22,505
Due to Other Governments	4,909
Total Liabilities	<u>27,414</u>
 <b>FUND BALANCE</b>	
Unreserved	<u>-</u>
 Total Liabilities and Fund Balance	<u>\$ 27,414</u>

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

Bay County Supervisor of Elections  
Special-Purpose Statement of Revenues, Expenditures and  
Change in Fund Balance  
Governmental Fund  
Year Ended September 30, 2003

	<u>General</u>
<b>REVENUES</b>	
Charges for Services	\$ 2,208
Qualifying Fees	1,803
Interest	<u>1,622</u>
	5,633
 <b>EXPENDITURES</b>	
Current	
General Government	<u>671,797</u>
 Excess (Deficiency) of Expenditures Over (Under) Revenues	 <u>(666,164)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>	
Budget Appropriations from Board of County Commissioners	671,049
Reversion to Board of County Commissioners	<u>(4,885)</u>
Total Other Financing Sources (Uses)	<u>666,164</u>
 Net Change 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  
Special-Purpose Statement of Revenues, Expenditures and  
Change in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 635	\$ 635	\$ 2,208	\$ 1,573
Qualifying Fees	10,810	10,810	1,803	(9,007)
Interest	1,800	1,800	1,622	(178)
	13,245	13,245	5,633	(7,612)
<b>EXPENDITURES</b>				
Current				
General Government	669,294	684,294	671,797	12,497
Excess (Deficiency) of Expenditures Over (Under) Revenues	(656,049)	(671,049)	(666,164)	4,885
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget Appropriations from Board of County Commissioners	656,049	671,049	671,049	-
Reversion to Board of County Commissioners	-	-	(4,885)	(4,885)
Total Other Financing Sources (Uses)	656,049	671,049	666,164	(4,885)
Net Change 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, 2003

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.

The special-purpose financial statements presented include the General Fund of the Supervisor's office. The accompanying special-purpose financial statements were prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity Audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position of cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America. Pursuant to Florida Statutes, the Supervisor's special-purpose financial statements are included in the financial statements of the County.

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.



Bay County Supervisor of Elections  
Notes to Special-Purpose Financial Statements  
September 30, 2003

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 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 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.

Bay County Supervisor of Elections  
Notes to Special-Purpose Financial Statements  
September 30, 2003

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, 2002 – June 30, 2003 are 5.76% and 11.86% for regular employees and elected county officials, respectively. Rates effective July 1, 2003 – September 30, 2003 are 7.39% and 15.23% 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 9.11% effective from October 1, 2002 – June 30, 2003 and 9.11% effective from July 1, 2003 – September 30, 2003. The Supervisor of Elections' contributions for the years ended September 30, 2003, 2002 and 2001 were \$24,714, \$27,143, and \$32,487, 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, 2003, and have issued our report thereon dated January 23, 2004.

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 23, 2004. 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, 2003, filed with the Department of Financial Services pursuant to Section 218.503(1), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2003.

As required by the Rules of the Auditor General (Section 10.554(1)(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.

*Cam, Riggs & Ingram, L.L.C.*

Panama City, Florida  
January 23, 2004

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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, 2003, and have issued our report dated January 23, 2004. 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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
January 23, 2004



**CLERK OF CIRCUIT  
COURT**

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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, 2003, 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.

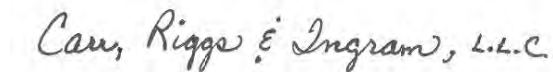
As discussed in Note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and are not intended to be a complete presentation under Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. Additionally, the special-purpose financial statements present only the Clerk and are not intended to present fairly the financial position and changes in financial position of Bay County, Florida, in conformity with accounting principles generally accepted in the United States.

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, 2003, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2004 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's management, the Board of County Commissioners, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Cam, Riggs & Ingram, L.L.C.".

Panama City, Florida  
January 30, 2004

Bay County Clerk of Circuit Court  
Special-Purpose Balance Sheet  
Governmental Funds  
September 30, 2003

	Major Fund	Nonmajor Fund	
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 603,703	\$ 1,369,941	\$ 1,973,644
Accounts Receivable	121,817	-	121,817
Investments	76,188	-	76,188
Prepays	39,595	-	39,595
Total Assets	<u>\$ 841,303</u>	<u>\$ 1,369,941</u>	<u>\$ 2,211,244</u>
<b>LIABILITIES</b>			
Accounts Payable and			
Accrued Liabilities	\$ 285,507	\$ -	\$ 285,507
Deferred Revenue	14,377	-	14,377
Due to Other Governments	541,419	7,820	549,239
Total Liabilities	<u>841,303</u>	<u>7,820</u>	<u>849,123</u>
<b>FUND BALANCE</b>			
Unreserved	<u>-</u>	<u>1,362,121</u>	<u>1,362,121</u>
Total Liabilities and Fund Balance	<u>\$ 841,303</u>	<u>\$ 1,369,941</u>	<u>\$ 2,211,244</u>

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

Bay County Clerk of Circuit Court  
Special-Purpose Statement of Revenues, Expenditures and  
Change in Fund Balance - Governmental Funds  
Year Ended September 30, 2003

	Major Fund	Nonmajor Funds	
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 230,528	\$ -	\$ 230,528
Charges for Services	3,206,305	556,152	3,762,457
Miscellaneous	27,802	11,350	39,152
Total Revenues	<u>3,464,635</u>	<u>567,502</u>	<u>4,032,137</u>
<b>EXPENDITURES</b>			
General Government	4,859,158	230,358	5,089,516
Total Expenditures	<u>4,859,158</u>	<u>230,358</u>	<u>5,089,516</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,394,523)</u>	<u>337,144</u>	<u>(1,057,379)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Budget Appropriations from Board of County Commissioners	1,935,942	-	1,935,942
Reversion to Board of County Commissioners	(541,419)	-	(541,419)
Total Other Financing Sources (Uses)	<u>1,394,523</u>	<u>-</u>	<u>1,394,523</u>
Net Change in Fund Balance	-	337,144	337,144
Fund Balance - Beginning	<u>-</u>	<u>1,024,977</u>	<u>1,024,977</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 1,362,121</u>	<u>\$ 1,362,121</u>

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

Bay County Clerk of Circuit Court  
Special-Purpose Statement of Revenues, Expenditures and  
Change in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2003

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 210,000	\$ 230,500	\$ 230,528	\$ 28
Charges for Services	2,318,500	2,656,750	3,206,305	549,555
Miscellaneous	39,600	27,500	27,802	302
Total Revenues	<u>2,568,100</u>	<u>2,914,750</u>	<u>3,464,635</u>	<u>549,885</u>
<b>EXPENDITURES</b>				
General Government	<u>4,495,925</u>	<u>4,850,575</u>	<u>4,859,158</u>	<u>(8,583)</u>
Total Expenditures	<u>4,495,925</u>	<u>4,850,575</u>	<u>4,859,158</u>	<u>(8,583)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,927,825)</u>	<u>(1,935,825)</u>	<u>(1,394,523)</u>	<u>541,302</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget Appropriations from Board of County Commissioners	1,927,825	1,935,825	1,935,942	117
Reversion to Board of County Commissioners	-	-	(541,419)	(541,419)
Total Other Financing Sources (Uses)	<u>1,927,825</u>	<u>1,935,825</u>	<u>1,394,523</u>	<u>(541,302)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Clerk of Circuit Court  
Special-Purpose Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2003

**ASSETS**

Cash and Cash Equivalents	\$ 3,544,195
Total Assets	<u>\$ 3,544,195</u>

**LIABILITIES**

Accounts Payable	\$ 2,209,459
Due to Other Governments	<u>1,334,736</u>
Total Liabilities	<u>\$ 3,544,195</u>

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, 2003

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.

The special-purpose financial statements presented include the General Fund of the Clerk's office. The accompanying special-purpose financial statements were prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity Audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position and cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America. Pursuant to Florida Statutes, the Clerk's special-purpose financial statements are included in the financial statements of the County.

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.

Bay County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements  
September 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Bay County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements  
September 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2003 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 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, 2003 was the account balance at that time of \$76,188.

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 London InterBank Offered Rate (LIBOR) or Federal Fund rates. LIBOR 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 14% of the State Board of Administration's portfolio at September 30, 2003.

Bay County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements  
September 30, 2003

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, 2002– June 30, 2003 are 5.76% and 11.86% for regular employees and elected county officials, respectively. Rates effective July 1, 2003 – September 30, 2003 are 7.39% and 15.23% 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 9.11% effective from October 1, 2002 – June 30, 2003 and 9.11% effective from July 1, 2003 – September 30, 2003. The Clerk's contributions for the years ended September 30, 2003, 2002 and 2001 were \$190,223, \$188,715, and \$222,256, 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, 2003. 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.

Bay County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements  
September 30, 2003

NOTE 4 – COMMITMENTS AND CONTINGENCIES (Continued)

The future minimum rental payments under those operating leases are as follows:

Year Ending <u>September 30</u>	
2004	\$ <u>29,700</u>
Total	\$ <u>29,700</u>

Lease expense for the year ended September 30, 2003 was \$84,744.

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## NONMAJOR GOVERNMENTAL FUNDS

Bay County Clerk of Circuit Court  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2003

	Special Revenue					
	County Court Facility	10/6/3 Fund	Circuit Court Facility	Family Mediation	Records Modernization	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 213,932	\$ 488,045	\$ 257,176	\$ 69,257	\$ 341,531	\$ 1,369,941
Total assets	<u>\$ 213,932</u>	<u>\$ 488,045</u>	<u>\$ 257,176</u>	<u>\$ 69,257</u>	<u>\$ 341,531</u>	<u>\$ 1,369,941</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,120	\$ -	\$ 5,700	\$ -	\$ -	\$ 7,820
Total liabilities	<u>2,120</u>	<u>-</u>	<u>5,700</u>	<u>-</u>	<u>-</u>	<u>7,820</u>
<b>Fund balance</b>						
Fund balance						
Unreserved	211,812	488,045	251,476	69,257	341,531	1,362,121
Total fund balance	<u>211,812</u>	<u>488,045</u>	<u>251,476</u>	<u>69,257</u>	<u>341,531</u>	<u>1,362,121</u>
Total liabilities and fund balance	<u>\$ 213,932</u>	<u>\$ 488,045</u>	<u>\$ 257,176</u>	<u>\$ 69,257</u>	<u>\$ 341,531</u>	<u>\$ 1,369,941</u>



Bay County Clerk of Circuit Court  
Combining Statement of Revenues, Expenditures and  
Change in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2003

	Special Revenue					
	County Court Facility	10/6/3 Fund	Circuit Court Facility	Family Mediation	Records Modernization	Total
<b>REVENUES</b>						
Charges for services	\$ 39,361	\$ 242,335	\$ 52,095	\$ 20,440	\$ 201,921	\$ 556,152
Miscellaneous	2,236	5,112	1,681	286	2,034	11,349
Total revenues	<u>41,597</u>	<u>247,447</u>	<u>53,776</u>	<u>20,726</u>	<u>203,955</u>	<u>567,501</u>
<b>EXPENDITURES</b>						
Current						
General government	<u>604</u>	<u>123,234</u>	<u>5,639</u>	<u>1,750</u>	<u>99,163</u>	<u>230,390</u>
Total expenditures	<u>604</u>	<u>123,234</u>	<u>5,639</u>	<u>1,750</u>	<u>99,163</u>	<u>230,390</u>
Excess (deficiency) of revenues over (under) expenditures	40,993	124,213	48,137	18,976	104,792	337,111
Fund balance at beginning of year	<u>170,819</u>	<u>363,832</u>	<u>203,339</u>	<u>50,281</u>	<u>236,739</u>	<u>1,025,010</u>
Fund balance at end of year	<u>\$ 211,812</u>	<u>\$ 488,045</u>	<u>\$ 251,476</u>	<u>\$ 69,257</u>	<u>\$ 341,531</u>	<u>\$ 1,362,121</u>

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## AGENCY FUNDS

Bay County Clerk of Circuit Court  
Combining Statement of Changes  
In Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>FINES AND FORFEITURES</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 388,964	\$ 4,665,112	\$ 4,655,298	\$ 398,778
Total Assets	<u>\$ 388,964</u>	<u>\$ 4,665,112</u>	<u>\$ 4,655,298</u>	<u>\$ 398,778</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 388,964	\$ 4,665,112	\$ 4,655,298	\$ 398,778
Total Liabilities	<u>\$ 388,964</u>	<u>\$ 4,665,112</u>	<u>\$ 4,655,298</u>	<u>\$ 398,778</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,388	\$ 59,843	\$ 61,378	\$ 5,853
Total Assets	<u>\$ 7,388</u>	<u>\$ 59,843</u>	<u>\$ 61,378</u>	<u>\$ 5,853</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 7,388	\$ 59,843	\$ 61,378	\$ 5,853
Total Liabilities	<u>\$ 7,388</u>	<u>\$ 59,843</u>	<u>\$ 61,378</u>	<u>\$ 5,853</u>
<b>TAX DEED</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 40,899	\$ 281,542	\$ 302,991	\$ 19,450
Total Assets	<u>\$ 40,899</u>	<u>\$ 281,542</u>	<u>\$ 302,991</u>	<u>\$ 19,450</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 40,899	\$ 281,542	\$ 302,991	\$ 19,450
Total Liabilities	<u>\$ 40,899</u>	<u>\$ 281,542</u>	<u>\$ 302,991</u>	<u>\$ 19,450</u>

Bay County Clerk of Circuit Court  
Combining Statement of Changes  
In Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,123	\$ 1,102,308	\$ 1,106,952	\$ 479
Total Assets	<u>\$ 5,123</u>	<u>\$ 1,102,308</u>	<u>\$ 1,106,952</u>	<u>\$ 479</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 5,123	\$ 1,102,308	\$ 1,106,952	\$ 479
Total Liabilities	<u>\$ 5,123</u>	<u>\$ 1,102,308</u>	<u>\$ 1,106,952</u>	<u>\$ 479</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,723,047	\$ 10,504,314	\$ 10,047,826	\$ 2,179,535
Total Assets	<u>\$ 1,723,047</u>	<u>\$ 10,504,314</u>	<u>\$ 10,047,826</u>	<u>\$ 2,179,535</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 1,723,047	\$ 10,504,314	\$ 10,047,826	\$ 2,179,535
Total Liabilities	<u>\$ 1,723,047</u>	<u>\$ 10,504,314</u>	<u>\$ 10,047,826</u>	<u>\$ 2,179,535</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 294,386	\$ 1,731,477	\$ 1,499,514	\$ 526,349
Total Assets	<u>\$ 294,386</u>	<u>\$ 1,731,477</u>	<u>\$ 1,499,514</u>	<u>\$ 526,349</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 294,386	\$ 1,731,477	\$ 1,499,514	\$ 526,349
Total Liabilities	<u>\$ 294,386</u>	<u>\$ 1,731,477</u>	<u>\$ 1,499,514</u>	<u>\$ 526,349</u>

Bay County Clerk of Circuit Court  
Combining Statement of Changes  
In Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 20,080	\$ 417,732	\$ 412,685	\$ 25,127
Total Assets	<u>\$ 20,080</u>	<u>\$ 417,732</u>	<u>\$ 412,685</u>	<u>\$ 25,127</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 4,948	\$ 417,732	\$ 412,685	\$ 9,995
Due to Other Governments	15,132	-	-	15,132
Total Liabilities	<u>\$ 20,080</u>	<u>\$ 417,732</u>	<u>\$ 412,685</u>	<u>\$ 25,127</u>
<b>DOC STAMPS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 273,227	\$ 20,481,408	\$ 20,404,615	\$ 350,020
Total Assets	<u>\$ 273,227</u>	<u>\$ 20,481,408</u>	<u>\$ 20,404,615</u>	<u>\$ 350,020</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 273,227	\$ 20,481,408	\$ 20,404,615	\$ 350,020
Total Liabilities	<u>\$ 273,227</u>	<u>\$ 20,481,408</u>	<u>\$ 20,404,615</u>	<u>\$ 350,020</u>
<b>INTANGIBLE TAX</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 243,704	\$ 4,737,462	\$ 4,981,166	\$ -
Total Assets	<u>\$ 243,704</u>	<u>\$ 4,737,462</u>	<u>\$ 4,981,166</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 243,704	\$ 4,737,462	\$ 4,981,166	\$ -
Total Liabilities	<u>\$ 243,704</u>	<u>\$ 4,737,462</u>	<u>\$ 4,981,166</u>	<u>\$ -</u>

Bay County Clerk of Circuit Court  
Combining Statement of Changes  
In Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>COURT CONSTRUCTION</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 29,221	\$ 447,499	\$ 438,116	\$ 38,604
Total Assets	<u>\$ 29,221</u>	<u>\$ 447,499</u>	<u>\$ 438,116</u>	<u>\$ 38,604</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 29,221	\$ 447,499	\$ 438,116	\$ 38,604
Total Liabilities	<u>\$ 29,221</u>	<u>\$ 447,499</u>	<u>\$ 438,116</u>	<u>\$ 38,604</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,026,039	\$ 44,428,697	\$ 43,910,541	\$ 3,544,195
Total Assets	<u>\$ 3,026,039</u>	<u>\$ 44,428,697</u>	<u>\$ 43,910,541</u>	<u>\$ 3,544,195</u>
<b>LIABILITIES</b>				
Accounts Payable and				
Accrued Liabilities	\$ 1,774,017	\$ 12,305,896	\$ 11,870,454	\$ 2,209,459
Due to Other Governments	1,252,022	32,122,801	32,040,087	1,334,736
Total Liabilities	<u>\$ 3,026,039</u>	<u>\$ 44,428,697</u>	<u>\$ 43,910,541</u>	<u>\$ 3,544,195</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, 2003, and have issued our report thereon dated January 30, 2004.

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 30, 2004. 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, 2003, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2003.

As required by the Rules of the Auditor General (Section 10.554(1)(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.

*Car, Riggs & Ingram, L.L.C.*

Panama City, Florida  
January 30, 2004

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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, 2003, and have issued our report dated January 30, 2004. 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 Two

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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
January 30, 2004

**PROPERTY  
APPRAISER**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Rick Barnett  
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, 2003, as listed in the table of contents. These special-purpose 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, the special-purpose 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 are not intended to be a complete presentation under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Additionally, the special-purpose financial statements present only the Property Appraiser and are not intended to present fairly the financial position of Bay County, Florida, in conformity with accounting principles generally accepted in the United States.

The Honorable Rick Barnett  
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 Bay County Property Appraiser as of September 30, 2003, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2003 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 Bay County Property Appraiser's management, the Board of County Commissioners, 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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
November 12, 2003

Bay County Property Appraiser  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2003

	<u>General</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,131
Total Assets	<u>\$ 1,131</u>
<b>LIABILITIES</b>	
Due to Other Governments	\$ 657
Medical Reimbursement Payable	184
Payroll Taxes Payable	219
Other Current Liabilities	71
Total Liabilities	<u>1,131</u>
<b>FUND BALANCE</b>	
Unreserved	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 1,131</u>

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

Bay County Property Appraiser  
Special-Purpose Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Governmental Fund  
Year Ended September 30, 2003

	<u>General</u>
<b>REVENUES</b>	
Charges for Services	\$ 36,898
Interest Income	2,602
Total Revenues	<u>39,500</u>
<b>EXPENDITURES</b>	
Current	
General Government	2,058,767
Debt Service	
Principal Retirement	4,827
Interest and Fiscal Charges	969
Total Expenditures	<u>2,064,563</u>
Excess (Deficiency) of Expenditures Over (Under) Revenues	<u>(2,025,063)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget Appropriations from Board of County Commissioners	2,025,720
Reversion to Board of County Commissioners	(657)
Total Other Financing Sources (Uses)	<u>2,025,063</u>
Net Change 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 Property Appraiser  
Special-Purpose Statement of Revenues, Expenditures and  
Change in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2003

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for Services	\$ 22,408	\$ 20,542	\$ 36,898	\$ 16,356
Interest Income	-	-	2,602	2,602
Total Revenues	22,408	20,542	39,500	18,958
<b>EXPENDITURES</b>				
Current				
General Government	2,040,466	2,135,921	2,058,767	77,154
Debt Service				
Principal Retirement	4,827	4,827	4,827	-
Interest and Fiscal Charges	969	969	969	-
Total Expenditures	2,046,262	2,141,717	2,064,563	77,154
Excess (Deficiency) of Expenditures Over (Under) Revenues	(2,023,854)	(2,121,175)	(2,025,063)	96,112
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget Appropriations from Board of County Commissioners	2,023,854	2,121,175	2,025,720	(95,455)
Reversion to Board of County Commissioners	-	-	(657)	(657)
Total Other Financing Sources (Uses)	2,023,854	2,121,175	2,025,063	(96,112)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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

Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2003

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.

The special-purpose financial statements presented include the General Fund of the Property Appraiser's office. The accompanying special-purpose financial statements were prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity Audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position and cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America. Pursuant to Florida Statutes, the Property Appraiser's special-purpose financial statements are included in the financial statements of the County.

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.

Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

NOTE 3 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2003:

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
Capital Leases Payable	\$ 10,850	\$ -	\$ 4,827	\$ 6,023

Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2003

NOTE 3 – LONG-TERM LIABILITIES (Continued)

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. The related obligations are accounted for in the County's long-term liabilities.

During the year ended September 30, 2002 the Bay County Property Appraiser entered into a capital lease to purchase a mail machine costing \$10,807. The interest rate is 6% payable in quarterly installments of \$765 until July 2004. Principal maturities are as follows:

Year Ended September 30,	
2004	\$ 3,060
Total	3,060
Less: amount representing interest	(112)
Total	<u>\$ 2,948</u>

During the year ended September 30, 2002 the Bay County 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. Principal maturities are as follows:

Year Ended September 30,	
2004	\$ 2,735
2005	684
Total	3,419
Less: amount representing interest	(344)
Total	<u>\$ 3,075</u>

The total cost of equipment purchased under lease purchases is \$17,265. Total principle maturities are as follows:

Year Ended September 30,	
2004	\$ 5,795
2005	684
Total	6,479
Less: amount representing interest	(456)
Total	<u>\$ 6,023</u>



Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2003

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, 2002 – June 30, 2003 are 5.76% and 11.86% for regular employees and elected county officials, respectively. Rates effective July 1, 2003 – September 30, 2003 are 7.39% and 15.23% 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 9.11% effective October 1, 2002 – June 30, 2003 and 9.11% for the period July 1, 2003 – September 30, 2003. The Property Appraiser's contributions for the years ended September 30, 2003, 2002 and 2001 were \$95,812, \$108,786, and \$132,202, respectively, and are equal to the required contributions for each year.

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## INDEPENDENT AUDITORS' MANAGEMENT LETTER COMMENTS

The Honorable Rick Barnett  
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, 2003, and have issued our report thereon date November 12, 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 November 12, 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 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

The Honorable Rick Barnett  
Bay County Property Appraiser  
Page Two

report have been followed. During the prior year ended September 30, 2002, the Bay County Property Appraiser had the following instance of noncompliance which still existed for the year ended September 30, 2003:

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.

#### *Management's Response*

Management has reviewed the procedures for assessing the value of property required by Florida Statutes, Section 193.023(2) and is in the process of complying with these requirements. Management expects to be in full compliance with this requirement in the very near future.

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 Honorable Rick Barnett  
Bay County Property Appraiser  
Page Three

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.

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, 2003, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2003.

As required by the Rules of the Auditor General (Section 10.554(1)(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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
November 12, 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 Rick Barnett  
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, 2003, and have issued our report dated November 12, 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 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 November 12, 2003.

The Honorable Rick Barnett  
Bay County Property Appraiser  
Page Two

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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
November 12, 2003



# **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, 2003 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, the special-purpose 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 are not intended to be a complete presentation under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Additionally, the special-purpose financial statements present only the Tax Collector and are not intended to present fairly the financial position and changes in financial position of Bay County, Florida, in conformity with accounting principles generally accepted in the United States.

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, 2003, and the results of her operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2003 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's management, the Board of County Commissioners, 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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
November 12, 2003

Bay County Tax Collector  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2003

	<u>General</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 1,421,766</u>
Total Assets	<u><u>\$ 1,421,766</u></u>
<b>LIABILITIES</b>	
Due to Other Governments	<u>\$ 1,421,766</u>
Total Liabilities	<u>1,421,766</u>
<b>FUND BALANCE</b>	
Unreserved	<u>-</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,421,766</u></u>

Bay County Tax Collector  
Special-Purpose Statement of Revenues, Expenditures and  
Change in Fund Balance  
Governmental Fund  
Year Ended September 30, 2003

	<u>General</u>
<b>REVENUES</b>	
Charges for Services	\$ 1,241,774
Miscellaneous	101,745
Total Revenues	<u>1,343,519</u>
<b>EXPENDITURES</b>	
Current	
General Government	<u>2,011,297</u>
Total Expenditures	<u>2,011,297</u>
Excess (Deficiency) of Expenditures Over (Under) Revenues	<u>(667,778)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget Appropriations from Board of County Commissioners	2,064,020
Reversion to Board of County Commissioners	<u>(1,396,242)</u>
Total Other Financing Sources (Uses)	<u>667,778</u>
Net Change 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  
Special-Purpose Statement of Revenues, Expenditures and  
Change in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ -	\$ -	\$ 1,241,774	\$ 1,241,774
Miscellaneous	-	-	101,745	101,745
Total Revenues	-	-	1,343,519	1,343,519
<b>EXPENDITURES</b>				
Current				
General Government	2,033,848	2,045,250	2,011,297	33,953
Total Expenditures	2,033,848	2,045,250	2,011,297	33,953
Excess of Expenditures Over (Under) Revenues	(2,033,848)	(2,045,250)	(667,778)	1,377,472
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget Appropriations from Board of County Commissioners	2,033,848	2,045,250	2,064,020	18,770
Reversion to Board of County Commissioners	-	-	(1,396,242)	(1,396,242)
Total Other Financing Sources (Uses)	2,033,848	2,045,250	667,778	(1,377,472)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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

Bay County Tax Collector  
Special-Purpose Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2003

**ASSETS**

Cash and Cash Equivalents	\$ 992,826
Accounts Receivable	<u>17,418</u>
Total Assets	<u><u>\$ 1,010,244</u></u>

**LIABILITIES**

Bank Overdraft	\$ 722
Due to Other Governments	1,007,422
Due to Private Companies	<u>2,100</u>
Total Liabilities	<u><u>\$ 1,010,244</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, 2003

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.

The special-purpose financial statements presented include the General Fund of the Tax Collector's office. The accompanying special-purpose financial statements were prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity Audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position and cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America. Pursuant to Florida Statutes, the Tax Collector's special-purpose financial statements are included in the financial statements of the County.

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.

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. 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.

**Bay County Tax Collector**  
Notes to Special-Purpose Financial Statements  
September 30, 2003

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

**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.

Certificates of deposits in state-certified qualified public depositories.

Direct obligations of the U.S. Treasury.

Federal agencies and instrumentalities.

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2003

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

The Tax Collector's investments at September 30, 2003 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, 2003.

The Tax Collector had no investments at September 30, 2003.

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

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2003:

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
Capital Leases Payable	\$ 6,369	\$ 29,904	\$ 13,231	\$ 23,042

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2003

NOTE 4 – LONG-TERM LIABILITIES (Continued)

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. The related obligations are accounted for in the County's long-term liabilities. The leases are payable in monthly installments of \$562, which includes no interest, through February 2007. Principal maturities are as follows:

Year Ending September 30	
2004	\$ 6,744
2005	6,744
2006	6,744
2007	2,810
Total	<u>\$ 23,042</u>

NOTE 5 – BANK OVERDRAFT

On September 30, 2003 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.

NOTE 6 – 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, 2003

NOTE 6 – 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, 2002 – June 30, 2003 are 5.76% and 11.86% for regular employees and elected county officials, respectively. Rates effective July 1, 2003 – September 30, 2003 are 7.39% and 15.23% 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 9.11% effective from October 1, 2002 – June 30, 2003 and 9.11% effective from July 1, 2003 – September 30, 2003. The tax collector contributions for the years ended September 30, 2003, 2002 and 2001 were \$79,365, \$86,164 and \$116,350, respectively, and are equal to the required contributions for each year.

## AGENCY FUNDS

Bay County Tax Collector  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>PROPERTY TAX FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 221,027	\$ 4,685,380	\$ 3,915,681	\$ 990,726
Investments	669,698	109,718,121	110,387,819	-
Total Assets	<u>\$ 890,725</u>	<u>\$ 114,403,501</u>	<u>\$ 114,303,500</u>	<u>\$ 990,726</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 890,725	\$ 114,238,585	\$ 114,138,584	\$ 990,726
Total Liabilities	<u>\$ 890,725</u>	<u>\$ 114,238,585</u>	<u>\$ 114,138,584</u>	<u>\$ 990,726</u>
<b>TAX CERTIFICATE FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 750	\$ 5,624,029	\$ 5,622,679	\$ 2,100
Total Assets	<u>\$ 750</u>	<u>\$ 5,624,029</u>	<u>\$ 5,622,679</u>	<u>\$ 2,100</u>
<b>LIABILITIES</b>				
Due to Private Companies	\$ 750	\$ 935,905	\$ 934,555	\$ 2,100
Total Liabilities	<u>\$ 750</u>	<u>\$ 935,905</u>	<u>\$ 934,555</u>	<u>\$ 2,100</u>
<b>TAG FUND</b>				
<b>ASSETS</b>				
Accounts Receivable	\$ 14,443	\$ 264,717	\$ 261,742	\$ 17,418
Total Assets	<u>\$ 14,443</u>	<u>\$ 264,717</u>	<u>\$ 261,742</u>	<u>\$ 17,418</u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ 11,540	\$ 16,938,619	\$ 16,949,437	\$ 722
Due to Other Governments	2,903	15,928,869	15,915,076	16,696
Total Liabilities	<u>\$ 14,443</u>	<u>\$ 32,867,488</u>	<u>\$ 32,864,513</u>	<u>\$ 17,418</u>



Bay County Tax Collector  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>TOTAL-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 221,777	\$ 10,309,409	\$ 9,538,360	\$ 992,826
Accounts Receivable	14,443	264,717	261,742	17,418
Investments	669,698	109,718,121	110,387,819	-
Total Assets	<u>\$ 905,918</u>	<u>\$ 120,292,247</u>	<u>\$ 120,187,921</u>	<u>\$ 1,010,244</u>
<b>LIABILITIES</b>				
Bank Overdraft	\$ 11,540	\$ 16,938,619	\$ 16,949,437	\$ 722
Due to Other Governments	893,628	130,167,454	130,053,660	1,007,422
Due to Private Companies	750	935,905	934,555	2,100
Total Liabilities	<u>\$ 905,918</u>	<u>\$ 148,041,978</u>	<u>\$ 147,937,652</u>	<u>\$ 1,010,244</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, 2003, and have issued our report thereon dated November 12, 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 November 12, 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 *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, 2003, filed with the Department of Financial Services pursuant to Section 218.503(1), Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2003.

As required by the Rules of the Auditor General (Section 10.554(1)(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.

*Carri Riggs & Ingram, L.L.C.*

Panama City, Florida  
November 12, 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 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, 2003, and have issued our report dated November 12, 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 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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
November 12, 2003

**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, 2003, 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.

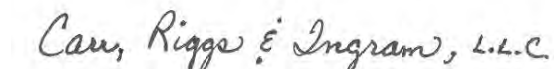
As discussed in Note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the Rules of the Auditor General, State of Florida, and are not intended to be a complete presentation under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Additionally, the special-purpose financial statements present only the Sheriff and are not intended to present fairly the financial position and changes in financial position of Bay County, Florida, in conformity with accounting principles generally accepted in the United States.

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, 2003, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2004 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's management, the Board of County Commissioners, 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.

Cam, Riggs & Ingram, L.L.C.

Panama City, Florida  
January 23, 2004

Bay County Sheriff  
Special-Purpose Balance Sheet  
Governmental Funds  
September 30, 2003

	Major Fund	Nonmajor Funds	
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 111,940	\$ 54,318	\$ 166,258
Due from Other Governments	74,790	-	74,790
	<u>186,730</u>	<u>54,318</u>	<u>241,048</u>
Total Assets	<u>\$ 186,730</u>	<u>\$ 54,318</u>	<u>\$ 241,048</u>
<b>LIABILITIES</b>			
Accounts Payable and			
Accrued Liabilities	\$ 131,732	\$ -	\$ 131,732
Due to Other Governments	54,998	-	54,998
Total Liabilities	<u>186,730</u>	<u>-</u>	<u>186,730</u>
<b>FUND BALANCE</b>			
Unreserved	<u>-</u>	<u>54,318</u>	<u>54,318</u>
Total Liabilities and Fund Balance	<u>\$ 186,730</u>	<u>\$ 54,318</u>	<u>\$ 241,048</u>

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

Bay County Sheriff  
Special-Purpose Statement of Revenues, Expenditures and  
Change in Fund Balance - Governmental Funds  
Year Ended September 30, 2003

	Major Fund	Nonmajor Funds	
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 1,223,556	\$ 192,681	\$ 1,416,237
Interest Income	31,508	-	31,508
Miscellaneous	121,735	99,519	221,254
Total Revenues	<u>1,376,799</u>	<u>292,200</u>	<u>1,668,999</u>
<b>EXPENDITURES</b>			
Current			
Public Safety	15,641,333	271,532	15,912,865
Debt Service			
Principal Retirement	444,603	-	444,603
Interest	28,354	-	28,354
Total Expenditures	<u>16,114,290</u>	<u>271,532</u>	<u>16,385,822</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,737,491)</u>	<u>20,668</u>	<u>(14,716,823)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Budget Appropriations from			
Board of County Commissioners	14,252,617	-	14,252,617
Debt Issued	539,872	-	539,872
Reversion to Board of County Commissioners	(54,998)	-	(54,998)
Total Other Financing Sources (Uses)	<u>14,737,491</u>	<u>-</u>	<u>14,737,491</u>
Net Change in Fund Balance	-	20,668	20,668
Fund Balance - Beginning	<u>-</u>	<u>33,649</u>	<u>33,649</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 54,317</u>	<u>\$ 54,317</u>

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

Bay County Sheriff  
Special-Purpose Statement of Revenues, Expenditures and  
Change in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,110,246	\$ 1,232,589	\$ 1,223,556	\$ (9,033)
Interest Income	-	-	31,508	31,508
Miscellaneous	8,943	127,259	121,735	(5,524)
Total Revenues	<u>1,119,189</u>	<u>1,359,848</u>	<u>1,376,799</u>	<u>16,951</u>
<b>EXPENDITURES</b>				
Current				
Public Safety	14,898,849	15,679,380	15,641,333	38,047
Debt Service				
Principal Retirement	444,603	444,603	444,603	-
Interest and Fiscal Charges	28,354	28,354	28,354	-
Total Expenditures	<u>15,371,806</u>	<u>16,152,337</u>	<u>16,114,290</u>	<u>38,047</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,252,617)</u>	<u>(14,792,489)</u>	<u>(14,737,491)</u>	<u>54,998</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget Appropriations from Board of County Commissioners	14,252,617	14,252,617	14,252,617	-
Proceeds from Debt Instruments	-	539,872	539,872	-
Reversion to Board of County Commissioners	-	-	(54,998)	(54,998)
Total Other Financing Sources (Uses)	<u>14,252,617</u>	<u>14,792,489</u>	<u>14,737,491</u>	<u>(54,998)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Sheriff  
Special-Purpose Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2003

**ASSETS**

Cash and Cash Equivalents	\$ 1,408
Total Assets	<u>\$ 1,408</u>

**LIABILITIES**

Accounts Payable	\$ 1,408
Total Liabilities	<u>\$ 1,408</u>

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

**Bay County Sheriff**  
Notes to Special-Purpose Financial Statements  
September 30, 2003

**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.

The special-purpose financial statements presented include the General Fund of the Sheriff's office. The accompanying special-purpose financial statements were prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity Audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position and cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America. Pursuant to Florida Statutes, the Sheriff's special-purpose financial statements are included in the financial statements of the County.

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.

**Bay County Sheriff**  
Notes to Special-Purpose Financial Statements  
September 30, 2003

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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.



**Bay County Sheriff**  
Notes to Special-Purpose Financial Statements  
September 30, 2003

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

**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, 2003.

Bay County Sheriff  
Notes to Special-Purpose Financial Statements  
September 30, 2003

NOTE 3 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2003 are summarized as follows:

	Balance September 30, 2002	Transfers	Additions	Deductions	Balance September 30, 2003
Autos, Furniture and Equipment	\$ 6,998,464	\$ 269,734	\$ 435,020	\$ 679,086	\$ 7,024,132
Property Held Under Capital Leases	940,317	(269,734)	539,872	-	1,210,455
Total	<u>\$ 7,938,781</u>	<u>\$ -</u>	<u>\$ 974,892</u>	<u>\$ 679,086</u>	<u>\$ 8,234,587</u>

Transfers include \$269,734 of property that is no longer under capital lease and has been reclassified under autos, furniture and equipment.

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2003:

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
Capital Leases Payable	\$ 625,857	\$ 539,872	\$ 444,603	\$ 721,126
Compensated Absences	542,346	37,278	-	579,624
Total	<u>\$ 1,168,203</u>	<u>\$ 577,150</u>	<u>\$ 444,603</u>	<u>\$ 1,300,750</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, 2003, are summarized as follows:

Year Ending September 30	
2004	\$ 384,185
2005	295,497
2006	62,222
Total	<u>741,904</u>
Less: amount representing interest	(20,779)
Total	<u>\$ 721,125</u>

**Bay County Sheriff**  
Notes to Special-Purpose Financial Statements  
September 30, 2003

**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, 2002 – June 30, 2003 are 5.76% and 16.01% for regular employees and special risk employees, respectively. Rates effective July 1, 2003 – September 30, 2003 are 7.39% and 18.53% 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 9.11% effective October 1, 2002 - June 30, 2003, and 9.11% effective from July 1, 2003 - September 30, 2003. Contributions for the years ended September 30, 2003, 2002 and 2001 were \$1,246,678, \$1,213,426, and \$1,183,591 respectively, and are equal to the required contributions for each year.

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## NONMAJOR GOVERNMENTAL FUNDS

Bay County Sheriff  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2003

	Special Revenue			
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Junior Deputies
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,157	\$ 6,451	\$ 2,222	\$ 15,054
Total assets	<u>\$ 1,157</u>	<u>\$ 6,451</u>	<u>\$ 2,222</u>	<u>\$ 15,054</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance				
Fund balance				
Unreserved	<u>1,157</u>	<u>6,451</u>	<u>2,222</u>	<u>15,054</u>
Total fund balance	<u>1,157</u>	<u>6,451</u>	<u>2,222</u>	<u>15,054</u>
Total liabilities and fund balance	<u>\$ 1,157</u>	<u>\$ 6,451</u>	<u>\$ 2,222</u>	<u>\$ 15,054</u>

Special Revenue

---

Federal Seizure Account	Seizure Trust	Total
\$ 29,091	\$ 342	\$ 54,317
<u>\$ 29,091</u>	<u>\$ 342</u>	<u>\$ 54,317</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
29,091	342	54,317
<u>29,091</u>	<u>342</u>	<u>54,317</u>
<u>\$ 29,091</u>	<u>\$ 342</u>	<u>\$ 54,317</u>

Bay County Sheriff  
Combining Statement of Revenues, Expenditures and  
Change in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2003

	Special Revenue			
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Junior Deputies
<b>REVENUES</b>				
Intergovernmental	\$ 105,696	\$ 86,985	\$ -	\$ -
Miscellaneous	-	-	15,517	27,968
Total revenues	<u>105,696</u>	<u>86,985</u>	<u>15,517</u>	<u>27,968</u>
<b>EXPENDITURES</b>				
Current				
Public safety	109,476	81,283	20,039	14,750
Total expenditures	<u>109,476</u>	<u>81,283</u>	<u>20,039</u>	<u>14,750</u>
Net change in fund balance	(3,780)	5,702	(4,522)	13,218
Fund balance at beginning of year	<u>4,937</u>	<u>749</u>	<u>6,744</u>	<u>1,836</u>
Fund balance at end of year	<u><u>\$ 1,157</u></u>	<u><u>\$ 6,451</u></u>	<u><u>\$ 2,222</u></u>	<u><u>\$ 15,054</u></u>



Special Revenue		
Federal Seizure Account	Seizure Trust	Total
\$ -	\$ -	\$ 192,681
39,061	16,974	99,520
39,061	16,974	292,201
28,560	17,425	271,533
28,560	17,425	271,533
10,501	(451)	20,668
18,590	793	33,649
\$ 29,091	\$ 342	\$ 54,317

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## AGENCY FUND

Bay County Sheriff  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 87,806	\$ 87,806	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 87,806</u>	<u>\$ 87,806</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ -	\$ 87,806	\$ 87,806	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 87,806</u>	<u>\$ 87,806</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash	\$ 1,941	\$ 257,526	\$ 258,059	\$ 1,408
Total Assets	<u>\$ 1,941</u>	<u>\$ 257,526</u>	<u>\$ 258,059</u>	<u>\$ 1,408</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,941	\$ 257,526	\$ 258,059	\$ 1,408
Total Liabilities	<u>\$ 1,941</u>	<u>\$ 257,526</u>	<u>\$ 258,059</u>	<u>\$ 1,408</u>

Bay County Sheriff  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2003

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,941	\$ 345,332	\$ 345,865	\$ 1,408
Total Assets	<u>\$ 1,941</u>	<u>\$ 345,332</u>	<u>\$ 345,865</u>	<u>\$ 1,408</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,941	\$ 257,526	\$ 258,059	\$ 1,408
Due to Other Governments	-	87,806	87,806	-
Total Liabilities	<u>\$ 1,941</u>	<u>\$ 345,332</u>	<u>\$ 345,865</u>	<u>\$ 1,408</u>

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## INDEPENDENT AUDITORS' MANAGEMENT LETTER COMMENTS

The Honorable Guy M. Tunnell  
Bay County Sheriff  
Bay County, Florida

We have audited the special-purpose financial statements of the Bay County Sheriff for the fiscal year ended September 30, 2003, and have issued our report thereon dated January 23, 2004.

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 23, 2004. 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; 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, 2003, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2003.

As required by the Rules of the Auditor General (Sections 10.554(1)(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.

*Carri Riggs & Ingram, L.L.C.*

Panama City, Florida  
January 23, 2004





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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, 2003, and have issued our report dated January 23, 2004. 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.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
January 23, 2004