



Bay County

F L O R I D A

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

for fiscal year ended
September 30, 2004

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
BAY COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

PREPARED BY THE OFFICE
OF
HAROLD BAZZEL
CLERK OF CIRCUIT COURT

JOSEPH ROGERS
FINANCE OFFICER

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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004
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INTRODUCTORY SECTION

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HAROLD BAZZEL

CLERK OF CIRCUIT COURT, BAY COUNTY



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February 18, 2005

Honorable George Gainer, Chairman and
Distinguished Members of the Board of
County Commissioners
Honorable Frank McKeithen, 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, 2004. 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, 2003, to September 30, 2004, 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's budgets are approved by the Florida Department of Revenue. 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 lapse at year-end. If required, encumbrances are reestablished at the beginning of the new fiscal year if the funds are appropriated in the annual budget.

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 Naval Surface Warfare Center. 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 2004 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 Municipal Services Tax Unit (Fire Services Division) completed construction of two new fire stations. Construction began on a new 14,000 square foot Animal Control Facility. This facility will shelter 100 dogs and 100 cats with state of the art technology for animal intake, processing, euthanasia and disposal. The Animal Control Facility should be completed in Fiscal Year 2005. The Laboratory Division completed construction of its new facility. The Laboratory has a state of the art fume handling system so employees do not have to come in contact with the fumes that chemicals can create. This facility will be more suited to the current and future needs of Bay County.

The County has been making major renovations to its water system in order to protect and preserve the citizen's drinking water supply. The focus of these projects is to improve the reliability and efficiency of the County's raw water source and treatment plant, as well as maximize treatment and pumping capacity of the existing plant. The Utility Services Department began construction of a Water Plant expansion/enhancement project which will cost approximately \$18 million. This expansion/enhancement project will enable the County to meet future predicted demands on its water treatment and distribution system.

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. Construction of the new Hathaway Bridge was completed in fiscal year 2004. The bridge has two separate spans, each consisting of four 12-foot wide lanes in one direction, a 10-foot inside and outside shoulder, and an 8-foot wide lane for pedestrian/bicycle traffic. This should ease traffic flow to the fast growing beach. Panama City Beach has been voted as the number four rental destination by Hotels.com, a leading provider of lodging worldwide.

Leisure Services is continuing to improve and expand recreational facilities within the County. Several area parks had new playground equipment installed, fitness/hiking trails were completed and soccer fields were expanded to meet the growing needs of the community. A new recreational facility in northern Bay County was completed. This facility consists of two little league baseball/softball fields, a multi-purpose soccer/football field, and a concession/restroom building.

For the Future - Bay County, along with its municipalities and school district, continues in its endeavors to develop and enhance the area's infrastructure. 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 has acquired aerial rights over the Naval Surface Warfare Center property to construct a fly-over that will ease the flow of traffic onto Thomas Drive, which is the entrance to the NSWC.

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. Arvida Realty Services, one of the principal taxpayers of the County, is constructing several sub-divisions in Bay County. Simon Property Groups, Inc. plans to develop a 300 acre park, called 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. Airbus, a European company, launched a nationwide search to build a plant for military refueling tankers. Bay County has made the list along with two other port cities within Florida. The Airbus plant would be located at the new Bay County Airport site near West Bay if Bay County is the chosen site. 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, 2003. 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 2003). 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 Jennifer Clark – Building Department; Lee Rooks and Robert Snaidman – Property Appraiser's Office; Marty Kirkland – Tax Collector's Office; Linda Kennedy and Nancy Howell – Bay District School Board; and Maria Goodwin – Bay County Chamber of Commerce are particularly noteworthy.

We would also like to thank the Constitutional Officers; Frank McKeithen, 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 154,827 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*



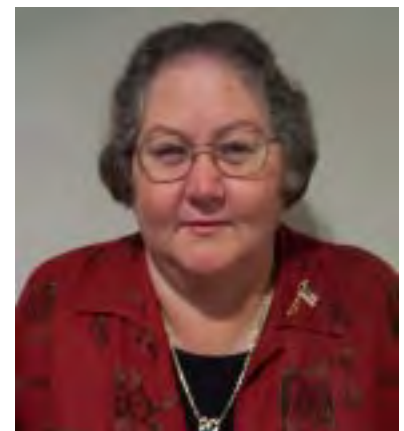
Mark Andersen
Supervisor of Elections



Harold Bazzel
Clerk of Circuit Court



Rick Barnett
Property Appraiser



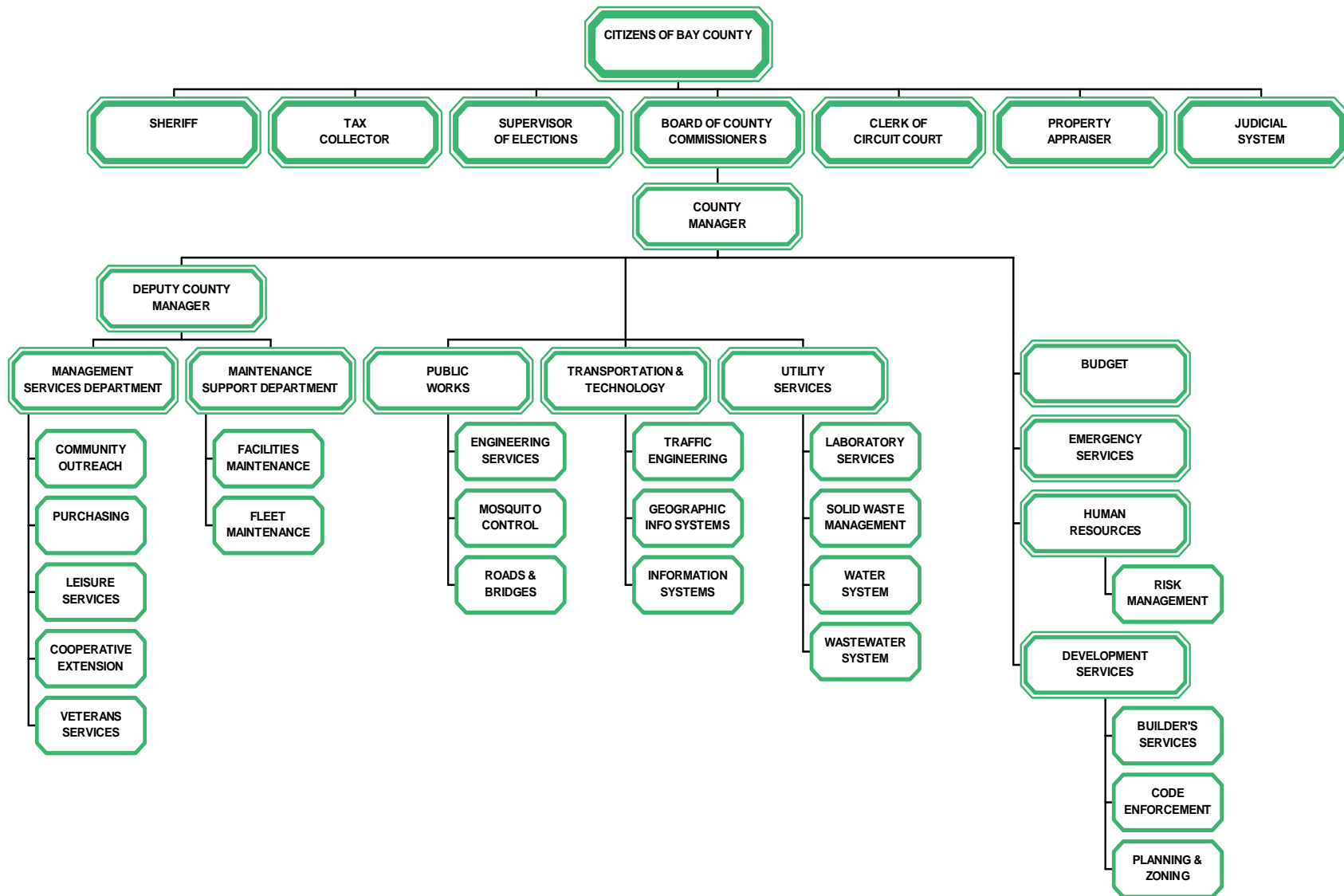
Peggy Brannon
Tax Collector



Frank McKeithen
Sheriff

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BAY COUNTY
ORGANIZATIONAL CHART
Fiscal Year 2004



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, 2003.

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, 2003

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.



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION

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CARR, RIGGS & INGRAM LLC.

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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, 2004, 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Transportation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

American Institute of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

AICPA Alliance for CPA Firms

Center for Public
Company Audit Firms

The Honorable County Commissioners
Bay County, Florida
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2005 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an internal 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 opinions 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 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 and state financial assistance 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 Chapter 10.550, State of Florida Rules of the Auditor General, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Bay County, Florida. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Carr, Riggs & Ingram, L.L.C.

Panama City, Florida
February 18, 2005

Bay County, Florida
MANAGEMENT'S DISCUSSION and ANALYSIS
For the Year Ended September 30, 2004

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 \$226,191,950 (net assets). Of this amount, \$43,677,556 is unrestricted net assets for governmental activities and \$47,753,741 is unrestricted net assets for business-type activities, while \$10,792,988 is restricted net assets for governmental activities and \$3,619,366 is restricted net assets for business-type activities.
- Total net assets decreased by \$5,657,081. Of this amount, \$3,708,636 is attributable to governmental activities and \$1,948,445 is attributable to business-type activities.
- As of September 30, 2004, general fund's unreserved fund balance was \$20,467,296 or 30 percent of total general fund expenditures.
- Governmental activities revenues increased to \$101,813,726 or approximately 10 percent, while governmental activities expenditures also increased 13 percent to \$105,672,362. Business-type activities revenues decreased to \$32,945,591 or 10 percent, while business-type activities expenditures increased 5 percent to \$34,744,036.
- The County's outstanding bonded debt decreased by \$4,539,514 or 3 percent during fiscal year 2004. The key factor in this decrease was the scheduled principal retirements of its bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net assets* and *statement of activities*. These statements are designed to provide readers with a broad overview of the

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

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

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

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

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the County to account for revenues that are restricted to certain uses, comply with legal requirements, or account for the use of Federal and State grants. The three major categories of funds found in the County's *fund financial statements* include: governmental funds, proprietary funds, and fiduciary funds.

Fund financial statements provide financial information for the County's major funds and more detailed information about the County's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial

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

Fund financial statements for all governmental funds include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balances**. The County's General Fund and major special revenue funds include a **statement of revenues, expenditures, and changes in fund balances-budget and actual**. For the proprietary funds, which includes internal service funds in addition to business-type activities, a **statement of net assets**, a **statement of revenues, expenses, and changes in fund net assets**, and a **statement of cash flows** are presented. A **statement of fiduciary net assets** is presented for the County's agency 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 2004, 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

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$ 67,597,775	\$ 73,215,451	\$ 104,773,918	\$109,719,796	\$172,371,693	\$182,935,247
Capital Assets	122,603,001	129,471,479	102,561,348	102,293,054	225,164,349	231,764,533
Total Assets	<u>190,200,776</u>	<u>202,686,930</u>	<u>207,335,266</u>	<u>212,012,850</u>	<u>397,536,042</u>	<u>414,699,780</u>
Current and Other Liabilities	11,392,325	10,974,268	4,715,383	4,543,027	16,107,708	15,517,295
Long-term Liabilities	36,055,185	45,250,760	119,181,199	122,082,694	155,236,384	167,333,454
Total Liabilities	<u>47,447,510</u>	<u>56,225,028</u>	<u>123,896,582</u>	<u>126,625,721</u>	<u>171,344,092</u>	<u>182,850,749</u>
Net Assets Invested in Capital Assets, net of related debt	88,282,722	90,510,753	32,065,577	29,979,786	120,348,299	120,490,539
Net assets-restricted	10,792,988	11,518,294	3,619,366	2,462,812	14,412,354	13,981,106
Net assets-unrestricted	43,677,556	44,432,855	47,753,741	52,944,531	91,431,297	97,377,386
Total Net Assets	<u>\$142,753,266</u>	<u>\$146,461,902</u>	<u>\$ 83,438,684</u>	<u>\$ 85,387,129</u>	<u>\$226,191,950</u>	<u>\$231,849,031</u>

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

The *restricted net assets*, representing 6 percent of the County's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net assets* (\$91,431,297) may be used to help meet the government's ongoing obligations to citizens and creditors.

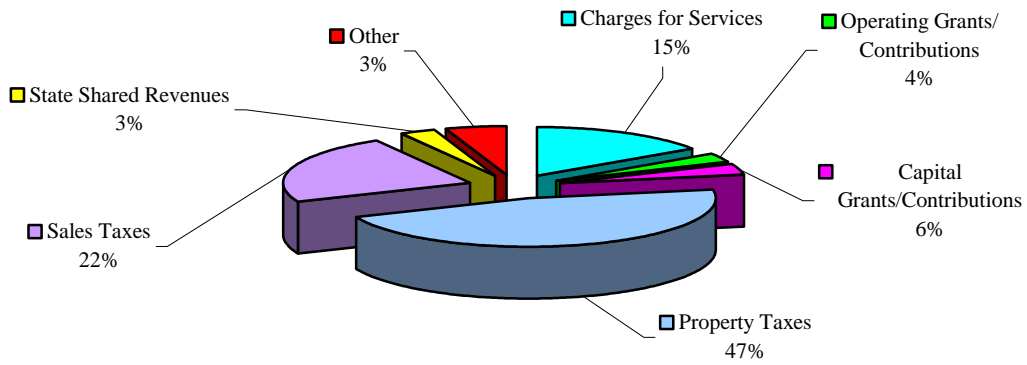
Governmental activities, as well as, business-type activities long-term liabilities, decreased due to principal payments made on existing debt during fiscal year 2004, totaling \$9,195,575 and \$2,901,495, respectively.

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

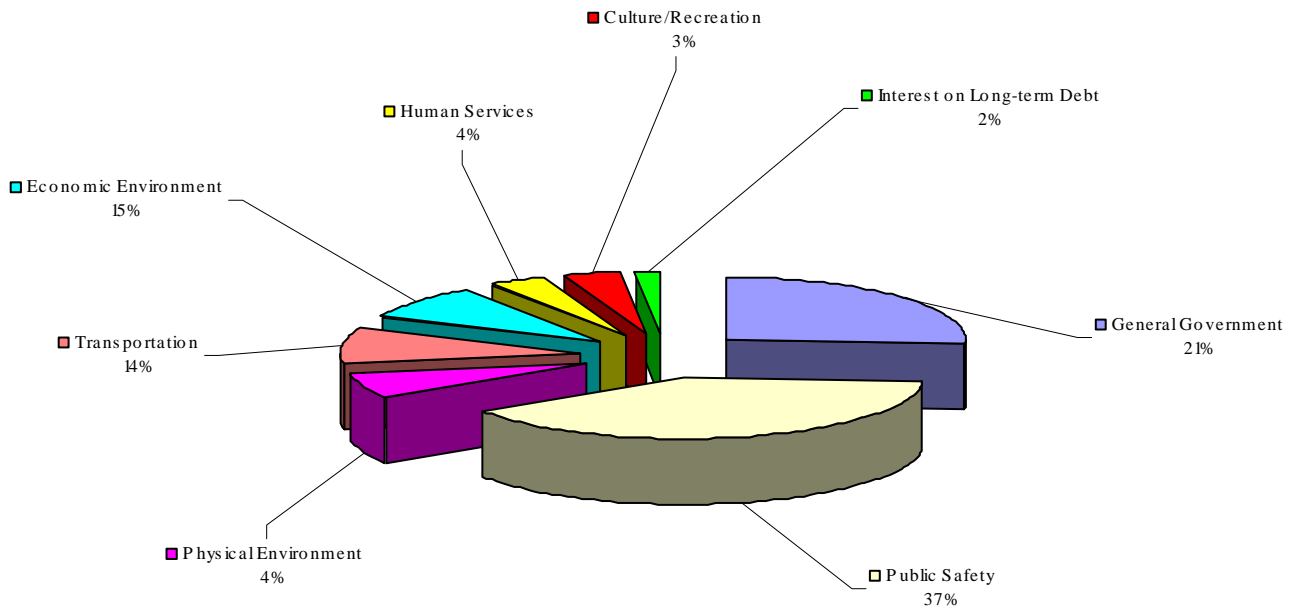
Bay County, Florida Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Program Revenues:						
Charges for Services	\$ 15,334,973	\$14,319,346	\$ 29,482,621	\$25,264,417	\$ 44,817,594	\$ 39,583,763
Operating						
Grants/Contributions	4,722,923	2,932,602	-	78,648	4,722,923	3,011,250
Capital Grants/Contributions	6,176,365	3,308,285	-	372,770	6,176,365	3,681,055
General Revenues:						
Property Taxes	47,569,663	42,615,587	-	-	47,569,663	42,615,587
Sales Taxes	22,032,957	21,094,586	3,700	7,525,384	22,036,657	28,619,970
State Shared Revenues	3,120,133	2,831,535	-	-	3,120,133	2,831,535
Other	2,856,712	4,914,067	3,459,270	3,141,775	6,315,982	8,055,842
Total Revenues	101,813,726	92,016,008	32,945,591	36,382,994	134,759,317	128,399,002
Expenses:						
General Government	22,435,565	21,005,446	-	-	22,435,565	21,005,446
Public Safety	39,270,923	35,938,773	-	-	39,270,923	35,938,773
Physical Environment	4,700,201	544,977	-	-	4,700,201	544,977
Transportation	14,833,934	17,638,208	-	-	14,833,934	17,638,208
Economic Environment	15,321,819	8,244,138	-	-	15,321,819	8,244,138
Human Services	4,052,299	3,575,234	-	-	4,052,299	3,575,234
Culture/Recreation	3,323,501	3,214,651	-	-	3,323,501	3,214,651
Interest on Long-term Debt	1,734,120	1,881,976	-	-	1,734,120	1,881,976
Water System Revenue	-	-	10,072,475	9,645,198	10,072,475	9,645,198
Retail Water & Wastewater	-	-	4,232,074	3,863,782	4,232,074	3,863,782
Industrial Wastewater	-	-	4,335,269	3,836,251	4,335,269	3,836,251
Solid Waste Fund	-	-	14,690,237	14,720,170	14,690,237	14,720,170
Building Services	-	-	1,413,981	1,243,934	1,413,981	1,243,934
Total Expenses	105,672,362	92,043,403	34,744,036	33,309,335	140,416,398	125,352,738
Increase (Decrease) in Net Assets Before Transfers	(3,858,636)	(27,395)	(1,798,445)	3,073,659	(5,657,081)	3,046,264
Transfers	150,000	(123,129)	(150,000)	123,129	-	-
Increase (Decrease) in Net Assets	\$(3,708,636)	\$ (150,524)	\$(1,948,445)	\$3,196,788	\$ (5,657,081)	\$ 3,046,264

Revenues - Governmental Activities **Fiscal Year Ended September 30, 2004**



Expenses-Governmental Activities **Fiscal Year Ended September 30, 2004**



Governmental activities expenses exceeded revenues by \$3,858,636, while business-type activities expenses also exceeded revenues by \$1,798,445. Total revenues increased \$6,360,315 from the previous year. Increases in property values contributed to an increase in property taxes, while an increase in contributions through operating grants, as well as, capital grants contributed greatly to the overall increase in revenues. Total expenses increased \$15,063,660 from the previous year. Increased spending for public safety (law enforcement, fire protection, and emergency assistance), economic environment (tourism and beach nourishment), and physical environment (water, sewer, industrial waste treatment and solid waste disposal) were primarily responsible for the increase in expenses.

47% of the revenues for governmental activities are generated by property taxes, while most of the governmental resources are expended for public safety (37%), general government (21%), economic environment (15%), and transportation (14%) activities.

Charges for services provide 89% 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, 2004, total assets were \$32,106,463 and total liabilities were \$6,068,622. At the end of fiscal year 2004, unreserved fund balance of the general fund was \$20,467,296, while total fund balance equaled \$26,037,841.

General fund's budget was amended during the year to reflect adjustments to construction projects, the increased cost of housing prisoners, additional court costs as a result of Article V, as well as the costs associated with debris cleanup following Hurricane Ivan. 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, as well as, the upward turn of interest rates. 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. This fund also oversees the maintenance of the County's roadways, as well as, its road signs and traffic signals.

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:

	2004	2003
FUND	Unrestricted NET ASSETS	Unrestricted NET ASSETS
Water System Revenue Fund	\$ 8,443,272	\$ 9,215,015
Retail Water and Wastewater	3,164,275	3,795,284
Industrial Wastewater	1,586,042	1,416,913
Solid Waste Fund	30,960,578	36,011,698
Building Services	3,599,574	2,505,621
Totals	<u>\$47,753,741</u>	<u>\$52,944,531</u>

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 \$174,680 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 increased by \$1,262,861, due to a greater demand by the local municipalities for wholesale water.

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. \$5,961,147 was generated by tip fees in the current fiscal year; this represents an increase of \$1,128,696 over the previous year's tip fee revenue. As required by the Department of Environmental Protection, the County has set aside for the current fiscal year \$1,170,601 for the long term care and closure of its landfill. To date the County has accrued a total liability for post closure care of \$9,278,837. As of September 30, 2004, total assets were \$92,292,996; total liabilities were \$47,763,481 and net assets \$44,529,515.

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, 2004, was \$225,164,347 (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 totaling \$3,429,861 was completed during the current fiscal year on two new fire stations. These new facilities will enhance fire protection in the northern part of Bay County.
- The County completed construction of a new state of the art laboratory facility in fiscal year 2004 at a cost of \$618,642.
- The Hathaway Bridge waterline replacement was completed in 2004 at a cost of \$1,862,973.
- Construction began on a new \$2 million animal control facility, construction in process as of the close of the fiscal year was \$15,076. Construction also continued on the \$18 million water treatment plant expansion and enhancement; with construction in process totaling \$1,155,081 at the end of the current fiscal year.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 9,162,396	\$ 8,741,245	\$ 1,017,143	\$ 931,872	\$ 10,179,539	\$ 9,636,549
Construction in Progress	5,143,791	2,542,486	9,895,113	10,462,543	15,038,904	13,005,029
Buildings and Improvements	31,000,464	31,418,985	1,667,166	992,606	32,667,630	32,670,464
Equipment	14,588,331	15,060,216	548,654	695,026	15,136,985	15,532,937
Infrastructure	62,708,019	71,708,547	89,433,270	89,211,007	152,141,289	160,919,554
Total	<u>\$122,603,001</u>	<u>\$129,471,479</u>	<u>\$102,561,346</u>	<u>\$102,293,054</u>	<u>\$225,164,347</u>	<u>\$231,764,533</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 \$129,307,226. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue Bonds	\$33,562,519	\$36,045,653	\$95,744,707	\$97,801,087	\$129,307,226	\$133,846,740

The County's total debt decreased by \$4,539,514 during the current fiscal year. The key factor contributing to this decrease was the repayment of principal during fiscal year 2004.

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 remained steady with only a slight 1% decrease in the Local Option Tourist Development Tax. Building permits issued on new single and multi-family residential units were up an astounding 49% in the current fiscal year. The County's unemployment rate decreased in 2004, to 4.5%, slightly lower than the state's average unemployment rate of 4.6%. One of the County's main focuses in the upcoming year is an \$18 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 predicted 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, 2004

	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.
ASSETS						
Cash and cash equivalents	\$ 19,778,658	\$ 20,006,646	\$ 39,785,304	\$ 8,243	\$ 433,605	\$ 16,033
Investments	29,501,391	29,867,437	59,368,828	-	-	-
Accounts receivable	733,193	4,421,684	5,154,877	527	-	-
Special assessments receivable	351,777	-	351,777	-	-	-
Accrued interest receivable	-	87,127	87,127	-	-	-
Due from other governments	5,425,670	602,853	6,028,523	-	-	-
Prepaid expenses	123,330	-	123,330	-	-	-
Notes receivable	3,763,601	23,605,391	27,368,992	-	-	-
Restricted assets						
Cash and cash equivalents	2,265,649	18,383,209	20,648,858	-	-	-
Investments	5,461,328	6,146,814	11,608,142	-	-	-
Capital assets						
Nondepreciable	14,306,187	10,912,256	25,218,443	-	-	-
Depreciable, net	108,296,814	91,649,092	199,945,906	-	-	-
Unamortized bond costs	193,178	1,652,757	1,845,935	-	-	-
Total assets	<u>190,200,776</u>	<u>207,335,266</u>	<u>397,536,042</u>	<u>8,770</u>	<u>433,605</u>	<u>16,033</u>
LIABILITIES						
Accounts payable and accrued expenses	9,629,773	2,312,336	11,942,109		201,804	651
Internal balances	10,472	(10,472)	-		-	-
Due to other governments	309,088	777,048	1,086,136	-	-	-
Deferred revenues	1,280,498	-	1,280,498	-	-	-
Accrued interest payable	162,494	472,902	635,396	-	-	-
Investment in joint venture	-	731,233	731,233	-	-	-
Customer deposits	-	432,336	432,336	-	-	-
Long-term liabilities						
Due within one year						
Accrued compensated absences	447,618	124,867	572,485	-	-	-
Notes payable	-	920,977	920,977	-	-	-
Capital leases	452,904	-	452,904	-	-	-
Bonds payable	2,775,000	2,585,000	5,360,000	-	-	-
Due in more than one year						
Accrued compensated absences	1,287,289	147,275	1,434,564	-	-	-
Notes payable	-	12,964,536	12,964,536	-	-	-
Capital leases	304,855	-	304,855	-	-	-
Bonds payable	30,787,519	93,159,707	123,947,226	-	-	-
Landfill postclosure liability	-	9,278,837	9,278,837	-	-	-
Total liabilities	<u>47,447,510</u>	<u>123,896,582</u>	<u>171,344,092</u>	<u>-</u>	<u>201,804</u>	<u>651</u>
NET ASSETS						
Invested in capital assets, net of related debt	88,282,722	32,065,577	120,348,299	-	-	-
Restricted for						
Debt service	933,133	202,720	1,135,853	-	-	-
Beach restoration	8,680,462	-	8,680,462	-	-	-
Capital projects	1,179,393	3,416,646	4,596,039	-	-	-
Unrestricted	43,677,556	47,753,741	91,431,297	8,770	231,801	15,382
Total net assets	<u>\$ 142,753,266</u>	<u>\$ 83,438,684</u>	<u>\$ 226,191,950</u>	<u>\$ 8,770</u>	<u>\$ 231,801</u>	<u>\$ 15,382</u>

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

Bay County, Florida
Statement of Activities
Year Ended September 30, 2004

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental activities				
General government	\$ 22,435,565	\$ 13,390,686	\$ 375,385	\$ 259,897
Public safety	39,270,923	1,464,439	3,026,675	240,108
Physical environment	4,700,201	-	-	1,012,665
Transportation	14,833,934	479,848	-	4,139,403
Economic environment	15,321,819	-	1,298,267	524,292
Human services	4,052,299	-	22,596	-
Culture and recreation	3,323,501	-	-	-
Interest on long-term debt	1,734,120	-	-	-
Total governmental activities	<u>105,672,362</u>	<u>15,334,973</u>	<u>4,722,923</u>	<u>6,176,365</u>
Business-type activities				
Wholesale water system	10,072,475	8,691,509	-	-
Retail water and wastewater	4,232,074	3,630,909	-	-
Industrial wastewater	4,335,269	4,259,480	-	-
Solid waste	14,690,237	10,306,832	-	-
Building services	1,413,981	2,593,891	-	-
Total business-type activities	<u>34,744,036</u>	<u>29,482,621</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 140,416,398</u>	<u>\$ 44,817,594</u>	<u>\$ 4,722,923</u>	<u>\$ 6,176,365</u>
Component Units				
Bay County Law Library	\$ 294,067	\$ 35,951	\$ 15,000	\$ -
Panama City Beach Convention and Visitors Bureau, Inc.	3,566,398	3,853,967	-	-
Mexico Beach Community Development Council, Inc.	199,280	195,169	-	-
Total component units	<u>\$ 4,059,745</u>	<u>\$ 4,085,087</u>	<u>\$ 15,000</u>	<u>\$ -</u>
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Sales taxes				
State shared revenues				
Interest earnings				
Miscellaneous				
Total general revenues				
Transfers				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
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.
\$ (8,409,597)	\$ -	\$ (8,409,597)	\$ -	\$ -	\$ -
(34,539,701)	-	(34,539,701)	-	-	-
(3,687,536)	-	(3,687,536)	-	-	-
(10,214,683)	-	(10,214,683)	-	-	-
(13,499,260)	-	(13,499,260)	-	-	-
(4,029,703)	-	(4,029,703)	-	-	-
(3,323,501)	-	(3,323,501)	-	-	-
(1,734,120)	-	(1,734,120)	-	-	-
<u>(79,438,101)</u>	<u>-</u>	<u>(79,438,101)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(1,380,966)	(1,380,966)	-	-	-
-	(601,165)	(601,165)	-	-	-
-	(75,789)	(75,789)	-	-	-
-	(4,383,405)	(4,383,405)	-	-	-
-	1,179,910	1,179,910	-	-	-
<u>-</u>	<u>(5,261,415)</u>	<u>(5,261,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(79,438,101)</u>	<u>(5,261,415)</u>	<u>(84,699,516)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(243,116)	-	-
-	-	-	-	287,569	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,111)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(243,116)</u>	<u>287,569</u>	<u>(4,111)</u>
47,569,663	-	47,569,663	-	-	-
22,032,957	3,700	22,036,657	-	-	-
3,120,133	-	3,120,133	-	-	-
870,213	2,154,632	3,024,845	-	414	40
1,986,499	1,304,638	3,291,137	915	-	110
<u>75,579,465</u>	<u>3,462,970</u>	<u>79,042,435</u>	<u>915</u>	<u>414</u>	<u>150</u>
150,000	(150,000)	-	-	-	-
<u>75,729,465</u>	<u>3,312,970</u>	<u>79,042,435</u>	<u>915</u>	<u>414</u>	<u>150</u>
<u>(3,708,636)</u>	<u>(1,948,445)</u>	<u>(5,657,081)</u>	<u>(242,201)</u>	<u>287,983</u>	<u>(3,961)</u>
146,461,902	85,387,129	231,849,031	250,971	(56,182)	19,343
<u>\$ 142,753,266</u>	<u>\$ 83,438,684</u>	<u>\$ 226,191,950</u>	<u>\$ 8,770</u>	<u>\$ 231,801</u>	<u>\$ 15,382</u>

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

Bay County, Florida
Balance Sheet
Governmental Funds
September 30, 2004

	General	Transportation	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,487,610	\$ 3,425,147	\$ 7,313,156	\$ 18,225,913
Accounts receivable	176,850	1,704	331,308	509,862
Special assessments receivable	-	290,457	61,320	351,777
Notes receivable	3,763,601	-	-	3,763,601
Investments	9,852,257	5,114,086	12,217,838	27,184,181
Due from other funds	96,055	12,195	38,286	146,536
Due from other governments	3,202,624	1,215,040	1,008,006	5,425,670
Restricted assets				
Cash and cash equivalents	2,185,624	33,295	46,730	2,265,649
Investments	5,341,842	49,713	69,773	5,461,328
Total assets	<u>\$ 32,106,463</u>	<u>\$ 10,141,637</u>	<u>\$ 21,086,417</u>	<u>\$ 63,334,517</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 4,622,968	\$ 875,749	\$ 783,395	\$ 6,282,112
Deferred revenues	1,280,498	-	-	1,280,498
Due to other funds	136,412	47,234	78,021	261,667
Due to other governments	28,744	-	280,344	309,088
Total liabilities	<u>6,068,622</u>	<u>922,983</u>	<u>1,141,760</u>	<u>8,133,365</u>
Fund balance				
Reserved for				
Debt service	1,252,105	-	116,503	1,368,608
Capital projects	1,433,713	858,827	-	2,292,540
Other purposes	2,884,727	-	9,723,200	12,607,927
Unreserved, reported in				
General fund	18,467,296	-	-	18,467,296
General fund - designated	2,000,000	-	-	2,000,000
Special revenue funds	-	8,359,827	10,104,954	18,464,781
Total fund balance	<u>26,037,841</u>	<u>9,218,654</u>	<u>19,944,657</u>	<u>55,201,152</u>
Total liabilities and fund balance	<u>\$ 32,106,463</u>	<u>\$ 10,141,637</u>	<u>\$ 21,086,417</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.				122,603,001
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.				525,996
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				<u>(35,576,883)</u>
Net assets of governmental activities				<u>\$ 142,753,266</u>

Bay County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2004

	General	Transportation	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 43,427,650	\$ 4,284,600	\$ 9,424,410	\$ 57,136,660
Licenses and permits	2,840	-	-	2,840
Intergovernmental	17,424,927	6,516,557	1,981,217	25,922,701
Charges for services	10,633,809	309,197	3,344,412	14,287,418
Fines and forfeitures	790,062	-	-	790,062
Special assessments	-	170,651	-	170,651
Interest	485,687	131,162	246,215	863,064
Miscellaneous	498,749	2,180,466	764,719	3,443,934
Total revenues	<u>73,263,724</u>	<u>13,592,633</u>	<u>15,760,973</u>	<u>102,617,330</u>
EXPENDITURES				
Current				
General government	21,563,592	-	1,588,275	23,151,867
Public safety	34,216,561	-	6,508,382	40,724,943
Physical environment	135,567	-	5,263,577	5,399,144
Transportation	-	13,921,710	-	13,921,710
Economic environment	3,936,425	-	4,219,100	8,155,525
Human services	3,504,747	-	558,357	4,063,104
Culture and recreation	3,861,643	-	-	3,861,643
Debt service				
Principal	445,290	1,075,000	7,550,619	9,070,909
Interest and fiscal charges	762,669	223,789	923,981	1,910,439
Total expenditures	<u>68,426,494</u>	<u>15,220,499</u>	<u>26,612,291</u>	<u>110,259,284</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>4,837,230</u>	<u>(1,627,866)</u>	<u>(10,851,318)</u>	<u>(7,641,954)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	155,221	2,933,259	4,527,225	7,615,705
Transfers out	(6,212,540)	(1,418,452)	(133,259)	(7,764,251)
Debt issuance	452,859	-	-	452,859
Total other financing sources (uses)	<u>(5,604,460)</u>	<u>1,514,807</u>	<u>4,393,966</u>	<u>304,313</u>
Net change in fund balance	(767,230)	(113,059)	(6,457,352)	(7,337,641)
Fund balance - beginning	<u>26,805,071</u>	<u>9,331,713</u>	<u>26,402,009</u>	<u>62,538,793</u>
Fund balance - ending	<u>\$ 26,037,841</u>	<u>\$ 9,218,654</u>	<u>\$ 19,944,657</u>	<u>\$ 55,201,152</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, 2004

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)	\$ (7,337,641)
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.	296,196
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to decrease net assets.	(7,164,483)
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.	132,684
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.	296,918
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>10,067,690</u>
Change in net assets of governmental activities (page B-17)	<u><u>\$ (3,708,636)</u></u>

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes	\$ 42,909,069	\$ 42,923,499	\$ 43,427,650	\$ 504,151
Licenses and permits	-	-	2,840	2,840
Intergovernmental	13,494,983	16,673,022	17,424,927	751,905
Charges for services	5,685,024	6,011,550	10,633,809	4,622,259
Fines and forfeitures	750,924	755,936	790,062	34,126
Interest	346,407	346,407	485,687	139,280
Miscellaneous	359,044	351,844	498,749	146,905
Total revenues	<u>63,545,451</u>	<u>67,062,258</u>	<u>73,263,724</u>	<u>6,201,466</u>
EXPENDITURES				
Current				
General government	17,846,350	25,090,374	21,563,592	3,526,782
Public safety	33,173,163	35,807,455	34,216,561	1,590,894
Physical environment	146,145	146,145	135,567	10,578
Transportation	175	175	-	175
Economic environment	3,971,659	4,410,904	3,936,425	474,479
Human services	3,109,426	3,897,268	3,504,747	392,521
Culture and recreation	3,320,599	4,392,421	3,861,643	530,778
Debt service				
Principal	949,640	949,640	445,290	504,350
Interest and fiscal charges	741,192	741,192	762,669	(21,477)
Total expenditures	<u>63,258,349</u>	<u>75,435,574</u>	<u>68,426,494</u>	<u>7,009,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>287,102</u>	<u>(8,373,316)</u>	<u>4,837,230</u>	<u>13,210,546</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,503,375	1,797,717	155,221	(1,642,496)
Transfers out	(6,452,485)	(6,208,293)	(6,212,540)	(4,247)
Debt issuance	1,578,555	1,578,555	452,859	(1,125,696)
Total other financing sources (uses)	<u>(3,370,555)</u>	<u>(2,832,021)</u>	<u>(5,604,460)</u>	<u>(2,772,439)</u>
Net change in fund balance	(3,083,453)	(11,205,337)	(767,230)	10,438,107
Fund balance - beginning	<u>26,805,071</u>	<u>26,805,071</u>	<u>26,805,071</u>	<u>-</u>
Fund balance - ending	<u>\$ 23,721,618</u>	<u>\$ 15,599,734</u>	<u>\$ 26,037,841</u>	<u>\$ 10,438,107</u>

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Transportation Fund
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 4,126,589	\$ 4,126,589	\$ 4,284,600	\$ 158,011
Intergovernmental	5,349,192	7,202,734	6,516,557	(686,177)
Charges for services	124,634	124,634	309,197	184,563
Special assessments	211,660	211,660	170,651	(41,009)
Interest	89,650	89,650	131,162	41,512
Miscellaneous	53,332	904,153	2,180,466	1,276,313
Total revenues	<u>9,955,057</u>	<u>12,659,420</u>	<u>13,592,633</u>	<u>933,213</u>
EXPENDITURES				
Current				
Transportation	12,504,710	18,031,465	13,921,710	4,109,755
Debt service				
Principal	1,080,000	1,075,000	1,075,000	-
Interest	190,447	214,775	223,789	(9,014)
Total expenditures	<u>13,775,157</u>	<u>19,321,240</u>	<u>15,220,499</u>	<u>4,100,741</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,820,100)</u>	<u>(6,661,820)</u>	<u>(1,627,866)</u>	<u>5,033,954</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000,000	3,000,000	2,933,259	(66,741)
Transfers out	-	-	(1,418,452)	(1,418,452)
Total other financing sources (uses)	<u>3,000,000</u>	<u>3,000,000</u>	<u>1,514,807</u>	<u>(1,485,193)</u>
Net change in fund balance	(820,100)	(3,661,820)	(113,059)	3,548,761
Fund balance - beginning	<u>9,331,713</u>	<u>9,331,713</u>	<u>9,331,713</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,511,613</u>	<u>\$ 5,669,893</u>	<u>\$ 9,218,654</u>	<u>\$ 3,548,761</u>

Bay County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2004

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
ASSETS							
Current assets							
Cash and cash equivalents	\$ 2,067,666	\$ 1,528,103	\$ 374,530	\$ 14,566,512	\$ 1,469,835	\$ 20,006,646	\$ 1,552,745
Accounts receivable	1,318,808	533,661	691,275	1,832,369	45,571	4,421,684	223,331
Accrued interest receivable	-	87,127	-	-	-	87,127	-
Prepaid expenses	-	-	-	-	-	-	123,330
Investments	3,087,231	2,281,011	559,211	21,745,970	2,194,014	29,867,437	2,317,210
Due from other funds	26,345	-	-	-	-	26,345	238,269
Due from other governments	-	549,968	-	-	52,885	602,853	-
Total current assets	6,500,050	4,979,870	1,625,016	38,144,851	3,762,305	55,012,092	4,454,885
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	17,240,212	431,404	-	711,593	-	18,383,209	-
Investments	2,687,114	644,130	-	2,815,570	-	6,146,814	-
Notes receivable	1,607,097	21,735,513	262,781	-	-	23,605,391	-
Unamortized bond costs	855,946	-	-	796,811	-	1,652,757	-
Capital assets							
Land	261,192	3,500	-	752,451	-	1,017,143	-
Construction in progress	1,173,187	-	-	8,721,926	-	9,895,113	-
Buildings	2,373,739	-	134,702	924,320	61,520	3,494,281	-
Improvements	82,501	-	-	41,250	-	123,751	-
Furniture and equipment	771,072	-	85,595	2,409,808	412,648	3,679,123	-
Infrastructure	68,756,035	1,340,133	10,495,601	56,752,254	-	137,344,023	-
Less: accumulated depreciation	(23,006,616)	(449,474)	(9,376,627)	(19,777,838)	(381,531)	(52,992,086)	-
Total capital assets (net of accumulated depreciation)	50,411,110	894,159	1,339,271	49,824,171	92,637	102,561,348	-
Total noncurrent assets	72,801,479	23,705,206	1,602,052	54,148,145	92,637	152,349,519	-
Total assets	79,301,529	28,685,076	3,227,068	92,292,996	3,854,942	207,361,611	4,454,885
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	100,120	381,854	189,920	1,598,722	41,720	2,312,336	3,795,426
Due to other funds	5,221	29	1,614	6,414	2,595	15,873	133,463
Due to other governments	357,055	419,993	-	-	-	777,048	-
Accrued interest payable	236,766	87,127	-	149,009	-	472,902	-
Total current liabilities	699,162	889,003	191,534	1,754,145	44,315	3,578,159	3,928,889
Noncurrent liabilities							
Investment in joint venture	-	731,233	-	-	-	731,233	-
Customer deposits	-	140,490	100,000	164,614	27,232	432,336	-
Due within one year							
Accrued compensated absences	35,374	25,551	4,215	22,952	36,775	124,867	-
Notes payable	-	920,977	-	-	-	920,977	-
Bonds payable	1,010,000	175,000	-	1,400,000	-	2,585,000	-
Due in more than one year							
Accrued compensated absences	22,051	29,319	6,006	35,490	54,409	147,275	-
Notes payable	-	12,964,536	-	-	-	12,964,536	-
Bonds payable (net of unamortized discount)	50,377,264	7,675,000	-	35,107,443	-	93,159,707	-
Landfill postclosure liability	-	-	-	9,278,837	-	9,278,837	-
Total noncurrent liabilities	51,444,689	22,662,106	110,221	46,009,336	118,416	120,344,768	-
Total liabilities	52,143,851	23,551,109	301,755	47,763,481	162,731	123,922,927	3,928,889
NET ASSETS							
Invested in capital assets, net of related debt	16,422,782	894,159	1,339,271	13,316,728	92,637	32,065,577	-
Restricted for							
Debt service	85,092	-	-	117,628	-	202,720	-
Capital projects	2,206,532	1,075,533	-	134,581	-	3,416,646	-
Unrestricted	8,443,272	3,164,275	1,586,042	30,960,578	3,599,574	47,753,741	525,996
Total net assets	\$ 27,157,678	\$ 5,133,967	\$ 2,925,313	\$ 44,529,515	\$ 3,692,211	\$ 83,438,684	\$ 525,996

Bay County, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2004

	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	\$ 8,691,509	\$ 3,630,909	\$ 4,259,480	\$ 10,306,832	\$ 2,593,891	\$ 29,482,621	\$ 5,064,330
Miscellaneous	970,240	131,968	19,989	170,720	11,721	1,304,638	-
Total operating revenues	<u>9,661,749</u>	<u>3,762,877</u>	<u>4,279,469</u>	<u>10,477,552</u>	<u>2,605,612</u>	<u>30,787,259</u>	<u>5,064,330</u>
OPERATING EXPENSES							
Personal services	1,215,966	943,427	212,199	953,178	1,106,134	4,430,904	1,442,134
Contracted services	523,629	132,982	3,031,879	7,592,136	118,387	11,399,013	174,347
Repairs and maintenance	466,299	80,996	114,726	299,507	32,463	993,991	120,091
Utilities	1,017,218	10,197	681,534	29,877	3,473	1,742,299	21,467
Depreciation	2,329,348	48,495	202,603	3,553,579	48,651	6,182,676	-
Amortization	83,799	-	-	87,794	-	171,593	-
Materials	-	-	-	-	-	-	1,481,880
Insurance claims	-	-	-	-	-	-	1,184,319
Other operating expenses	1,523,798	1,985,911	91,868	32,736	103,571	3,737,884	640,092
Total operating expenses	<u>7,160,057</u>	<u>3,202,008</u>	<u>4,334,809</u>	<u>12,548,807</u>	<u>1,412,679</u>	<u>28,658,360</u>	<u>5,064,330</u>
Operating income (loss)	<u>2,501,692</u>	<u>560,869</u>	<u>(55,340)</u>	<u>(2,071,255)</u>	<u>1,192,933</u>	<u>2,128,899</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)							
Interest income	458,546	965,203	21,866	665,050	43,967	2,154,632	8,844
Interest and fiscal charges	(2,912,418)	(889,462)	-	(2,141,430)	-	(5,943,310)	-
Taxes	-	-	-	3,700	-	3,700	-
Other charges	-	-	-	-	-	-	(1,694)
Gain (loss) on investments	-	(140,604)	-	-	-	(140,604)	(8,778)
Loss on disposal of equipment	-	-	(460)	-	(1,302)	(1,762)	-
Total nonoperating revenues (expenses)	<u>(2,453,872)</u>	<u>(64,863)</u>	<u>21,406</u>	<u>(1,472,680)</u>	<u>42,665</u>	<u>(3,927,344)</u>	<u>(1,628)</u>
Income before transfers	47,820	496,006	(33,934)	(3,543,935)	1,235,598	(1,798,445)	(1,628)
Transfers in	99,977	-	-	-	-	99,977	303,767
Transfers out	-	(99,977)	-	-	(150,000)	(249,977)	(5,221)
Change in net assets	<u>147,797</u>	<u>396,029</u>	<u>(33,934)</u>	<u>(3,543,935)</u>	<u>1,085,598</u>	<u>(1,948,445)</u>	<u>296,918</u>
Total net assets - beginning	<u>27,009,881</u>	<u>4,737,938</u>	<u>2,959,247</u>	<u>48,073,450</u>	<u>2,606,613</u>	<u>85,387,129</u>	<u>229,078</u>
Total net assets - ending	<u>\$ 27,157,678</u>	<u>\$ 5,133,967</u>	<u>\$ 2,925,313</u>	<u>\$ 44,529,515</u>	<u>\$ 3,692,211</u>	<u>\$ 83,438,684</u>	<u>\$ 525,996</u>

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2004

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 8,158,587	\$ 3,457,903	\$ 4,752,644	\$ 10,035,916	\$ 2,500,448	\$ 28,905,498	\$ 4,885,486
Cash received from miscellaneous operating activities	970,240	131,968	19,989	170,720	11,721	1,304,638	-
Cash paid to suppliers for goods and services	(3,669,678)	(2,416,113)	(4,354,780)	(8,126,264)	(542,086)	(19,108,921)	(4,138,450)
Cash paid to employees for services	(925,808)	(721,550)	(210,019)	(680,119)	(808,157)	(3,345,653)	(1,107,286)
Net cash provided by (used in) operating activities	<u>4,533,341</u>	<u>452,208</u>	<u>207,834</u>	<u>1,400,253</u>	<u>1,161,926</u>	<u>7,755,562</u>	<u>(360,250)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	99,977	-	-	-	-	99,977	303,767
Transfers out	-	(99,977)	-	-	(150,000)	(249,977)	(5,221)
Taxes	-	-	-	3,700	-	3,700	-
Other charges	-	-	-	-	-	-	(1,694)
Net cash provided by (used in) noncapital financing activities	<u>99,977</u>	<u>(99,977)</u>	<u>-</u>	<u>3,700</u>	<u>(150,000)</u>	<u>(146,300)</u>	<u>296,852</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest paid on long-term debt	(2,885,745)	(872,275)	-	(1,838,732)	-	(5,596,752)	-
Principal paid on long-term debt	(965,000)	(1,016,553)	-	(1,350,000)	-	(3,331,553)	-
Proceeds from long-term debt	-	32,681	-	-	-	32,681	-
Purchase of capital assets	(1,149,636)	-	-	(5,261,498)	(41,598)	(6,452,732)	-
Net cash used in capital and related financing activities	<u>(5,000,381)</u>	<u>(1,856,147)</u>	<u>-</u>	<u>(8,450,230)</u>	<u>(41,598)</u>	<u>(15,348,356)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale and maturities of investment securities	1,453,882	1,137,555	217,471	5,394,028	462,030	8,664,966	110,003
Purchase of investments	(5,192,435)	(4,062,696)	(776,682)	(1,510,328)	(1,650,107)	(13,192,248)	(392,866)
Return of investment	-	129,975	-	-	-	129,975	-
Interest and dividends on investments	458,546	948,016	28,083	665,050	43,967	2,143,662	8,844
Collections on loans	34,675	1,016,553	82,608	-	-	1,133,836	-
Issuance of new loans	-	(32,681)	-	-	-	(32,681)	-
Net cash provided by (used in) investing activities	<u>(3,245,332)</u>	<u>(863,278)</u>	<u>(448,520)</u>	<u>4,548,750</u>	<u>(1,144,110)</u>	<u>(1,152,490)</u>	<u>(274,019)</u>
Net increase (decrease) in cash and cash equivalents	(3,612,395)	(2,367,194)	(240,686)	(2,497,527)	(173,782)	(8,891,584)	(337,417)
Cash and cash equivalents - beginning	<u>22,920,273</u>	<u>4,326,701</u>	<u>615,216</u>	<u>17,775,632</u>	<u>1,643,617</u>	<u>47,281,439</u>	<u>1,890,162</u>
Cash and cash equivalents - ending	<u>\$ 19,307,878</u>	<u>\$ 1,959,507</u>	<u>\$ 374,530</u>	<u>\$ 15,278,105</u>	<u>\$ 1,469,835</u>	<u>\$ 38,389,855</u>	<u>\$ 1,552,745</u>
Classified as							
Current assets	\$ 2,067,666	\$ 1,528,103	\$ 374,530	\$ 14,566,512	\$ 1,469,835	\$ 20,006,646	\$ 1,552,745
Restricted assets	17,240,212	431,404	-	711,593	-	18,383,209	-
Total	<u>\$ 19,307,878</u>	<u>\$ 1,959,507</u>	<u>\$ 374,530</u>	<u>\$ 15,278,105</u>	<u>\$ 1,469,835</u>	<u>\$ 38,389,855</u>	<u>\$ 1,552,745</u>

Continued

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2004

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	\$ 2,501,692	\$ 560,869	\$ (55,340)	\$ (2,071,255)	\$ 1,192,933	\$ 2,128,899	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities							
Depreciation	2,329,348	48,495	202,603	3,553,579	48,651	6,182,676	-
Amortization	83,799	-	-	87,794	-	171,593	-
(Increase) decrease in assets							
Accounts receivable	(596,009)	(265,848)	493,164	(303,098)	(45,424)	(717,215)	(76,852)
Prepaid expenses	-	-	-	-	-	-	35,640
Due from other funds	63,087	-	-	29,685	-	92,772	(101,992)
Due from other governments	-	74,876	-	-	(52,885)	21,991	-
Increase (decrease) in liabilities							
Accounts payable	(203,737)	22,858	(435,685)	274,454	(9,079)	(351,189)	130,692
Due to other funds	767	13	912	(1,131)	34	595	(347,738)
Due to other governments	357,055	(20,991)	-	-	-	336,064	-
Customer deposits	-	17,966	-	2,497	4,866	25,329	-
Accrued compensated absences	(2,661)	13,970	2,180	(2,687)	22,830	33,632	-
Landfill postclosure liability	-	-	-	(169,585)	-	(169,585)	-
Total adjustments	2,031,649	(108,661)	263,174	3,471,508	(31,007)	5,626,663	(360,250)
Net cash provided by operating activities	\$ 4,533,341	\$ 452,208	\$ 207,834	\$ 1,400,253	\$ 1,161,926	\$ 7,755,562	\$ (360,250)

Bay County, Florida
Statement of Fiduciary Net Assets
Agency Funds
September 30, 2004

ASSETS

Cash and cash equivalents	\$ 5,405,712
Accounts receivable	<u>17,951</u>
Total assets	<u><u>\$ 5,423,663</u></u>

LIABILITIES

Bank overdraft	\$ 14,634
Accounts payable	1,256,381
Due to other governments	<u>4,152,648</u>
Total liabilities	<u><u>\$ 5,423,663</u></u>

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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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, 2004

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 government-wide 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 Post Office Box 2269, Panama City, Florida 32402.

As of July 1, 2004, the effective date of Article V legislation, the library's funding structure changed resulting in the Board of County Commissioners' responsibility for the library's accounting and annual budget.

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 in accordance with the provisions of 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 Post Office Box 2269, Panama City, Florida 32402.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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 Board has the ability to appoint, hire, reassign or dismiss persons responsible for the Bureau's 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 in accordance with provisions of 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 Post Office Box 2269, Panama City, Florida 32402.

The Board has the authority to appoint a voting majority of the Council's governing body, and to remove appointed members. 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, 2004

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 eliminates indirect expenses between governmental activities to avoid duplicating revenues and expenditures. Direct expenses are not eliminated from the various functional categories.

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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 with 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.

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 other financing sources 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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

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.

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 accounted for in another fund.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The assets are held and disbursed for fines and forfeitures collected pursuant to law, collections related to property foreclosures, doc stamps and intangible taxes remitted to the State, and other miscellaneous funds collected on behalf of individuals and organizations. 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, 2004

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.

Investments

Investments of the County are reported at fair value unless otherwise disclosed.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

External Investment Pools

Local Government Surplus Funds Trust Fund (pool) – The County maintains deposits 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.

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.

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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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, 2004 and 2003 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.

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 purchases method.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,000 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 by Florida Law.

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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

activities. During the year ended September 30, 2004, the County had no interest that was capitalized.

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.

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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

termination. 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. 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.

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 240 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 144 hours per calendar year. Vacation time earned but not used is accrued by the Bureau up to 144 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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation time earned but not used is accrued by the Council. As of September 30, 2004, 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.

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. 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 \$35,576,883 difference are as follows:

Bonds payable	\$ 33,610,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(104,096)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(193,178)
Plus: Issuance premium (to be amortized as interest expense)	56,615
Accrued interest payable	162,494
Capital leases payable	757,759
Compensated absences	1,287,289
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 35,576,883</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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

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 \$122,603,001 difference are as follows:

Cost of capital assets	\$ 251,805,715
Less: Accumulated depreciation	<u>(129,202,714)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 122,603,001</u></u>

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 \$296,196 difference are as follows:

Capital outlay	\$ 8,826,066
Depreciation expense	<u>(8,529,870)</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><u>\$ 296,196</u></u>

Another element of that reconciliation states, "the net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to decrease net assets." The details of this \$(7,164,483) 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.	\$ (99,129)
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Impairments of capital assets decrease net assets in the statement of activities, but do not appear in the governmental funds because they do not require the use of current financial resources.	(6,723,637)
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BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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

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.

	(341,717)
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Net adjustments to decrease *net change in fund balance - total governmental funds* to arrive at *change in net assets of governmental activities*

	\$ (7,164,483)
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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 \$10,067,690 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (452,859)
Principal repayments:	
Bonds	2,490,000
Capital leases	445,290
Notes payable	7,585,259
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>	
	\$ 10,067,690

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 \$132,684 difference are as follows:

Compensated absences	\$ (36,472)
Accrued interest	203,117
Amortization of deferred charge on refunding	(15,050)
Amortization of issuance costs	(27,095)
Amortization of bond premium	8,184
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>	
	\$ 132,684

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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:

Court Fund
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	\$ 2,265,649	\$ 18,383,209	\$ 20,648,858
Investments	5,461,328	6,146,814	11,608,142
	<u>\$ 7,726,977</u>	<u>\$ 24,530,023</u>	<u>\$ 32,257,000</u>

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Solid Waste	Total
Accrued interest payable	\$ 162,494	\$ 236,766	\$ 149,009	\$ 548,269
Current maturities of bonds	892,083	84,167	116,667	1,092,917
Payable from restricted assets	<u>\$ 1,054,577</u>	<u>\$ 320,933</u>	<u>\$ 265,676</u>	<u>\$ 1,641,186</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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'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.

The County's cash and cash equivalents include cash on hand, demand deposits, and short-term investment with original maturities of three months or less from the date of acquisition.

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.

Interest – bearing time deposits or savings accounts in state-certified qualified public depositories.

Direct obligations of the U.S. Treasury.

Federal agencies and instrumentalities.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

In addition, the County is authorized by law or by county ordinance to invest funds in the following securities:

Commercial Paper of U.S. Corporations having a rating of at least two of the following three ratings: A-1, P-1, and F-1, as rated by Standard & Poors, Moody's, and Fitch Investors Service rating services.

Bankers' Acceptances that are eligible for purchase by the Federal Reserve Banks and have a Letter of Credit rating of A or better.

Obligations, rated A+ or better, of the State of Florida and its various local governments, including Bay County.

Overnight Repos (Repurchase Agreement) and Term Repos with maturities of less than 30 days.

Corporate Securities rated AA/Aa by Standard & Poors and Moody's.

Qualified Purchaser Funds (3(c)(7)funds) securities of an open-end management type investment company or investment fund advised by a Registered Advisor under rule 3(c)(7) of the Federal Investment Company Act of 1940, provided that the funds investment guidelines state that the fund will seek to maintain a \$1 per share net asset value.

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.

The County's investments at September 30, 2004, 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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments	Category			Reported Amount/ Fair Value
	1	2	3	
U.S. Government Securities	\$ 41,060,781	\$ -	\$ -	\$ 41,060,781
Time deposits	7,026,085	-	-	7,026,085
Commercial Paper	11,926,071	-	-	11,926,071
Other	134,581	-	-	134,581
	<u>\$ 60,147,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>60,147,518</u>
Florida Local Government Investment Trust				<u>10,839,101</u>
Total investments				<u>\$ 70,986,619</u>

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

NOTE 7 – NOTES RECEIVABLE

Notes receivable recorded by the County at September 30, 2004 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	<u>3,763,601</u>

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.	262,781
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.	21,735,513
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.	1,386,121

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 7 – NOTES RECEIVABLE (Continued)

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.

	220,976
Total notes receivable – enterprise funds	<u>23,605,391</u>
Total notes receivable – all funds	<u>\$ 27,368,992</u>

NOTE 8 – CAPITAL ASSETS

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

	September 30, 2003	Increases	Decreases	September 30, 2004
Capital assets, not being depreciated				
Land	\$ 8,741,245	\$ 421,151	\$ -	\$ 9,162,396
Construction in progress	2,542,486	3,355,306	(754,001)	5,143,791
Total capital assets, not being depreciated	<u>11,283,731</u>	<u>3,776,457</u>	<u>(754,001)</u>	<u>14,306,187</u>
Capital assets, being depreciated				
Buildings and improvements	43,820,342	709,426	(90,874)	44,438,894
Furniture and equipment	32,485,284	3,064,210	(2,729,632)	32,819,862
Infrastructure	164,894,441	2,069,973	(6,723,642)	160,240,772
Total capital assets, being depreciated	<u>241,200,067</u>	<u>5,843,609</u>	<u>(9,544,148)</u>	<u>237,499,528</u>
Less accumulated depreciation				
Buildings and improvements	(12,401,357)	(1,114,318)	77,245	(13,438,430)
Furniture and equipment	(17,425,068)	(3,068,693)	2,262,230	(18,231,531)
Infrastructure	(93,185,894)	(4,346,859)	-	(97,532,753)
Total accumulated depreciation	<u>(123,012,319)</u>	<u>(8,529,870)</u>	<u>2,339,475</u>	<u>(129,202,714)</u>
Total capital assets, being depreciated, net	<u>118,187,748</u>	<u>(2,686,261)</u>	<u>(7,204,673)</u>	<u>108,296,814</u>
Total governmental-type activities capital assets, net	<u>\$ 129,471,479</u>	<u>\$ 1,090,196</u>	<u>\$ (7,958,674)</u>	<u>\$ 122,603,001</u>

The following schedule summarizes the capital assets of the County's business-type activities at September 30, 2004:

	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total
Land	\$ 261,192	\$ 3,500	\$ -	\$ 752,451	\$ -	\$ 1,017,143
Buildings	2,373,739	-	134,702	924,320	61,520	3,494,281
Improvements	82,501	-	-	41,250	-	123,751
Furniture and equipment	771,072	-	85,595	2,409,808	412,648	3,679,123
Infrastructure	68,756,035	1,340,133	10,495,601	56,752,254	-	137,344,023
Construction in progress	1,173,187	-	-	8,721,926	-	9,895,113
Total	<u>73,417,726</u>	<u>1,343,633</u>	<u>10,715,898</u>	<u>69,602,009</u>	<u>474,168</u>	<u>155,553,434</u>
Less: accumulated depreciation						
Buildings	1,618,516	-	67,749	93,486	59,982	1,839,734
Improvements	72,349	-	-	38,783	-	111,132
Furniture and equipment	590,250	-	74,312	2,144,358	321,549	3,130,469
Infrastructure	20,725,501	449,474	9,234,566	17,501,210	-	47,910,751
Total accumulated depreciation	<u>23,006,616</u>	<u>449,474</u>	<u>9,376,627</u>	<u>19,777,838</u>	<u>381,531</u>	<u>52,992,086</u>
Business-type activities capital assets, net	<u>\$ 50,411,110</u>	<u>\$ 894,159</u>	<u>\$ 1,339,271</u>	<u>\$ 49,824,171</u>	<u>\$ 92,637</u>	<u>\$ 102,561,348</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 8 – CAPITAL ASSETS (Continued)

	<u>September 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2004</u>
Capital assets, not being depreciated				
Land	\$ 931,872	\$ 85,271	\$ -	\$ 1,017,143
Construction in progress	<u>10,462,543</u>	<u>6,159,550</u>	<u>(6,726,980)</u>	<u>9,895,113</u>
Total capital assets, not being depreciated	<u>11,394,415</u>	<u>6,244,821</u>	<u>(6,726,980)</u>	<u>10,912,256</u>
Capital assets, being depreciated				
Buildings	2,744,569	749,712	-	3,494,281
Improvements	123,751	-	-	123,751
Furniture and equipment	3,665,814	173,542	(160,233)	3,679,123
Infrastructure	<u>131,375,314</u>	<u>6,017,550</u>	<u>(48,841)</u>	<u>137,344,023</u>
Total capital assets, being depreciated	<u>137,909,448</u>	<u>6,940,804</u>	<u>(209,074)</u>	<u>144,641,178</u>
Less accumulated depreciation				
Buildings	(1,765,678)	(74,056)	-	(1,839,734)
Improvements	(110,036)	(1,096)	-	(111,132)
Furniture and equipment	(2,970,788)	(312,239)	152,558	(3,130,469)
Infrastructure	<u>(42,164,307)</u>	<u>(5,795,285)</u>	<u>48,841</u>	<u>(47,910,751)</u>
Total accumulated depreciation	<u>(47,010,809)</u>	<u>(6,182,676)</u>	<u>201,399</u>	<u>(52,992,086)</u>
Total capital assets, being depreciated, net	<u>90,898,639</u>	<u>758,128</u>	<u>(7,675)</u>	<u>91,649,092</u>
Total business-type activities	<u>\$ 102,293,054</u>	<u>\$ 7,002,949</u>	<u>\$ (6,734,655)</u>	<u>\$ 102,561,348</u>

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

Governmental activities	
General government	\$ 1,207,203
Public safety	1,952,822
Physical environment	378,077
Transportation	4,048,430
Economic environment	574,402
Human services	46,528
Culture and recreation	322,408
Total depreciation expense - governmental activities	<u>\$ 8,529,870</u>
Business-type activities	
Wholesale water system	\$ 2,329,348
Retail water & wastewater	48,495
Industrial wastewater	202,603
Solid waste	3,553,579
Building services	48,651
Total depreciation expense - business-type activities	<u>\$ 6,182,676</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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:

Vehicles	\$ 1,380,647
Equipment	59,249
Total	<u>1,439,896</u>
Less: accumulated depreciation	(371,383)
Net	<u><u>\$ 1,068,513</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004 were as follows:

Year ending September 30,	
2005	\$ 455,905
2006	221,945
2007	95,167
2008	<u>3,078</u>
Total minimum lease payments	776,095
Less amount representing interest	<u>(18,336)</u>
Present value of minimum lease payments	<u><u>\$ 757,759</u></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, 2004

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, 2003 – June 30, 2004 were 7.39% and 15.23% for regular employees and elected officials, respectively. The rates effective July 1, 2004 – September 30, 2004 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, 2003 – June 30, 2004, and 9.11% effective from July 1, 2004 – September 30, 2004. The County's contributions for the years ended September 30, 2004, 2003, and 2002 were \$3,063,906, \$2,543,421, and \$2,564,974, 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, 2004 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.

\$ 10,631,483

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.

3,254,030

Total notes payable-enterprise funds

13,885,513

Less: current portion

(920,977)

Long-term portion of enterprise funds
notes payable

\$ 12,964,536

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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
2005	\$ 920,977	\$ 343,687	\$ 1,264,664
2006	896,831	367,831	1,264,662
2007	922,825	341,838	1,264,663
2008	949,572	315,091	1,264,663
2009	977,095	287,568	1,264,663
2010-2014	5,327,091	996,220	6,323,311
2015-2019	3,891,122	233,733	4,124,855
Total	<u>\$ 13,885,513</u>	<u>\$ 2,885,968</u>	<u>\$ 16,771,481</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	\$ 380,000	\$ 630,000	\$ 175,000	\$ 1,400,000	\$ 2,585,000
Long-term portion	16,100,000	35,485,000	7,675,000	38,350,000	97,610,000
	16,480,000	36,115,000	7,850,000	39,750,000	100,195,000
Less deferred amounts					
Issuance discounts	(267,217)	(685,346)	-	(863,950)	(1,816,513)
On refunding	(27,385)	(227,788)	-	(2,378,607)	(2,633,780)
Total bonds payable	<u>\$ 16,185,398</u>	<u>\$ 35,201,866</u>	<u>\$ 7,850,000</u>	<u>\$ 36,507,443</u>	<u>\$ 95,744,707</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.

\$ 16,185,398

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.

7,850,000

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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 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.

36,507,443

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

35,201,866

Less: current portion

95,744,707

Long-term portion of business-type activities

(2,585,000)

bonds payable

\$ 93,159,707

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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

The annual debt service requirements to maturity for bonds payable at September 30, 2004 are as follows:

Year ending	Principal	Interest	Total
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	3,070,000	4,596,374	7,666,374
2010-2014	17,922,500	20,645,985	38,568,485
2015-2019	22,347,500	15,919,066	38,266,566
2020-2024	25,897,500	9,546,148	35,443,648
2025-2029	16,282,500	3,849,316	20,131,816
2030	3,645,000	261,765	3,906,765
Total	<u>\$ 100,195,000</u>	<u>\$ 74,437,343</u>	<u>\$ 174,632,343</u>

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004	Due Within One Year
Bonds payable	\$ 102,677,500	\$ -	\$(2,482,500)	\$ 100,195,000	\$ 2,585,000
Adjusted for deferred amounts					
For issuance discounts	(1,905,330)	-	88,817	(1,816,513)	-
On refunding	(2,971,083)	-	337,303	(2,633,780)	-
Total bonds payable	97,801,087	-	(2,056,380)	95,744,707	2,585,000
Notes payable	14,701,885	32,681	(849,053)	13,885,513	920,976
Accrued compensated absences	238,510	140,842	(107,210)	272,142	124,867
Business-type activity- long-term liabilities	<u>\$ 112,741,482</u>	<u>\$ 173,523</u>	<u>\$(3,012,643)</u>	<u>\$ 109,902,362</u>	<u>\$ 3,630,843</u>

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the County to rebate excess arbitrage earnings from bond proceeds to the Federal government. As of September 30, 2004 there was no arbitrage liability.

NOTE 12 – LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES

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

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004	Due Within One Year
Bonds payable	\$ 36,100,000	\$ -	\$ (2,490,000)	\$ 33,610,000	\$ 2,775,000
Adjusted for deferred amounts					
On refunding	(119,146)	-	15,050	(104,096)	-
For issuance premiums	64,799	-	(8,184)	56,615	-
Total bonds payable	36,045,653	-	(2,483,134)	33,562,519	2,775,000
Notes payable	7,585,259	-	(7,585,259)	-	-
Capital leases payable	750,190	452,859	(445,290)	757,759	452,905
Accrued compensated absences	1,660,469	484,090	(409,652)	1,734,907	447,618
	<u>\$ 46,041,571</u>	<u>\$ 936,949</u>	<u>\$(10,923,335)</u>	<u>\$ 36,055,185</u>	<u>\$ 3,675,523</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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

Accrued compensated absences for governmental activities are generally liquidated by the general fund.

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, 2004 are as follows:

Year ending September 30,	
2005	\$ 455,905
2006	221,946
2007	95,167
2008	<u>3,078</u>
Total minimum lease payments	776,096
Less amount representing interest	<u>(18,337)</u>
Present value of minimum lease payments	<u>\$ 757,759</u>

Governmental activity revenue bonds consist of the following at September 30, 2004:

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.

\$ 2,400,000

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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

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.

17,510,000

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 lean 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.

6,190,000

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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

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.

6,870,000

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.

	640,000
Total bonds payable – governmental activities	33,610,000
Less: current portion	(2,775,000)
Long-term portion governmental activities bonds payable	<u>\$ 30,835,000</u>

The annual debt service requirements to maturity for the revenue bonds payable at September 30, 2004 are as follows:

Year ending September 30	Principal	Interest	Total
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	2,235,000	1,058,274	3,293,274
2010-2014	6,985,000	3,983,056	10,968,056
2015-2019	2,665,000	3,211,440	5,876,440
2020-2024	3,405,000	2,474,546	5,879,546
2025-2029	4,370,000	1,512,900	5,882,900
2030-2032	3,195,000	333,125	3,528,125
Total	<u>\$ 33,610,000</u>	<u>\$ 17,318,840</u>	<u>\$ 50,928,840</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the County to rebate excess arbitrage earnings from bond proceeds to the Federal government. As of September 30, 2004 there was no arbitrage liability.

NOTE 13 – COMPENSATED ABSENCES

The County's compensated absences at September 30, 2004 is as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 447,618	\$ 124,867	\$ 572,485
Long-term	1,287,289	147,275	1,434,564
Total	<u>\$ 1,734,907</u>	<u>\$ 272,142</u>	<u>\$ 2,007,049</u>

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLES, AND INTERFUND TRANSFERS

At September 30, 2004, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund		
General	Water system revenue	\$ 1,198	
	Internal service funds	<u>94,857</u>	\$ 96,055
Transportation	Other nonmajor governmental funds	40	
	Solid waste fund	305	
	Internal service funds	<u>11,850</u>	12,195
Other nonmajor governmental funds	Other nonmajor governmental funds		38,286
Wholesale water system	Internal service funds		26,345
Internal service funds	General fund	136,412	
	Transportation	47,234	
	Other nonmajor governmental funds	39,841	
	Water system revenue	4,023	
	Solid waste fund	6,109	
	Industrial wastewater	1,614	
	Building services	2,595	
	Water and sewer retail	30	
	Internal service funds	<u>411</u>	<u>238,269</u>
	Total		<u>\$ 411,150</u>

Interfund receivables and payables result primarily from the normal operations of the internal service funds.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

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

Interfund transfers during the year ended September 30, 2004 were as follows:

	Transfers In					Total
	General Fund	Transportation Fund	Nonmajor Governmental Funds	Internal Service Funds	Wholesale Water System	
Transfer out						
General fund	\$ -	\$ 2,800,000	\$ 3,108,773	\$ 303,767	\$ -	\$ 6,212,540
Transportation fund	-	-	1,418,452	-	-	1,418,452
Nonmajor governmental funds	-	133,259	-	-	-	133,259
Retail water and wastewater	-	-	-	-	99,977	99,977
Building service	150,000	-	-	-	-	150,000
Internal service funds	5,221	-	-	-	-	5,221
Total	<u>\$ 155,221</u>	<u>\$ 2,933,259</u>	<u>\$ 4,527,225</u>	<u>\$ 303,767</u>	<u>\$ 99,977</u>	<u>\$ 8,019,449</u>

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

NOTE 15 – 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, 2004, consist of the following:

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Total Enterprise Funds
Restricted for debt service	\$ 85,092	\$ -	\$ 117,628	\$ 202,720
Restricted for capital projects	2,206,532	1,075,533	134,581	3,416,646
Total	<u>\$ 2,291,624</u>	<u>\$ 1,075,533</u>	<u>\$ 252,209</u>	<u>\$ 3,619,366</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 15 – EQUITY (Continued)

Reserved Fund Balances

The County has established certain reserves within the fund equity section of the governmental funds. Reserved fund balances at September 30, 2004, consist of the following:

General fund:	
Reserved for debt service	\$ 1,252,105
Reserved for capital projects	1,433,713
Reserved for workers compensation	1,597,891
Reserved for drug court	199,173
Reserved for insurance	480,597
Reserved for boating improvement	411,356
Reserved for law enforcement	195,710
	<u>\$ 5,570,545</u>
Special revenue funds:	
Reserved for capital projects	\$ 858,827
Reserved for beach nourishment	8,680,462
Reserved for tourism promotion	1,042,738
	<u>\$ 10,582,027</u>

Designated Fund Balance

The County has established certain designations within the fund balance section of the governmental funds. Designated fund balance at September 30, 2004 consists of the following:

General fund:	
Designated for emergency contingency	<u>\$ 2,000,000</u>

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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

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 \$684,880 and the post closure costs to maintain and monitor the Steelfield and Majette landfills will be approximately \$485,720 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 \$9,278,837 landfill closure and postclosure care liability at September 30, 2004, 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 2004. Actual cost may be higher due to inflation, deflation, changes in technology, or changes in applicable laws and 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, 2004, \$1,170,601 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 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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

The Bay County Resource Recovery Facility (the Facility) is operated by Montenay Bay L.L.C. (Montenay) under a service contract with the County. Annual bonuses are paid to Montenay based on criteria as defined in the service contract. The contract provides for an annual maximum bonus (Bonus Cap) that can be paid to Montenay. Any amounts in excess of the Bonus Cap are carried forward to future fiscal years and will be paid in the event that the Bonus Cap is not reached for that fiscal year. At September 30, 2004 no amounts were anticipated to be paid to Montenay in future years.

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, 2004, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway’s portion of note payable	\$ 13,885,513
Related interest expense	2,885,968
Wastewater System Revenue Bonds Series 1996 (see note 11)	7,850,000
Related interest expense	<u>6,054,488</u>
Total contingent liability – joint venture	<u>\$ 30,675,969</u>

Environmental Contingency

As described in Note 20, Bay County is a joint owner of the Military Point Advanced Wastewater Treatment Facility (MPAWTF or System). 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, including attorney fees and interest, 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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

MPAWTF filed a counter-claim against Phoenix to recover damages due to its failure to construct the subaqueous pipeline as designed and permitted. The cost to repair the pipeline is estimated to be between \$1,300,000 and \$2,400,000. The estimated cost to replace the pipeline is between \$3,000,000 and \$5,000,000. The repairs are required by the FDEP, and the System will be obligated to finance the repairs. Any recovery from Phoenix would be used to offset the cost of the repairs.

A settlement agreement was entered into that abated the litigation pending the permitting and repair of the subaqueous pipeline. MPAWTF agreed to pay an amount (less than \$500,000) for the repair, of which the County is responsible for \$220,000. These amounts represent the portion of the original contract amount withheld by MPAWTF. Phoenix agreed to pay the remainder of the cost to repair the pipeline. After successful completion of the repair project, the lawsuit will be dismissed and the claims dismissed and satisfied.

A component of the settlement agreement is that the System pursue alternative methods of covering the pipe which is approved by the FDEP and the Army Corp of Engineers. The MPAWTF is currently working towards completing the task of covering the subaqueous pipeline pursuant to the permits issued by the FDEP and the Army Corp of Engineers.

The Board in its capacity as operator of the System executed a consent order with the FDEP protection regarding violations of the permit for the subaqueous raw wastewater transmission line to the MPAWTF. The consent order will include the imposition of fines against the County in the amount of \$284,341; however the County is exploring the option of completing in-kind environmental projects in lieu of paying the monetary fines.

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, 2004 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	\$ 7,600,000
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
Notes to Basic Financial Statements
September 30, 2004

NOTE 17 – CONDUIT DEBT OBLIGATIONS (Continued)

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount Outstanding</u>
Bay County, Florida 5.10% Pollution Control Revenue Refunding Bonds, Series 1998A (International Paper)	March 1, 1998	\$ 7,250,000
Bay County, Florida Educational Facilities Revenue Bonds (Bay Haven charter Academy, Inc Project)	July 26, 2004	\$ 11,600,000

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, 2004. 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 three fiscal years.

All funds, except those which include certain volunteer fire department personnel of the County, participate in the program and make payments to the workers' compensation fund based on estimates of the amounts needed to pay prior and current year claims. The claims liability of \$3,433,213 reported in the workers' compensation fund at September 30, 2004 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 2003 and 2004 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, 2002 - September 30, 2003	<u>\$ 3,099,766</u>	<u>\$ 708,104</u>	<u>\$ (547,545)</u>	<u>\$ 3,260,325</u>
October 1, 2003 - September 30, 2004	<u>\$ 3,260,325</u>	<u>\$ 532,307</u>	<u>\$ (359,419)</u>	<u>\$ 3,433,213</u>

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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 19 – INSURANCE (Continued)

claims liability of \$250,000 reported in the self-insurers' fund is based on the requirements of Governmental Accounting Standards Board Statement 10.

Changes in the self-insurers' fund's claims liability amount in fiscal years 2003 and 2004 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, 2002 - September 30, 2003	\$ 250,000	\$ 1,083,620	\$ (1,083,620)	\$ 250,000
October 1, 2003 - September 30, 2004	\$ 250,000	\$ 1,035,899	\$ (1,035,899)	\$ 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 have not exceeded this commercial coverage during the past three fiscal years.

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, 2004, the County's investment (liability) in the joint venture was \$(731,415). Complete financial statements for the joint venture may be obtained from the Operator at P.O. Box 2269, Panama City, Florida 32402.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 20 – JOINT VENTURE (Continued)

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

Statement of Net Assets
September 30, 2004

Assets	<u>\$ 47,828,047</u>
Liabilities	<u>41,275,445</u>
Net assets	
Invested in capital assets, net of related debt	722,602
Restricted	5,966,476
Unrestricted	<u>(136,476)</u>
Total net assets	<u>6,552,602</u>
Total liabilities and net assets	<u>\$ 47,828,047</u>

Statement of Activities
Year Ended September 30, 2004

Revenues	\$ 6,498,428
Expenses	<u>(3,491,223)</u>
Operating income	3,007,205
Nonoperating revenues (expenses), net	<u>(1,525,453)</u>
Net income before distributions	1,481,752
Distribution to owners	<u>(626,686)</u>
Net income	855,066
Net assets, beginning of year	<u>5,697,536</u>
Net assets, end of year	<u>\$ 6,552,602</u>

As of September 30, 2004 the County's portion of contributions and net assets in the joint venture is as follows:

County investment, beginning of year	\$ (460,654)
Less: 2004 county share of net loss	(141,590)
2003 distributions to owners	(129,975)
Add: 2003 release of reserves	<u>804</u>
County investment in joint venture at September 30, 2004	<u>\$ (731,415)</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2004

NOTE 21 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2004 the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2004, billings for these services totaled \$2,379,045.

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 \$1,369,333 the year ended September 30, 2004. In addition, during the current year the County recognized \$889,462 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$889,462, related to the 1996 Bond Series and State Revolving Fund Loan Program as discussed in Note 11.

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**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.

Court – to account for court related activities as provided for in Article V section 14(b) of the Florida State Constitution.

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).

Nonmajor Governmental Funds

Special Revenue Funds

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

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, 2004

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
ASSETS				
Cash and cash equivalents	\$ 228,617	\$ 3,542,733	\$ 257,675	\$ 260,701
Accounts receivable	106	259,397	47,219	2,598
Special assessments receivable	-	-	-	-
Investments	341,348	9,397,589	384,735	389,253
Due from other funds	-	-	-	38,286
Due from other governments	699,676	168,323	87,009	47,913
Restricted assets				
Cash and cash equivalents	-	-	-	25,729
Investments	-	-	-	38,416
Total assets	<u>\$ 1,269,747</u>	<u>\$ 13,368,042</u>	<u>\$ 776,638</u>	<u>\$ 802,896</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 268,523	\$ 161,315	\$ 20,423	\$ 22,945
Due to other funds	26,958	3,504	23	-
Due to other governments	-	-	-	-
Total liabilities	<u>295,481</u>	<u>164,819</u>	<u>20,446</u>	<u>22,945</u>
Fund balance				
Reserved for				
Debt service	-	-	-	64,145
Other purposes	-	9,723,200	-	-
Unreserved	<u>974,266</u>	<u>3,480,023</u>	<u>756,192</u>	<u>715,806</u>
Total fund balance	<u>974,266</u>	<u>13,203,223</u>	<u>756,192</u>	<u>779,951</u>
Total liabilities and fund balance	<u>\$ 1,269,747</u>	<u>\$ 13,368,042</u>	<u>\$ 776,638</u>	<u>\$ 802,896</u>

Continued

Special Revenue					
District Mosquito Control	MSTU Fire Protection	MSBU Fund	Court	County Court Facility	10/6/3 Fund
\$ 191,740	\$ 745,147	\$ 36,350	\$ 412,074	\$ 229,802	\$ 402,592
1,810	1,018	7	19,153	-	-
-	-	61,320	-	-	-
286,288	1,364,351	54,274	-	-	-
-	-	-	-	-	-
-	5,085	-	-	-	-
-	21,001	-	-	-	-
-	31,357	-	-	-	-
<u>\$ 479,838</u>	<u>\$ 2,167,959</u>	<u>\$ 151,951</u>	<u>\$ 431,227</u>	<u>\$ 229,802</u>	<u>\$ 402,592</u>
\$ 16,877	\$ 86,261	\$ 20,356	\$ 150,883	\$ -	\$ -
1,948	45,588	-	-	-	-
-	-	-	280,344	-	-
<u>18,825</u>	<u>131,849</u>	<u>20,356</u>	<u>431,227</u>	<u>-</u>	<u>-</u>
-	52,358	-	-	-	-
-	-	-	-	-	-
461,013	1,983,752	131,595	-	229,802	402,592
461,013	2,036,110	131,595	-	229,802	402,592
<u>\$ 479,838</u>	<u>\$ 2,167,959</u>	<u>\$ 151,951</u>	<u>\$ 431,227</u>	<u>\$ 229,802</u>	<u>\$ 402,592</u>

Continued

Bay County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2004

	Special Revenue			
	Circuit Court Facility	Family Mediation	Records Modernization	Law Enforcement Training
ASSETS				
Cash and cash equivalents	\$ 283,259	\$ 75,418	\$ 580,250	\$ 4,964
Accounts receivable		-	-	-
Special assessments receivable	-	-	-	-
Investments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Total assets	<u>\$ 283,259</u>	<u>\$ 75,418</u>	<u>\$ 580,250</u>	<u>\$ 4,964</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 35,812	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>35,812</u>	<u>-</u>
Fund balance				
Reserved for				
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unreserved	283,259	75,418	544,438	4,964
Total fund balance	<u>283,259</u>	<u>75,418</u>	<u>544,438</u>	<u>4,964</u>
Total liabilities and fund balance	<u>\$ 283,259</u>	<u>\$ 75,418</u>	<u>\$ 580,250</u>	<u>\$ 4,964</u>

Special Revenue

Special Law Enforcement Trust	Special Contribution	Junior Deputies	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ 7,627	\$ 3,393	\$ 1,095	\$ 40,068	\$ 9,651	\$ 7,313,156
-	-	-	-	-	331,308
-	-	-	-	-	61,320
-	-	-	-	-	12,217,838
-	-	-	-	-	38,286
-	-	-	-	-	1,008,006
-	-	-	-	-	46,730
-	-	-	-	-	69,773
<u>\$ 7,627</u>	<u>\$ 3,393</u>	<u>\$ 1,095</u>	<u>\$ 40,068</u>	<u>\$ 9,651</u>	<u>\$ 21,086,417</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 783,395
-	-	-	-	-	78,021
-	-	-	-	-	280,344
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,141,760</u>
-	-	-	-	-	116,503
-	-	-	-	-	9,723,200
<u>7,627</u>	<u>3,393</u>	<u>1,095</u>	<u>40,068</u>	<u>9,651</u>	<u>10,104,954</u>
<u>7,627</u>	<u>3,393</u>	<u>1,095</u>	<u>40,068</u>	<u>9,651</u>	<u>19,944,657</u>
<u>\$ 7,627</u>	<u>\$ 3,393</u>	<u>\$ 1,095</u>	<u>\$ 40,068</u>	<u>\$ 9,651</u>	<u>\$ 21,086,417</u>

Bay County, Florida
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2004

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
REVENUES				
Taxes	\$ -	\$ 5,282,398	\$ -	\$ -
Intergovernmental	1,012,665	692,615	-	-
Charges for services	-	-	803,895	714,777
Interest	9,773	118,572	9,952	37,177
Miscellaneous	23,345	68,057	-	245,579
Total revenues	<u>1,045,783</u>	<u>6,161,642</u>	<u>813,847</u>	<u>997,533</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	781,921	586,202
Physical environment	5,047,812	-	-	-
Economic environment	-	4,219,100	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	6,021,734
Interest	-	-	-	518,416
Total expenditures	<u>5,047,812</u>	<u>4,219,100</u>	<u>781,921</u>	<u>7,126,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,002,029)</u>	<u>1,942,542</u>	<u>31,926</u>	<u>(6,128,819)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,078,452	-	-	448,773
Transfers out	(133,259)	-	-	-
Total other financing sources (uses)	<u>3,945,193</u>	<u>-</u>	<u>-</u>	<u>448,773</u>
Net change in fund balance	(56,836)	1,942,542	31,926	(5,680,046)
Fund balance - beginning	<u>1,031,102</u>	<u>11,260,681</u>	<u>724,266</u>	<u>6,459,997</u>
Fund balance - ending	<u>\$ 974,266</u>	<u>\$ 13,203,223</u>	<u>\$ 756,192</u>	<u>\$ 779,951</u>

Continued

Special Revenue					
District Mosquito Control	MSTU Fire Protection	MSBU Fund	Court	County Court Facility	10/6/3 Fund
\$ 620,293	\$ 3,521,719	\$ -	\$ -	\$ -	\$ -
22,595	3,120	-	31,782	-	-
-	107,133	-	1,057,238	26,873	196,809
9,566	56,087	5,088	-	-	-
8,521	198,786	(215)	-	2,126	4,943
<u>660,975</u>	<u>3,886,845</u>	<u>4,873</u>	<u>1,089,020</u>	<u>28,999</u>	<u>201,752</u>
-	-	-	1,089,020	11,009	287,205
-	4,724,928	-	-	-	-
-	-	215,765	-	-	-
-	-	-	-	-	-
558,357	-	-	-	-	-
-	1,528,885	-	-	-	-
-	405,565	-	-	-	-
<u>558,357</u>	<u>6,659,378</u>	<u>215,765</u>	<u>1,089,020</u>	<u>11,009</u>	<u>287,205</u>
<u>102,618</u>	<u>(2,772,533)</u>	<u>(210,892)</u>	<u>-</u>	<u>17,990</u>	<u>(85,453)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
102,618	(2,772,533)	(210,892)	-	17,990	(85,453)
358,395	4,808,643	342,487	-	211,812	488,045
<u>\$ 461,013</u>	<u>\$ 2,036,110</u>	<u>\$ 131,595</u>	<u>\$ -</u>	<u>\$ 229,802</u>	<u>\$ 402,592</u>

Continued

Bay County, Florida
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2004

	Special Revenue			
	Circuit Court Facility	Family Mediation	Records Modernization	Law Enforcement Training
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	98,920
Charges for services	42,090	16,516	379,081	-
Interest	-	-	-	-
Miscellaneous	1,168	170	2,867	-
Total revenues	<u>43,258</u>	<u>16,686</u>	<u>381,948</u>	<u>98,920</u>
EXPENDITURES				
Current				
General government	11,475	10,525	179,041	-
Public safety	-	-	-	95,113
Physical environment	-	-	-	-
Economic environment	-	-	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>11,475</u>	<u>10,525</u>	<u>179,041</u>	<u>95,113</u>
Excess of revenues over (under) expenditures	<u>31,783</u>	<u>6,161</u>	<u>202,907</u>	<u>3,807</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	31,783	6,161	202,907	3,807
Fund balance at beginning of year	<u>251,476</u>	<u>69,257</u>	<u>341,531</u>	<u>1,157</u>
Fund balance at end of year	<u>\$ 283,259</u>	<u>\$ 75,418</u>	<u>\$ 544,438</u>	<u>\$ 4,964</u>

Special Revenue

Special Law Enforcement Trust	Special Contribution	Junior Deputies	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,424,410
116,986	-	2,534	-	-	1,981,217
-	-	-	-	-	3,344,412
-	-	-	-	-	246,215
-	87,822	-	105,441	16,109	764,719
<u>116,986</u>	<u>87,822</u>	<u>2,534</u>	<u>105,441</u>	<u>16,109</u>	<u>15,760,973</u>
-	-	-	-	-	1,588,275
115,810	86,651	16,493	94,464	6,800	6,508,382
-	-	-	-	-	5,263,577
-	-	-	-	-	4,219,100
-	-	-	-	-	558,357
-	-	-	-	-	7,550,619
-	-	-	-	-	923,981
<u>115,810</u>	<u>86,651</u>	<u>16,493</u>	<u>94,464</u>	<u>6,800</u>	<u>26,612,291</u>
<u>1,176</u>	<u>1,171</u>	<u>(13,959)</u>	<u>10,977</u>	<u>9,309</u>	<u>(10,851,318)</u>
-	-	-	-	-	4,527,225
-	-	-	-	-	(133,259)
-	-	-	-	-	4,393,966
1,176	1,171	(13,959)	10,977	9,309	(6,457,352)
<u>6,451</u>	<u>2,222</u>	<u>15,054</u>	<u>29,091</u>	<u>342</u>	<u>26,402,009</u>
<u>\$ 7,627</u>	<u>\$ 3,393</u>	<u>\$ 1,095</u>	<u>\$ 40,068</u>	<u>\$ 9,651</u>	<u>\$ 19,944,657</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Stormwater Management
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,342,638	\$ 1,697,444	\$ 1,012,665	\$ (684,779)
Interest	23,750	23,750	9,773	(13,977)
Miscellaneous	-	34,815	23,345	(11,470)
Total revenues	<u>1,366,388</u>	<u>1,756,009</u>	<u>1,045,783</u>	<u>(710,226)</u>
EXPENDITURES				
Physical environment	<u>5,070,339</u>	<u>6,631,937</u>	<u>5,047,812</u>	<u>1,584,125</u>
Total expenditures	<u>5,070,339</u>	<u>6,631,937</u>	<u>5,047,812</u>	<u>1,584,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,703,951)</u>	<u>(4,875,928)</u>	<u>(4,002,029)</u>	<u>873,899</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,090,000	3,660,000	4,078,452	418,452
Transfers out	-	-	(133,259)	(133,259)
Total other financing sources (uses)	<u>3,090,000</u>	<u>3,660,000</u>	<u>3,945,193</u>	<u>285,193</u>
Net change in fund balance	(613,951)	(1,215,928)	(56,836)	1,159,092
Fund balance - beginning	<u>1,031,102</u>	<u>1,031,102</u>	<u>1,031,102</u>	<u>-</u>
Fund balance - ending	<u>\$ 417,151</u>	<u>\$ (184,826)</u>	<u>\$ 974,266</u>	<u>\$ 1,159,092</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Tourist Development
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 4,845,203	\$ 4,845,203	\$ 5,282,398	\$ 437,195
Intergovernmental	201,701	725,992	692,615	(33,377)
Interest	64,150	64,150	118,572	54,422
Miscellaneous	71,275	71,275	68,057	(3,218)
Total revenues	<u>5,182,329</u>	<u>5,706,620</u>	<u>6,161,642</u>	<u>455,022</u>
EXPENDITURES				
Economic environment	<u>4,529,856</u>	<u>4,822,986</u>	<u>4,219,100</u>	<u>603,886</u>
Total expenditures	<u>4,529,856</u>	<u>4,822,986</u>	<u>4,219,100</u>	<u>603,886</u>
Excess of revenues over expenditures	652,473	883,634	1,942,542	1,058,908
Fund balance - beginning	<u>11,260,681</u>	<u>11,260,681</u>	<u>11,260,681</u>	<u>-</u>
Fund balance - ending	<u>\$ 11,913,154</u>	<u>\$ 12,144,315</u>	<u>\$ 13,203,223</u>	<u>\$ 1,058,908</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Public Safety
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 723,900	\$ 723,900	\$ 803,895	\$ 79,995
Interest	5,800	5,800	9,952	4,152
Total revenues	<u>729,700</u>	<u>729,700</u>	<u>813,847</u>	<u>84,147</u>
EXPENDITURES				
Public safety	876,664	878,406	781,921	96,485
Total expenditures	<u>876,664</u>	<u>878,406</u>	<u>781,921</u>	<u>96,485</u>
Excess (deficiency) of revenues over (under) expenditures	(146,964)	(148,706)	31,926	180,632
Fund balance - beginning	<u>724,266</u>	<u>724,266</u>	<u>724,266</u>	<u>-</u>
Fund balance - ending	<u>\$ 577,302</u>	<u>\$ 575,560</u>	<u>\$ 756,192</u>	<u>\$ 180,632</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Intergovernmental Radio Communications
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 655,159	\$ 655,159	\$ 714,777	\$ 59,618
Interest	8,300	8,300	37,177	28,877
Miscellaneous	248,470	248,470	245,579	(2,891)
Total revenues	<u>911,929</u>	<u>911,929</u>	<u>997,533</u>	<u>85,604</u>
EXPENDITURES				
Public safety	614,598	627,328	586,202	41,126
Debt service				
Principal	509,157	6,021,734	6,021,734	-
Interest	329,159	518,416	518,416	-
Total expenditures	<u>1,452,914</u>	<u>7,167,478</u>	<u>7,126,352</u>	<u>41,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(540,985)</u>	<u>(6,255,549)</u>	<u>(6,128,819)</u>	<u>126,730</u>
OTHER FINANCING SOURCES				
Transfers in	448,773	448,773	448,773	-
Total other financing sources	<u>448,773</u>	<u>448,773</u>	<u>448,773</u>	<u>-</u>
Net change in fund balance	(92,212)	(5,806,776)	(5,680,046)	126,730
Fund balance - beginning	<u>6,459,997</u>	<u>6,459,997</u>	<u>6,459,997</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,367,785</u>	<u>\$ 653,221</u>	<u>\$ 779,951</u>	<u>\$ 126,730</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
District Mosquito Control
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 614,510	\$ 614,510	\$ 620,293	\$ 5,783
Intergovernmental	23,178	23,178	22,595	(583)
Charges for services	3,380	3,380	-	(3,380)
Interest	7,300	7,300	9,566	2,266
Miscellaneous	-	-	8,521	8,521
Total revenues	<u>648,368</u>	<u>648,368</u>	<u>660,975</u>	<u>12,607</u>
EXPENDITURES				
Human services	<u>612,322</u>	<u>646,340</u>	<u>558,357</u>	<u>87,983</u>
Total expenditures	<u>612,322</u>	<u>646,340</u>	<u>558,357</u>	<u>87,983</u>
Excess of revenues over expenditures	36,046	2,028	102,618	100,590
Fund balance - beginning	<u>358,395</u>	<u>358,395</u>	<u>358,395</u>	<u>-</u>
Fund balance - ending	<u>\$ 394,441</u>	<u>\$ 360,423</u>	<u>\$ 461,013</u>	<u>\$ 100,590</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
MSTU Fire Protection
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 3,464,925	\$ 3,464,925	\$ 3,521,719	\$ 56,794
Intergovernmental	3,720	3,720	3,120	(600)
Charges for services	107,133	107,133	107,133	-
Interest	42,750	42,750	56,087	13,337
Miscellaneous	8,493	15,661	198,786	183,125
Total revenues	<u>3,627,021</u>	<u>3,634,189</u>	<u>3,886,845</u>	<u>252,656</u>
EXPENDITURES				
Public safety	3,286,726	4,879,987	4,724,928	155,059
Debt service				
Principal	302,661	1,528,885	1,528,885	-
Interest	335,270	405,565	405,565	-
Total expenditures	<u>3,924,657</u>	<u>6,814,437</u>	<u>6,659,378</u>	<u>155,059</u>
Excess (deficiency) of revenues over (under) expenditures	(297,636)	(3,180,248)	(2,772,533)	407,715
Fund balance - beginning	<u>4,808,643</u>	<u>4,808,643</u>	<u>4,808,643</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,511,007</u>	<u>\$ 1,628,395</u>	<u>\$ 2,036,110</u>	<u>\$ 407,715</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
MSBU Fund
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Special assessments	\$ 4,004	\$ 4,004	\$ -	\$ (4,004)
Interest	2,096	2,096	5,088	2,992
Miscellaneous	-	-	(215)	(215)
Total revenues	<u>6,100</u>	<u>6,100</u>	<u>4,873</u>	<u>(1,227)</u>
EXPENDITURES				
Physical environment	-	240,072	215,765	24,307
Total expenditures	<u>-</u>	<u>240,072</u>	<u>215,765</u>	<u>24,307</u>
Excess (deficiency) of revenues over (under) expenditures	6,100	(233,972)	(210,892)	23,080
Fund balance - beginning	<u>342,487</u>	<u>342,487</u>	<u>342,487</u>	<u>-</u>
Fund balance - ending	<u>\$ 348,587</u>	<u>\$ 108,515</u>	<u>\$ 131,595</u>	<u>\$ 23,080</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Court Fund
Year Ended September 30, 2004

	Bugeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	63,000	63,000	31,782	(31,218)
Charges for services	1,050,803	1,050,803	1,057,238	6,435
Total revenues	<u>1,113,803</u>	<u>1,113,803</u>	<u>1,089,020</u>	<u>(24,783)</u>
EXPENDITURES				
General government	1,113,803	1,113,803	1,089,020	24,783
Total expenditures	<u>1,113,803</u>	<u>1,113,803</u>	<u>1,089,020</u>	<u>24,783</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the 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, 2004

	Other Internal Services	Workers' Compensation	Insurance	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 38,152	\$ 1,390,997	\$ 123,596	\$ 1,552,745
Accounts receivable	182,776	15,670	24,885	223,331
Prepaid expenses	-	50,000	73,330	123,330
Investments	55,770	2,076,898	184,542	2,317,210
Due from other funds	238,269	-	-	238,269
Total current assets	<u>514,967</u>	<u>3,533,565</u>	<u>406,353</u>	<u>4,454,885</u>
Total assets	<u>514,967</u>	<u>3,533,565</u>	<u>406,353</u>	<u>4,454,885</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	101,956	3,438,421	255,049	3,795,426
Due to other funds	61,850	296	71,317	133,463
Total current liabilities	<u>163,806</u>	<u>3,438,717</u>	<u>326,366</u>	<u>3,928,889</u>
Total liabilities	<u>163,806</u>	<u>3,438,717</u>	<u>326,366</u>	<u>3,928,889</u>
NET ASSETS				
Unrestricted	351,161	94,848	79,987	525,996
Total net assets	<u>\$ 351,161</u>	<u>\$ 94,848</u>	<u>\$ 79,987</u>	<u>\$ 525,996</u>

Bay County, Florida
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
Year Ended September 30, 2004

	Other Internal Services	Workers' Compensation	Insurance	Total
OPERATING REVENUES				
Charges for services	\$ 3,226,822	\$ 736,852	\$ 1,100,656	\$ 5,064,330
Total operating revenues	<u>3,226,822</u>	<u>736,852</u>	<u>1,100,656</u>	<u>5,064,330</u>
OPERATING EXPENSES				
Personal services	1,316,870	84,144	41,120	1,442,134
Contracted services	134,506	30,171	9,670	174,347
Repairs and maintenance	116,417	1,328	2,346	120,091
Utilities	17,245	2,073	2,149	21,467
Materials	1,481,880	-	-	1,481,880
Insurance claims	-	148,420	1,035,899	1,184,319
Other operating expenses	159,904	470,716	9,472	640,092
Total operating expenses	<u>3,226,822</u>	<u>736,852</u>	<u>1,100,656</u>	<u>5,064,330</u>
Operating income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NONOPERATING REVENUES				
Interest income	-	8,161	683	8,844
Other charges	(1,694)	-	-	(1,694)
Gain (loss) on investment	100	(8,777)	(101)	(8,778)
Total nonoperating revenues	<u>(1,594)</u>	<u>(616)</u>	<u>582</u>	<u>(1,628)</u>
Income before transfers	<u>(1,594)</u>	<u>(616)</u>	<u>582</u>	<u>(1,628)</u>
TRANSFERS				
Transfers in	303,153	-	614	303,767
Transfers out	-	(5,221)	-	(5,221)
Net transfers	<u>303,153</u>	<u>(5,221)</u>	<u>614</u>	<u>298,546</u>
Change in net assets	301,559	(5,837)	1,196	296,918
Total net assets - beginning	<u>49,602</u>	<u>100,685</u>	<u>78,791</u>	<u>229,078</u>
Total net assets - ending	<u>\$ 351,161</u>	<u>\$ 94,848</u>	<u>\$ 79,987</u>	<u>\$ 525,996</u>

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2004

	Other Internal Services	Workers' Compensation	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,087,863	\$ 721,330	\$ 1,076,293	\$ 4,885,486
Cash paid to suppliers for goods and services	(2,459,474)	(498,557)	(1,180,419)	(4,138,450)
Cash paid to employees for services	(1,002,566)	(69,641)	(35,079)	(1,107,286)
Net cash provided by (used in) operating activities	<u>(374,177)</u>	<u>153,132</u>	<u>(139,205)</u>	<u>(360,250)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	303,153	-	614	303,767
Transfers out	-	(5,221)	-	(5,221)
Other charges	(1,694)	-	-	(1,694)
Net cash provided by (used in) noncapital and related financing activities	<u>301,459</u>	<u>(5,221)</u>	<u>614</u>	<u>296,852</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investment securities	21,650	16,547	71,806	110,003
Purchase of investments	(77,320)	(59,097)	(256,449)	(392,866)
Interest and dividends on investments	-	8,161	683	8,844
Net cash provided by (used in) investing activities	<u>(55,670)</u>	<u>(34,389)</u>	<u>(183,960)</u>	<u>(274,019)</u>
Net increase (decrease) in cash and cash equivalents	(128,388)	113,522	(322,551)	(337,417)
Cash and cash equivalents - beginning	<u>166,540</u>	<u>1,277,475</u>	<u>446,147</u>	<u>1,890,162</u>
Cash and cash equivalents - ending	<u>\$ 38,152</u>	<u>\$ 1,390,997</u>	<u>\$ 123,596</u>	<u>\$ 1,552,745</u>

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2004

	<u>Other Internal Services</u>	<u>Workers' Compensation</u>	<u>Insurance</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ -	\$ -	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
(Increase) decrease in assets				
Accounts receivable	(36,967)	(15,522)	(24,363)	(76,852)
Prepaid items	-	-	35,640	35,640
Due from other funds	(101,992)	-	-	(101,992)
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	(39,610)	168,410	1,892	130,692
Due to other funds	<u>(195,608)</u>	<u>244</u>	<u>(152,374)</u>	<u>(347,738)</u>
Total adjustments	<u>(374,177)</u>	<u>153,132</u>	<u>(139,205)</u>	<u>(360,250)</u>
Net cash provided by (used in) operating activities	<u>\$ (374,177)</u>	<u>\$ 153,132</u>	<u>\$ (139,205)</u>	<u>\$ (360,250)</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
September 30, 2004

	<u>Fines and Forfeitures</u>	<u>Jury and Witness</u>	<u>Tax Deed Assets</u>	<u>Support</u>
ASSETS				
Cash and cash equivalents	\$ 356,528	\$ 18,142	\$ 243,084	\$ 6,448
Accounts receivable	-	-	-	-
Total assets	<u>\$ 356,528</u>	<u>\$ 18,142</u>	<u>\$ 243,084</u>	<u>\$ 6,448</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	243,084	6,448
Due to other governments	356,528	18,142	-	-
Total liabilities	<u>\$ 356,528</u>	<u>\$ 18,142</u>	<u>\$ 243,084</u>	<u>\$ 6,448</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2004

	Court Registry	Cash Bond	Restitution	Doc Stamps
ASSETS				
Cash and cash equivalents	\$ 981,036	\$ 725,607	\$ 30,296	\$ 1,313,126
Accounts receivable	-	-	-	-
Total assets	<u>\$ 981,036</u>	<u>\$ 725,607</u>	<u>\$ 30,296</u>	<u>\$ 1,313,126</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	981,036	-	15,164	-
Due to other governments	-	725,607	15,132	1,313,126
Total liabilities	<u>\$ 981,036</u>	<u>\$ 725,607</u>	<u>\$ 30,296</u>	<u>\$ 1,313,126</u>

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2004

	<u>Intangible Tax</u>	<u>Court Construction</u>	<u>Property Tax Fund</u>	<u>Tax Certificate</u>
ASSETS				
Cash and cash equivalents	\$ 576,640	\$ -	\$ 1,144,156	\$ 2,700
Accounts receivable	-	-	-	-
Total assets	<u>\$ 576,640</u>	<u>\$ -</u>	<u>\$ 1,144,156</u>	<u>\$ 2,700</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	-	2,700
Due to other governments	576,640	-	1,144,156	-
Total liabilities	<u>\$ 576,640</u>	<u>\$ -</u>	<u>\$ 1,144,156</u>	<u>\$ 2,700</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2004

	<u>Tag</u>	<u>Other Suspense</u>	<u>Individual Depositors</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 7,949	\$ 5,405,712
Accounts receivable	17,951	-	-	17,951
Total assets	<u>\$ 17,951</u>	<u>\$ -</u>	<u>\$ 7,949</u>	<u>\$ 5,423,663</u>
LIABILITIES				
Bank overdraft	\$ 14,634	\$ -	\$ -	\$ 14,634
Accounts payable and accrued liabilities	-	-	7,949	1,256,381
Due to other governments	3,317	-	-	4,152,648
Total liabilities	<u>\$ 17,951</u>	<u>\$ -</u>	<u>\$ 7,949</u>	<u>\$ 5,423,663</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 398,778	\$ 5,195,896	\$ 5,238,146	\$ 356,528
Total assets	<u>\$ 398,778</u>	<u>\$ 5,195,896</u>	<u>\$ 5,238,146</u>	<u>\$ 356,528</u>
LIABILITIES				
Due to other governments	\$ 398,778	\$ 5,195,896	\$ 5,238,146	\$ 356,528
Total liabilities	<u>\$ 398,778</u>	<u>\$ 5,195,896</u>	<u>\$ 5,238,146</u>	<u>\$ 356,528</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 5,853	\$ 66,781	\$ 54,492	\$ 18,142
Total assets	<u>\$ 5,853</u>	<u>\$ 66,781</u>	<u>\$ 54,492</u>	<u>\$ 18,142</u>
LIABILITIES				
Due to other governments	\$ 5,853	\$ 66,781	\$ 54,492	\$ 18,142
Total liabilities	<u>\$ 5,853</u>	<u>\$ 66,781</u>	<u>\$ 54,492</u>	<u>\$ 18,142</u>
TAX DEED ASSETS				
ASSETS				
Cash and cash equivalents	\$ 19,450	\$ 477,566	\$ 253,932	\$ 243,084
Total assets	<u>\$ 19,450</u>	<u>\$ 477,566</u>	<u>\$ 253,932</u>	<u>\$ 243,084</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 19,450	\$ 477,566	\$ 253,932	\$ 243,084
Total liabilities	<u>\$ 19,450</u>	<u>\$ 477,566</u>	<u>\$ 253,932</u>	<u>\$ 243,084</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 479	\$ 1,134,780	\$ 1,128,811	\$ 6,448
Total assets	<u>\$ 479</u>	<u>\$ 1,134,780</u>	<u>\$ 1,128,811</u>	<u>\$ 6,448</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 479	\$ 1,134,780	\$ 1,128,811	\$ 6,448
Total liabilities	<u>\$ 479</u>	<u>\$ 1,134,780</u>	<u>\$ 1,128,811</u>	<u>\$ 6,448</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 2,179,535	\$ 14,211,089	\$ 15,409,588	\$ 981,036
Total assets	<u>\$ 2,179,535</u>	<u>\$ 14,211,089</u>	<u>\$ 15,409,588</u>	<u>\$ 981,036</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,179,535	\$ 14,211,089	\$ 15,409,588	\$ 981,036
Total liabilities	<u>\$ 2,179,535</u>	<u>\$ 14,211,089</u>	<u>\$ 15,409,588</u>	<u>\$ 981,036</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 526,349	\$ 1,588,429	\$ 1,389,171	\$ 725,607
Total assets	<u>\$ 526,349</u>	<u>\$ 1,588,429</u>	<u>\$ 1,389,171</u>	<u>\$ 725,607</u>
LIABILITIES				
Due to other governments	\$ 526,349	\$ 1,588,429	\$ 1,389,171	\$ 725,607
Total liabilities	<u>\$ 526,349</u>	<u>\$ 1,588,429</u>	<u>\$ 1,389,171</u>	<u>\$ 725,607</u>

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 25,127	\$ 358,899	\$ 353,730	\$ 30,296
Total assets	<u>\$ 25,127</u>	<u>\$ 358,899</u>	<u>\$ 353,730</u>	<u>\$ 30,296</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 9,995	\$ 358,899	\$ 353,730	\$ 15,164
Due to other governments	15,132	-	-	15,132
Total liabilities	<u>\$ 25,127</u>	<u>\$ 358,899</u>	<u>\$ 353,730</u>	<u>\$ 30,296</u>
DOC STAMPS				
ASSETS				
Cash and cash equivalents	\$ 350,020	\$ 31,482,921	\$ 30,519,815	\$ 1,313,126
Total assets	<u>\$ 350,020</u>	<u>\$ 31,482,921</u>	<u>\$ 30,519,815</u>	<u>\$ 1,313,126</u>
LIABILITIES				
Due to other governments	\$ 350,020	\$ 31,482,921	\$ 30,519,815	\$ 1,313,126
Total liabilities	<u>\$ 350,020</u>	<u>\$ 31,482,921</u>	<u>\$ 30,519,815</u>	<u>\$ 1,313,126</u>
INTANGIBLE TAX				
ASSETS				
Cash and cash equivalents	\$ -	\$ 7,388,965	\$ 6,812,325	\$ 576,640
Total assets	<u>\$ -</u>	<u>\$ 7,388,965</u>	<u>\$ 6,812,325</u>	<u>\$ 576,640</u>
LIABILITIES				
Due to other governments	\$ -	\$ 7,388,965	\$ 6,812,325	\$ 576,640
Total liabilities	<u>\$ -</u>	<u>\$ 7,388,965</u>	<u>\$ 6,812,325</u>	<u>\$ 576,640</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
COURT CONSTRUCTION				
ASSETS				
Cash and cash equivalents	\$ 38,604	\$ 365,134	\$ 403,738	\$ -
Total assets	<u>\$ 38,604</u>	<u>\$ 365,134</u>	<u>\$ 403,738</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ 38,604	\$ 365,134	\$ 403,738	\$ -
Total liabilities	<u>\$ 38,604</u>	<u>\$ 365,134</u>	<u>\$ 403,738</u>	<u>\$ -</u>
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 990,726	\$ 4,293,432	\$ 4,140,002	\$ 1,144,156
Investments	-	124,740,168	124,740,168	-
Total assets	<u>\$ 990,726</u>	<u>\$ 129,033,600</u>	<u>\$ 128,880,170</u>	<u>\$ 1,144,156</u>
LIABILITIES				
Due to other governments	\$ 990,726	\$ 129,033,600	\$ 128,880,170	\$ 1,144,156
Total liabilities	<u>\$ 990,726</u>	<u>\$ 129,033,600</u>	<u>\$ 128,880,170</u>	<u>\$ 1,144,156</u>
TAX CERTIFICATE				
ASSETS				
Cash and cash equivalents	\$ 2,100	\$ 4,514,275	\$ 4,513,675	\$ 2,700
Total assets	<u>\$ 2,100</u>	<u>\$ 4,514,275</u>	<u>\$ 4,513,675</u>	<u>\$ 2,700</u>
LIABILITIES				
Accounts payable	\$ 2,100	\$ 4,514,275	\$ 4,513,675	\$ 2,700
Total liabilities	<u>\$ 2,100</u>	<u>\$ 4,514,275</u>	<u>\$ 4,513,675</u>	<u>\$ 2,700</u>

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
TAG				
ASSETS				
Accounts receivable	\$ 17,418	\$ 33,951,579	\$ 33,951,046	\$ 17,951
Total assets	<u>\$ 17,418</u>	<u>\$ 33,951,579</u>	<u>\$ 33,951,046</u>	<u>\$ 17,951</u>
LIABILITIES				
Bank overdraft	\$ 722	\$ 17,462,575	\$ 17,448,663	\$ 14,634
Due to other governments	16,696	16,489,004	16,502,383	3,317
Total liabilities	<u>\$ 17,418</u>	<u>\$ 33,951,579</u>	<u>\$ 33,951,046</u>	<u>\$ 17,951</u>
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 71,693	\$ 71,693	\$ -
Total assets	<u>\$ -</u>	<u>\$ 71,693</u>	<u>\$ 71,693</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ -	\$ 71,693	\$ 71,693	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 71,693</u>	<u>\$ 71,693</u>	<u>\$ -</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 1,408	\$ 278,234	\$ 271,693	\$ 7,949
Total assets	<u>\$ 1,408</u>	<u>\$ 278,234</u>	<u>\$ 271,693</u>	<u>\$ 7,949</u>
LIABILITIES				
Accounts payable	\$ 1,408	\$ 278,234	\$ 271,693	\$ 7,949
Total liabilities	<u>\$ 1,408</u>	<u>\$ 278,234</u>	<u>\$ 271,693</u>	<u>\$ 7,949</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
COMBINED TOTALS				
ASSETS				
Cash and cash equivalents	\$ 4,538,429	\$ 71,428,094	\$ 70,560,811	\$ 5,405,712
Accounts receivable	17,418	33,951,579	33,951,046	17,951
Investments	-	124,740,168	124,740,168	-
Total assets	<u>\$ 4,555,847</u>	<u>\$ 230,119,841</u>	<u>\$ 229,252,025</u>	<u>\$ 5,423,663</u>
LIABILITIES				
Bank overdraft	\$ 722	\$ 17,462,575	\$ 17,448,663	\$ 14,634
Accounts payable and accrued liabilities	2,212,967	20,974,843	21,931,429	1,256,381
Due to other governments	2,342,158	191,682,423	189,871,933	4,152,648
Total liabilities	<u>\$ 4,555,847</u>	<u>\$ 230,119,841</u>	<u>\$ 229,252,025</u>	<u>\$ 5,423,663</u>

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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>	
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%
2004	\$110,259,284	\$23,151,867	21%	\$40,724,943	37%	\$5,399,144	5%	\$13,921,710	13%	\$8,155,525	7%	\$4,063,104	4%	\$3,861,643	4%	\$10,981,348	10%

(1) Includes expenditures of the General Fund and Special Revenue Funds.

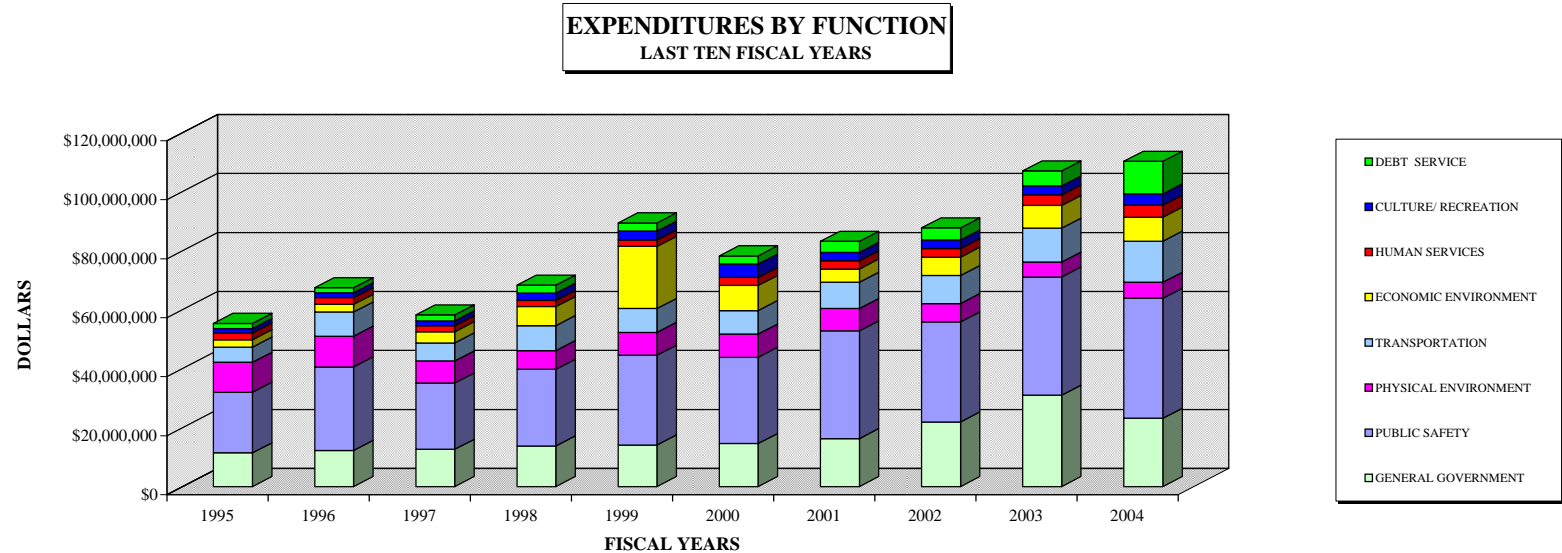


TABLE 2

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

FISCAL YEAR	TOTAL REVENUE	TAXES		LICENSES AND PERMITS		INTERGOVERNMENTAL REVENUE		CHARGES FOR SERVICES		FINES AND FORFEITURES		SPECIAL ASSESSMENTS		INTEREST		MISCELLANEOUS	
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%
2004	\$102,617,330	\$57,136,660	56%	\$2,840	0%	\$25,922,701	25%	\$14,286,044	14%	\$790,062	1%	\$170,651	<1%	\$863,064	1%	\$3,445,308	3%

(1)Includes revenues of the General Fund and Special Revenue Funds.

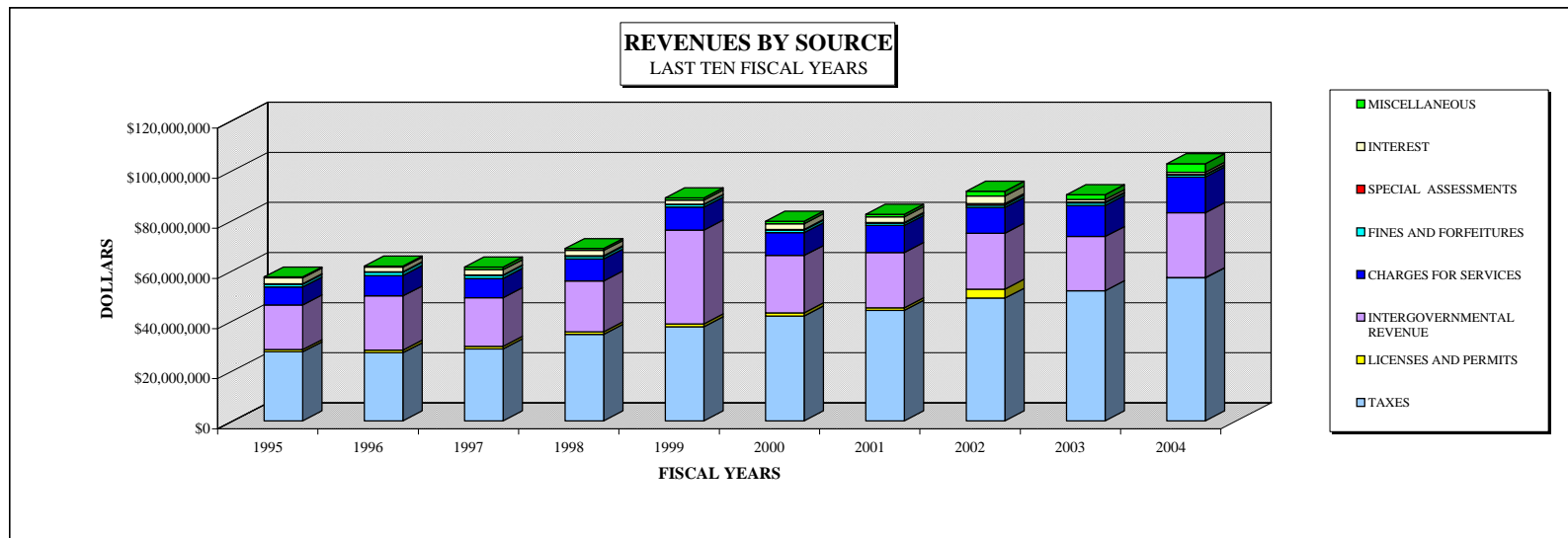


TABLE 3

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

FISCAL YEAR	TOTAL TAX LEVY (1)	TAX COLLECTIONS(2)	PERCENT OF LEVY COLLECTED
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%
2004	\$122,087,952	\$116,993,379	96%

Source: Bay County Tax Collector's Office

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

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

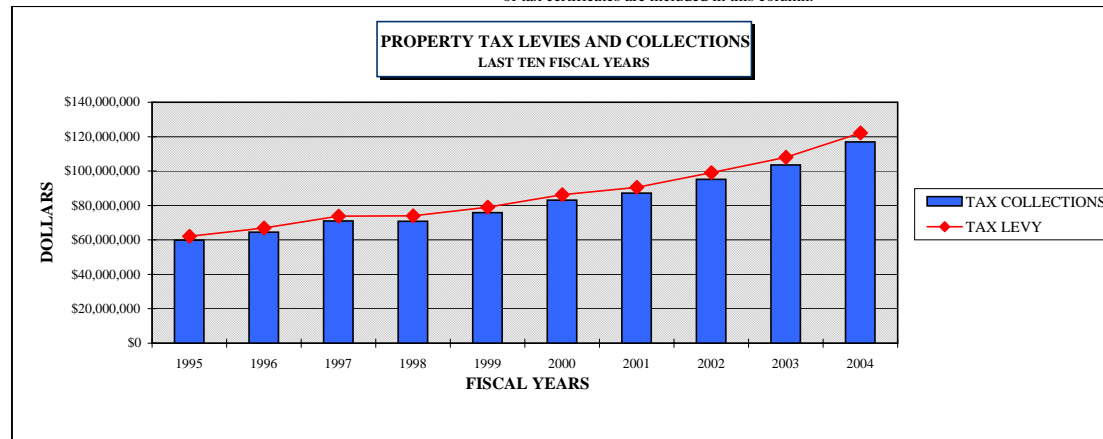


TABLE 4

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

FISCAL YEARS	REAL PROPERTY ASSESSED VALUE	ESTIMATED ACTUAL VALUE	PERSONAL PROPERTY ASSESSED VALUE	ESTIMATED ACTUAL VALUE	CENTRALLY ASSESSED VALUE	TOTAL ASSESSED VALUE	ESTIMATED ACTUAL VALUE	RATIO OF TOTAL ASSESSED VALUE TO TOTAL ESTIMATED ACTUAL VALUE
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%
2004	\$8,072,579	\$11,577,607	\$816,011	\$1,573,208	\$9,311	\$8,897,901	\$13,160,126	67.61%

Source: Property Appraiser's Office

TABLE 5

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

	<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>	<u>2004</u>
<u>COUNTY-WIDE MILLAGES:</u>										
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	0.1600	0.1600	0.1600	0.1600	0.1600	0.1600
County Total	5.6320	5.6320	5.6320	5.6320	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620
COUNTY MOSQUITO (2)	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852
SCHOOL DISTRICTS	9.4980	9.2260	9.3270	9.2690	8.9180	8.6690	8.5300	8.6550	8.5690	8.1480
NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
<u>BAY COUNTY UNINCORPORATED:</u>										
MSTU (3)	0.5000	0.5000	0.5000	0.5000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<u>SPECIAL DISTRICT:</u>										
Beach Mosquito Control	0.3930	0.4250	0.3970	0.3930	0.3930	0.3544	0.2675	0.2990	0.2990	0.2590
<u>MUNICIPALITIES:</u>										
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	2.9000	2.9000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000
City of Mexico Beach	5.4000	5.3200	5.3200	4.3400	4.3100	4.9100	4.8500	4.6000	4.5500	4.5000
City of Callaway	--	--	--	--	--	--	--	--	--	2.0000

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)

2004 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	\$18,746,784	0.26%	\$326,605,770	38.75%	\$345,352,554	4.35%
Smurfit-Stone Container Corp.	\$20,229,022	0.29%	\$109,386,304	12.98%	\$129,615,326	1.63%
St Joseph Land & Development	\$118,832,933	1.68%	\$491,148	0.06%	\$119,324,081	1.50%
Peoples First Community Bank Resort Hospitality Enterprises	\$77,652,602	1.10%	\$8,434,115	1.00%	\$86,086,717	1.08%
BellSouth Telecommunications	\$6,266,425	0.09%	\$63,304,600	7.51%	\$69,571,025	0.88%
Hilton Enterprises	\$44,476,997	0.63%	\$3,290,356	0.39%	\$47,767,353	0.60%
Columbia Gulf Coast Hospital & Hospital Corp of America	\$16,159,920	0.23%	\$12,828,747	1.52%	\$28,988,667	0.37%
Arizona Chemical Company	\$3,773,640	0.05%	\$33,519,634	3.98%	\$37,293,274	0.47%
Lake Powell LLC	\$30,249,319	0.43%	\$974,590	0.12%	\$31,223,909	0.39%
Eagles Landing, LTD	\$22,892,003	0.32%	\$434,186	0.05%	\$23,326,189	0.29%
TOTAL ASSESSMENTS	\$359,279,645	5.07%	\$559,269,450	66.35%	\$918,549,095	11.57%

(1) Assessed Value for all Real Property for fiscal year 2004 - \$8,072,579,000.

(2) Assessed Value for all Personal Property for fiscal year 2004 - \$816,011,000.

(3) Assessed Value for all Assessed Property for fiscal year 2004 - \$8,897,901,000.

Source: Bay County Property Appraiser's Office

TABLE 7

**BAY COUNTY, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT(1)
SEPTEMBER 30, 2004**

<u>JURISDICTION</u>	<u>NET DEBT</u>	<u>PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT</u>	<u>OVERLAPPING NET DEBT</u>
District School Board	\$36,630,000	100%	\$36,630,000

Source: Financial Statements of Jurisdictions listed

(1) Balance per Financial Statements for period ended June 30, 2004.

TABLE 8
Page 1 of 2

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

FISCAL YEAR(3)	GROSS REVENUES(1)	EXPENSES(2)	NET REVENUES AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
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
2004	\$10,120,295	\$4,746,910	\$5,373,385	\$965,000	\$2,885,745	\$3,850,745	1.4

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

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

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

Deployment by the County related to this system was defensed. Activity related to other A five City, not-for-profit Joint Venture, entitled "Military Point Advanced Wastewater Treatment Facility," 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)**

FISCAL YEAR	GROSS REVENUES(1)	EXPENSES(2)	NET REVENUES AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
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
2004	\$11,146,302	\$8,907,434	\$2,238,868	\$1,350,000	\$1,838,732	\$3,188,732	0.7

(1) Operating and other revenues.

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

TABLE 9

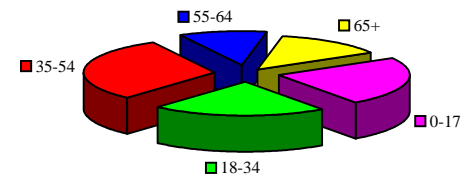
**BAY COUNTY, FLORIDA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>YEAR</u>	<u>ESTIMATED POPULATION</u>	<u>PER CAPITA INCOME</u>	<u>UNEMPLOYMENT RATES</u>
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	\$ 25,536	5.9%
2003	154,827	N/A	5.4%

AGE DISTRIBUTION OF POPULATION (2003 ESTIMATED)

<u>AGE</u>	<u>TOTAL</u>	<u>PERCENT</u>
0-17	36,209	23%
18-34	33,629	22%
35-54	47,048	30%
55-64	16,832	11%
65+	21,109	14%
	<u>154,827</u>	<u>100%</u>

AGE DISTRIBUTION OF POPULATION (2003)



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

N/A - Not Available

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

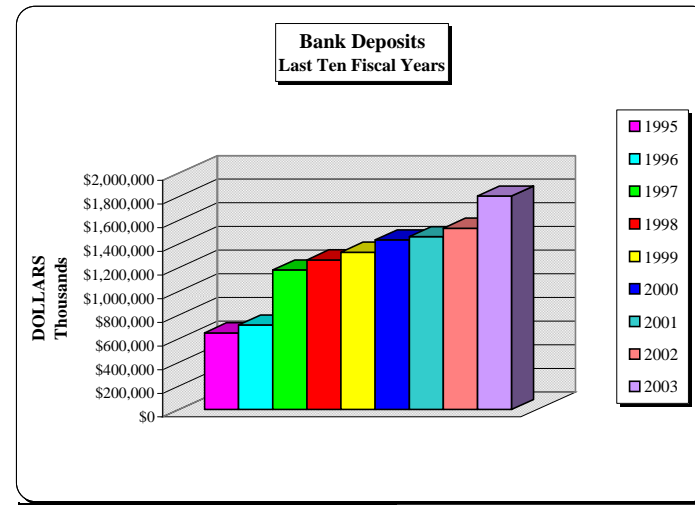
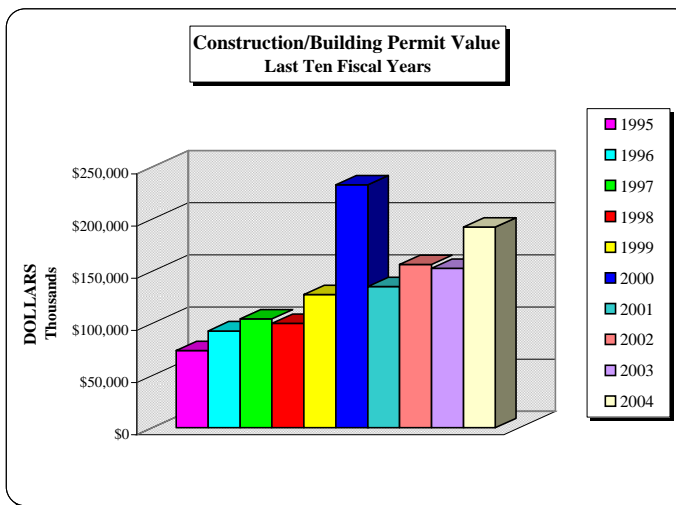
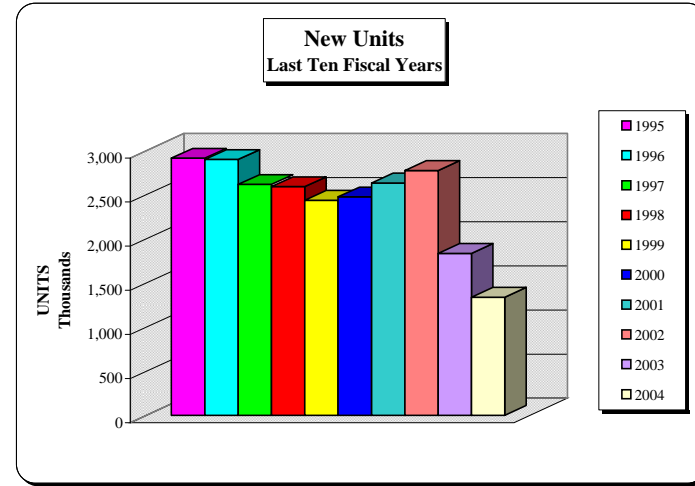
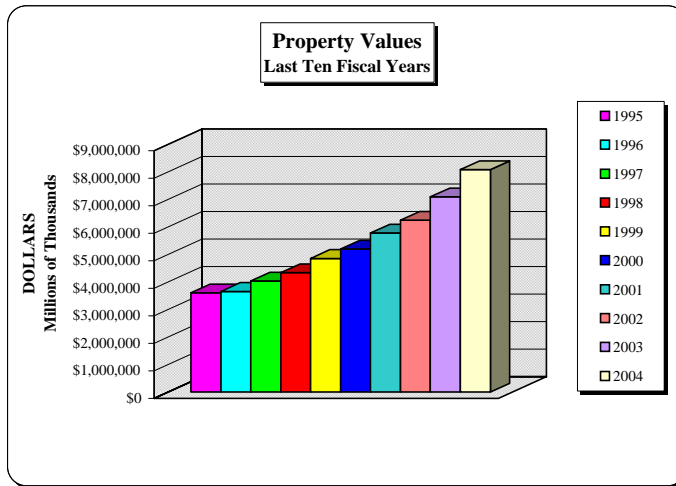
YEAR	PROPERTY VALUE(1)	NUMBER OF NEW UNITS	CONSTRUCTION(1)(2) BUILDING PERMIT VALUE	BANK DEPOSITS(1)
1995	\$3,599,983	2,915	\$73,985	\$648,331
1996	\$3,653,357	2,900	\$92,748	\$714,437
1997	\$4,028,180	2,618	\$104,149	\$1,180,602
1998	\$4,335,327	2,592	\$99,994	\$1,265,285
1999	\$4,847,077	2,437	\$127,659	\$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	\$1,805,000
2004	\$8,072,579	1,338	\$192,383	N/A

Sources: *Bay County Property Appraiser*
Bay County Building Department
University of Florida; Bureau of Economic and
Business Research "2004 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 2004 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

C-14 **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, 2003 is 154,827. The population by age is as follows:

<u>Age</u>	<u>2003</u>	<u>Percentage</u>
0-17	36,209	23%
18-34	33,629	22%
35-54	47,048	30%
55-64	16,832	11%
65+	<u>21,109</u>	<u>14%</u>
TOTAL	<u>154,827</u>	<u>100%</u>

Employers:

The size of the County's Labor Force is estimated to be 71,864. 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>	7,107
<i>Bay County School Board</i>	<i>Public Schools</i>	6,000
<i>Naval Support Activity</i>	<i>Military</i>	2,548
<i>Bay Medical Center</i>	<i>Medical Facility</i>	2,068
<i>Wal-mart Superstores</i>	<i>Department/Retail</i>	1,370
<i>Sallie Mae</i>	<i>Broker/Student Loans</i>	1,325
<i>Nextel Partners</i>	<i>Customer Care Center</i>	1,000
<i>Gulf Coast Medical Center</i>	<i>Health Care</i>	850
<i>Trane Company</i>	<i>Air Conditioners</i>	600
<i>Smurfit-Stone Container</i>	<i>Kraft Linerboard</i>	585
TOTAL		23,453

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 28,405. There are approximately 2,000 certified teachers and administrators. The type and grade of schools are as follows:

<u>Type/Grades</u>	<u>Number</u>
Elementary/K-8	22
Middle School/6-8	7
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 403; over 200 physicians and more than 2,000 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; more than 750 full-time equivalent professional, technical 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
Sea Breeze Health Care	120	Glen Cove Nursing Pavilion	115
Panama City Nursing Center	120	Emerald Shores Health Care	77
St Andrew Health & Rehab Center	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>Organization</u>	<u>Description</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>Name of Waterway</u>	<u>Description</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:

<u>Name of Marina</u>	<u>Description</u>
<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:

<u>Name of Facility</u>	<u>Description</u>
<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

Description

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

Zollie Young Park

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

Under the Oaks Park

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

Description

95 acre privately owned facility; two 18 hole courses

Bay Dunes Golf Course

125 acre facility; 18 hole course

Hombre Golf Club

18 hole, par 72 semi-private championship course

Panama Country Club

200 acre privately owned facility; 18 hole course

Wild Heron Golf Club

18 hole, private golf club

Recreation (continued):

Stadiums – The County has one stadium within its borders

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

Libraries:

The County has five public libraries with an estimated 188,992 total volumes. These libraries are as follows:

<u>Name of Facility</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:

Average Summer Temperature	81.9F
Average Winter Temperature	53.2F
Average Yearly Rainfall	64.52"

*Sources: University of Florida, Bureau of Economic and Business Research; "2004 Florida Statistical Abstract";
Bay County Chamber of Commerce*

COMPLIANCE SECTION

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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, 2004, and have issued our report thereon dated February 18, 2005.

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 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Report on Compliance with requirements Applicable to Each Major Program/State Project and 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 18, 2005, should be considered in conjunction with this management letter.

Our audit was conducted in accordance with Chapter 10.550, State of Florida Rules of the Auditor General. Those rules (Section 10.554(1)(h)1.) 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)(h)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.

American Institute of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

AICPA Alliance for CPA Firms

Center for Public
Company Audit Firms

As required by the Rules of the Auditor General (Section 10.554(1)(h)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)(h)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, matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: (a) violations of laws, rules, regulations, and contractual provisions that have occurred, or were likely to have occurred, and were discovered within the scope of the audit; (b) improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements, and; (c) deficiencies in internal control that are not reportable conditions, including, but not limited to, 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 come to the attention of the auditor. Our audit disclosed no matters required to be disclosed pursuant to Section 10.554(1)(h)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)(h)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)(h)6.b), we determined that the annual financial report for Bay County, Florida for the year ended September 30, 2004, 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, 2004.

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

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

Panama City, Florida
February 18, 2005

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

The Honorable County Commissioners
Bay County, Florida

We have audited the 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, 2004, which collectively comprise the County's basic financial statements, and have issued our report dated February 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Bay County, Florida
Page Two

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use 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.

Carr, Riggs & Ingram, L.L.C.

Panama City, Florida
February 18, 2005

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, 2004. 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.

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, 2004.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 caused by error or fraud 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 solely 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.

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

Panama City, Florida
February 18, 2005

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2004

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable conditions identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards and State Financial Assistance

Internal control over major programs:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable conditions identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of auditors' report issued on compliance for major programs and state: 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 ☒ No

Identification of major programs and state:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.579	U.S. Department of Justice Bureau of Justice Assistance
97.036	U. S. Department of Homeland Security Disaster Relief

(Continued)

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2004

(Continued)

<u>CSFA Number</u>	<u>Name of State Projects</u>
	Department of Transportation
55.008	Community Incentive Grant Program
55.009	Small County Outreach Program
	Executive Office of the Governor
31.003	CSS Test Range Operations Center
	Department of Environmental Protection
37.003	Beach Erosion Control Program

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

There were no findings.

Section III - Federal Awards and State Financial Assistance Findings

There were no findings.

Bay County, Florida
Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2004

There were no prior year audit findings.

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2004

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
U.S. Department of Justice			
Passed through Florida Department of Law Enforcement			
Comprehensive Case Information System	16.579	03-CJ-5A-01-13-01-247	\$ 247,354
Lifeline Program for Males	16.579	04-CJ-J3-01-13-01-080	49,921
School Resource Officer Program	16.579	04-CJ-J3-01-13-01-081	51,118
Modify OBTSApplication for New Summary Reporting System	16.579	04-CJ-J3-01-13-01-249	11,250
Enhancement / Automation OBTS	16.579	04-CJ-J3-01-13-01-251	2,255
Imaging of Criminal Case Documents	16.579	04-CJ-J3-01-13-01-252	439,067
Intoxilyzer 8000	16.579	04-CJ-2H-01-13-01-255	23,812
Livescan Program	16.579	04-CJ-J3-01-13-01-250	87,597
Passed through State of Florida Office of Attorney General			
Victims of Crime Act	16.575	V3298	39,445
Direct			
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-2399	57,389
Cops in School	16.710	2002SHWX0040	89,131
Total U.S. Department of Justice			<u>1,098,339</u>
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
Bay County Right-of-Way Safety Audit Program	20.605	-----	<u>35,035</u>
Total U.S. Department of Transportation			<u>35,035</u>
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs			
Emergency Management Preparedness & Assistance	83.552	03-BG-04-01-13-01-003	35,614
Continuity of Operations / Terrorism Annex Agreement	83.562	03-FT-1B-01-13-01-347	50,000
Tropical Storm Allison	83.544	02-RM-2?-01-13-01-004	296,432
Disaster Relief Funding	97.036	05-PA-G+-01-13-01-623	1,104,856
Disaster Relief Funding	97.036	05-PA-G+-01-13-23-589	144,765
Hazard Mitigation Grant	97.039	04HM-7+-01-13-15-001	12,233
Hazard Mitigation Grant	97.039	04HM-7+-01-13-15-017	324,509
Hazard Mitigation Grant	97.039	04HM-Q9-01-13-01-002	94
Hazard Mitigation Grant	97.039	04HM-7+-01-13-01-014	188
Hazard Mitigation Grant	97.039	04HM-7+-01-13-15-003	136
Hazard Mitigation Grant	97.039	04HM-7+-01-13-01-021	95,601
Hazard Mitigation Grant	97.039	04HM-7+-01-13-15-002	93,486
Hazard Mitigation Grant	97.039	04HM-7+-01-13-15-010	192,379
Hazard Mitigation Grant	97.039	04HM-7+-01-13-01-018	168,750
Total U.S. Department of Homeland Security			<u>2,519,043</u>
U.S. Department of Health and Human Services			
Passed through Florida Department of Community Affairs			
Community Services Block Grant	93.569	03-SB-2K-12-00-01-001	178,025
Passed through Florida Department of Revenue			
Child Support Enforcement - Title IV	93.563	CC303	<u>173,532</u>
Total U.S. Department of Health and Human Services			<u>351,557</u>
U.S. General Services Administration			
Passed through Florida Department of Elections			
Voter Education	39.011	MOA	<u>31,763</u>
Total U.S. General Services Administration			<u>31,763</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,035,737</u>

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2004

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<u>STATE OF FLORIDA</u>			
Justice Administration Commission			
Child Dependency Grant - In - Aid	21.001	-----	\$ 45,261
Total Justice Administration Commission			<u>45,261</u>
Office of the State Courts Administrator			
Civil Traffic Hearing Officer Program	22.001	-----	9,710
Total Office of the State Courts Administrator			<u>9,710</u>
Department of Environmental Protection			
Beach Erosion Control Program	37.003	04BA1	524,292
Youngstown/Fountain Park	37.017	F3625	145,660
Deer Point Lake Dirt Road Stabilization	37.022	-----	98,150
Total Department of Environmental Protection			<u>768,102</u>
Department of Health			
Emergency Medical Services	64.***	C-3003	52,795
Total Department of Health			<u>52,795</u>
Department of Agriculture and Consumer Services			
Mosquito Control	42.003	-----	22,596
Total Department of Agriculture and Consumer Services			<u>22,596</u>
Department of Community Affairs			
Hazard Mitigation Grant	52.010	04HM-Q9-01-13-01-002	16
Emergency Management Preparedness Grant	52.008	03-BG-04-01-13-01-003	102,959
Tropical Storm Allison	52.017	02-RM-2?-01-13-01-004	42,225
Disaster Relief Funding	52.***	05-PA-G+-01-13-01-623	59,086
Disaster Relief Funding	52.***	05-PA-G+-01-13-23-589	10,731
Total Department of Community Affairs			<u>215,017</u>
Department of Transportation			
Eleventh Street Sidewalk Project	55.008	AM132	398,425
Small County Outreach Program	55.009	408972-1-58-01	947,982
Small County Outreach Program	55.009	408973-1-58-01	1,280,294
Total Department of Transportation			<u>2,626,701</u>
Department Law Enforcement			
Children's Justice Act Grant	71.***	-----	1,774
Intoxilyzer 8000	71.***	-----	7,938
Total Department of Law Enforcement			<u>9,712</u>
Florida Housing Finance Corporation			
State Housing Initiatives Partnership Program	52.901	-----	1,120,242
Total Florida Housing Finance Corporation			<u>1,120,242</u>
Executive Office of the Governor			
CSS Test Range Operations Center	31.003	DIG-99-10	355,050
Total Executive Office of the Governor			<u>355,050</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 5,225,186</u>

*** CSFA Numbers are not available for this program

Notes to Schedule

The County follows the modified accrual basis of accounting in preparing this schedule. This method is consistent with the preparation of the County's financial statements.

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SUPPLEMENTARY INFORMATION

Schedule 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, 2004

	1988	1989	1990	1991	1992	1993	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	\$ 6,473,284	\$ 12,817,711	\$ 15,358,537	\$ 13,731,968	\$ 21,933,269	\$ 17,255,586	\$ 18,886,421
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	6,832,915	6,189,088	6,218,839	6,228,233	5,474,748	6,096,223	11,493,280
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	4,637,756	6,325,187	6,127,231	5,411,849	6,195,113	6,091,785	6,127,352
Total Other Solid Waste System Expenses	5,174,077	10,518,051	9,608,614	8,911,995	9,848,732	9,089,060	9,162,900
Total Uses of Sales Tax and System Revenues	\$ 12,006,992	\$ 16,707,139	\$ 15,827,453	\$ 15,140,228	\$ 15,323,480	\$ 15,185,283	\$ 20,656,180
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	6,832,915	6,189,088	6,218,839	6,228,233	5,474,748	6,096,223	11,493,280
Excess (Deficit) of Sales Tax Revenue Over							
(Under) Capital Costs of the Incinerator	\$ (5,246,602)	\$ (1,614,000)	\$ (80,382)	\$ (566,620)	\$ 851,187	\$ 671,304	\$ (3,306,009)
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	12,006,992	16,707,139	15,827,453	15,140,228	15,323,480	15,185,283	20,656,180
Net Sources in Excess (Deficit) of Uses	(5,533,708)	(3,889,428)	(468,916)	(1,408,260)	6,609,789	2,070,303	(1,769,759)
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							
Net Assets per Audited Financial Statements	\$ (4,636,553)	\$ (3,591,077)	\$ (71,914)	\$ (955,041)	\$ 1,301,761	\$ 3,395,215	\$ (779,630)

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
\$ 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	4,345,685	60,940,878
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	5,961,147	63,197,902
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	665,050	16,600,953
-	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	14,406	1,317,729
-	-	-	-	-	-	-	259,038	(73,514)	(236,303)	(50,779)
21,950	57,699	12,645	77,050	53,779	49,062	497,864	956,472	356,461	396,316	2,566,717
<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>\$ 11,146,301</u>	<u>\$ 312,986,961</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	\$ 1,350,000	\$ 20,195,000
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	2,141,430	29,140,475
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	5,209,686	19,577,726
1,636,145	(143,775)	-	2,158,791	(2,462,963)	(438,466)	4,965,662	(108,371)	(210,153)	(169,585)	10,894,085
<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>8,531,531</u>	<u>119,739,445</u>
804,020	811,627	859,830	873,977	808,223	765,933	841,334	892,026	964,506	953,178	13,140,957
18,196	18,791	21,786	20,225	18,046	23,498	22,646	27,568	27,406	29,877	351,746
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	8,093,964	123,690,793
<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>9,077,019</u>	<u>164,380,039</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>\$ 17,608,550</u>	<u>\$ 284,119,484</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
7,470,173	5,810,607	6,667,595	10,724,369	4,417,564	5,819,028	8,725,090	6,920,530	6,119,632	8,531,531	119,739,445
<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>\$ (8,531,531)</u>	<u>\$ 8,283,800</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	\$ 11,146,301	\$ 312,986,961
17,657,374	23,972,153	16,552,041	20,937,923	12,859,428	14,302,094	17,591,492	16,583,014	15,208,660	17,608,550	284,119,484
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	(6,462,249)	28,867,477
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	1,350,000	20,195,000
(476,400)	(475,118)	(423,925)	(400,214)	(1,423,105)	(3,603,784)	(3,730,621)	(3,665,849)	(3,654,419)	(3,641,372)	(23,867,254)
-	94,830	-	2,072,283	1,994,612	2,760,960	267,132	3,534,366	2,835,773	5,209,686	19,577,726
-	-	-	-	-	-	-	-	-	-	(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>\$ (3,543,935)</u>	<u>\$ 39,830,052</u>

BAY COUNTY, FLORIDA
Notes to the Statement of Sources and Uses of Sales Tax Revenues
and System Revenues for the Bay County Solid Waste Fund
Years Ended September 30, 1988 through September 30, 2004

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, 2003 and 2004 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, 2004

SUPERVISOR OF ELECTIONS

Mark Andersen

TAX COLLECTOR

Peggy Brannon

CLERK OF CIRCUIT COURT

Harold Bazzel

SHERIFF

Frank McKeithen

PROPERTY APPRAISER

Rick Barnett

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BAY COUNTY, FLORIDA
September 30, 2004
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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, 2004, 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 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 State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Governmental Accounting Standards Board 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 Supervisor of Elections 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.

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Certified Public Accountants

Alabama Society of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

Mississippi Society of
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Company Audit Firms

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, 2004, 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 31, 2005 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 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.

Carly Riggs & Ingram, L.L.C.

Panama City, Florida
January 31, 2005

Bay County Supervisor of Elections
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2004

	General
ASSETS	
Cash and cash equivalents	\$ 29,286
Investments	19,564
Accounts receivable	1,518
Total assets	<u>\$ 50,368</u>
 LIABILITIES	
Accounts payable and accrued liabilities	\$ 21,689
Due to other governments	28,679
Total liabilities	<u>50,368</u>
 FUND BALANCE	
Unreserved	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 50,368</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
Governmental Fund
Year Ended September 30, 2004

	<u>General</u>
REVENUES	
Intergovernmental	\$ 31,763
Charges for services	6,993
Qualifying fees	374
Interest	<u>3,770</u>
Total revenues	<u>42,900</u>
EXPENDITURES	
Current	
General government	<u>963,593</u>
Total expenditures	<u>963,593</u>
Excess of expenditures over revenues	<u>(920,693)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	949,225
Reversion to Board of County Commissioners	<u>(28,532)</u>
Total other financing sources (uses)	<u>920,693</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 31,763	\$ 31,763	\$ 31,763	\$ -
Charges for services	2,530	2,530	6,993	4,463
Qualifying fees	1,793	1,793	374	(1,419)
Interest	3,000	3,000	3,770	770
Total revenues	<u>39,086</u>	<u>39,086</u>	<u>42,900</u>	<u>3,814</u>
EXPENDITURES				
Current				
General government	<u>985,375</u>	<u>988,311</u>	<u>963,593</u>	<u>24,718</u>
Total expenditures	<u>985,375</u>	<u>988,311</u>	<u>963,593</u>	<u>24,718</u>
Excess of expenditures over revenues	<u>(946,289)</u>	<u>(949,225)</u>	<u>(920,693)</u>	<u>28,532</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	946,289	949,225	949,225	-
Reversion to Board of County Commissioners	<u>-</u>	<u>-</u>	<u>(28,532)</u>	<u>(28,532)</u>
Total other financing sources (uses)	<u>946,289</u>	<u>949,225</u>	<u>920,693</u>	<u>(28,532)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Supervisor of Elections
Notes to Special-Purpose Financial Statements
September 30, 2004

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 financial statements of the Supervisor of Elections are included in Bay County, Florida's 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 or cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation – Fund Accounting – Accounts are organized on the basis of fund types 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 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, 2004

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, 2004

NOTE 2 – DEPOSITS AND INVESTMENTS

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.

The Supervisor's investments are part of an internal investment pool maintained by the Bay County Board of County Commissioners (BOCC). See Note 5 of the notes to basic financial statements of the BOCC's combined annual financial report for the investment policies utilized.

All investments of the Supervisor of Elections are categorized under GASB 3 guidelines to give an indication of custodial credit risk assumed. All of the investments are category 1, which includes investments that are insured or registered, or for which the securities are held by Bay County or its agent in Bay County's name.

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-

Bay County Supervisor of Elections
Notes to Special-Purpose Financial Statements
September 30, 2004

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2003 – June 30, 2004 are 7.39% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2004 – September 30, 2004 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, 2003 – June 30, 2004 and 9.11% effective from July 1, 2004 – September 30, 2004. The Supervisor of Elections' contributions for the years ended September 30, 2004, 2003 and 2002 were \$28,911, \$24,714, and \$27,143, respectively, and are equal to the required contributions for each year.

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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, 2004, and have issued our report thereon dated January 31, 2005.

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 Standards*, dated January 31, 2005. 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 State of Florida Office of the Auditor General. Those rules (Section 10.554(1)(h)3.) 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, any recommendations to improve the local governmental entity's financial management, accounting procedures, and internal control. There were no recommendations required to be reported by rule 10.554(1)(h)3.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal control or schedule of findings and questioned costs, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report have been followed. There were no significant findings or 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)(h)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)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal control or schedule of findings and questions costs, matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: (a) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit, (b) improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements, and (c) deficiencies in internal control that are not reportable conditions, including, but not limited to, improper or inadequate accounting procedures (e.g., the omission of required disclosure from the annual financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, and 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)(h)4., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(h)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.

This management letter is intended solely for the information and use of the Bay County Supervisor of Elections, management, 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.

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

Panama City, Florida
January 31, 2005

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

The Honorable 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, 2004, and have issued our report dated January 31, 2005. 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 Supervisor of Elections is an integral part of Bay County, the primary government for financial reporting purposes.

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 an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

The Honorable Mark Andersen
Bay County Supervisor of Elections
Page Two

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Carr, Riggs & Ingram, L.L.C.

Panama City, Florida
January 31, 2005

**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, 2004, as listed in the table of contents. These special-purpose 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 State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Government Accounting Standards Board 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.

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Certified Public Accountants

Alabama Society of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

AICPA Alliance for CPA Firms

Center for Public
Company Audit Firms

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, 2004, 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 December 29, 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Clerk, management, the Board of County Commissioners, 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.

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

Panama City, Florida
December 29, 2004

Bay County Clerk of Circuit Court
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2004

	General	Court	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 939,185	\$ 412,074	\$ 1,571,321	\$ 2,922,580
Accounts receivable	29,739	19,153	-	48,892
Total assets	<u>\$ 968,924</u>	<u>\$ 431,227</u>	<u>\$ 1,571,321</u>	<u>\$ 2,971,472</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 171,327	\$ 150,883	\$ 35,812	\$ 358,022
Deferred revenue	36,676	-	-	36,676
Due to state-bond estreature	-	21,000	-	21,000
Due to other governments	760,921	259,344	-	1,020,265
Total liabilities	<u>968,924</u>	<u>431,227</u>	<u>35,812</u>	<u>1,435,963</u>
FUND BALANCE				
Unreserved	<u>-</u>	<u>-</u>	<u>1,535,509</u>	<u>1,535,509</u>
Total liabilities and fund balance	<u>\$ 968,924</u>	<u>\$ 431,227</u>	<u>\$ 1,571,321</u>	<u>\$ 2,971,472</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, 2004

	General	Court	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 141,750	\$ 31,782	\$ -	\$ 173,532
Charges for services	3,052,961	1,057,238	661,369	4,771,568
Miscellaneous	24,652	-	11,274	35,926
Total revenues	<u>3,219,363</u>	<u>1,089,020</u>	<u>672,643</u>	<u>4,981,026</u>
EXPENDITURES				
General government	<u>4,170,130</u>	<u>1,089,020</u>	<u>499,255</u>	<u>5,758,405</u>
Total expenditures	<u>4,170,130</u>	<u>1,089,020</u>	<u>499,255</u>	<u>5,758,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(950,767)</u>	<u>-</u>	<u>173,388</u>	<u>(777,379)</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,711,688	-	-	1,711,688
Reversion to Board of County Commissioners	<u>(760,921)</u>	<u>-</u>	<u>-</u>	<u>(760,921)</u>
Total other financing sources (uses)	<u>950,767</u>	<u>-</u>	<u>-</u>	<u>950,767</u>
Net change in fund balance	-	-	173,388	173,388
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>1,362,121</u>	<u>1,362,121</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,509</u>	<u>\$ 1,535,509</u>

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, 2004

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue	\$ 190,000	\$ 141,500	\$ 141,750	\$ 250
Charges for services	2,621,150	3,010,220	3,052,961	42,741
Miscellaneous	35,000	24,350	24,652	302
Total revenues	<u>2,846,150</u>	<u>3,176,070</u>	<u>3,219,363</u>	<u>43,293</u>
EXPENDITURES				
General government	<u>4,856,775</u>	<u>4,887,695</u>	<u>4,170,130</u>	<u>717,565</u>
Total expenditures	<u>4,856,775</u>	<u>4,887,695</u>	<u>4,170,130</u>	<u>717,565</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>(2,010,625)</u>	<u>(1,711,625)</u>	<u>(950,767)</u>	<u>760,858</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,010,625	1,711,625	1,711,688	63
Reversion to Board of County Commissioners	<u>-</u>	<u>-</u>	<u>(760,921)</u>	<u>(760,921)</u>
Total other financing sources (uses)	<u>2,010,625</u>	<u>1,711,625</u>	<u>950,767</u>	<u>(760,858)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Clerk of Circuit Court
Special-Purpose Statement of Revenues, Expenditures and
Change in Fund Balance - Budget and Actual
Court Fund
Year Ended September 30, 2004

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue	\$ 63,000	\$ 63,000	\$ 31,782	\$ (31,218)
Charges for services	1,050,803	1,050,803	1,057,238	6,435
Total revenues	<u>1,113,803</u>	<u>1,113,803</u>	<u>1,089,020</u>	<u>(24,783)</u>
EXPENDITURES				
General government	<u>1,113,803</u>	<u>1,113,803</u>	<u>1,089,020</u>	<u>24,783</u>
Total expenditures	<u>1,113,803</u>	<u>1,113,803</u>	<u>1,089,020</u>	<u>24,783</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Clerk of Circuit Court
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2004

ASSETS

Cash and cash equivalents	\$ 4,253,907
Total assets	<u>\$ 4,253,907</u>

LIABILITIES

Accounts payable	\$ 1,245,732
Due to other governments	<u>3,008,175</u>
Total liabilities	<u>\$ 4,253,907</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, 2004

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 financial statements of the Clerk are included in Bay County, Florida's 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 or cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation - Fund Accounting – Accounts are organized on the basis of fund types 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 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, or 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, 2004

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, 2004

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

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.

At September 30, 2004 the Clerk has pooled funds in the amount of \$77,094 on deposit in a 2a7-like pool, the Florida State Board of Administration Local Government Surplus Funds Trust Fund which are stated at amortized cost. The fair value of the Clerk's position in the pool is the same as the value of the pool shares (account balance at amortized cost). The pool is not a registrant with the Securities and Exchange Commission; regulatory oversight of the Pool is governed by Ch.19-7 of the Florida Administrative Code which identifies the Rules of the Pool, and the operating procedures adopted by the Pool which are consistent with the requirements for a 2a7-like fund. In addition, the State of Florida Office of the Auditor General performs the operational audit of the activities and investments of the Pool.

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

Bay County Clerk of Circuit Court
Notes to Special-Purpose Financial Statements
September 30, 2004

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2003– June 30, 2004 are 7.39% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2004 – September 30, 2004 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, 2003 – June 30, 2004 and 9.11% effective from July 1, 2004 – September 30, 2004. The Clerk's contributions for the years ended September 30, 2004, 2003 and 2002 were \$234,377, \$190,223, and \$188,715, 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, 2004. The lease includes four one-year renewal options for successive renewal terms of one year each through September 30, 2008.

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

Year Ending <u>September 30,</u>	
2005	\$ 29,700
Total	<u>\$ 29,700</u>

Rental and lease expense for the year ended September 30, 2004 was \$96,280.

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NONMAJOR GOVERNMENTAL FUNDS

Bay County Clerk of Circuit Court
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2004

	Special Revenue					
	County Court Facility	10/6/3 Fund	Circuit Court Facility	Family Mediation	Records Modernization	Total
ASSETS						
Cash and cash equivalents	\$ 229,802	\$ 402,592	\$ 283,259	\$ 75,418	\$ 580,250	\$ 1,571,321
Total assets	<u>\$ 229,802</u>	<u>\$ 402,592</u>	<u>\$ 283,259</u>	<u>\$ 75,418</u>	<u>\$ 580,250</u>	<u>\$ 1,571,321</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 35,812	\$ 35,812
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,812</u>	<u>35,812</u>
Fund balance						
Unreserved	229,802	402,592	283,259	75,418	544,438	1,535,509
Total fund balance	<u>229,802</u>	<u>402,592</u>	<u>283,259</u>	<u>75,418</u>	<u>544,438</u>	<u>1,535,509</u>
Total liabilities and fund balance	<u>\$ 229,802</u>	<u>\$ 402,592</u>	<u>\$ 283,259</u>	<u>\$ 75,418</u>	<u>\$ 580,250</u>	<u>\$ 1,571,321</u>

Bay County Clerk of Circuit Court
Combining Statement of Revenues, Expenditures and
Change in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2004

	Special Revenue					
	County Court Facility	10/6/3 Fund	Circuit Court Facility	Family Mediation	Records Modernization	Total
REVENUES						
Charges for services	\$ 26,873	\$ 196,809	\$ 42,090	\$ 16,516	\$ 379,081	\$ 661,369
Miscellaneous	2,126	4,943	1,168	170	2,867	11,274
Total revenues	<u>28,999</u>	<u>201,752</u>	<u>43,258</u>	<u>16,686</u>	<u>381,948</u>	<u>672,643</u>
EXPENDITURES						
Current						
General government	11,009	287,205	11,475	10,525	179,041	499,255
Total expenditures	<u>11,009</u>	<u>287,205</u>	<u>11,475</u>	<u>10,525</u>	<u>179,041</u>	<u>499,255</u>
Excess (deficiency) of revenues over (under) expenditures	17,990	(85,453)	31,783	6,161	202,907	173,388
Fund balance at beginning 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>
Fund balance at end of year	<u>\$ 229,802</u>	<u>\$ 402,592</u>	<u>\$ 283,259</u>	<u>\$ 75,418</u>	<u>\$ 544,438</u>	<u>\$ 1,535,509</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, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 398,778	\$ 5,195,896	\$ 5,238,146	\$ 356,528
Total assets	<u>\$ 398,778</u>	<u>\$ 5,195,896</u>	<u>\$ 5,238,146</u>	<u>\$ 356,528</u>
LIABILITIES				
Due to other governments	\$ 398,778	\$ 5,195,896	\$ 5,238,146	\$ 356,528
Total liabilities	<u>\$ 398,778</u>	<u>\$ 5,195,896</u>	<u>\$ 5,238,146</u>	<u>\$ 356,528</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 5,853	\$ 66,781	\$ 54,492	\$ 18,142
Total assets	<u>\$ 5,853</u>	<u>\$ 66,781</u>	<u>\$ 54,492</u>	<u>\$ 18,142</u>
LIABILITIES				
Due to other governments	\$ 5,853	\$ 66,781	\$ 54,492	\$ 18,142
Total liabilities	<u>\$ 5,853</u>	<u>\$ 66,781</u>	<u>\$ 54,492</u>	<u>\$ 18,142</u>
TAX DEED				
ASSETS				
Cash and cash equivalents	\$ 19,450	\$ 477,566	\$ 253,932	\$ 243,084
Total assets	<u>\$ 19,450</u>	<u>\$ 477,566</u>	<u>\$ 253,932</u>	<u>\$ 243,084</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 19,450	\$ 477,566	\$ 253,932	\$ 243,084
Total liabilities	<u>\$ 19,450</u>	<u>\$ 477,566</u>	<u>\$ 253,932</u>	<u>\$ 243,084</u>

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 479	\$ 1,134,780	\$ 1,128,811	\$ 6,448
Total assets	<u>\$ 479</u>	<u>\$ 1,134,780</u>	<u>\$ 1,128,811</u>	<u>\$ 6,448</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 479	\$ 1,134,780	\$ 1,128,811	\$ 6,448
Total liabilities	<u>\$ 479</u>	<u>\$ 1,134,780</u>	<u>\$ 1,128,811</u>	<u>\$ 6,448</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 2,179,535	\$ 14,211,089	\$ 15,409,588	\$ 981,036
Total assets	<u>\$ 2,179,535</u>	<u>\$ 14,211,089</u>	<u>\$ 15,409,588</u>	<u>\$ 981,036</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 2,179,535	\$ 14,211,089	\$ 15,409,588	\$ 981,036
Total liabilities	<u>\$ 2,179,535</u>	<u>\$ 14,211,089</u>	<u>\$ 15,409,588</u>	<u>\$ 981,036</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 526,349	\$ 1,588,429	\$ 1,389,171	\$ 725,607
Total assets	<u>\$ 526,349</u>	<u>\$ 1,588,429</u>	<u>\$ 1,389,171</u>	<u>\$ 725,607</u>
LIABILITIES				
Due to other governments	\$ 526,349	\$ 1,588,429	\$ 1,389,171	\$ 725,607
Total liabilities	<u>\$ 526,349</u>	<u>\$ 1,588,429</u>	<u>\$ 1,389,171</u>	<u>\$ 725,607</u>

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 25,127	\$ 358,899	\$ 353,730	\$ 30,296
Total assets	<u>\$ 25,127</u>	<u>\$ 358,899</u>	<u>\$ 353,730</u>	<u>\$ 30,296</u>
LIABILITIES				
Accounts payable and Accrued liabilities	\$ 9,995	\$ 358,899	\$ 353,730	\$ 15,164
Due to other governments	15,132	-	-	15,132
Total liabilities	<u>\$ 25,127</u>	<u>\$ 358,899</u>	<u>\$ 353,730</u>	<u>\$ 30,296</u>
DOC STAMPS				
ASSETS				
Cash and cash equivalents	\$ 350,020	\$ 31,482,921	\$ 30,516,815	\$ 1,316,126
Total assets	<u>\$ 350,020</u>	<u>\$ 31,482,921</u>	<u>\$ 30,516,815</u>	<u>\$ 1,316,126</u>
LIABILITIES				
Due to other governments	\$ 350,020	\$ 31,482,921	\$ 30,516,815	\$ 1,316,126
Total liabilities	<u>\$ 350,020</u>	<u>\$ 31,482,921</u>	<u>\$ 30,516,815</u>	<u>\$ 1,316,126</u>
INTANGIBLE TAX				
ASSETS				
Cash and cash equivalents	\$ -	\$ 7,388,965	\$ 6,812,325	\$ 576,640
Total assets	<u>\$ -</u>	<u>\$ 7,388,965</u>	<u>\$ 6,812,325</u>	<u>\$ 576,640</u>
LIABILITIES				
Due to other governments	-	\$ 7,388,965	\$ 6,812,325	\$ 576,640
Total liabilities	<u>\$ -</u>	<u>\$ 7,388,965</u>	<u>\$ 6,812,325</u>	<u>\$ 576,640</u>

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
COURT CONSTRUCTION				
ASSETS				
Cash and cash equivalents	\$ 38,604	\$ 365,134	\$ 403,738	\$ -
Total assets	<u>\$ 38,604</u>	<u>\$ 365,134</u>	<u>\$ 403,738</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ 38,604	\$ 365,134	\$ 403,738	\$ -
Total liabilities	<u>\$ 38,604</u>	<u>\$ 365,134</u>	<u>\$ 403,738</u>	<u>\$ -</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 3,544,195	\$ 62,270,460	\$ 61,560,748	\$ 4,253,907
Total assets	<u>\$ 3,544,195</u>	<u>\$ 62,270,460</u>	<u>\$ 61,560,748</u>	<u>\$ 4,253,907</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 2,209,459	\$ 16,182,334	\$ 17,146,061	\$ 1,245,732
Due to other governments	1,334,736	46,088,126	44,414,687	3,008,175
Total liabilities	<u>\$ 3,544,195</u>	<u>\$ 62,270,460</u>	<u>\$ 61,560,748</u>	<u>\$ 4,253,907</u>

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CARR, RIGGS & INGRAM LLC.

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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, 2004, and have issued our report thereon dated December 29, 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 December 29, 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 *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 State of Florida Office of the Auditor General. Those rules (Section 10.554(1)(h)3.) 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, any recommendations to improve the local governmental entity's financial management, accounting procedures, and internal control. There were no recommendations required to be reported by rule 10.554(1)(h)3.

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

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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)(h)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)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal control or schedule of findings and questioned costs, matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following, (a) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit, (b) improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements, and (c) deficiencies in internal control that are not reportable conditions, including, but not limited to, improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, and 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)(h)4., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(h)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 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.

The Rules of the Auditor General (Section 10.554(1)(h)7.a) require a statement as to whether or not the clerk of courts complied with the budget certified by the Florida Clerk of Courts Corporation Pursuant to Section 28.35, Florida Statutes. In connection with our audit we determined that the Bay County Clerk of Circuit Court complied with the budget certified by the Florida Clerk of Courts Corporation pursuant to Section 28.35, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)7.b) require a statement as to whether or not the clerk of courts complied with the performance standards developed and certified pursuant to Section 28.35, Florida Statutes. In connection with our audit we determined that the Bay County Clerk of Circuit Court complied with the performance standards developed and certified pursuant to Section 28.35, Florida Statutes.

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

This management letter is intended solely for the information and use of the Bay County Clerk of Circuit Court, management, 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.

Caus Riggs & Ingram, L.L.C.

Panama City, Florida
December 29, 2004

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

The Honorable 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, 2004, and have issued our report dated December 29, 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.

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 determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

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

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Bay County Clerk of Circuit Court, 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.

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

Panama City, Florida
December 29, 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, 2004, 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 State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Governmental Accounting Standards Board 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 and changes in financial position of Bay County, Florida, in conformity with accounting principles generally accepted in the United States.

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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, 2004, 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 5, 2004 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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, management, the Board of County Commissioners, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.
Panama City, Florida
November 5, 2004

Bay County Property Appraiser
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2004

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 890</u>
Total assets	<u><u>\$ 890</u></u>
LIABILITIES	
Due to other governments	\$ 856
Other current liabilities	<u> 34</u>
Total liabilities	<u> 890</u>
FUND BALANCE	
Unreserved	<u> -</u>
 Total liabilities and fund balance	 <u><u>\$ 890</u></u>

Bay County Property Appraiser
Special-Purpose Statement of Revenues, Expenditures and
Change in Fund Balance
Governmental Fund
Year Ended September 30, 2004

	<u>General</u>
REVENUES	
Charges for services	\$ 45,129
Interest income	2,208
Total revenues	<u>47,337</u>
EXPENDITURES	
Current	
General government	2,158,248
Debt service	
Principal retirement	5,710
Interest and fiscal charges	856
Total expenditures	<u>2,164,814</u>
Excess of expenditures over revenues	<u>(2,117,477)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	2,118,323
Reversion to Board of County Commissioners	(846)
Total other financing sources (uses)	<u>2,117,477</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, 2004

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 25,260	\$ 25,260	\$ 45,129	\$ 19,869
Interest income	-	-	2,208	2,208
Total revenues	<u>25,260</u>	<u>25,260</u>	<u>47,337</u>	<u>22,077</u>
EXPENDITURES				
Current				
General government	2,137,017	2,137,017	2,158,248	(21,231)
Debt service				
Principal retirement	5,710	5,710	5,710	-
Interest and fiscal charges	856	856	856	-
Total expenditures	<u>2,143,583</u>	<u>2,143,583</u>	<u>2,164,814</u>	<u>(21,231)</u>
Excess of expenditures over revenues	<u>(2,118,323)</u>	<u>(2,118,323)</u>	<u>(2,117,477)</u>	<u>846</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,118,323	2,118,323	2,118,323	-
Reversion to Board of County Commissioners	-	-	(846)	(846)
Total other financing sources (uses)	<u>2,118,323</u>	<u>2,118,323</u>	<u>2,117,477</u>	<u>(846)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2004

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 financial statements of the Property Appraiser are included in Bay County, Florida's 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 or cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America.

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, 2004

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, 2004:

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
Capital Leases Payable	\$ 6,023	\$ 16,605	\$ 7,927	\$ 14,701

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2004

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, 2004 the Bay County Property Appraiser entered into a capital lease to purchase a mail machine costing \$12,125. The interest rate is 3.9% payable in quarterly installments of \$825 until March 2008. Principal maturities are as follows:

Year Ended September 30,	
2005	\$ 3,300
2006	3,300
2007	3,300
2008	1,650
Total	11,550
Less: amount representing interest	(805)
Total	\$ 10,745

During the year ended September 30, 2002 the Bay County Property Appraiser entered into a lease purchase agreement to purchase a mail opener costing \$4,480. The interest rate is 5.7% payable in monthly installments of \$118 until March 2006. Principal maturities are as follows:

Year Ended September 30,	
2005	\$ 1,416
2006	1,416
2007	708
Total	3,540
Less: amount representing interest	(250)
Total	\$ 3,290

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 December 2004. Principal maturities are as follows:

Year Ended September 30,	
2005	\$ 684
Total	684
Less: amount representing interest	(18)
Total	\$ 666

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2004

NOTE 3 – LONG-TERM LIABILITIES (Continued)

The total cost of equipment purchased under lease purchases is \$23,633. Total principle maturities are as follows:

Year Ended September 30,	
2005	\$ 5,400
2006	4,716
2007	4,008
2008	1,650
Total	15,774
Less: amount representing interest	(1,073)
Total	\$ 14,701

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, 2003 – June 30, 2004 are 7.39% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2004 – September 30, 2004 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, 2003 – June 30, 2004 and 9.11% for the period July 1, 2004 – September 30, 2004. The Property Appraiser's contributions for the years ended September 30, 2004, 2003 and 2002 were \$111,104, \$95,812, and \$108,786, respectively, and are equal to the required contributions for each year.

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2004

NOTE 5 – BUDGETARY DATA

The Property Appraiser had actual expenditures that exceeded budgeted amounts in the general fund during the year. These amounts were offset by excess revenues earned, and the net result was an excess of revenues over expenditures to be reverted to the Board of County Commissioners.

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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, 2004, and have issued our report thereon date November 5, 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 November 5, 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 *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 State of Florida Office of the Auditor General. Those rules (Section 10.554(1)(h)3.) 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, any recommendations to improve the local governmental entity's financial management, accounting procedures, and internal control. There were no recommendations required to be reported by rule 10.554(1)(h)3.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter if not already addressed in the auditors' reports on compliance and internal control or schedule of findings and questioned costs, whether or not corrective actions have been taken to address significant finding and recommendations made in the preceding annual financial audit report have been followed. During the prior year ended September 30, 2003, the Bay County Property Appraiser had the following instance of noncompliance which still existed for the year ended September 30, 2004:

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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 all property every 3 years to ensure that the tax roll meets 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 continue to take the necessary actions to come in compliance 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.

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 attempting to comply with these requirements. Management expects to be in compliance with this requirement in the very near future.

As required by the Rules of the Auditor General (Section 10.554(1)(h)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 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal control or schedule of findings and questioned costs, matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following, (a) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit, (b) improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements, and (c) deficiencies in internal control that are not reportable conditions, including, but not limited to improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, and 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)(h)4., Rules of the Auditor General.

Bay County Property Appraiser
Page Three

The Rules of the Auditor General (Section 10.554(1)(h)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.

This management letter is intended solely for the information and use of the Bay County Property Appraiser, management, 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.

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

Panama City, Florida
November 5, 2004

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

The Honorable 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, 2004, and have issued our report dated November 5, 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 Property Appraiser is an integral part of Bay County, the primary government for financial reporting purposes.

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 an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

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The Honorable Rick Barnett
Bay County Property Appraiser
Page Two

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Property Appraiser's management in a separate letter dated November 5, 2004.

This report is intended solely for the information and use of the Bay County Property Appraiser, 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.

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

Panama City, Florida
November 5, 2004

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, 2004 as listed in the table of contents. These special-purpose 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 State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Governmental Accounting Standards Board 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.

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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, 2004, 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 9, 2004 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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.

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

Panama City, Florida
November 9, 2004

Bay County Tax Collector
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2004

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,628,636</u>
Total assets	<u><u>\$ 1,628,636</u></u>
LIABILITIES	
Due to other governments	<u>\$ 1,628,636</u>
Total liabilities	<u>1,628,636</u>
FUND BALANCE	
Unreserved	<u>-</u>
Total fund balance	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 1,628,636</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
Governmental Fund
Year Ended September 30, 2004

	<u>General</u>
REVENUES	
Charges for services	\$ 1,219,609
Miscellaneous	91,128
Total revenues	<u>1,310,737</u>
EXPENDITURES	
Current	
General government	<u>2,040,324</u>
Total expenditures	<u>2,040,324</u>
Excess of expenditures over revenues	<u>(729,587)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	2,329,635
Reversion to Board of County Commissioners	<u>(1,600,048)</u>
Total other financing sources (uses)	<u>729,587</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,219,609	\$ 1,219,609
Miscellaneous	-	-	91,128	91,128
Total revenues	-	-	1,310,737	1,310,737
EXPENDITURES				
Current				
General government	2,161,821	2,159,955	2,040,324	119,631
Total expenditures	2,161,821	2,159,955	2,040,324	119,631
Excess of expenditures over revenues	(2,161,821)	(2,159,955)	(729,587)	1,430,368
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,161,821	2,159,955	2,329,635	169,680
Reversion to Board of County Commissioners	-	-	(1,600,048)	(1,600,048)
Total other financing sources (uses)	2,161,821	2,159,955	729,587	(1,430,368)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

Bay County Tax Collector
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2004

ASSETS

Cash and cash equivalents	\$ 1,146,856
Accounts receivable	<u>17,951</u>
Total assets	<u><u>\$ 1,164,807</u></u>

LIABILITIES

Bank overdraft	\$ 14,634
Due to other governments	1,147,473
Due to private companies	<u>2,700</u>
Total liabilities	<u><u>\$ 1,164,807</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, 2004

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 financial statements of the Tax Collector are included in Bay County, Florida's 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 or cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United State of America.

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, 2004

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 Governmental Accounting Standards Board (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, 2004

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 – The Tax Collector is authorized to invest surplus funds in the investments allowed by Florida Statutes, Section 218.415. The Tax Collector had no investments at September 30, 2004.

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, 2004:

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
Capital Leases Payable	\$ 23,042	\$ 5,712	\$ 7,306	\$ 21,448

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2004

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.

During the year ended September 30, 2002 the Bay County Tax Collector entered into a lease purchase agreement to purchase computer equipment costing \$29,904. The lease is payable in monthly installments of \$562, which includes no interest, until January 2007. Principal maturities are as follows:

Year Ended September 30,	
2005	\$ 6,744
2006	6,744
2007	2,248
Total	<u>\$ 15,736</u>

During the year ended September 30, 2004 the Bay County Tax Collector entered into a lease purchase agreement to purchase a mail opener costing \$5,712. The lease includes no interest and is payable in monthly installments of \$119 until September 2008. Principal maturities are as follows:

Year Ended September 30,	
2005	\$ 1,428
2006	1,428
2007	1,428
2008	1,428
Total	<u>\$ 5,712</u>

The total cost of equipment purchased under lease purchases is \$35,616. Total principal maturities are as follows:

Year Ended September 30,	
2005	\$ 8,172
2006	8,172
2007	3,676
2008	1,428
Total	<u>\$ 21,448</u>

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2004

NOTE 5 – BANK OVERDRAFT

On September 30, 2004 the Tax Collector had a negative cash balance in an agency fund. 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.

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, 2003 – June 30, 2004 are 7.39% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2004 – September 30, 2004 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, 2003 – June 30, 2004 and 9.11% effective from July 1, 2004 – September 30, 2004. The tax collector contributions for the years ended September 30, 2004, 2003 and 2002 were \$100,572, \$79,365 and \$86,164, respectively, and are equal to the required contributions for each year.

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AGENCY FUNDS

Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 990,726	\$ 4,293,432	\$ 4,140,002	\$ 1,144,156
Investments	-	124,740,168	124,740,168	-
Total assets	<u>\$ 990,726</u>	<u>\$ 129,033,600</u>	<u>\$ 128,880,170</u>	<u>\$ 1,144,156</u>
LIABILITIES				
Due to other governments	\$ 990,726	\$ 129,033,600	\$ 128,880,170	\$ 1,144,156
Total liabilities	<u>\$ 990,726</u>	<u>\$ 129,033,600</u>	<u>\$ 128,880,170</u>	<u>\$ 1,144,156</u>
TAX CERTIFICATE FUND				
ASSETS				
Cash and cash equivalents	\$ 2,100	\$ 4,514,275	\$ 4,513,675	\$ 2,700
Total assets	<u>\$ 2,100</u>	<u>\$ 4,514,275</u>	<u>\$ 4,513,675</u>	<u>\$ 2,700</u>
LIABILITIES				
Due to private companies	\$ 2,100	\$ 4,514,275	\$ 4,513,675	\$ 2,700
Total liabilities	<u>\$ 2,100</u>	<u>\$ 4,514,275</u>	<u>\$ 4,513,675</u>	<u>\$ 2,700</u>
TAG FUND				
ASSETS				
Accounts receivable	\$ 17,418	\$ 33,951,579	\$ 33,951,046	\$ 17,951
Total assets	<u>\$ 17,418</u>	<u>\$ 33,951,579</u>	<u>\$ 33,951,046</u>	<u>\$ 17,951</u>
LIABILITIES				
Bank overdraft	\$ 722	\$ 17,462,575	\$ 17,448,663	\$ 14,634
Due to other governments	16,696	16,489,004	16,502,383	3,317
Total liabilities	<u>\$ 17,418</u>	<u>\$ 33,951,579</u>	<u>\$ 33,951,046</u>	<u>\$ 17,951</u>

Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
TOTAL-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 992,826	\$ 8,807,707	\$ 8,653,677	\$ 1,146,856
Accounts receivable	17,418	33,951,579	33,951,046	17,951
Investments	-	124,740,168	124,740,168	-
Total assets	<u>\$ 1,010,244</u>	<u>\$ 167,499,454</u>	<u>\$ 167,344,891</u>	<u>\$ 1,164,807</u>
LIABILITIES				
Bank overdraft	\$ 722	\$ 17,462,575	\$ 17,448,663	\$ 14,634
Due to other governments	1,007,422	149,323,746	149,183,695	1,147,473
Due to private companies	2,100	713,133	712,533	2,700
Total liabilities	<u>\$ 1,010,244</u>	<u>\$ 167,499,454</u>	<u>\$ 167,344,891</u>	<u>\$ 1,164,807</u>

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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, 2004, and have issued our report thereon dated November 9, 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 Standards*, dated November 9, 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 *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 State of Florida Office of the Auditor General. Those rules (Section 10.554(1)(h)3.) 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, any recommendations to improve the local governmental entity's financial management, accounting procedures, and internal control. There were no recommendations required to be reported by rule 10.554(1)(h)3.

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

As required by the Rules of the Auditor General (Section 10.554(1)(h)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)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal control or schedule of findings and questions costs, matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: (a) violations of laws, rules, regulations, or contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit, (b) improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements, and (c) deficiencies in internal control that are not reportable conditions, including, but not limited to, improper or inadequate accounting procedures (e.g., the omission of required disclosure from the annual financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, and 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)(h)4., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(h)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.

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

Carr, Riggs & Ingram, L.L.C.

Panama City, Florida
November 9, 2004

CARR, RIGGS & INGRAM LLC.

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

The Honorable 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, 2004, and have issued our report dated November 9, 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 Tax Collector is an integral part of Bay County, the primary government for financial reporting purposes.

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 an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

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The Honorable Peggy Brannon
Bay County Tax Collector
Page Two

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Bay County Tax Collector, 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.

Carri Riggs & Ingram, L.L.C.

Panama City, Florida
November 9, 2004

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INDEPENDENT AUDITORS' REPORT

The Honorable Frank McKeithen
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, 2004, 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 State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Governmental Accounting Standards Board 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.

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The Honorable Frank McKeithen
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, 2004, 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 February 11, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 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.

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

Panama City, Florida
February 11, 2005

Bay County Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 167,070	\$ 66,798	\$ 233,868
Due from other governments	238,893	-	238,893
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 405,963</u>	<u>\$ 66,798</u>	<u>\$ 472,761</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 314,919	\$ -	\$ 314,919
Due to other governments	91,044	-	91,044
Total liabilities	<u>405,963</u>	<u>-</u>	<u>405,963</u>
FUND BALANCE			
Unreserved	<u>-</u>	<u>66,798</u>	<u>66,798</u>
	<u>\$ 405,963</u>	<u>\$ 66,798</u>	<u>\$ 472,761</u>

Bay County Sheriff
Special-Purpose Statement of Revenues, Expenditures and
Change in Fund Balance - Governmental Funds
Year Ended September 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental revenue	\$ 1,211,954	\$ 215,906	\$ 1,427,860
Interest income	33,900	-	33,900
Miscellaneous	105,649	211,906	317,555
Total revenues	<u>1,351,503</u>	<u>427,812</u>	<u>1,779,315</u>
EXPENDITURES			
Current			
Public safety	16,533,283	415,331	16,948,614
Debt service			
Principal retirement	430,057	-	430,057
Interest	18,833	-	18,833
Total expenditures	<u>16,982,173</u>	<u>415,331</u>	<u>17,397,504</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>(15,630,670)</u>	<u>12,481</u>	<u>(15,618,189)</u>
OTHER FINANCING SOURCES (USES)			
Budget appropriations from			
Board of County Commissioners	15,291,172	-	15,291,172
Debt issued	430,542	-	430,542
Reversion to Board of County Commissioners	(91,044)	-	(91,044)
Total other financing sources (uses)	<u>15,630,670</u>	<u>-</u>	<u>15,630,670</u>
Net change in fund balance	-	12,481	12,481
Fund balance - beginning	<u>-</u>	<u>54,317</u>	<u>54,317</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 66,798</u>	<u>\$ 66,798</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 1,076,455	\$ 1,227,406	\$ 1,211,954	\$ (15,452)
Interest income	-	-	33,900	33,900
Miscellaneous	-	117,713	105,649	(12,064)
Total revenues	<u>1,076,455</u>	<u>1,345,119</u>	<u>1,351,503</u>	<u>6,384</u>
EXPENDITURES				
Current				
Public safety	15,744,569	16,187,401	16,102,741	84,660
Debt service				
Principal retirement	430,057	430,057	430,057	-
Interest and fiscal charges	18,833	18,833	18,833	-
Total expenditures	<u>16,193,459</u>	<u>16,636,291</u>	<u>16,551,631</u>	<u>84,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,117,004)</u>	<u>(15,291,172)</u>	<u>(15,200,128)</u>	<u>91,044</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	15,117,004	15,291,172	15,291,172	-
Reversion to Board of County Commissioners	-	-	(91,044)	(91,044)
Total other financing sources (uses)	<u>15,117,004</u>	<u>15,291,172</u>	<u>15,200,128</u>	<u>(91,044)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note:

The budgetary basis used by the Bay County Sheriff differs from the basis of presentation of the Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance required by generally accepted accounting principles. Capital leases executed during the year are not reported as expenditures for budgetary purposes, but are reported as program expenditures and proceeds from debt issuance for financial reporting purposes. This results in a change of \$430,542 to public safety expenditures and debt issued for the comparison of budget to actual. For budgetary comparison purposes the actual column has been adjusted to the same basis as the budget column.

Bay County Sheriff
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2004

ASSETS

Cash and cash equivalents	\$ 7,949
Total assets	<u>\$ 7,949</u>

LIABILITIES

Accounts payable	\$ 7,949
Total liabilities	<u>\$ 7,949</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, 2004

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 financial statements of the Sheriff are included in Bay County, Florida's 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.

Basis of Presentation - Fund Accounting – Accounts are organized on the basis of fund types, 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 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, 2004

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 Sheriff does not budget for proceeds from capital leases, otherwise 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, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets of 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, 2004.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2004

NOTE 3 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2004 are summarized as follows:

	Balance September 30, 2003	Transfers	Increases	Decreases	Balance September 30, 2004
Autos, furniture and equipment	\$ 7,024,132	\$ 260,350	\$ 393,142	\$ 956,349	\$ 6,721,275
Property held under capital leases	1,210,455	(260,350)	430,542	-	1,380,647
Total	<u>\$ 8,234,587</u>	<u>\$ -</u>	<u>\$ 823,684</u>	<u>\$ 956,349</u>	<u>\$ 8,101,922</u>

Transfers include \$260,350 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, 2004:

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
Capital leases payable	\$ 721,126	\$ 430,542	\$ 430,057	\$ 721,611
Compensated absences	579,624	88,880	-	668,504
Total	<u>\$ 1,300,750</u>	<u>\$ 519,422</u>	<u>\$ 430,057</u>	<u>\$ 1,390,115</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, 2004, are summarized as follows:

Year Ending <u>September 30,</u>	
2005	\$ 442,333
2006	209,058
2007	<u>87,483</u>
Total	738,874
Less: amount representing interest	<u>(17,263)</u>
Balance	<u>\$ 721,611</u>

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2004

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, 2003 – June 30, 2004 are 7.39% and 18.53% for regular employees and special risk employees, respectively. Rates effective July 1, 2004 – September 30, 2004 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, 2003 - June 30, 2004, and 9.11% effective from July 1, 2004 - September 30, 2004. Contributions for the years ended September 30, 2004, 2003 and 2002 were \$1,472,020, \$1,246,678, and \$1,213,426 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, 2004

	Special Revenue			
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Junior Deputies
ASSETS				
Cash and cash equivalents	\$ 4,964	\$ 7,627	\$ 3,393	\$ 1,095
Total assets	<u>\$ 4,964</u>	<u>\$ 7,627</u>	<u>\$ 3,393</u>	<u>\$ 1,095</u>
LIABILITIES AND FUND BALANCE				
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance				
Unreserved	<u>4,964</u>	<u>7,627</u>	<u>3,393</u>	<u>1,095</u>
Total fund balance	<u>4,964</u>	<u>7,627</u>	<u>3,393</u>	<u>1,095</u>
Total liabilities and fund balance	<u>\$ 4,964</u>	<u>\$ 7,627</u>	<u>\$ 3,393</u>	<u>\$ 1,095</u>

Special Revenue

Federal Seizure Account	Seizure Trust	Total
\$ 40,068	\$ 9,651	\$ 66,798
<u>\$ 40,068</u>	<u>\$ 9,651</u>	<u>\$ 66,798</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
40,068	9,651	66,798
<u>40,068</u>	<u>9,651</u>	<u>66,798</u>
<u>\$ 40,068</u>	<u>\$ 9,651</u>	<u>\$ 66,798</u>

Bay County Sheriff
Combining Statement of Revenues, Expenditures and
Change in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2004

	Special Revenue			
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Junior Deputies
REVENUES				
Intergovernmental	\$ 98,920	\$ 116,986	\$ -	\$ -
Miscellaneous	-	-	87,822	2,534
Total revenues	<u>98,920</u>	<u>116,986</u>	<u>87,822</u>	<u>2,534</u>
EXPENDITURES				
Current				
Public safety	95,113	115,810	86,651	16,493
Total expenditures	<u>95,113</u>	<u>115,810</u>	<u>86,651</u>	<u>16,493</u>
Net change in fund balance	3,807	1,176	1,171	(13,959)
Fund balance at beginning of year	<u>1,157</u>	<u>6,451</u>	<u>2,222</u>	<u>15,054</u>
Fund balance at end of year	<u><u>\$ 4,964</u></u>	<u><u>\$ 7,627</u></u>	<u><u>\$ 3,393</u></u>	<u><u>\$ 1,095</u></u>

Special Revenue		
Federal Seizure Account	Seizure Trust	Total
\$ -	\$ -	\$ 215,906
105,441	16,109	211,906
105,441	16,109	427,812
94,464	6,800	415,331
94,464	6,800	415,331
10,977	9,309	12,481
29,091	342	54,317
\$ 40,068	\$ 9,651	\$ 66,798

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AGENCY FUNDS

Bay County Sheriff
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 71,693	\$ 71,693	\$ -
Total assets	<u>\$ -</u>	<u>\$ 71,693</u>	<u>\$ 71,693</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ -	\$ 71,693	\$ 71,693	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 71,693</u>	<u>\$ 71,693</u>	<u>\$ -</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash	\$ 1,408	\$ 278,234	\$ 271,693	\$ 7,949
Total assets	<u>\$ 1,408</u>	<u>\$ 278,234</u>	<u>\$ 271,693</u>	<u>\$ 7,949</u>
LIABILITIES				
Accounts payable	\$ 1,408	\$ 278,234	\$ 271,693	\$ 7,949
Total liabilities	<u>\$ 1,408</u>	<u>\$ 278,234</u>	<u>\$ 271,693</u>	<u>\$ 7,949</u>

Bay County Sheriff
 Combining Statement of Changes in Assets and Liabilities
 All Agency Funds
 Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deductions	Balance September 30, 2004
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,408	\$ 349,927	\$ 343,386	\$ 7,949
Total assets	<u>\$ 1,408</u>	<u>\$ 349,927</u>	<u>\$ 343,386</u>	<u>\$ 7,949</u>
LIABILITIES				
Accounts payable	\$ 1,408	\$ 278,234	\$ 271,693	\$ 7,949
Due to other Governments	-	71,693	71,693	-
Total liabilities	<u>\$ 1,408</u>	<u>\$ 349,927</u>	<u>\$ 343,386</u>	<u>\$ 7,949</u>

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Frank McKeithen
County Sheriff
County, Florida

have audited the special-purpose financial statements of the Bay County Sheriff for fiscal year ended September 30, 2004, and have issued our report thereon dated January 11, 2005.

have issued our report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* dated February 11, 2005. Disclosures in that report, if any, should be considered in conjunction with this management letter.

conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 State of Florida Office of the Auditor General. Those rules (Section 10.554(1)(h)3.) 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, any recommendations to improve the local governmental entity's financial management, accounting procedures, and internal control. There were no recommendations required to be reported by rule 10.554(1)(h)3.

Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal control or schedule of findings and questioned costs, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings or recommendations made in the preceding annual financial audit report.

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The Honorable Frank McKeithen
Bay County Sheriff
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As required by the Rules of the Auditor General (Section 10.554(1)(h)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)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal control or schedule of findings and questioned costs, matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: (a) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit, (b) improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements, and (c) deficiencies in internal control that are not reportable conditions, including, but not limited to, improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements), failures to properly record financial transactions or other inaccuracies, shortages, defalcations, and 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)(h)4., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(h)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 Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Sheriff has no component units.

This management letter is intended solely for the information and use of the Bay County Sheriff, management, 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.

Carrie Riggs & Ingram, L.L.C.

Panama City, Florida
February 11, 2005

CARR, RIGGS & INGRAM LLC.

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

The Honorable Frank McKeithen
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, 2004, and have issued our report dated February 11, 2005. 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.

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 financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

American Institute of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

AICPA Alliance for CPA Firms

Center for Public
Company Audit Firms

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Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Bay County Sheriff, 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.

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

Panama City, Florida
February 11, 2005