



Bay County

FLORIDA

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

For Fiscal Year ended
September 30, 2005

Our cover photograph was taken at Pitts Spring, a part of Econfinia Springs, by a local photographer, Tom Needham of the Panama City News Herald. Mr. Needham has been recognized by various organizations for his nature photos.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

BAY COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

PREPARED BY THE OFFICE

OF

**HAROLD BAZZEL
CLERK OF CIRCUIT COURT**

**JOSEPH ROGERS
FINANCE OFFICER**

**BAY COUNTY, FLORIDA
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
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INTRODUCTORY SECTION

HAROLD BAZZEL

CLERK OF CIRCUIT COURT, BAY COUNTY



P.O. BOX 2269
300 EAST 4TH STREET
PANAMA CITY, FLORIDA 32402
(850) 763-9061

WWW.BAYCOCLERK.COM

February 24, 2006

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, 2005. 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. We would like to recommend that you read the complimentary information offered in the Management's Discussion and Analysis on Page B-3.

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, 2004, to September 30, 2005, 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 Panama City Beach Convention & Visitors Bureau, Inc. and the Mexico Beach Community Development Council, Inc. 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 forestry, 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 2005 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. A new 14,000 square foot Animal Control Facility was completed. This facility is capable of sheltering 100 dogs and 100 cats, with state of the art technology for animal intake, processing, euthanasia and disposal.

The County continued in its efforts to make major renovations to its water system in order to protect and preserve its citizens' 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 for water treatment and distribution.

Panama City Beach and its pristine beaches continue to attract the attention of individuals from all over the United States. Many of the older hotels/motels are being demolished making way for the construction of new residential and resort facilities. The Army Corps of Engineers began a \$30 million beach nourishment project. This project will replace approximately 16 miles of beach that was lost due to erosion from storms.

Leisure Services is continuing to improve and expand recreational facilities within the County. A horse arena has been opened in the northern part of the County. Several area parks saw the installation of new playground equipment, fitness/hiking trails were completed and soccer fields expanded to meet the growing needs of the surrounding communities.

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 between Panama City and Panama City Beach.

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.

Construction of a new 30,000 square foot Emergency Operations Center will begin in the upcoming year. This facility will house personnel and equipment for day-to-day operations as well as support continuous emergency operations for up to 72 hours when needed. The Emergency Operations Center will meet hurricane safety criteria and will be located outside of the Category 5 Hurricane Storm Surge Zone.

The County also plans to construct a new Regional Library to replace the current library. The new 60,000 square foot facility will be located at the same site as the current library. Construction of a new jail facility will also begin in the upcoming fiscal year. The new jail will be able to house approximately 680 prisoners, thus replacing the County's current facility, which will be demolished upon completion of the new facility.

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. 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, LLC 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, 2004. 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 sixteen consecutive years (fiscal years ended September 30, 1989 through 2004). 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 Johnnie Hanson – Building Department; Lee Rooks and Devan Moore – Property Appraiser's Office; Marty Kirkland – Tax Collector's Office; Linda Kennedy– Bay District School Board; and Michaela Dollar – 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: Mike Nelson, George B. Gainer, William T. Dozier, Jerry L. Girvin, Mike Thomas, and Interim County Manager Joy Bates for their interest and support in administering the financial operations of the County in a responsible and progressive manner during the fiscal year presented. With the oversight and dedication of these individuals, Bay County is an economically secure and environmentally safe place in which to live.

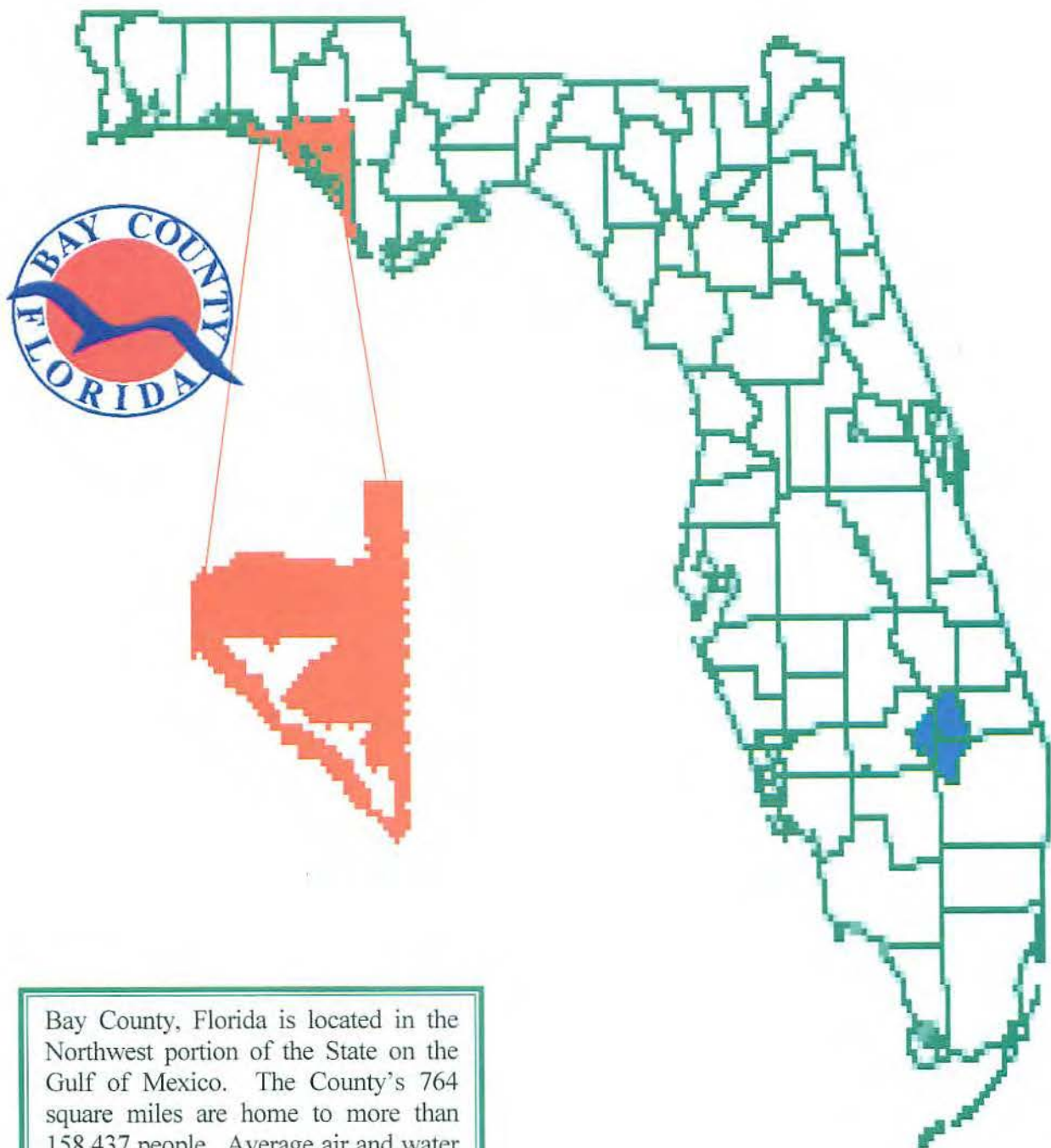
Respectfully submitted,



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 158,437 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



*Mike Nelson
Commissioner
District I*

*George B. Gainer
Commissioner
District II*



*William T. Dozier
Commissioner
District III*



*Jerry L. Girvin
Commissioner
District IV*



*Mike Thomas
Commissioner
District V*



County Officials Bay County, Florida



*Mark Andersen
Supervisor of Elections*



*Harold Bazzel
Clerk of Circuit
Court*



*Rick Barnett
Property Appraiser*



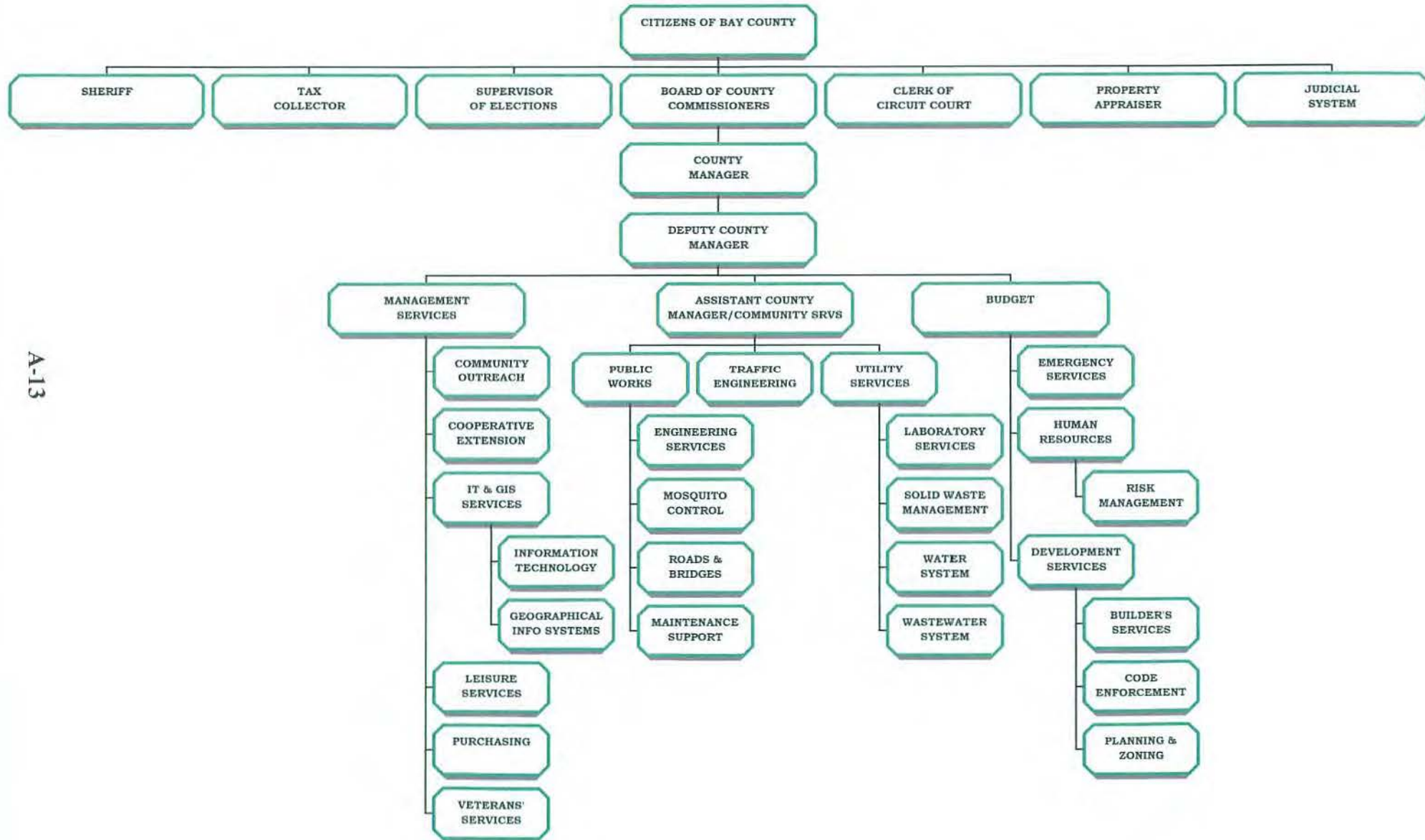
*Peggy Brannon
Tax Collector*



*Frank McKeithen
Sheriff*

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BAY COUNTY ORGANIZATIONAL CHART Fiscal Year 2005



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, 2004.

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, 2004

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.



Carla E. Perry

President

Jeffrey R. Enen

Executive Director

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FINANCIAL SECTION

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, 2005, 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, 2005, 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

Georgia Society 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 24, 2006 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.

Carri Riggs & Ingram, L.L.C.

Panama City, Florida
February 24, 2006

Bay County, Florida
MANAGEMENT'S DISCUSSION and ANALYSIS
For the Year Ended September 30, 2005

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 \$240,551,155 (net assets). Of this amount, \$46,676,877 is unrestricted net assets for governmental activities and \$38,273,923 is unrestricted net assets for business-type activities, while \$11,577,502 is restricted net assets for governmental activities and \$6,121,869 is restricted net assets for business-type activities.
- Total net assets increased by \$14,359,205. Of this amount, \$12,695,530 is attributable to governmental activities and \$1,663,675 is attributable to business-type activities.
- As of September 30, 2005, general fund's unreserved fund balance was \$24,261,074 or 35 percent of total general fund expenditures.
- Governmental activities revenues increased to \$114,949,850 or approximately 13 percent, while governmental activities expenditures decreased 3 percent to \$102,778,390. Business-type activities revenues increased to \$38,777,955 or 18 percent, while business-type activities expenditures increased 7 percent to \$37,166,613.
- The County's outstanding bonded debt decreased by \$5,000,402 or 4 percent during fiscal year 2005. 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: 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 2005, 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	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 71,206,730	\$ 67,597,775	\$ 94,620,565	\$104,773,918	\$165,827,295	\$172,371,693
Capital Assets	129,837,360	122,603,001	114,199,858	102,561,348	244,037,218	225,164,349
Total Assets	<u>201,044,090</u>	<u>190,200,776</u>	<u>208,820,423</u>	<u>207,335,266</u>	<u>409,864,513</u>	<u>397,536,042</u>
Current and Other Liabilities	12,681,393	11,392,325	6,492,447	4,715,383	19,173,840	16,107,708
Long-term Liabilities	32,913,901	36,055,185	117,225,617	119,181,199	150,139,518	155,236,384
Total Liabilities	<u>45,595,294</u>	<u>47,447,510</u>	<u>123,718,064</u>	<u>123,896,582</u>	<u>169,313,358</u>	<u>171,344,092</u>
Net Assets Invested in Capital Assets, net of related debt	97,194,417	88,282,722	40,706,567	32,065,577	137,900,984	120,348,299
Net assets-restricted	11,577,502	10,792,988	6,121,869	3,619,366	17,699,371	14,412,354
Net assets-unrestricted	46,676,877	43,677,556	38,273,923	47,753,741	84,950,800	91,431,297
Total Net Assets	<u>\$155,448,796</u>	<u>\$142,753,266</u>	<u>\$ 85,102,359</u>	<u>\$ 83,438,684</u>	<u>\$240,551,155</u>	<u>\$226,191,950</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 (57 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 7 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* (\$84,950,800) may be used to help meet the government's ongoing obligations to citizens and creditors.

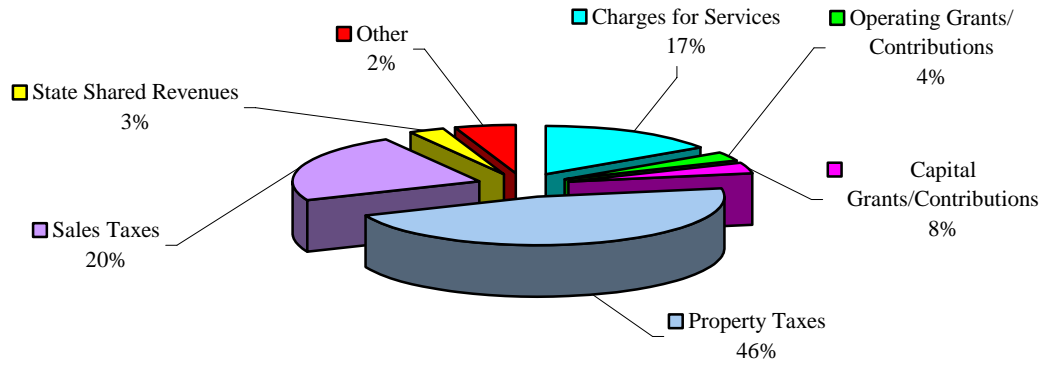
Governmental activities, as well as, business-type activities long-term liabilities, decreased due to principal payments made on existing debt during fiscal year 2005, totaling \$3,141,284 and \$1,955,582, respectively.

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

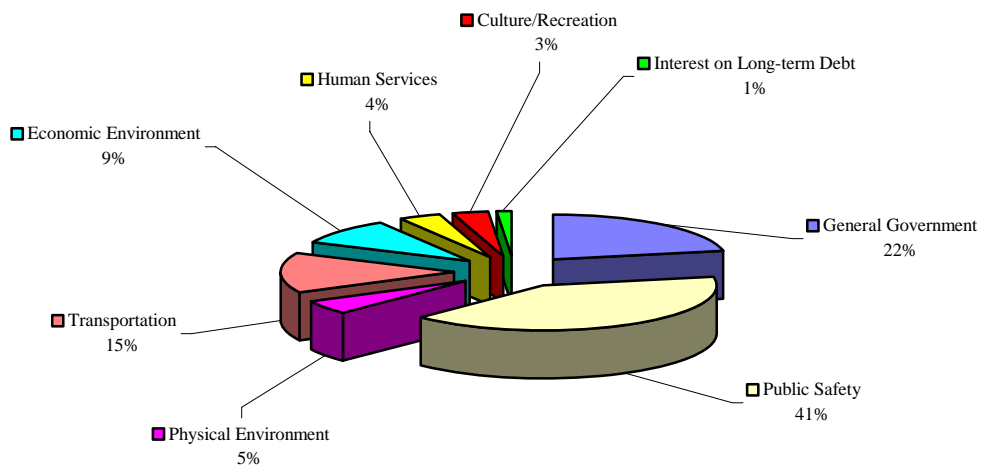
Bay County, Florida Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program Revenues:						
Charges for Services	\$ 20,067,408	\$ 15,334,973	\$ 34,124,110	\$30,412,568	\$ 54,191,518	\$ 45,747,541
Operating Grants/Contributions	3,720,822	4,722,923	-	-	3,720,822	4,722,923
Capital Grants/Contributions	8,764,930	6,176,365	-	-	8,764,930	6,176,365
General Revenues:						
Property Taxes	53,349,589	47,569,663	-	-	53,349,589	47,569,663
Sales Taxes	23,223,423	22,032,957	2,200	3,700	23,225,623	22,036,657
State Shared Revenues	3,290,582	3,120,133	-	-	3,290,582	3,120,133
Other	2,533,096	2,856,712	4,651,645	2,529,323	7,184,741	5,386,035
Total Revenues	114,949,850	101,813,726	38,777,955	32,945,591	153,727,805	134,759,317
Expenses:						
General Government	22,524,334	22,435,565	-	-	22,524,334	22,435,565
Public Safety	41,633,533	39,270,923	-	-	41,633,533	39,270,923
Physical Environment	5,095,942	4,700,201	-	-	5,095,942	4,700,201
Transportation	14,988,586	14,833,934	-	-	14,988,586	14,833,934
Economic Environment	9,736,560	15,321,819	-	-	9,736,560	15,321,819
Human Services	3,866,283	4,052,299	-	-	3,866,283	4,052,299
Culture/Recreation	3,589,770	3,323,501	-	-	3,589,770	3,323,501
Interest on Long-term Debt	1,343,382	1,734,120	-	-	1,343,382	1,734,120
Water Water System	-	-	10,600,450	10,072,475	10,600,450	10,072,475
Retail Water & Wastewater	-	-	4,034,030	4,232,074	4,034,030	4,232,074
Industrial Wastewater	-	-	4,043,172	4,335,269	4,043,172	4,335,269
Solid Waste	-	-	16,688,055	14,690,237	16,688,055	14,690,237
Building Services	-	-	1,800,906	1,413,981	1,800,906	1,413,981
Total Expenses	102,778,390	105,672,362	37,166,613	34,744,036	139,945,003	140,416,398
Increase (Decrease) in Net Assets Before Transfers	12,171,460	(3,858,636)	1,611,342	(1,798,445)	13,782,802	(5,657,081)
Transfers	(52,333)	150,000	52,333	(150,000)	-	-
Increase (Decrease) in Net Assets	\$12,119,127	\$ (3,708,636)	\$ 1,663,675	\$(1,948,445)	\$ 13,782,802	\$(5,657,081)

Revenues - Governmental Activities Fiscal Year Ended September 30, 2005



Expenses-Governmental Activities Fiscal Year Ended September 30, 2005



Bay County's overall financial position improved in 2005. As reflected in the changes in net assets, the County's net assets increased \$13,782,802. One of the more significant factors contributing to the County's improved financial position was the continued appreciation in property values, which in turn, tremendously increased the County's property taxes. New construction in Bay County added to the strengthening of the County's financial position by way of impact fees, which are assessed for water and sewer improvements. A substantial increase in contributions through capital grants also contributed to strengthening the County's financial position, as well as contributing to the overall increase in revenues. Total revenues increased \$19,047,744 from the previous year. Charges for services revenue also reflected a large increase over fiscal year 2004. Governmental activities revenues exceeded expenses by \$12,171,460, while business-type activities revenues also exceeded expenses by \$1,611,342. Total expenses decreased \$471,395 from the previous year. Decreased spending for economic environment (tourism and beach nourishment), along with a slight decrease in spending for industrial wastewater (treatment and disposal) were primarily responsible for the decrease in expenses.

46% of the revenues for governmental activities are generated by property taxes, while most of the governmental resources are expended for public safety (41%), general government (22%), economic environment (9%), and transportation (15%) activities.

Charges for services provide 88% of the revenues for business-type activities. The increase in charges for services and other revenues (mainly impact fees) for business-type activities were the greatest contributors to the overall increase 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, 2005, total assets were \$34,976,348 and total liabilities were \$6,009,026. At the end of fiscal year 2005, unreserved fund balance of the general fund was \$24,261,074, while total fund balance equaled \$28,967,322.

General fund's budget was amended during the year to reflect adjustments to construction projects, increased costs associated with park and recreation improvements, increased grant funding for homeland security and hazard mitigation, as well as, the costs associated with debris cleanup following Hurricane Dennis. 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 97%. State revenue sharing proceeds and the local government half cent sales tax came in well above the budgeted amounts due to the strength and continued growth of both the local and state economies. Interest earnings exceeded the budget due to the greater amount of funds available for investment, as well as, the continued upward climb 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 and repairs 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 92% of its funds.

Proprietary Funds

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

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

	2005	2004
<u>FUND</u>	<u>Unrestricted</u>	<u>Unrestricted</u>
	<u>Net Assets</u>	<u>Net Assets</u>
Wholesale Water System	\$ 6,679,717	\$ 8,443,272
Retail Water and Wastewater	5,084,944	3,164,275
Industrial Wastewater	1,609,373	1,586,042
Solid Waste Fund	19,537,838	30,960,578
Building Services	5,362,051	3,599,574
Totals	<u>\$ 38,273,923</u>	<u>\$ 47,753,741</u>

The *Wholesale Water System 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, which increased \$1,527,397 over the previous year. Impact fees charged to and paid by new customers must be used to expand and enhance the water system. Charges for Services also increased by \$123,677, due to continued 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. In fiscal year 2005, \$6,980,649 was generated by tip fees; this represents an increase of \$1,019,502 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 \$1,457,252 for the long term care and closure of its landfill. To date, the County has accrued a total liability for post closure care of \$10,417,126. As of September 30, 2005, total assets were \$88,919,614; total liabilities were \$48,155,119 and net assets were \$40,764,495.

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, 2005, was \$244,037,218 (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 \$1,236,558 was completed during the current fiscal year on the Youngstown/Fountain Recreation Complex. This new facility will provide recreational opportunities for the northern part of Bay County.
- The County neared completion of its new state of the art animal control facility in fiscal year 2005 at a cost of \$1,385,199.
- Construction continued in fiscal year 2005 on the waste to energy retrofit project at a cost of \$9,623,822.
- Construction also continued on the \$18 million water treatment plant expansion and enhancement; with construction in process totaling \$8,089,612 at the end of the current fiscal year.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 9,631,284	\$ 9,162,396	\$ 1,017,143	\$ 1,017,143	\$ 10,648,427	\$ 10,179,539
Construction in Progress	2,451,568	5,143,791	26,919,222	9,895,113	29,370,790	15,038,904
Buildings and Improvements	35,085,522	31,000,464	1,574,371	1,667,166	36,659,893	32,667,630
Equipment	13,986,830	14,588,331	901,407	548,654	14,888,237	15,136,985
Infrastructure	68,682,156	62,708,019	83,787,715	89,433,272	152,469,871	152,141,291
Total	<u>\$129,837,360</u>	<u>\$122,603,001</u>	<u>\$114,199,858</u>	<u>\$102,561,348</u>	<u>\$244,037,218</u>	<u>\$225,164,349</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 \$124,306,824. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	\$30,794,385	\$33,562,519	\$93,512,439	\$95,744,707	\$124,306,824	\$129,307,226

The County's total debt decreased by \$5,000,402 during the current fiscal year. The key factor contributing to this decrease was the repayment of principal during fiscal year 2005.

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 the threat of several hurricanes and rising gas prices, tourism remained strong with a 2.46% increase in the Local Option Tourist Development Tax. Construction also continued to be robust in 2005 with building permits issued on new single and multi-family residential units up an astounding 30%. The County's unemployment rate decreased in 2005, to 3.8%, slightly lower than the state's average unemployment rate of 3.9%. The County will be focusing on the construction of a new and expanded jail facility in fiscal year 2006 and will begin the planning phase for the construction of a new administration complex. The new administration complex will help in meeting the County's space needs, as well as, assist in consolidating local governments services to the citizens of Bay County.

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 Bay County 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, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
ASSETS					
Cash and cash equivalents	\$ 17,327,303	\$ 12,723,887	\$ 30,051,190	\$ 558,879	\$ 22,635
Investments	33,522,527	27,474,501	60,997,028	-	-
Accounts receivable	2,813,777	4,837,858	7,651,635	14,300	-
Special assessments receivable	872,525	-	872,525	-	-
Accrued interest receivable	-	74,373	74,373	-	-
Due from other governments	6,650,828	629,078	7,279,906	-	-
Prepaid expenses	210,306	-	210,306	-	-
Notes receivable	-	22,176,386	22,176,386	-	-
Investment in joint venture	-	368,817	368,817	-	-
Restricted assets					
Cash and cash equivalents	2,563,421	15,382,393	17,945,814	-	-
Investments	7,078,766	9,280,740	16,359,506	-	-
Capital assets					
Nondepreciable	12,082,852	27,936,365	40,019,217	-	-
Depreciable, net	117,754,508	86,263,493	204,018,001	-	-
Unamortized bond costs	167,277	1,672,532	1,839,809	-	-
Total assets	<u>201,044,090</u>	<u>208,820,423</u>	<u>409,864,513</u>	<u>573,179</u>	<u>22,635</u>
LIABILITIES					
Accounts payable and accrued expenses	9,063,942	4,945,148	14,009,090	293,622	5,496
Internal balances	(2,651)	2,651	-	-	-
Due to other governments	712,579	755,416	1,467,995	-	-
Deferred revenues	2,622,080	-	2,622,080	-	-
Accrued interest payable	139,276	428,069	567,345	-	-
Customer deposits	146,167	361,163	507,330	-	-
Long-term liabilities					
Due within one year					
Accrued compensated absences	398,854	126,407	525,261	-	-
Notes payable	-	1,950,826	1,950,826	-	-
Capital leases	214,558	-	214,558	-	-
Bonds payable	2,842,000	2,847,500	5,689,500	-	-
Due in more than one year					
Accrued compensated absences	1,418,914	156,834	1,575,748	-	-
Notes payable	-	11,061,985	11,061,985	-	-
Capital leases	87,190	-	87,190	-	-
Bonds payable	27,952,385	90,664,939	118,617,324	-	-
Landfill postclosure liability	-	10,417,126	10,417,126	-	-
Total liabilities	<u>45,595,294</u>	<u>123,718,064</u>	<u>169,313,358</u>	<u>293,622</u>	<u>5,496</u>
NET ASSETS					
Invested in capital assets, net of related debt	97,194,417	40,706,567	137,900,984	-	-
Restricted for					
Debt service	1,017,687	440,003	1,457,690	-	-
Beach restoration	10,074,624	-	10,074,624	-	-
Capital projects	485,191	5,681,866	6,167,057	-	-
Unrestricted	46,676,877	38,273,923	84,950,800	279,557	17,139
Total net assets	<u>\$ 155,448,796</u>	<u>\$ 85,102,359</u>	<u>\$ 240,551,155</u>	<u>\$ 279,557</u>	<u>\$ 17,139</u>

Bay County, Florida
Statement of Activities
Year Ended September 30, 2005

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
Functions/Programs				
Primary Government				
Governmental activities				
General government	\$ 22,524,334	\$ 16,923,030	\$ 453,111	\$ 994,627
Public safety	41,633,533	1,585,880	1,069,186	1,076,952
Physical environment	5,095,942	134,478	1,156,760	718,396
Transportation	14,988,586	779,026	-	2,146,706
Economic environment	9,736,560	-	1,010,053	3,828,249
Human services	3,866,283	3,250	31,712	-
Culture and recreation	3,589,770	641,744	-	-
Interest on long-term debt	1,343,382	-	-	-
Total governmental activities	<u>102,778,390</u>	<u>20,067,408</u>	<u>3,720,822</u>	<u>8,764,930</u>
Business-type activities				
Wholesale water system	10,600,450	11,298,515	-	-
Retail water and wastewater	4,034,030	3,808,241	-	-
Industrial wastewater	4,043,172	3,939,556	-	-
Solid waste	16,688,055	11,481,814	-	-
Building services	1,800,906	3,595,984	-	-
Total business-type activities	<u>37,166,613</u>	<u>34,124,110</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 139,945,003</u>	<u>\$ 54,191,518</u>	<u>\$ 3,720,822</u>	<u>\$ 8,764,930</u>
Component Units				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 3,577,135	\$ 3,624,491	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	197,486	198,796	-	-
Total component units	<u>\$ 3,774,621</u>	<u>\$ 3,823,287</u>	<u>\$ -</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
 Prior period adjustment
 Net assets - beginning (restated)
 Net assets - ending

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
\$ (4,153,566)	\$ -	\$ (4,153,566)	\$ -	\$ -
(37,901,515)	-	(37,901,515)	-	-
(3,086,308)	-	(3,086,308)	-	-
(12,062,854)	-	(12,062,854)	-	-
(4,898,258)	-	(4,898,258)	-	-
(3,831,321)	-	(3,831,321)	-	-
(2,948,026)	-	(2,948,026)	-	-
(1,343,382)	-	(1,343,382)	-	-
<u>(70,225,230)</u>	<u>-</u>	<u>(70,225,230)</u>	<u>-</u>	<u>-</u>
-	698,065	698,065	-	-
-	(225,789)	(225,789)	-	-
-	(103,616)	(103,616)	-	-
-	(5,206,241)	(5,206,241)	-	-
-	1,795,078	1,795,078	-	-
<u>-</u>	<u>(3,042,503)</u>	<u>(3,042,503)</u>	<u>-</u>	<u>-</u>
<u>(70,225,230)</u>	<u>(3,042,503)</u>	<u>(73,267,733)</u>	<u>-</u>	<u>-</u>
-	-	-	47,356	-
-	-	-	-	1,310
<u>-</u>	<u>-</u>	<u>-</u>	<u>47,356</u>	<u>1,310</u>
53,349,589	-	53,349,589	-	-
23,223,423	2,200	23,225,623	-	-
3,290,582	-	3,290,582	-	-
1,543,058	2,609,228	4,152,286	400	90
990,038	2,042,417	3,032,455	-	357
<u>82,396,690</u>	<u>4,653,845</u>	<u>87,050,535</u>	<u>400</u>	<u>447</u>
(52,333)	52,333	-	-	-
<u>82,344,357</u>	<u>4,706,178</u>	<u>87,050,535</u>	<u>400</u>	<u>447</u>
<u>12,119,127</u>	<u>1,663,675</u>	<u>13,782,802</u>	<u>47,756</u>	<u>1,757</u>
142,753,266	83,438,684	226,191,950	231,801	15,382
576,403	-	576,403	-	-
<u>143,329,669</u>	<u>83,438,684</u>	<u>226,768,353</u>	<u>231,801</u>	<u>15,382</u>
<u>\$ 155,448,796</u>	<u>\$ 85,102,359</u>	<u>\$ 240,551,155</u>	<u>\$ 279,557</u>	<u>\$ 17,139</u>

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

Bay County, Florida
Balance Sheet
Governmental Funds
September 30, 2005

	General	Transportation	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,481,400	\$ 2,189,407	\$ 6,314,970	\$ 15,985,777
Accounts receivable	1,762,538	44,406	501,797	2,308,741
Special assessments receivable	-	339,289	533,236	872,525
Investments	13,463,975	4,728,742	11,875,201	30,067,918
Due from other funds	52,500	13,651	5,162	71,313
Due from other governments	2,526,879	2,014,032	2,100,990	6,641,901
Prepaid expenses	122,616	-	-	122,616
Restricted assets				
Cash and cash equivalents	2,362,579	26,829	174,013	2,563,421
Investments	7,203,861	57,948	375,833	7,637,642
Total assets	<u>\$ 34,976,348</u>	<u>\$ 9,414,304</u>	<u>\$ 21,881,202</u>	<u>\$ 66,271,854</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 3,581,942	\$ 541,089	\$ 874,543	\$ 4,997,574
Deferred revenues	2,136,460	-	485,620	2,622,080
Due to other funds	268,957	175,055	82,779	526,791
Due to other governments	21,667	-	690,912	712,579
Total liabilities	<u>6,009,026</u>	<u>716,144</u>	<u>2,133,854</u>	<u>8,859,024</u>
Fund balance				
Reserved for				
Debt service	956,168	-	483,675	1,439,843
Capital projects	1,493,853	858,827	-	2,352,680
Other purposes	2,256,227	-	9,494,753	11,750,980
Unreserved, reported in				
General fund	19,132,567	-	-	19,132,567
General fund - designated	5,128,507	-	-	5,128,507
Special revenue funds	-	7,839,333	9,768,920	17,608,253
Total fund balance	<u>28,967,322</u>	<u>8,698,160</u>	<u>19,747,348</u>	<u>57,412,830</u>
Total liabilities and fund balance	<u>\$ 34,976,348</u>	<u>\$ 9,414,304</u>	<u>\$ 21,881,202</u>	
Amounts reported for governmental activities in the statement of net assets are different because				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				129,837,360
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.				1,084,506
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				<u>(32,885,900)</u>
Net assets of governmental activities				<u>\$ 155,448,796</u>

Bay County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2005

	General	Transportation	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 48,644,086	\$ 4,421,102	\$ 10,120,913	\$ 63,186,101
Licenses and permits	2,390	-	-	2,390
Intergovernmental	18,264,916	4,622,313	2,478,423	25,365,652
Charges for services	12,042,816	411,930	7,234,951	19,689,697
Fines and forfeitures	157,495	-	-	157,495
Special assessments	-	367,096	-	367,096
Interest	813,361	219,376	412,867	1,445,604
Miscellaneous	955,805	27,406	584,805	1,568,016
Total revenues	<u>80,880,869</u>	<u>10,069,223</u>	<u>20,831,959</u>	<u>111,782,051</u>
EXPENDITURES				
Current				
General government	19,114,244	-	4,827,393	23,941,637
Public safety	37,581,409	-	5,054,219	42,635,628
Physical environment	185,557	-	4,959,899	5,145,456
Transportation	-	11,312,435	-	11,312,435
Economic environment	4,468,415	-	8,702,165	13,170,580
Human services	3,258,348	-	607,252	3,865,600
Culture and recreation	4,185,276	-	-	4,185,276
Debt service				
Principal	1,434,038	830,000	960,295	3,224,333
Interest and fiscal charges	682,612	168,500	488,690	1,339,802
Total expenditures	<u>70,909,899</u>	<u>12,310,935</u>	<u>25,599,913</u>	<u>108,820,747</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>9,970,970</u>	<u>(2,241,712)</u>	<u>(4,767,954)</u>	<u>2,961,304</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,724,423	5,112,733	7,837,156
Transfers out	(7,294,714)	(1,100,000)	(30,999)	(8,425,713)
Reversion to State of Florida	-	-	(608,687)	(608,687)
Total other financing sources (uses)	<u>(7,294,714)</u>	<u>1,624,423</u>	<u>4,473,047</u>	<u>(1,197,244)</u>
Net change in fund balance	<u>2,676,256</u>	<u>(617,289)</u>	<u>(294,907)</u>	<u>1,764,060</u>
Fund balance - beginning	26,037,841	9,218,654	19,944,658	55,201,153
Prior period adjustment	253,225	96,795	97,597	447,617
Fund balance - beginning (restated)	<u>26,291,066</u>	<u>9,315,449</u>	<u>20,042,255</u>	<u>55,648,770</u>
Fund balance - ending	<u>\$ 28,967,322</u>	<u>\$ 8,698,160</u>	<u>\$ 19,747,348</u>	<u>\$ 57,412,830</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, 2005

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)	\$ 1,764,060
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.	2,663,328
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to decrease net assets.	3,994,629
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.	(59,644)
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.	558,510
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>3,198,244</u>
Change in net assets of governmental activities (page B-17)	<u><u>\$ 12,119,127</u></u>

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes	\$ 47,672,223	\$ 47,672,223	\$ 48,644,086	\$ 971,863
Licenses and permits	3,000	3,000	2,390	(610)
Intergovernmental	14,398,954	19,015,291	18,264,916	(750,375)
Charges for services	8,090,100	9,985,266	12,042,816	2,057,550
Fines and forfeitures	83,960	155,205	157,495	2,290
Interest	455,522	613,759	813,361	199,602
Miscellaneous	6,552,982	4,937,127	955,805	(3,981,322)
Total revenues	<u>77,256,741</u>	<u>82,381,871</u>	<u>80,880,869</u>	<u>(1,501,002)</u>
EXPENDITURES				
Current				
General government	21,829,062	28,809,094	19,114,244	9,694,850
Public safety	38,527,644	41,435,189	37,581,409	3,853,780
Physical environment	209,137	209,137	185,557	23,580
Economic environment	4,386,582	4,944,169	4,468,415	475,754
Human services	3,451,290	3,542,331	3,258,348	283,983
Culture and recreation	3,590,734	4,949,830	4,185,276	764,554
Debt service				
Principal	1,444,161	1,444,161	1,434,038	10,123
Interest and fiscal charges	711,509	713,309	682,612	30,697
Total expenditures	<u>74,150,119</u>	<u>86,047,220</u>	<u>70,909,899</u>	<u>15,137,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,106,622</u>	<u>(3,665,349)</u>	<u>9,970,970</u>	<u>13,636,319</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,046,579)	(7,217,503)	(7,294,714)	(77,211)
Total other financing sources (uses)	<u>(7,046,579)</u>	<u>(7,217,503)</u>	<u>(7,294,714)</u>	<u>(77,211)</u>
Net change in fund balance	<u>(3,939,957)</u>	<u>(10,882,852)</u>	<u>2,676,256</u>	<u>13,559,108</u>
Fund balance - beginning	26,037,841	26,037,841	26,037,841	-
Prior period adjustment	-	-	253,225	253,225
Fund balance - beginning (restated)	<u>26,037,841</u>	<u>26,037,841</u>	<u>26,291,066</u>	<u>253,225</u>
Fund balance - ending	<u>\$ 22,097,884</u>	<u>\$ 15,154,989</u>	<u>\$ 28,967,322</u>	<u>\$ 13,559,108</u>

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

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Transportation Fund
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 4,007,745	\$ 4,007,745	\$ 4,421,102	\$ 413,357
Intergovernmental	6,578,512	6,091,314	4,622,313	(1,469,001)
Charges for services	182,428	317,576	411,930	94,354
Special assessments	222,053	222,053	367,096	145,043
Interest	94,007	174,007	219,376	45,369
Miscellaneous	2,723,423	405,284	27,406	(377,878)
Total revenues	<u>13,808,168</u>	<u>11,217,979</u>	<u>10,069,223</u>	<u>(1,148,756)</u>
EXPENDITURES				
Current				
Transportation	13,388,076	16,588,071	11,312,435	5,275,636
Debt service				
Principal	830,000	830,000	830,000	-
Interest	173,000	173,000	168,500	4,500
Total expenditures	<u>14,391,076</u>	<u>17,591,071</u>	<u>12,310,935</u>	<u>5,280,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(582,908)</u>	<u>(6,373,092)</u>	<u>(2,241,712)</u>	<u>4,131,380</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000,000	2,724,423	2,724,423	-
Transfers out	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>1,624,423</u>	<u>1,624,423</u>	<u>-</u>
Net change in fund balance	<u>(682,908)</u>	<u>(4,748,669)</u>	<u>(617,289)</u>	<u>4,131,380</u>
Fund balance - beginning	9,218,654	9,218,654	9,218,654	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>96,795</u>	<u>96,795</u>
Fund balance - beginning (restated)	<u>9,218,654</u>	<u>9,218,654</u>	<u>9,315,449</u>	<u>96,795</u>
Fund balance - ending	<u>\$ 8,535,746</u>	<u>\$ 4,469,985</u>	<u>\$ 8,698,160</u>	<u>\$ 4,228,175</u>

Bay County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2005

	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	\$ 1,853,682	\$ 671,831	\$ 254,339	\$ 8,182,264	\$ 1,761,771	\$ 12,723,887	\$ 1,341,526
Accounts receivable	967,175	362,870	1,131,190	2,263,291	113,332	4,837,858	513,963
Accrued interest receivable	-	74,373	-	-	-	74,373	-
Prepaid expenses	-	-	-	-	-	-	87,690
Investments	4,003,633	1,450,176	549,330	17,667,534	3,803,828	27,474,501	2,895,733
Due from other funds	-	-	-	33,860	-	33,860	522,091
Due from other governments	-	629,078	-	-	-	629,078	-
Total current assets	6,824,490	3,188,328	1,934,859	28,146,949	5,678,931	45,773,557	5,361,003
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	13,660,008	1,145,785	-	576,600	-	15,382,393	-
Investments	3,924,569	2,474,700	-	2,881,471	-	9,280,740	-
Notes receivable	1,570,997	20,430,311	175,078	-	-	22,176,386	-
Investment in joint venture	-	368,817	-	-	-	368,817	-
Unamortized bond costs	917,843	-	-	754,689	-	1,672,532	-
Capital assets							
Land	261,192	3,500	-	752,451	-	1,017,143	-
Construction in progress	8,399,293	14,998	-	18,376,531	128,400	26,919,222	-
Buildings	2,373,739	-	134,702	924,320	61,520	3,494,281	-
Improvements	82,501	-	-	41,250	-	123,751	-
Furniture and equipment	805,812	1,740	72,653	2,508,021	520,258	3,908,484	-
Infrastructure	68,754,114	1,340,133	10,581,850	56,931,791	-	137,607,888	-
Less: accumulated depreciation	(25,463,948)	(497,074)	(9,533,617)	(22,974,459)	(401,813)	(58,870,911)	-
Total capital assets, net	55,212,703	863,297	1,255,588	56,559,905	308,365	114,199,858	-
Total noncurrent assets	75,286,120	25,282,910	1,430,666	60,772,665	308,365	163,080,726	-
Total assets	82,110,610	28,471,238	3,365,525	88,919,614	5,987,296	208,854,283	5,361,003
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	2,215,811	179,196	387,790	2,015,162	147,189	4,945,148	4,212,535
Due to other funds	4,791	171	2,143	16,999	12,407	36,511	63,962
Due to other governments	357,055	398,361	-	-	-	755,416	-
Accrued interest payable	209,120	74,373	-	144,576	-	428,069	-
Total current liabilities	2,786,777	652,101	389,933	2,176,737	159,596	6,165,144	4,276,497
Noncurrent liabilities							
Customer deposits	100	164,070	100,000	44,755	52,238	361,163	-
Due within one year							
Accrued compensated absences	31,907	25,532	4,390	22,112	42,466	126,407	-
Notes payable	-	1,950,826	-	-	-	1,950,826	-
Bonds payable	1,160,000	232,500	-	1,455,000	-	2,847,500	-
Due in more than one year							
Accrued compensated absences	23,949	29,706	6,241	34,358	62,580	156,834	-
Notes payable	-	11,061,985	-	-	-	11,061,985	-
Bonds payable, net	49,474,908	7,185,000	-	34,005,031	-	90,664,939	-
Landfill postclosure liability	-	-	-	10,417,126	-	10,417,126	-
Total noncurrent liabilities	50,690,864	20,649,619	110,631	45,978,382	157,284	117,586,780	-
Total liabilities	53,477,641	21,301,720	500,564	48,155,119	316,880	123,751,924	4,276,497
NET ASSETS							
Invested in capital assets, net of related debt	17,179,444	863,297	1,255,588	21,099,873	308,365	40,706,567	-
Restricted for							
Debt service	313,219	-	-	126,784	-	440,003	-
Capital projects	4,460,589	1,221,277	-	-	-	5,681,866	-
Unrestricted	6,679,717	5,084,944	1,609,373	19,537,838	5,362,051	38,273,923	1,084,506
Total net assets	\$ 28,632,969	\$ 7,169,518	\$ 2,864,961	\$ 40,764,495	\$ 5,670,416	\$ 85,102,359	\$ 1,084,506

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

Bay County, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2005

	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	\$ 8,815,186	\$ 3,808,241	\$ 3,939,556	\$ 11,481,814	\$ 3,595,984	\$ 31,640,781	\$ 5,717,250
Impact fees	2,483,329	-	-	-	-	2,483,329	-
Miscellaneous	14,308	153,956	2,730	527,560	13,096	711,650	-
Total operating revenues	<u>11,312,823</u>	<u>3,962,197</u>	<u>3,942,286</u>	<u>12,009,374</u>	<u>3,609,080</u>	<u>34,835,760</u>	<u>5,717,250</u>
OPERATING EXPENSES							
Personal services	1,242,713	996,330	214,103	1,033,991	1,413,916	4,901,053	1,457,658
Contracted services	767,549	138,387	2,519,365	8,301,090	110,288	11,836,679	250,869
Repairs and maintenance	427,539	16,159	128,313	274,808	57,259	904,078	143,002
Utilities	1,092,320	14,448	823,705	27,754	6,149	1,964,376	21,230
Depreciation	2,463,903	47,600	169,932	3,514,863	59,746	6,256,044	-
Amortization	44,817	-	-	42,122	-	86,939	-
Materials	-	-	-	-	-	-	2,148,428
Insurance claims	-	-	-	-	-	-	1,224,326
Other operating expenses	1,465,342	2,183,175	187,754	1,357,166	153,548	5,346,985	550,994
Total operating expenses	<u>7,504,183</u>	<u>3,396,099</u>	<u>4,043,172</u>	<u>14,551,794</u>	<u>1,800,906</u>	<u>31,296,154</u>	<u>5,796,507</u>
Operating income (loss)	<u>3,808,640</u>	<u>566,098</u>	<u>(100,886)</u>	<u>(2,542,420)</u>	<u>1,808,174</u>	<u>3,539,606</u>	<u>(79,257)</u>
NONOPERATING REVENUES (EXPENSES)							
Interest income	762,918	776,617	40,534	911,461	117,698	2,609,228	97,455
Interest and fiscal charges	(3,096,267)	(637,931)	-	(2,136,261)	-	(5,870,459)	-
Taxes	-	-	-	2,200	-	2,200	-
Gain (loss) on investments	-	1,330,767	-	-	-	1,330,767	4,088
Total nonoperating revenues (expenses)	<u>(2,333,349)</u>	<u>1,469,453</u>	<u>40,534</u>	<u>(1,222,600)</u>	<u>117,698</u>	<u>(1,928,264)</u>	<u>101,543</u>
Income before transfers	1,475,291	2,035,551	(60,352)	(3,765,020)	1,925,872	1,611,342	22,286
Transfers in	-	-	-	-	52,333	52,333	536,224
Change in net assets	1,475,291	2,035,551	(60,352)	(3,765,020)	1,978,205	1,663,675	558,510
Total net assets - beginning	<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>
Total net assets - ending	<u>\$ 28,632,969</u>	<u>\$ 7,169,518</u>	<u>\$ 2,864,961</u>	<u>\$ 40,764,495</u>	<u>\$ 5,670,416</u>	<u>\$ 85,102,359</u>	<u>\$ 1,084,506</u>

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2005

	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	\$ 11,676,593	\$ 3,923,502	\$ 3,499,641	\$ 10,897,173	\$ 3,606,114	\$ 33,603,023	\$ 5,142,796
Cash received from miscellaneous operating activities	14,308	153,956	2,730	527,560	13,096	711,650	-
Cash paid to suppliers for goods and services	(1,936,853)	(2,795,225)	(3,501,348)	(8,696,698)	(576,384)	(17,506,508)	(3,955,601)
Cash paid to employees for services	(944,918)	(777,054)	(173,083)	(734,769)	(1,035,633)	(3,665,457)	(1,457,658)
Net cash provided by (used in) operating activities	8,809,130	505,179	(172,060)	1,993,266	2,007,193	13,142,708	(270,463)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	-	52,333	52,333	536,224
Taxes	-	-	-	2,200	-	2,200	-
Net cash provided by noncapital financing activities	-	-	-	2,200	52,333	54,533	536,224
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest paid on long-term debt	(2,837,983)	(650,685)	-	(1,788,106)	-	(5,276,774)	-
Principal paid on long-term debt	(1,145,000)	(1,305,202)	-	(1,400,000)	-	(3,850,202)	-
Purchase of capital assets	(7,265,496)	(16,738)	(86,249)	(10,250,597)	(275,474)	(17,894,554)	-
Net cash used in capital and related financing activities	(11,248,479)	(1,972,625)	(86,249)	(13,438,703)	(275,474)	(27,021,530)	-
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale and maturities of investment securities	13,445,363	6,726,328	1,254,636	51,098,596	5,157,645	77,682,568	5,305,957
Purchase of investments	(15,466,433)	(7,726,063)	(1,244,755)	(47,086,061)	(6,767,459)	(78,290,771)	(5,880,392)
Return of investment	-	230,717	-	-	-	230,717	-
Interest and dividends on investments	762,918	789,371	40,534	911,461	117,698	2,621,982	97,455
Collections on loans	36,100	1,305,202	87,703	-	-	1,429,005	-
Net cash provided by (used in) investing activities	(1,222,052)	1,325,555	138,118	4,923,996	(1,492,116)	3,673,501	(476,980)
Net increase (decrease) in cash and cash equivalents	(3,661,401)	(141,891)	(120,191)	(6,519,241)	291,936	(10,150,788)	(211,219)
Cash and cash equivalents - beginning	19,307,878	1,959,507	374,530	15,278,105	1,469,835	38,389,855	1,552,745
Cash and cash equivalents - ending	\$ 15,646,477	\$ 1,817,616	\$ 254,339	\$ 8,758,864	\$ 1,761,771	\$ 28,239,067	\$ 1,341,526
Classified as							
Current assets	\$ 1,853,682	\$ 671,831	\$ 254,339	\$ 8,182,264	\$ 1,761,771	\$ 12,723,887	\$ 1,341,526
Restricted assets	13,660,008	1,145,785	-	576,600	-	15,382,393	-
Total	\$ 15,513,690	\$ 1,817,616	\$ 254,339	\$ 8,758,864	\$ 1,761,771	\$ 28,106,280	\$ 1,341,526

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

Continued

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2005

	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)	\$ 3,808,640	\$ 566,098	\$ (100,886)	\$ (2,542,420)	\$ 1,808,174	\$ 3,539,606	\$ (79,257)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	2,463,903	47,600	169,932	3,514,863	59,746	6,256,044	-
Amortization	44,817	-	-	42,122	-	86,939	-
(Increase) decrease in assets							
Accounts receivable	351,633	170,791	(439,915)	(430,922)	(67,761)	(416,174)	(290,632)
Prepaid expenses	-	-	-	-	-	-	35,640
Due from other funds	26,345	-	-	(33,860)	-	(7,515)	(283,822)
Due from other governments	-	(79,110)	-	-	52,885	(26,225)	-
Increase (decrease) in liabilities							
Accounts payable	2,115,691	(202,658)	197,870	416,440	105,469	2,632,812	417,109
Due to other funds	(430)	142	529	10,585	9,812	20,638	(69,501)
Due to other governments	-	(21,632)	-	-	-	(21,632)	-
Customer deposits	100	23,580	-	(119,859)	25,006	(71,173)	-
Accrued compensated absences	(1,569)	368	410	(1,972)	13,862	11,099	-
Landfill postclosure liability	-	-	-	1,138,289	-	1,138,289	-
Total adjustments	5,000,490	(60,919)	(71,174)	4,535,686	199,019	9,603,102	(191,206)
Net cash provided by (used in) operating activities	\$ 8,809,130	\$ 505,179	\$ (172,060)	\$ 1,993,266	\$ 2,007,193	\$ 13,142,708	\$ (270,463)

Bay County, Florida
Statement of Fiduciary Net Assets
Agency Funds
September 30, 2005

ASSETS

Cash and cash equivalents	\$ 7,443,557
Accounts receivable	<u>18,468</u>
Total assets	<u><u>\$ 7,462,025</u></u>

LIABILITIES

Bank overdraft	\$ 16,013
Accounts payable	1,940,175
Due to other governments	<u>5,505,837</u>
Total liabilities	<u><u>\$ 7,462,025</u></u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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, 2005

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.

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.

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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 is the proprietary 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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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,

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the 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.

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 Water 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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, facilities, lab, purchasing, 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.

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,

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 AA+ credit rating which is the highest credit rating issued by Standard and Poor’s.

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

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

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

Cash and Cash Equivalents

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

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, 2005 and 2004 are not significant and have not been recorded. Special assessments due from property owners are recorded as receivables when the final assessment role is approved.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Due to and Due from Other Funds

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

Inventory

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, beach renourishment, water and sewer distribution systems and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Long-term Obligations

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

Capitalization of Interest

Interest costs related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments in business - type activities. The County does not capitalize interest in governmental activities. During the year ended September 30, 2005, 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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Landfill Closure Costs

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

Capital Contributions

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

Accrued Compensated Absences

The County's policy is to grant paid absences for vacation and sick leave. Employees, except those of the Property Appraiser and Tax Collector, are permitted to accumulate a limited amount of earned but unused vacation benefits which will be paid to them upon termination. Proprietary fund types accrue vacation benefits in the period they are earned. Estimated accrued compensated absences amounts for governmental funds are 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 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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Vacation time earned but not used is accrued by the Council. As of September 30, 2005, 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.

The liability for compensated absences is reported in the statement of net assets. Compensated absences are reported in governmental funds only in connection with terminated 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.

Reclassifications

Certain reclassifications have been made to the 2004 financial statement presentation to conform to the 2005 presentation.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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 \$32,885,900 difference are as follows:

Bonds payable	\$ 30,835,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(89,046)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(167,277)
Plus: Issuance premium (to be amortized as interest expense)	48,431
Accrued interest payable	139,276
Capital leases payable	301,748
Compensated absences	1,817,768
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 32,885,900</u>

Another element of that reconciliation states, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$129,837,360 difference are as follows:

Cost of capital assets	\$ 264,813,216
Less: Accumulated depreciation	<u>(134,975,856)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 129,837,360</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 \$2,663,328 difference are as follows:

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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

Capital outlay	\$ 11,349,510
Depreciation expense	<u>(8,686,182)</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>\$ 2,663,328</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 \$3,994,629 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.	\$ (438,365)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>4,432,994</u>
Net adjustments to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 3,994,629</u>

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 \$3,198,244 difference are as follows:

Principal repayments:	
Bonds	\$ 2,775,000
Capital leases	456,011
Amortization of deferred charge on refunding	(15,050)
Amortization of issuance costs	(25,901)
Amortization of bond premium	<u>8,184</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>\$ 3,198,244</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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

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 \$(59,644) difference are as follows:

Compensated absences	\$ (82,861)
Accrued interest	<u>23,217</u>
Net adjustment to decrease <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ (59,644)</u>

NOTE 3 – BUDGETS

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

Special Revenue Funds

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

Law Enforcement Training Fund
Special Law Enforcement Trust Fund
Special Contribution Fund
Junior Deputies
Federal Seizure Account
Seizure Trust

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

Records Modernization-Court
Records Modernization-Records
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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,563,421	\$ 15,382,393	\$ 17,945,814
Investments	<u>7,078,766</u>	<u>9,280,740</u>	<u>16,359,506</u>
	<u>\$ 9,642,187</u>	<u>\$ 24,663,133</u>	<u>\$ 34,305,320</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 4 – RESTRICTED ASSETS (Continued)

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Solid Waste	Total
Accrued interest payable	\$ 139,276	\$ 209,120	\$ 144,576	\$ 492,972
Current maturities of bonds	934,792	96,666	121,250	1,152,708
Payable from restricted assets	<u>\$ 1,074,068</u>	<u>\$ 305,786</u>	<u>\$ 265,826</u>	<u>\$ 1,645,680</u>

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposits Policies

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 Policies

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

The Local Government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.

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 as defined in s. 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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.

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.

Auction Rate Securities rate AAA/aaa.

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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2005, the County's investments consisted of the following:

Investment Type	Fair Value	Weighted Average Maturity (months)
US Government Securities	\$ 1,965,625	Demand
Commercial Paper	25,891,284	1.33
Asset-back Securities	37,717,134	5.58
Florida Local Govt Investment Trust	10,609,301	Demand
Local Govt Surplus Trust Fund Investment Pool	1,173,190	Demand
Total Investments	\$ 77,356,534	

Interest Rate Risks

In accordance with its investment policy, the County manages its exposure to declines in fair market value by limiting investments beyond one year to 25% of the investment portfolio. The weighted average maturity is disclosed in months in order to achieve this policy objective.

Credit Risks

The County has established an investment policy that all commercial paper purchased is required to be a rated investment as established by nationally recognized statistical rating organization at the end of the fiscal year. As of September 30, 2005, the County had the following investments as rated by Standard and Poors, Moody's and Fitch Investor Services:

Commercial Paper	Rating	Percentage of Investments in Commercial Paper
American General Financial Corporation	A1, P1, F1	8%
Bavarian Universal Funding	A1, P1, F1	8%
Cheyenne Financial LLC	A1, P1, F1	8%
International Lease Finance Company	A1, P1, F1	8%
Maximilian Capital	A1, P1, F1	8%
Rhineland Funding	A1, P1, F1	30%
Sunbelt Funding	A1, P1, F1	22%
Sydney Capital Financing	A1, P1, F1	8%

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Risks

For a deposit or an investment there is a risk that in the event of failure of the counterparty, the government will not be able to recover the value of the investment. At September 30, 2005 the County did not hold deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

The County's investment policy limits investment in commercial paper to 25% of the total investments portfolio, which is defined by the County's investment policy handbook. More than 5% of the County's investments (which exclude bank deposits for the purpose of this disclosure) are in the following commercial paper issuer: Rhineland Funding, 10.28% and Sunbelt Funding, 7.74%.

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, 2005 are as follows:

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.	\$ 175,078
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.	20,430,311
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.	1,354,985

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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.

	216,012
Total notes receivable – enterprise funds	<u>\$ 22,176,386</u>

NOTE 8 – CAPITAL ASSETS

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

	September 30, 2004	Increases	Decreases	September 30, 2005
Capital assets, not being depreciated				
Land	\$ 9,162,396	\$ 468,888	\$ -	\$ 9,631,284
Construction in progress	5,143,791	2,046,494	(4,738,717)	2,451,568
Total capital assets, not being depreciated	<u>14,306,187</u>	<u>2,515,382</u>	<u>(4,738,717)</u>	<u>12,082,852</u>
Capital assets, being depreciated				
Buildings and improvements	44,438,894	5,259,532	-	49,698,426
Furniture and equipment	32,819,862	2,543,261	(2,020,954)	33,342,169
Infrastructure	160,240,772	10,809,387	(1,360,390)	169,689,769
Total capital assets, being depreciated	<u>237,499,528</u>	<u>18,612,180</u>	<u>(3,381,344)</u>	<u>252,730,364</u>
Less accumulated depreciation				
Buildings and improvements	(13,438,430)	(1,174,474)	-	(14,612,904)
Furniture and equipment	(18,231,531)	(2,951,451)	1,827,643	(19,355,339)
Infrastructure	(97,532,753)	(4,560,257)	1,085,397	(101,007,613)
Total accumulated depreciation	<u>(129,202,714)</u>	<u>(8,686,182)</u>	<u>2,913,040</u>	<u>(134,975,856)</u>
Total capital assets, being depreciated, net	<u>108,296,814</u>	<u>9,925,998</u>	<u>(468,304)</u>	<u>117,754,508</u>
Total governmental-type activities capital assets, net	<u>\$ 122,603,001</u>	<u>\$ 12,441,380</u>	<u>\$ (5,207,021)</u>	<u>\$ 129,837,360</u>

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2005:

	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	805,812	1,740	72,653	2,508,021	520,258	3,908,484
Infrastructure	68,754,114	1,340,133	10,581,850	56,931,791	-	137,607,888
Construction in progress	8,399,293	14,998	-	18,376,531	128,400	26,919,222
Total	<u>80,676,651</u>	<u>1,360,371</u>	<u>10,789,205</u>	<u>79,534,364</u>	<u>710,178</u>	<u>173,070,769</u>
Less: accumulated depreciation						
Buildings	(1,669,474)	-	(70,863)	(129,577)	(61,520)	(1,931,434)
Improvements	(72,896)	-	-	(39,331)	-	(112,227)
Furniture and equipment	(654,225)	(532)	(64,149)	(1,947,878)	(340,293)	(3,007,077)
Infrastructure	(23,067,353)	(496,542)	(9,398,605)	(20,857,673)	-	(53,820,173)
Total accumulated depreciation	<u>(25,463,948)</u>	<u>(497,074)</u>	<u>(9,533,617)</u>	<u>(22,974,459)</u>	<u>(401,813)</u>	<u>(58,870,911)</u>
Business-type activities capital assets, net	<u>\$ 55,212,703</u>	<u>\$ 863,297</u>	<u>\$ 1,255,588</u>	<u>\$ 56,559,905</u>	<u>\$ 308,365</u>	<u>\$ 114,199,858</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 8 – CAPITAL ASSETS (Continued)

	<u>September 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2005</u>
Capital assets, not being depreciated				
Land	\$ 1,017,143	\$ -	\$ -	\$ 1,017,143
Construction in progress	9,895,113	17,053,145	(29,036)	26,919,222
Total capital assets, not being depreciated	<u>10,912,256</u>	<u>17,053,145</u>	<u>(29,036)</u>	<u>27,936,365</u>
Capital assets, being depreciated				
Buildings	3,494,281	-	-	3,494,281
Improvements	123,751	-	-	123,751
Furniture and equipment	3,679,123	613,513	(384,152)	3,908,484
Infrastructure	137,344,023	265,786	(1,921)	137,607,888
Total capital assets, being depreciated	<u>144,641,178</u>	<u>879,299</u>	<u>(386,073)</u>	<u>145,134,404</u>
Less accumulated depreciation				
Buildings	(1,839,734)	(91,700)	-	(1,931,434)
Improvements	(111,132)	(1,095)	-	(112,227)
Furniture and equipment	(3,130,469)	(251,906)	375,298	(3,007,077)
Infrastructure	(47,910,751)	(5,911,343)	1,921	(53,820,173)
Total accumulated depreciation	<u>(52,992,086)</u>	<u>(6,256,044)</u>	<u>377,219</u>	<u>(58,870,911)</u>
Total capital assets, being depreciated, net	<u>91,649,092</u>	<u>(5,376,745)</u>	<u>(8,854)</u>	<u>86,263,493</u>
Total business-type activities	<u>\$ 102,561,348</u>	<u>\$ 11,676,400</u>	<u>\$ (37,890)</u>	<u>\$ 114,199,858</u>

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

Governmental activities	
General government	\$ 1,209,702
Public safety	1,845,697
Physical environment	433,608
Transportation	4,229,501
Economic environment	566,869
Human services	58,114
Culture and recreation	342,691
Total depreciation expense - governmental activities	<u>\$ 8,686,182</u>
Business-type activities	
Wholesale water system	\$ 2,463,903
Retail water & wastewater	47,600
Industrial wastewater	169,932
Solid waste	3,514,863
Building services	59,746
Total depreciation expense - business-type activities	<u>\$ 6,256,044</u>

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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 9 - CAPITAL LEASES (Continued)

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

Vehicles	\$ 1,273,301
Equipment	59,249
Total	<u>1,332,550</u>
Less: accumulated depreciation	(770,861)
Net	<u>\$ 561,689</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005 were as follows:

Year ending September 30,	
2006	\$ 214,558
2007	89,029
2008	<u>3,078</u>
Total minimum lease payments	306,665
Less amount representing interest	<u>(4,917)</u>
Present value of minimum lease payments	<u>\$ 301,748</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, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 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. The rates

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

effective October 1, 2004 – June 30, 2005 were 7.39% and 15.23% for regular employees and elected officials, respectively. The rates effective July 1, 2005 – September 30, 2005 were 7.83% 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, 2004 – June 30, 2005, and 9.33% effective from July 1, 2005 – September 30, 2005. The County's contributions for the years ended September 30, 2005, 2004, and 2003 were \$3,396,580, \$3,063,906, and \$2,543,421, 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, 2005 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.

\$ 9,926,080

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.

Total notes payable-enterprise funds	3,086,731
Less: current portion	13,012,811
	(1,950,826)
Long-term portion of enterprise funds	
notes payable	\$ 11,061,985

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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
2006	\$ 1,950,826	\$ 314,112	\$ 2,264,938
2007	1,958,920	306,019	2,264,939
2008	2,015,265	249,674	2,264,939
2009	2,073,232	191,707	2,264,939
2010	2,132,867	132,072	2,264,939
2011-2015	1,818,461	264,431	2,082,892
2016-2020	1,063,240	79,844	1,143,084
Total	<u>\$ 13,012,811</u>	<u>\$ 1,537,859</u>	<u>\$ 14,550,670</u>

Enterprise Fund Bonds Payable:

	Wholesale Water System Series 1997	Wholesale Water System Series 2000	Wholesale Water System Series 2005	Wastewater System Series 2004	Solid Waste Series 1998	Total
Current portion	\$ 400,000	\$ 655,000	\$ 105,000	\$ 232,500	\$ 1,455,000	\$ 2,847,500
Long-term portion	1,425,000	3,310,000	46,745,000	7,185,000	36,895,000	95,560,000
	<u>1,825,000</u>	<u>3,965,000</u>	<u>46,850,000</u>	<u>7,417,500</u>	<u>38,350,000</u>	<u>98,407,500</u>
Deferred amounts Issuance (discounts) and premiums	(31,421)	(80,906)	2,275,382	-	(818,279)	1,344,776
On refunding	-	-	(4,168,147)	-	(2,071,690)	(6,239,837)
Total bonds payable	<u>\$ 1,793,579</u>	<u>\$ 3,884,094</u>	<u>\$ 44,957,235</u>	<u>\$ 7,417,500</u>	<u>\$ 35,460,031</u>	<u>\$ 93,512,439</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. \$14,275,000 was refunded on April 28, 2005 by the Water System Revenue Refunding Bonds – Series 2005. Average remaining annual debt service is \$498,144.

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.

\$ 1,793,579

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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

Wastewater System Revenue Refunding Bonds – Series 2004

On December 1, 2004, the City of Callaway and Bay County issued \$15,155,000 Wastewater System Revenue Refunding Bonds, Series 2004, with interest rates of 3% to 5% to advance refund \$15,350,000 of outstanding 1996 series bonds with interest rates from 3.7% to 5.7%. The net proceeds plus an additional \$1,871,504 of 1996 bonds sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 Series bonds. As a result, the 1996 Series bonds are considered to be defeased and the County's liability associated with those bonds has been removed from the financial statements.

Principal is payable annually on September 1, commencing on September 1, 2005. Interest is payable semiannually on March 1 and September 1. The bonds are collateralized by the net revenues of the joint venture (Military Point Advanced Wastewater Treatment Facility). Average annual debt service is \$1,154,234. Bay County is liable for one half of the total obligation.

7,417,500

Solid Waste Sales Tax Revenue Bonds – Series 1998

Authorized and issued \$47,700,000, interest from 3.0% to 4.75%, principal payable annually on September 1, commencing September 1, 1999. Interest payable semiannually on March 1 and September 1. The principal and interest are 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.

35,460,031

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. \$31,520,000 was refunded on April 28, 2005 by the Water System Revenue Refunding Bonds – Series 2005. Average remaining annual debt service is \$895,427.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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

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.

3,884,094

Water System Revenue Refunding Bonds – Series 2005

On April 28, 2005 the County issued \$46,985,000 of Water System Revenue Refunding Bonds – Series 2005 at a premium of \$2,308,756. The proceeds of the bonds were used to partially refund the outstanding Water System Refunding Revenue Bonds – Series 1997 (refunded \$14,275,000) and Water System Revenue Bonds – Series 2000 (refunded \$31,520,000), and to pay the cost of issuing the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,425,281. This difference is reported as a deferred amount on refunding. The County completed the refunding to reduce its debt service payments over the next twenty-five years by \$4,895,093 and obtain an economic gain of \$3,075,645.

The bonds are special obligation bonds of the county payable solely from and secured by a) the net revenues of the wholesale water system, b) impact fees charged by the wholesale water system, c) all cash and investments held in accordance with Ordinance No. 00-04, Resolution No. 2219 and Resolution No. 2625.

The Bonds are issued on a parity with the County's outstanding Water System Revenue Bonds – Series 1997 and Water System Revenue Bonds – Series 2000.

Interest varies from 3.0% to 5.0%, principal payable annually on September 1, commencing September 1, 2005, interest payable semi-annually on March 1 and September 1, commencing on September 1, 2005.

	44,957,235
Total bonds payable – business-type activities	93,512,439
Less: current portion	<u>(2,847,500)</u>
Long-term portion of business-type activities bonds payable	<u>\$ 90,664,939</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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

The annual debt service requirements to maturity for bonds payable at September 30, 2005 are as follows:

Year ending September 30	Principal	Interest	Total
2006	\$ 2,847,500	\$ 4,681,906	\$ 7,529,406
2007	2,925,000	4,562,602	7,487,602
2008	3,050,000	4,436,525	7,486,525
2009	3,185,000	4,302,379	7,487,379
2010	3,327,500	4,159,823	7,487,323
2011-2015	19,102,500	18,521,208	37,623,708
2016-2020	23,952,500	13,644,163	37,596,663
2021-2025	23,880,000	7,195,176	31,075,176
2026-2030	16,137,500	2,387,561	18,525,061
Total	<u>\$ 98,407,500</u>	<u>\$ 63,891,343</u>	<u>\$ 162,298,843</u>

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005	Due Within One Year
Bonds payable	\$ 100,195,000	\$ 46,985,000	\$ (48,772,500)	\$ 98,407,500	\$ 2,847,500
Adjusted for deferred amounts					
For issuance discounts/premiums	(1,816,513)	2,308,756	852,533	1,344,776	-
On refunding	(2,633,780)	(4,168,147)	562,090	(6,239,837)	-
Total bonds payable	95,744,707	45,125,609	(47,357,877)	93,512,439	2,847,500
Notes payable	13,885,513	48,274	(920,976)	13,012,811	1,950,827
Accrued compensated absences	272,142	135,984	(124,867)	283,259	126,407
Business-type activity- long-term liabilities	<u>\$ 109,902,362</u>	<u>\$ 45,309,867</u>	<u>\$ (48,403,720)</u>	<u>\$ 106,808,509</u>	<u>\$ 4,924,734</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, 2005 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, 2004	Additions	Deductions	Balance September 30, 2005	Due Within One Year
Bonds payable	\$ 33,610,000	\$ -	\$ (2,775,000)	\$ 30,835,000	\$ 2,842,000
Adjusted for deferred amounts					
On refunding	(104,096)	-	15,050	(89,046)	-
For issuance premiums	56,615	-	(8,184)	48,431	-
Total bonds payable	33,562,519	-	(2,768,134)	30,794,385	2,842,000
Notes payable	-	-	-	-	-
Capital leases payable	757,759	-	(456,011)	301,748	214,558
Accrued compensated absences	1,734,907	530,479	(447,618)	1,817,768	398,854
	<u>\$ 36,055,185</u>	<u>\$ 530,479</u>	<u>\$ (3,671,763)</u>	<u>\$ 32,913,901</u>	<u>\$ 3,455,412</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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

Accrued compensated absences for governmental activities are generally liquidated by the fund that pays the related payroll costs.

Governmental activity revenue bonds consist of the following at September 30, 2005:

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.

\$ 1,640,000

Sales Tax Revenue Bonds – Series 2002

Authorized and issued \$18,140,000, interest varying from 3.00% to 5.125%, principal is payable annually on September 1 beginning in 2003, interest payable semi-annually on March 1 and September 1 beginning September 1, 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.

17,185,000

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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

Transportation Improvement Revenue Refunding Bonds - Series 2003

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

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

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

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

5,319,385

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.

6,090,000

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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

Taxable Capital Improvement Revenue Bonds, Series 2003B

Authorized and issued \$710,000, interest at 4.0%, principal payable semi-annually on September 1 and March 1, commencing September 1, 2004, interest payable semi-annually on September 1 and March 1, commencing on March 1, 2004. The bonds and interest are payable from and secured by the covenant of the County to budget and appropriate non-ad valorem 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.

	560,000
Total bonds payable – governmental activities	30,794,385
Less: current portion	(2,842,000)
Long-term portion governmental activities bonds payable	<u>\$ 27,952,385</u>

The annual debt service requirements to maturity for the revenue bonds payable at September 30, 2005 are as follows:

Year ending September 30	Principal	Interest	Total
2006	\$ 2,842,000	\$ 1,230,809	\$ 4,072,809
2007	2,955,000	1,135,762	4,090,762
2008	2,165,000	1,058,274	3,223,274
2009	2,235,000	988,882	3,223,882
2010	2,315,000	919,539	3,234,539
2011-2015	5,155,000	3,756,555	8,911,555
2016-2020	2,795,000	3,078,190	5,873,190
2021-2025	3,580,000	2,302,464	5,882,464
2026-2030	4,590,000	1,288,938	5,878,938
2031-2032	2,203,000	169,381	2,372,381
Total	<u>\$ 30,835,000</u>	<u>\$ 15,928,794</u>	<u>\$ 46,763,794</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, 2005 there was no arbitrage liability.

NOTE 13 – COMPENSATED ABSENCES

The County's compensated absences at September 30, 2005 are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 398,854	\$ 126,407	\$ 525,261
Long-term	1,418,914	156,834	1,575,748
Total	<u>\$ 1,817,768</u>	<u>\$ 283,241</u>	<u>\$ 2,101,009</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLES, AND INTERFUND TRANSFERS

At September 30, 2005, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund		
General	Building services	\$ 2,500	
	Internal service funds	<u>50,000</u>	\$ 52,500
Transportation	Solid waste fund	197	
	Internal service funds	<u>13,454</u>	13,651
Other nonmajor governmental funds	Transportation	3,252	
	Other nonmajor governmental funds	<u>1,910</u>	5,162
Solid waste fund	General		33,860
Internal service funds	General fund	235,097	
	Transportation	171,803	
	Other nonmajor governmental funds	80,869	
	Water system revenue	4,791	
	Solid waste fund	16,802	
	Industrial wastewater	2,143	
	Building services	9,907	
	Water and sewer retail	171	
	Internal service funds	<u>508</u>	<u>522,091</u>
	Total		<u>\$ 627,264</u>

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

Interfund transfers during the year ended September 30, 2005 were as follows:

	Transfers In				
	Transportation Fund	Nonmajor Governmental Funds	Internal Service Funds	Building Service	Total
Transfer out					
General fund	\$ 2,724,423	\$ 3,981,734	\$ 536,224	\$ 52,333	\$ 7,294,714
Transportation fund	-	1,100,000	-	-	1,100,000
Nonmajor governmental funds	-	30,999	-	-	30,999
Total	<u>\$ 2,724,423</u>	<u>\$ 5,112,733</u>	<u>\$ 536,224</u>	<u>\$ 52,333</u>	<u>\$ 8,425,713</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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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, 2005, consist of the following:

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Total Enterprise Funds
Restricted for debt service	\$ 313,219	\$ -	\$ 126,784	\$ 440,003
Restricted for capital projects	4,460,589	1,221,277	-	5,681,866
Total	<u>\$ 4,773,808</u>	<u>\$ 1,221,277</u>	<u>\$ 126,784</u>	<u>\$ 6,121,869</u>

Reserved Fund Balances

The County has established certain reserves within the fund equity section of the governmental funds. Reserved fund balances at September 30, 2005, consist of the following:

General fund:

Reserved for debt service	<u>\$ 956,168</u>
Reserved for capital projects	<u>\$ 1,493,853</u>
Reserved for other purposes	
Reserved for drug court	\$ 198,288
Reserved for boating improvement	326,961
Reserved for law enforcement	97,888
Reserved for court facilities	490,122
Reserved for innovative court programs	111,423
Reserved for legal aid	30,341
Reserved for law library	18,443
Reserved for teen court	7,108
Reserved for crime prevention	174,568
Reserved for library impact	160,996
Reserved for park impact	640,089
Total Reserved for other purposes	<u>\$ 2,256,227</u>

Special revenue funds:

Reserved for debt service	<u>\$ 483,675</u>
Reserved for capital projects	<u>\$ 858,827</u>
Reserved for other purposes	
Reserved for fire impact	\$ 61,315
Reserved for beach nourishment	8,680,462
Reserved for tourism promotion	752,796
Total Reserved for other purposes	<u>\$ 9,494,573</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 15 – EQUITY (Continued)

Designated Fund Balance

The County has established certain designations within the fund balance section of the governmental funds. Designated fund balance at September 30, 2005 consists of the following:

General fund:

Designated for insurance claims and emergency contingency	<u>\$ 5,128,507</u>
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NOTE 16 – COMMITMENTS AND CONTINGENCIES

Bond Commitment

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

Landfill Costs

The County has two landfills. The Majette landfill closed in September 1987. The Steelfield Road Phase I landfill is currently estimated to have sufficient capacity at current waste generation disposal rates to accept waste through 2018. State and federal laws and regulations require that the County place a final cover on its landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites for 30 years after closure. Management currently estimates that the cost to close the Steelfield landfill will be approximately \$961,817 and the post-closure costs to maintain and monitor the Steelfield and Majette landfills will be approximately \$495,435 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 \$10,417,126 landfill closure and postclosure care liability at September 30, 2005, 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 post-closure care in 2005. 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, 2005, \$1,457,252 was held for these purposes. These are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

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

Legal Contingencies

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

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

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

Military Point Advanced Wastewater Treatment Facility

The County entered into debt financing agreements with the City of Callaway on behalf of the Military Point Advanced Wastewater Treatment Facility. As a result, Bay County is contingently liable for bonds payable and notes payable guaranteed by the City of Callaway. As of September 30, 2005, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway's portion of note payable	\$ 13,012,811
Related interest expense	1,537,857
Wastewater System Revenue Bonds Series 1996 (see note 11)	7,417,500
Related interest expense	<u>4,293,872</u>
Total contingent liability – joint venture	<u><u>\$ 26,262,040</u></u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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, 2005 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	\$ 7,445,000
Bay County, Florida 5.25% Pollution Control Revenue Refunding Bonds, Series 1996 (Gulf Power Company Project)	April 1, 1996	\$ 12,075,000
Bay County, Florida 5.10% Pollution Control Revenue Refunding Bonds, Series 1998A (International Paper)	March 1, 1998	\$ 7,250,000
Bay County, Florida Educational Facilities Revenue Bonds (Bay Haven Charter Academy)	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, 2005. 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 \$3,721,031 reported in the workers' compensation fund at September 30, 2005 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 2004 and 2005 were as follows:

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

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

	<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, 2003 - September 30, 2004	\$ 3,260,325	\$ 532,307	\$ (359,419)	\$ 3,433,213
October 1, 2004 - September 30, 2005	\$ 3,433,213	\$ 442,369	\$ (154,551)	\$ 3,721,031

NOTE 19 – INSURANCE

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The County accounts for its uninsured risk of loss with regard to workers' compensation as explained in Note 18. Other types of insurance coverage are explained in the following paragraphs.

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

Changes in the self-insurers' fund's claims liability amount in fiscal years 2004 and 2005 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, 2003 - September 30, 2004	\$ 250,000	\$ 1,035,899	\$ (1,035,899)	\$ 250,000
October 1, 2004 - September 30, 2005	\$ 250,000	\$ 1,065,897	\$ (1,065,897)	\$ 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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 20 – JOINT VENTURE (Continued)

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, 2005, the County's investment in the joint venture was \$368,817. Complete financial statements for the joint venture may be obtained from the Operator at P.O. Box 2269, Panama City, Florida 32402.

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

Statement of Net Assets
September 30, 2005

Assets	<u>\$ 45,914,007</u>
Liabilities	<u>37,671,457</u>
Net assets	
Invested in capital assets, net of related debt	2,940,986
Restricted	4,275,331
Unrestricted	<u>1,026,233</u>
Total net assets	<u>8,242,550</u>
Total liabilities and net assets	<u>\$ 45,914,007</u>

Statement of Activities
Year Ended September 30, 2005

Revenues	\$ 6,419,648
Expenses	<u>(3,853,778)</u>
Operating income	2,565,870
Nonoperating revenues (expenses), net	<u>9,209</u>
Net income before distributions	2,575,079
Distribution to owners	<u>(885,131)</u>
Net income	1,689,948
Net assets, beginning of year	<u>6,552,602</u>
Net assets, end of year	<u>\$ 8,242,550</u>

As of September 30, 2005 the County's portion of contributions and net assets in the joint venture is as follows:

County investment, beginning of year	\$ (731,415)
Add: 2005 county share of net income	1,330,949
Less: 2004 distributions to owners	<u>(230,717)</u>
County investment in joint venture at September 30, 2005	<u>\$ 368,817</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2005

NOTE 21 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2005 the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2005, billings for these services totaled \$2,377,433.

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 \$1,575,867 for the year ended September 30, 2005. In addition, during the current year the County recognized \$637,931 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$637,931, related to the 1996 Bond Series and State Revolving Fund Loan Program as discussed in Note 11.

NOTE 22 – PRIOR PERIOD ADJUSTMENT

Capitalization of Capital Assets

In fiscal year 2004, the County expended \$576,403 on a stormwater drainage project.

During 2005, the County incurred additional costs on the project and a determination was made that the project should have been capitalized as infrastructure to the extent of costs incurred in the prior year. As a result, an increase has been made to the beginning net assets of the County's statement of activities in the amount of \$576,403.

Current Portion of Accrued Compensated Absences

In prior years the County has accrued a liability for the current portion of compensated absences in the governmental funds. In order to comply with *Governmental Accounting Standards Board (GASB) Interpretation 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, the County will no longer accrue this liability in governmental funds. As a result, an increase has been made to the beginning fund balance of the following funds:

General	\$ 253,225
Transportation	96,795
Stormwater Management	58,146
Tourist Development	1,736
Public Safety	3,130
District Mosquito Control	8,563
MSTU Fire Protection	26,022
	<u>\$ 447,617</u>

NOTE 23 – BAY COUNTY LAW LIBRARY

On July 1, 2004 provisions of Article V of the Florida Constitution transferred the financial and accounting responsibility of the operations of the Law Library to the County. Therefore the Law Library is no longer a component unit. The Law Library is accounted for within the general fund of the county.

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 - Records – 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

Records Modernization - Court – 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 for in Article V of the Florida State Constitution.

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, 2005

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
ASSETS				
Cash and cash equivalents	\$ 282,774	\$ 1,967,970	\$ 210,840	\$ 211,701
Accounts receivable	202	324,202	48,886	43,339
Special assessments receivable	-	-	-	-
Investments	610,744	8,101,989	455,379	457,239
Due from other funds	-	-	-	-
Due from other governments	744,235	1,183,990	109,927	62,838
Restricted assets				
Cash and cash equivalents	-	-	-	20,949
Investments	-	-	-	45,246
Total assets	<u>\$ 1,637,955</u>	<u>\$ 11,578,151</u>	<u>\$ 825,032</u>	<u>\$ 841,312</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 248,279	\$ 211,316	\$ 19,938	\$ 7,670
Deferred revenue	-	-	-	-
Due to other funds	57,636	1,495	436	3,011
Due to other governments	-	-	-	-
Total liabilities	<u>305,915</u>	<u>212,811</u>	<u>20,374</u>	<u>10,681</u>
Fund balance				
Reserved for				
Debt service	-	-	-	65,324
Other purposes	-	9,433,438	-	-
Unreserved	<u>1,332,040</u>	<u>1,931,902</u>	<u>804,658</u>	<u>765,307</u>
Total fund balance	<u>1,332,040</u>	<u>11,365,340</u>	<u>804,658</u>	<u>830,631</u>
Total liabilities and fund balance	<u>\$ 1,637,955</u>	<u>\$ 11,578,151</u>	<u>\$ 825,032</u>	<u>\$ 841,312</u>

Continued

Special Revenue					
District Mosquito Control	MSTU Fire Protection	MSBU Fund	Court	County Court Facility	10/6/3 Fund
\$ 188,256	\$ 787,855	\$ 66,069	\$ 857,820	\$ -	\$ 481,459
2,481	34,483	34	48,170	-	-
-	-	533,236	-	-	-
406,598	1,700,554	142,698	-	-	-
5,162	-	-	-	-	-
-	-	-	-	-	-
-	153,064	-	-	-	-
-	330,587	-	-	-	-
<u>\$ 602,497</u>	<u>\$ 3,006,543</u>	<u>\$ 742,037</u>	<u>\$ 905,990</u>	<u>\$ -</u>	<u>\$ 481,459</u>
\$ 12,815	\$ 128,387	\$ 150	\$ 215,078	\$ -	\$ -
-	-	485,620	-	-	-
3,031	17,170	-	-	-	-
-	-	-	690,912	-	-
<u>15,846</u>	<u>145,557</u>	<u>485,770</u>	<u>905,990</u>	<u>-</u>	<u>-</u>
-	418,351	-	-	-	-
-	61,315	-	-	-	-
586,651	2,381,320	256,267	-	-	481,459
586,651	2,860,986	256,267	-	-	481,459
<u>\$ 602,497</u>	<u>\$ 3,006,543</u>	<u>\$ 742,037</u>	<u>\$ 905,990</u>	<u>\$ -</u>	<u>\$ 481,459</u>

Continued

Bay County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2005

	Special Revenue				
	Circuit Court Facility	Family Mediation	Records Modernization - Court	Records Modernization - Records	Law Enforcement Training
ASSETS					
Cash and cash equivalents	\$ -	\$ 49,946	\$ 676,486	\$ 431,126	\$ 2,354
Accounts receivable	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Restricted assets					
Cash and cash equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 49,946</u>	<u>\$ 676,486</u>	<u>\$ 431,126</u>	<u>\$ 2,354</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ -	\$ 500	\$ -	\$ 30,410	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	<u>-</u>	<u>500</u>	<u>-</u>	<u>30,410</u>	<u>-</u>
Fund balance					
Reserved for					
Debt service	-	-	-	-	-
Other purposes	-	-	-	-	-
Unreserved	-	49,446	676,486	400,716	2,354
Total fund balance	<u>-</u>	<u>49,446</u>	<u>676,486</u>	<u>400,716</u>	<u>2,354</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 49,946</u>	<u>\$ 676,486</u>	<u>\$ 431,126</u>	<u>\$ 2,354</u>

Special Revenue

Special Law Enforcement Trust	Special Contribution	Junior Deputies	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ 23,919	\$ 13,942	\$ -	\$ 43,994	\$ 18,459	\$ 6,314,970
-	-	-	-	-	501,797
-	-	-	-	-	533,236
-	-	-	-	-	11,875,201
-	-	-	-	-	5,162
-	-	-	-	-	2,100,990
-	-	-	-	-	174,013
-	-	-	-	-	375,833
<u>\$ 23,919</u>	<u>\$ 13,942</u>	<u>\$ -</u>	<u>\$ 43,994</u>	<u>\$ 18,459</u>	<u>\$ 21,881,202</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 874,543
-	-	-	-	-	485,620
-	-	-	-	-	82,779
-	-	-	-	-	690,912
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,133,854</u>
-	-	-	-	-	483,675
-	-	-	-	-	9,494,753
23,919	13,942	-	43,994	18,459	9,768,920
<u>23,919</u>	<u>13,942</u>	<u>-</u>	<u>43,994</u>	<u>18,459</u>	<u>19,747,348</u>
<u>\$ 23,919</u>	<u>\$ 13,942</u>	<u>\$ -</u>	<u>\$ 43,994</u>	<u>\$ 18,459</u>	<u>\$ 21,881,202</u>

Bay County, Florida
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2005

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
REVENUES				
Taxes	\$ -	\$ 5,415,410	\$ -	\$ -
Intergovernmental	718,396	1,139,093	-	76,358
Charges for services	-	-	836,044	706,887
Interest	10,786	230,937	25,372	22,039
Miscellaneous	38,012	77,106	-	238,109
Total revenues	<u>767,194</u>	<u>6,862,546</u>	<u>861,416</u>	<u>1,043,393</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	816,080	663,399
Physical environment	4,939,983	-	-	-
Economic environment	-	8,702,165	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	633,984
Interest	-	-	-	146,488
Total expenditures	<u>4,939,983</u>	<u>8,702,165</u>	<u>816,080</u>	<u>1,443,871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,172,789)</u>	<u>(1,839,619)</u>	<u>45,336</u>	<u>(400,478)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,472,417	-	-	451,158
Transfers out	-	-	-	-
Reversion to State of Florida	-	-	-	-
Total other financing sources (uses)	<u>4,472,417</u>	<u>-</u>	<u>-</u>	<u>451,158</u>
Net change in fund balance	<u>299,628</u>	<u>(1,839,619)</u>	<u>45,336</u>	<u>50,680</u>
Fund balance - beginning	974,266	13,203,223	756,192	779,951
Prior period adjustment	<u>58,146</u>	<u>1,736</u>	<u>3,130</u>	<u>-</u>
Fund balance - beginning (restated)	<u>1,032,412</u>	<u>13,204,959</u>	<u>759,322</u>	<u>779,951</u>
Fund balance - ending	<u>\$ 1,332,040</u>	<u>\$ 11,365,340</u>	<u>\$ 804,658</u>	<u>\$ 830,631</u>

Continued

Special Revenue					
District Mosquito Control	MSTU Fire Protection	MSBU Fund	Court	County Court Facility	10/6/3 Fund
\$ 684,621	\$ 4,020,882	\$ -	\$ -	\$ -	\$ -
17,148	3,920	-	144,061	-	-
3,250	210,861	134,478	4,343,047	-	80,000
18,528	95,309	9,896	-	-	-
780	57,876	214	-	1,209	4,723
<u>724,327</u>	<u>4,388,848</u>	<u>144,588</u>	<u>4,487,108</u>	<u>1,209</u>	<u>84,723</u>
-	-	-	3,878,421	231,011	5,856
-	3,079,640	-	-	-	-
-	-	19,916	-	-	-
-	-	-	-	-	-
607,252	-	-	-	-	-
-	326,311	-	-	-	-
-	342,202	-	-	-	-
<u>607,252</u>	<u>3,748,153</u>	<u>19,916</u>	<u>3,878,421</u>	<u>231,011</u>	<u>5,856</u>
<u>117,075</u>	<u>640,695</u>	<u>124,672</u>	<u>608,687</u>	<u>(229,802)</u>	<u>78,867</u>
-	158,159	-	-	-	-
-	-	-	-	-	-
-	-	-	(608,687)	-	-
<u>-</u>	<u>158,159</u>	<u>-</u>	<u>(608,687)</u>	<u>-</u>	<u>-</u>
<u>117,075</u>	<u>798,854</u>	<u>124,672</u>	<u>-</u>	<u>(229,802)</u>	<u>78,867</u>
461,013	2,036,110	131,595	-	229,802	402,592
8,563	26,022	-	-	-	-
<u>469,576</u>	<u>2,062,132</u>	<u>131,595</u>	<u>-</u>	<u>229,802</u>	<u>402,592</u>
<u>\$ 586,651</u>	<u>\$ 2,860,986</u>	<u>\$ 256,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,459</u>

Continued

Bay County, Florida
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2005

	Special Revenue				
	Circuit Court Facility	Family Mediation	Records Modernization - Court	Records Modernization - Records	Law Enforcement Training
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	134,914
Charges for services	-	-	223,263	697,121	-
Interest	-	-	-	-	-
Miscellaneous	832	178	6,035	8,209	-
Total revenues	<u>832</u>	<u>178</u>	<u>229,298</u>	<u>705,330</u>	<u>134,914</u>
EXPENDITURES					
Current					
General government	284,091	26,150	66,251	335,613	-
Public safety	-	-	-	-	137,524
Physical environment	-	-	-	-	-
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>284,091</u>	<u>26,150</u>	<u>66,251</u>	<u>335,613</u>	<u>137,524</u>
Excess of revenues over (under) expenditures	<u>(283,259)</u>	<u>(25,972)</u>	<u>163,047</u>	<u>369,717</u>	<u>(2,610)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	30,999	-
Transfers out	-	-	(30,999)	-	-
Reversion to State of Florida	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(30,999)</u>	<u>30,999</u>	<u>-</u>
Net change in fund balance	<u>(283,259)</u>	<u>(25,972)</u>	<u>132,048</u>	<u>400,716</u>	<u>(2,610)</u>
Fund balance at beginning of year	283,259	75,418	544,438	-	4,964
Prior period adjustment	-	-	-	-	-
Fund balance - beginning (restated)	<u>283,259</u>	<u>75,418</u>	<u>544,438</u>	<u>-</u>	<u>4,964</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 49,446</u>	<u>\$ 676,486</u>	<u>\$ 400,716</u>	<u>\$ 2,354</u>

Special Revenue

Special Law Enforcement Trust	Special Contribution	Junior Deputies	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,120,913
244,443	-	90	-	-	2,478,423
-	-	-	-	-	7,234,951
-	-	-	-	-	412,867
-	63,651	-	48,478	39,393	584,805
<u>244,443</u>	<u>63,651</u>	<u>90</u>	<u>48,478</u>	<u>39,393</u>	<u>20,831,959</u>
-	-	-	-	-	4,827,393
228,151	53,102	1,185	44,553	30,585	5,054,219
-	-	-	-	-	4,959,899
-	-	-	-	-	8,702,165
-	-	-	-	-	607,252
-	-	-	-	-	960,295
-	-	-	-	-	488,690
<u>228,151</u>	<u>53,102</u>	<u>1,185</u>	<u>44,553</u>	<u>30,585</u>	<u>25,599,913</u>
<u>16,292</u>	<u>10,549</u>	<u>(1,095)</u>	<u>3,925</u>	<u>8,808</u>	<u>(4,767,954)</u>
-	-	-	-	-	5,112,733
-	-	-	-	-	(30,999)
-	-	-	-	-	(608,687)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,473,047</u>
<u>16,292</u>	<u>10,549</u>	<u>(1,095)</u>	<u>3,925</u>	<u>8,808</u>	<u>(294,907)</u>
7,627	3,393	1,095	40,069	9,651	19,944,658
-	-	-	-	-	97,597
<u>7,627</u>	<u>3,393</u>	<u>1,095</u>	<u>40,069</u>	<u>9,651</u>	<u>20,042,255</u>
<u>\$ 23,919</u>	<u>\$ 13,942</u>	<u>\$ -</u>	<u>\$ 43,994</u>	<u>\$ 18,459</u>	<u>\$ 19,747,348</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Stormwater Management
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 487,807	\$ 1,234,506	\$ 718,396	\$ (516,110)
Interest	23,988	23,988	10,786	(13,202)
Miscellaneous	-	-	38,012	38,012
Total revenues	<u>511,795</u>	<u>1,258,494</u>	<u>767,194</u>	<u>(491,300)</u>
EXPENDITURES				
Physical environment	<u>5,073,837</u>	<u>6,373,061</u>	<u>4,939,983</u>	<u>1,433,078</u>
Total expenditures	<u>5,073,837</u>	<u>6,373,061</u>	<u>4,939,983</u>	<u>1,433,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,562,042)</u>	<u>(5,114,567)</u>	<u>(4,172,789)</u>	<u>941,778</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>4,471,640</u>	<u>4,472,417</u>	<u>4,472,417</u>	<u>-</u>
Total other financing sources (uses)	<u>4,471,640</u>	<u>4,472,417</u>	<u>4,472,417</u>	<u>-</u>
Net change in fund balance	<u>(90,402)</u>	<u>(642,150)</u>	<u>299,628</u>	<u>941,778</u>
Fund balance - beginning	974,266	974,266	974,266	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>58,146</u>	<u>58,146</u>
Fund balance - beginning (restated)	<u>974,266</u>	<u>974,266</u>	<u>1,032,412</u>	<u>58,146</u>
Fund balance - ending	<u>\$ 883,864</u>	<u>\$ 332,116</u>	<u>\$ 1,332,040</u>	<u>\$ 999,924</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Tourist Development
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 5,018,313	\$ 5,018,313	\$ 5,415,410	\$ 397,097
Intergovernmental	50,685	1,609,086	1,139,093	(469,993)
Interest	65,433	65,433	230,937	165,504
Miscellaneous	72,369	72,369	77,106	4,737
Total revenues	<u>5,206,800</u>	<u>6,765,201</u>	<u>6,862,546</u>	<u>97,345</u>
EXPENDITURES				
Economic environment	<u>13,229,904</u>	<u>14,988,305</u>	<u>8,702,165</u>	<u>6,286,140</u>
Total expenditures	<u>13,229,904</u>	<u>14,988,305</u>	<u>8,702,165</u>	<u>6,286,140</u>
Excess (deficiency) of revenues over (under) expenditures	(8,023,104)	(8,223,104)	(1,839,619)	6,383,485
Fund balance - beginning	13,203,223	13,203,223	13,203,223	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>1,736</u>	<u>1,736</u>
Fund balance - beginning (restated)	<u>13,203,223</u>	<u>13,203,223</u>	<u>13,204,959</u>	<u>1,736</u>
Fund balance - ending	<u>\$ 5,180,119</u>	<u>\$ 4,980,119</u>	<u>\$ 11,365,340</u>	<u>\$ 6,385,221</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Public Safety
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 738,378	\$ 738,378	\$ 836,044	\$ 97,666
Interest	5,916	5,916	25,372	19,456
Total revenues	<u>744,294</u>	<u>744,294</u>	<u>861,416</u>	<u>117,122</u>
EXPENDITURES				
Public safety	930,696	931,090	816,080	115,010
Total expenditures	<u>930,696</u>	<u>931,090</u>	<u>816,080</u>	<u>115,010</u>
Excess (deficiency) of revenues over (under) expenditures	(186,402)	(186,796)	45,336	232,132
Fund balance - beginning	756,192	756,192	756,192	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>3,130</u>	<u>3,130</u>
Fund balance - beginning (restated)	<u>756,192</u>	<u>756,192</u>	<u>759,322</u>	<u>3,130</u>
Fund balance - ending	<u>\$ 569,790</u>	<u>\$ 569,396</u>	<u>\$ 804,658</u>	<u>\$ 235,262</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Intergovernmental Radio Communications
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 76,358	\$ 76,358
Charges for services	668,177	668,177	706,887	38,710
Interest	8,466	8,466	22,039	13,573
Miscellaneous	250,391	311,939	238,109	(73,830)
Total revenues	<u>927,034</u>	<u>988,582</u>	<u>1,043,393</u>	<u>54,811</u>
EXPENDITURES				
Public safety	641,452	740,587	663,399	77,188
Debt service				
Principal	636,402	636,402	633,984	2,418
Interest	149,053	149,053	146,488	2,565
Total expenditures	<u>1,426,907</u>	<u>1,526,042</u>	<u>1,443,871</u>	<u>82,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(499,873)</u>	<u>(537,460)</u>	<u>(400,478)</u>	<u>136,982</u>
OTHER FINANCING SOURCES				
Transfers in	451,158	451,158	451,158	-
Total other financing sources	<u>451,158</u>	<u>451,158</u>	<u>451,158</u>	<u>-</u>
Net change in fund balance	(48,715)	(86,302)	50,680	136,982
Fund balance - beginning	<u>779,951</u>	<u>779,951</u>	<u>779,951</u>	<u>-</u>
Fund balance - ending	<u>\$ 731,236</u>	<u>\$ 693,649</u>	<u>\$ 830,631</u>	<u>\$ 136,982</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
District Mosquito Control
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 669,794	\$ 669,794	\$ 684,621	\$ 14,827
Intergovernmental	17,915	17,159	17,148	(11)
Charges for services	3,380	3,380	3,250	(130)
Interest	7,519	7,519	18,528	11,009
Miscellaneous	-	-	780	780
Total revenues	<u>698,608</u>	<u>697,852</u>	<u>724,327</u>	<u>26,475</u>
EXPENDITURES				
Human services	<u>950,195</u>	<u>963,756</u>	<u>607,252</u>	<u>356,504</u>
Total expenditures	<u>950,195</u>	<u>963,756</u>	<u>607,252</u>	<u>356,504</u>
Excess of revenues over expenditures	(251,587)	(265,904)	117,075	382,979
Fund balance - beginning	461,013	461,013	461,013	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>8,563</u>	<u>8,563</u>
Fund balance - beginning (restated)	<u>461,013</u>	<u>461,013</u>	<u>469,576</u>	<u>8,563</u>
Fund balance - ending	<u>\$ 209,426</u>	<u>\$ 195,109</u>	<u>\$ 586,651</u>	<u>\$ 391,542</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
MSTU Fire Protection
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 3,956,085	\$ 3,956,085	\$ 4,020,882	\$ 64,797
Intergovernmental	3,757	3,757	3,920	163
Charges for services	108,204	108,204	210,861	102,657
Interest	43,178	43,178	95,309	52,131
Miscellaneous	0	46,056	57,876	11,820
Total revenues	<u>4,111,224</u>	<u>4,157,280</u>	<u>4,388,848</u>	<u>231,568</u>
EXPENDITURES				
Public safety	3,879,067	4,015,737	3,079,640	936,097
Debt service				
Principal	320,448	289,448	326,311	(36,863)
Interest	311,709	343,076	342,202	874
Total expenditures	<u>4,511,224</u>	<u>4,648,261</u>	<u>3,748,153</u>	<u>900,108</u>
Excess (deficiency) of revenues over (under) expenditures	(400,000)	(490,981)	640,695	1,131,676
OTHER FINANCING SOURCES				
Transfers in	-	103,191	158,159	54,968
Total other financing sources	<u>-</u>	<u>103,191</u>	<u>158,159</u>	<u>54,968</u>
Net change in fund balance	<u>(400,000)</u>	<u>(387,790)</u>	<u>798,854</u>	<u>1,186,644</u>
Fund balance - beginning	2,036,110	2,036,110	2,036,110	-
Prior period adjustment	-	-	26,022	26,022
Fund balance - beginning (restated)	<u>2,036,110</u>	<u>2,036,110</u>	<u>2,062,132</u>	<u>26,022</u>
Fund balance - ending	<u>\$ 1,636,110</u>	<u>\$ 1,648,320</u>	<u>\$ 2,860,986</u>	<u>\$ 1,212,666</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
MSBU Fund
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ -	\$ 80,307	\$ 134,478	\$ 54,171
Interest	388	388	9,896	9,508
Miscellaneous	-	0	214	214
Total revenues	<u>388</u>	<u>80,695</u>	<u>144,588</u>	<u>63,893</u>
EXPENDITURES				
Physical environment	<u>56,222</u>	<u>136,529</u>	<u>19,916</u>	<u>116,613</u>
Total expenditures	<u>56,222</u>	<u>136,529</u>	<u>19,916</u>	<u>116,613</u>
Excess (deficiency) of revenues over (under) expenditures	(55,834)	(55,834)	124,672	180,506
Fund balance - beginning	<u>131,595</u>	<u>131,595</u>	<u>131,595</u>	<u>-</u>
Fund balance - ending	<u>\$ 75,761</u>	<u>\$ 75,761</u>	<u>\$ 256,267</u>	<u>\$ 180,506</u>

Bay County, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Court Fund
Year Ended September 30, 2005

	Bugeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 230,000	\$ 230,000	\$ 144,061	\$ (85,939)
Charges for services	3,872,026	3,872,026	4,343,047	471,021
Total revenues	<u>4,102,026</u>	<u>4,102,026</u>	<u>4,487,108</u>	<u>385,082</u>
EXPENDITURES				
General government	4,102,026	4,102,026	3,878,421	223,605
Total expenditures	<u>4,102,026</u>	<u>4,102,026</u>	<u>3,878,421</u>	<u>223,605</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>608,687</u>	<u>608,687</u>
OTHER FINANCING SOURCES (USES)				
Reversion to State of Florida	-	-	(608,687)	(608,687)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(608,687)</u>	<u>(608,687)</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>

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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, 2005

	Other Internal Services	Workers' Compensation	Insurance	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 24,537	\$ 1,222,428	\$ 94,561	\$ 1,341,526
Accounts receivable	493,398	20,521	44	513,963
Prepaid expenses	-	50,000	37,690	87,690
Investments	51,268	2,640,233	204,232	2,895,733
Due from other funds	502,908	1,825	17,358	522,091
Total current assets	<u>1,072,111</u>	<u>3,935,007</u>	<u>353,885</u>	<u>5,361,003</u>
Total assets	<u>1,072,111</u>	<u>3,935,007</u>	<u>353,885</u>	<u>5,361,003</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	201,875	3,738,607	272,053	4,212,535
Due to other funds	63,454	315	193	63,962
Total current liabilities	<u>265,329</u>	<u>3,738,922</u>	<u>272,246</u>	<u>4,276,497</u>
Total liabilities	<u>265,329</u>	<u>3,738,922</u>	<u>272,246</u>	<u>4,276,497</u>
NET ASSETS				
Unrestricted	806,782	196,085	81,639	1,084,506
Total net assets	<u>\$ 806,782</u>	<u>\$ 196,085</u>	<u>\$ 81,639</u>	<u>\$ 1,084,506</u>

Bay County, Florida
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
Year Ended September 30, 2005

	Other Internal Services	Workers' Compensation	Insurance	Total
OPERATING REVENUES				
Charges for services	\$ 3,943,295	\$ 690,310	\$ 1,083,645	\$ 5,717,250
Total operating revenues	<u>3,943,295</u>	<u>690,310</u>	<u>1,083,645</u>	<u>5,717,250</u>
OPERATING EXPENSES				
Personal services	1,278,973	126,527	52,158	1,457,658
Contracted services	200,870	18,134	31,865	250,869
Repairs and maintenance	139,570	1,756	1,676	143,002
Utilities	17,924	1,653	1,653	21,230
Materials	2,148,428	-	-	2,148,428
Insurance claims	-	158,429	1,065,897	1,224,326
Other operating expenses	157,530	383,811	9,653	550,994
Total operating expenses	<u>3,943,295</u>	<u>690,310</u>	<u>1,162,902</u>	<u>5,796,507</u>
Operating income	<u>-</u>	<u>-</u>	<u>(79,257)</u>	<u>(79,257)</u>
NONOPERATING REVENUES				
Interest income	1,551	95,014	890	97,455
Gain (loss) on investment	(100)	4,087	101	4,088
Total nonoperating revenues	<u>1,451</u>	<u>99,101</u>	<u>991</u>	<u>101,543</u>
Income before transfers	<u>1,451</u>	<u>99,101</u>	<u>(78,266)</u>	<u>22,286</u>
TRANSFERS				
Transfers in	454,170	2,136	79,918	536,224
Net transfers	<u>454,170</u>	<u>2,136</u>	<u>79,918</u>	<u>536,224</u>
Change in net assets	455,621	101,237	1,652	558,510
Total net assets - beginning	<u>351,161</u>	<u>94,848</u>	<u>79,987</u>	<u>525,996</u>
Total net assets - ending	<u>\$ 806,782</u>	<u>\$ 196,085</u>	<u>\$ 81,639</u>	<u>\$ 1,084,506</u>

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2005

	Other Internal Services	Workers' Compensation	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,368,034	\$ 683,634	\$ 1,091,128	\$ 5,142,796
Cash paid to suppliers for goods and services	(2,562,799)	(263,578)	(1,129,224)	(3,955,601)
Cash paid to employees for services	(1,278,973)	(126,527)	(52,158)	(1,457,658)
Net cash provided by (used in) operating activities	<u>(473,738)</u>	<u>293,529</u>	<u>(90,254)</u>	<u>(270,463)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	454,170	2,136	79,918	536,224
Net cash provided by (used in) noncapital and related financing activities	<u>454,170</u>	<u>2,136</u>	<u>79,918</u>	<u>536,224</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investment securities	118,862	4,763,151	423,944	5,305,957
Purchase of investments	(114,460)	(5,322,399)	(443,533)	(5,880,392)
Interest and dividends on investments	1,551	95,014	890	97,455
Net cash provided by (used in) investing activities	<u>5,953</u>	<u>(464,234)</u>	<u>(18,699)</u>	<u>(476,980)</u>
Net increase (decrease) in cash and cash equivalents	(13,615)	(168,569)	(29,035)	(211,219)
Cash and cash equivalents - beginning	<u>38,152</u>	<u>1,390,997</u>	<u>123,596</u>	<u>1,552,745</u>
Cash and cash equivalents - ending	<u><u>\$ 24,537</u></u>	<u><u>\$ 1,222,428</u></u>	<u><u>\$ 94,561</u></u>	<u><u>\$ 1,341,526</u></u>

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2005

	<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	\$ -	\$ -	\$ (79,257)	\$ (79,257)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
(Increase) decrease in assets				
Accounts receivable	(310,622)	(4,851)	24,841	(290,632)
Prepaid items	-	-	35,640	35,640
Due from other funds	(264,639)	(1,825)	(17,358)	(283,822)
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	99,919	300,186	17,004	417,109
Due to other funds	1,604	19	(71,124)	(69,501)
Total adjustments	(473,738)	293,529	(10,997)	(191,206)
Net cash provided by (used in) operating activities	<u>\$ (473,738)</u>	<u>\$ 293,529</u>	<u>\$ (90,254)</u>	<u>\$ (270,463)</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.

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, 2005

	<u>Fines and Forfeitures</u>	<u>Jury and Witness</u>	<u>Tax Deed Assets</u>	<u>Support</u>
ASSETS				
Cash and cash equivalents	\$ 462,835	\$ 20,345	\$ 58,806	\$ 28,224
Accounts receivable	-	-	-	-
Total assets	<u>\$ 462,835</u>	<u>\$ 20,345</u>	<u>\$ 58,806</u>	<u>\$ 28,224</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	58,806	28,224
Due to other governments	462,835	20,345	-	-
Total liabilities	<u>\$ 462,835</u>	<u>\$ 20,345</u>	<u>\$ 58,806</u>	<u>\$ 28,224</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

	<u>Court Registry</u>	<u>Cash Bond</u>	<u>Restitution</u>	<u>Doc Stamps</u>
ASSETS				
Cash and cash equivalents	\$ 1,843,213	\$ 1,696,272	\$ 19,092	\$ 1,068,370
Accounts receivable	-	-	-	-
Total assets	<u>\$ 1,843,213</u>	<u>\$ 1,696,272</u>	<u>\$ 19,092</u>	<u>\$ 1,068,370</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	1,843,213	-	3,960	-
Due to other governments	-	1,696,272	15,132	1,068,370
Total liabilities	<u>\$ 1,843,213</u>	<u>\$ 1,696,272</u>	<u>\$ 19,092</u>	<u>\$ 1,068,370</u>

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

	<u>Intangible Tax</u>	<u>Property Tax Fund</u>	<u>Tax Certificate</u>	<u>Tag</u>
ASSETS				
Cash and cash equivalents	\$ 996,790	\$ 1,243,638	\$ 4,688	\$ -
Accounts receivable	-	-	-	18,468
Total assets	<u>\$ 996,790</u>	<u>\$ 1,243,638</u>	<u>\$ 4,688</u>	<u>\$ 18,468</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ 16,013
Accounts payable and accrued liabilities	-	-	4,688	-
Due to other governments	996,790	1,243,638	-	2,455
Total liabilities	<u>\$ 996,790</u>	<u>\$ 1,243,638</u>	<u>\$ 4,688</u>	<u>\$ 18,468</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

	<u>Other Suspense</u>	<u>Individual Depositors</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,284	\$ 7,443,557
Accounts receivable	-	-	18,468
Total assets	<u>\$ -</u>	<u>\$ 1,284</u>	<u>\$ 7,462,025</u>
LIABILITIES			
Bank overdraft	\$ -	\$ -	\$ 16,013
Accounts payable and accrued liabilities	-	1,284	1,940,175
Due to other governments	-	-	5,505,837
Total liabilities	<u>\$ -</u>	<u>\$ 1,284</u>	<u>\$ 7,462,025</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 356,528	\$ 5,282,245	\$ 5,175,938	\$ 462,835
Total assets	<u>\$ 356,528</u>	<u>\$ 5,282,245</u>	<u>\$ 5,175,938</u>	<u>\$ 462,835</u>
LIABILITIES				
Due to other governments	\$ 356,528	\$ 5,282,245	\$ 5,175,938	\$ 462,835
Total liabilities	<u>\$ 356,528</u>	<u>\$ 5,282,245</u>	<u>\$ 5,175,938</u>	<u>\$ 462,835</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 18,142	\$ 98,035	\$ 95,832	\$ 20,345
Total assets	<u>\$ 18,142</u>	<u>\$ 98,035</u>	<u>\$ 95,832</u>	<u>\$ 20,345</u>
LIABILITIES				
Due to other governments	\$ 18,142	\$ 98,035	\$ 95,832	\$ 20,345
Total liabilities	<u>\$ 18,142</u>	<u>\$ 98,035</u>	<u>\$ 95,832</u>	<u>\$ 20,345</u>
TAX DEED ASSETS				
ASSETS				
Cash and cash equivalents	\$ 243,084	\$ 345,666	\$ 529,944	\$ 58,806
Total assets	<u>\$ 243,084</u>	<u>\$ 345,666</u>	<u>\$ 529,944</u>	<u>\$ 58,806</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 243,084	\$ 345,666	\$ 529,944	\$ 58,806
Total liabilities	<u>\$ 243,084</u>	<u>\$ 345,666</u>	<u>\$ 529,944</u>	<u>\$ 58,806</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 6,448	\$ 967,146	\$ 945,370	\$ 28,224
Total assets	<u>\$ 6,448</u>	<u>\$ 967,146</u>	<u>\$ 945,370</u>	<u>\$ 28,224</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 6,448	\$ 967,146	\$ 945,370	\$ 28,224
Total liabilities	<u>\$ 6,448</u>	<u>\$ 967,146</u>	<u>\$ 945,370</u>	<u>\$ 28,224</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 981,036	\$ 7,295,934	\$ 6,433,757	\$ 1,843,213
Total assets	<u>\$ 981,036</u>	<u>\$ 7,295,934</u>	<u>\$ 6,433,757</u>	<u>\$ 1,843,213</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 981,036	\$ 7,295,934	\$ 6,433,757	\$ 1,843,213
Total liabilities	<u>\$ 981,036</u>	<u>\$ 7,295,934</u>	<u>\$ 6,433,757</u>	<u>\$ 1,843,213</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 725,607	\$ 2,442,929	\$ 1,472,264	\$ 1,696,272
Total assets	<u>\$ 725,607</u>	<u>\$ 2,442,929</u>	<u>\$ 1,472,264</u>	<u>\$ 1,696,272</u>
LIABILITIES				
Due to other governments	\$ 725,607	\$ 2,442,929	\$ 1,472,264	\$ 1,696,272
Total liabilities	<u>\$ 725,607</u>	<u>\$ 2,442,929</u>	<u>\$ 1,472,264</u>	<u>\$ 1,696,272</u>

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 30,296	\$ 354,655	\$ 365,859	\$ 19,092
Total assets	<u>\$ 30,296</u>	<u>\$ 354,655</u>	<u>\$ 365,859</u>	<u>\$ 19,092</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 15,164	\$ 354,655	\$ 365,859	\$ 3,960
Due to other governments	15,132	-	-	15,132
Total liabilities	<u>\$ 30,296</u>	<u>\$ 354,655</u>	<u>\$ 365,859</u>	<u>\$ 19,092</u>
DOC STAMPS				
ASSETS				
Cash and cash equivalents	\$ 1,316,126	\$ 47,789,281	\$ 48,037,037	\$ 1,068,370
Total assets	<u>\$ 1,316,126</u>	<u>\$ 47,789,281</u>	<u>\$ 48,037,037</u>	<u>\$ 1,068,370</u>
LIABILITIES				
Due to other governments	\$ 1,316,126	\$ 47,789,281	\$ 48,037,037	\$ 1,068,370
Total liabilities	<u>\$ 1,316,126</u>	<u>\$ 47,789,281</u>	<u>\$ 48,037,037</u>	<u>\$ 1,068,370</u>
INTANGIBLE TAX				
ASSETS				
Cash and cash equivalents	\$ 576,640	\$ 10,329,198	\$ 9,909,048	\$ 996,790
Total assets	<u>\$ 576,640</u>	<u>\$ 10,329,198</u>	<u>\$ 9,909,048</u>	<u>\$ 996,790</u>
LIABILITIES				
Due to other governments	\$ 576,640	\$ 10,329,198	\$ 9,909,048	\$ 996,790
Total liabilities	<u>\$ 576,640</u>	<u>\$ 10,329,198</u>	<u>\$ 9,909,048</u>	<u>\$ 996,790</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 1,144,156	\$ 142,259,908	\$ 142,160,426	\$ 1,243,638
Total assets	<u>\$ 1,144,156</u>	<u>\$ 142,259,908</u>	<u>\$ 142,160,426</u>	<u>\$ 1,243,638</u>
LIABILITIES				
Due to other governments	\$ 1,144,156	\$ 142,259,908	\$ 142,160,426	\$ 1,243,638
Total liabilities	<u>\$ 1,144,156</u>	<u>\$ 142,259,908</u>	<u>\$ 142,160,426</u>	<u>\$ 1,243,638</u>
TAX CERTIFICATE				
ASSETS				
Cash and cash equivalents	\$ 2,700	\$ 4,510,163	\$ 4,508,175	\$ 4,688
Total assets	<u>\$ 2,700</u>	<u>\$ 4,510,163</u>	<u>\$ 4,508,175</u>	<u>\$ 4,688</u>
LIABILITIES				
Accounts payable	\$ 2,700	\$ 4,510,163	\$ 4,508,175	\$ 4,688
Total liabilities	<u>\$ 2,700</u>	<u>\$ 4,510,163</u>	<u>\$ 4,508,175</u>	<u>\$ 4,688</u>
TAG				
ASSETS				
Accounts receivable	\$ 17,951	\$ 10,179	\$ 9,662	\$ 18,468
Total assets	<u>\$ 17,951</u>	<u>\$ 10,179</u>	<u>\$ 9,662</u>	<u>\$ 18,468</u>
LIABILITIES				
Bank overdraft	\$ 14,634	\$ (21,292,066)	\$ (21,293,445)	\$ 16,013
Due to other governments	3,317	21,302,245	21,303,107	2,455
Total liabilities	<u>\$ 17,951</u>	<u>\$ 10,179</u>	<u>\$ 9,662</u>	<u>\$ 18,468</u>

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 127,389	\$ 127,389	\$ -
Total assets	<u>\$ -</u>	<u>\$ 127,389</u>	<u>\$ 127,389</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ -	\$ 127,389	\$ 127,389	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 127,389</u>	<u>\$ 127,389</u>	<u>\$ -</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 7,949	\$ 247,877	\$ 254,542	\$ 1,284
Total assets	<u>\$ 7,949</u>	<u>\$ 247,877</u>	<u>\$ 254,542</u>	<u>\$ 1,284</u>
LIABILITIES				
Accounts payable	\$ 7,949	\$ 247,877	\$ 254,542	\$ 1,284
Total liabilities	<u>\$ 7,949</u>	<u>\$ 247,877</u>	<u>\$ 254,542</u>	<u>\$ 1,284</u>
COMBINED TOTALS				
ASSETS				
Cash and cash equivalents	\$ 5,408,712	\$ 222,050,426	\$ 220,015,581	\$ 7,443,557
Accounts receivable	17,951	10,179	9,662	18,468
Total assets	<u>\$ 5,426,663</u>	<u>\$ 222,060,605</u>	<u>\$ 220,025,243</u>	<u>\$ 7,462,025</u>
LIABILITIES				
Bank overdraft	\$ 14,634	\$ (21,292,066)	\$ (21,293,445)	\$ 16,013
Accounts payable and accrued liabilities	1,256,381	13,721,441	13,037,647	1,940,175
Due to other governments	4,155,648	229,631,230	228,281,041	5,505,837
Total liabilities	<u>\$ 5,426,663</u>	<u>\$ 222,060,605</u>	<u>\$ 220,025,243</u>	<u>\$ 7,462,025</u>

STATISTICAL SECTION

TABLE 1

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

<u>FISCAL YEAR</u>	<u>TOTAL EXPENDITURES</u>	<u>GENERAL GOVERNMENT</u>		<u>PUBLIC SAFETY</u>		<u>PHYSICAL ENVIRONMENT</u>		<u>TRANSPORTATION</u>		<u>ECONOMIC ENVIRONMENT</u>		<u>HUMAN SERVICES</u>		<u>CULTURE/ RECREATION</u>		<u>DEBT SERVICE</u>	
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%
2005	\$108,820,747	\$23,941,637	22%	\$42,635,628	39%	\$5,145,456	5%	\$11,312,435	10%	\$13,170,580	12%	\$3,865,600	4%	\$4,185,276	4%	\$4,564,135	4%

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

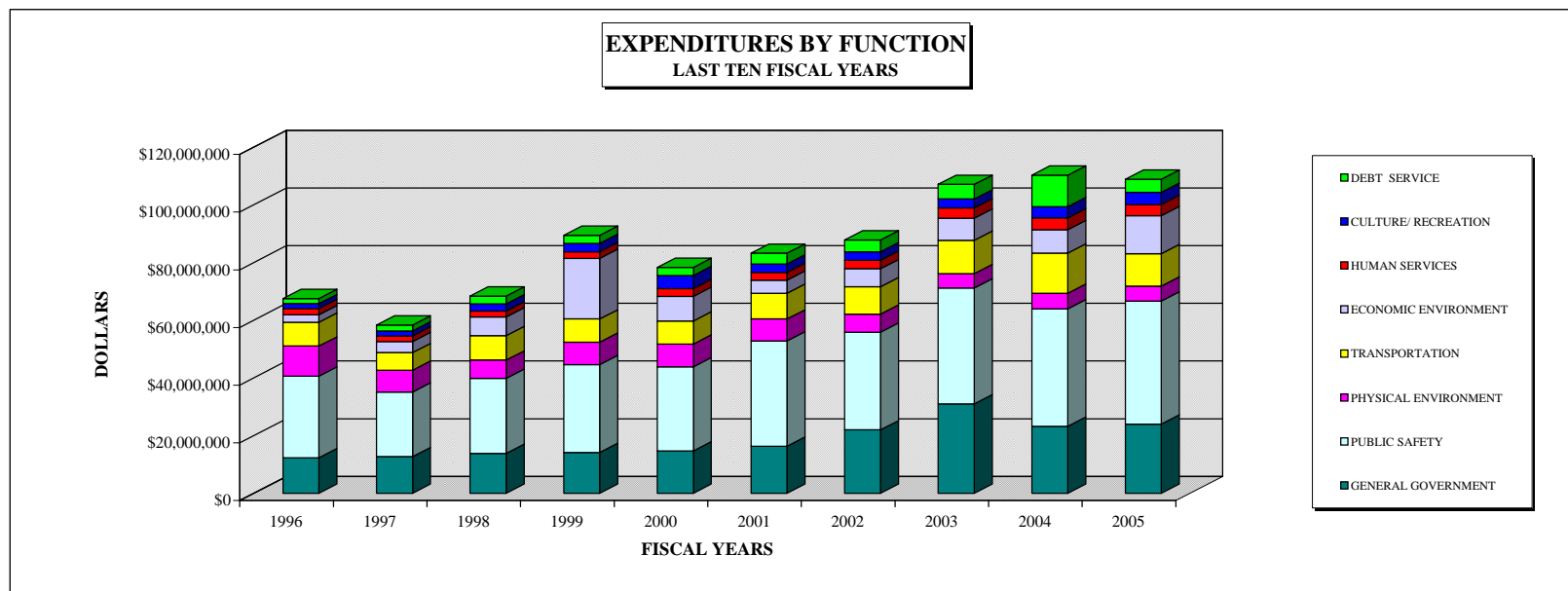


TABLE 2

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

<u>FISCAL YEAR</u>	<u>TOTAL REVENUE</u>	<u>TAXES</u>		<u>LICENSES AND PERMITS</u>		<u>INTERGOVERNMENTAL REVENUE</u>		<u>CHARGES FOR SERVICES</u>		<u>FINES AND FORFEITURES</u>		<u>SPECIAL ASSESSMENTS</u>		<u>INTEREST</u>		<u>MISCELLANEOUS</u>	
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	<1%	\$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	<1%	\$25,922,701	25%	\$14,286,044	14%	\$790,062	1%	\$170,651	<1%	\$863,064	1%	\$3,445,308	3%
2005	\$111,782,051	\$63,186,101	57%	\$2,390	<1%	\$25,365,652	23%	\$19,689,697	18%	\$157,495	<1%	\$367,096	<1%	\$1,445,604	1%	\$1,568,016	1%

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

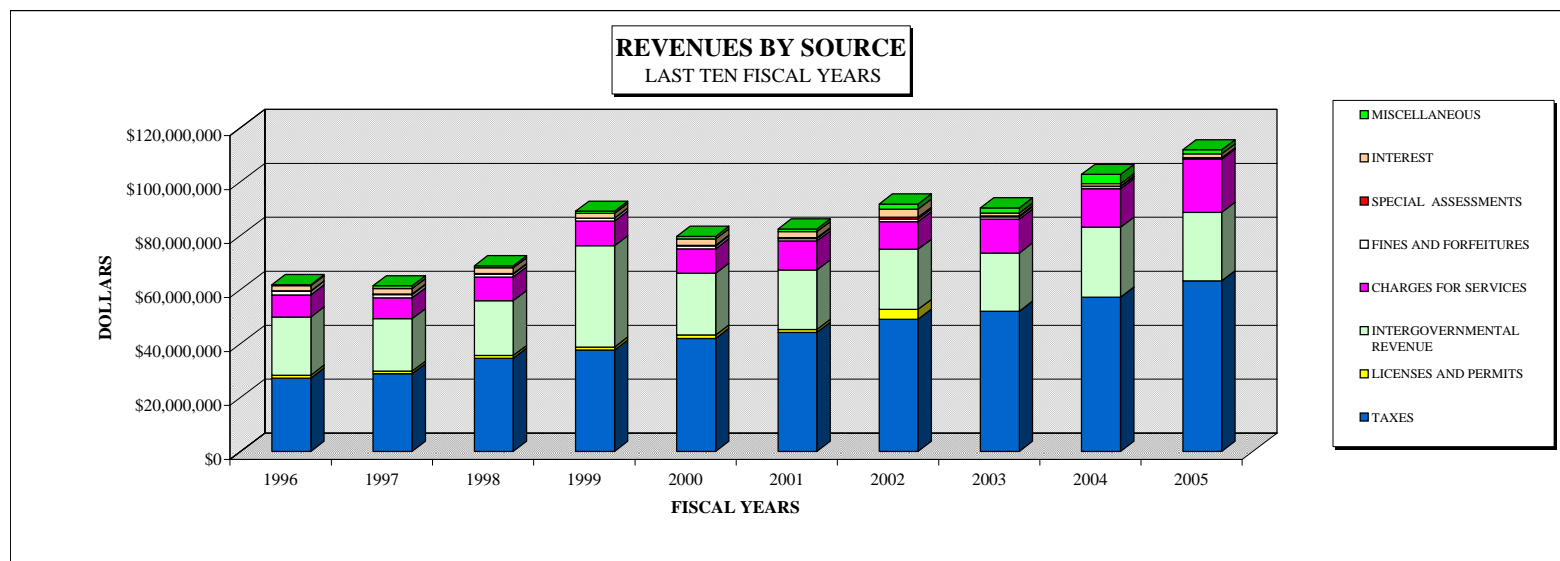


TABLE 3

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

<u>FISCAL YEAR</u>	<u>TOTAL TAX LEVY (1)</u>	<u>TAX COLLECTIONS(2)</u>	<u>PERCENT OF LEVY COLLECTED</u>
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%
2005	\$132,865,168	\$126,958,953	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.

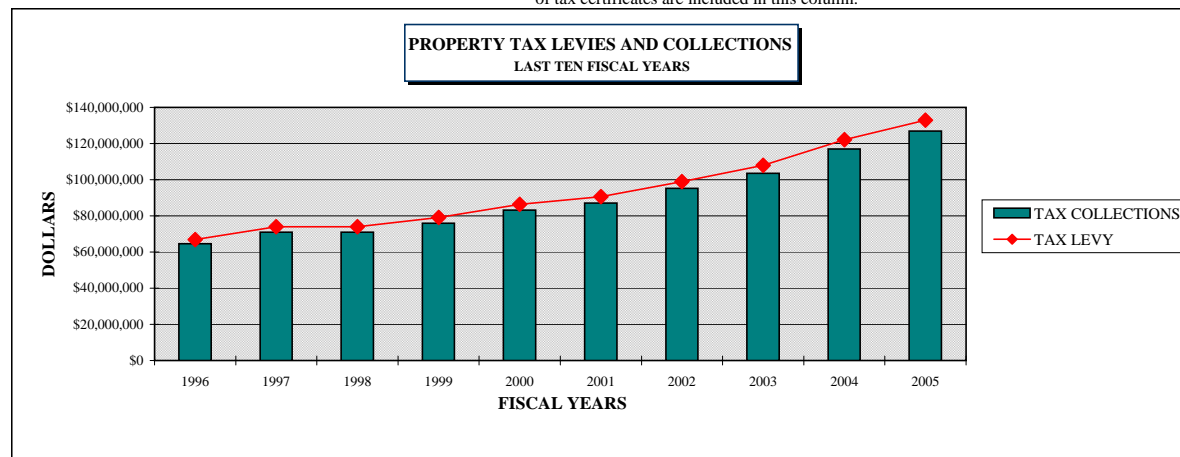


TABLE 4

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
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%
2005	\$11,486,987	\$16,062,370	\$840,961	\$1,634,977	\$10,456	\$12,338,404	\$17,707,803	69.68%

Source: Property Appraiser's Office

TABLE 5

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

	<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>2005</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	0.1600	0.1600	0.1600	0.1600	0.1600	0.1600	0.1600
County Total	5.6320	5.6320	5.6320	5.6620	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	9.2260	9.3270	9.2690	8.9180	8.6690	8.5300	8.6550	8.5690	8.1480	7.9350
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	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<u>SPECIAL DISTRICT:</u>										
Beach Mosquito Control	0.4250	0.3970	0.3930	0.3930	0.3544	0.2675	0.2990	0.2990	0.2590	0.2365
<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	2.9000	2.9000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000
City of Mexico Beach	5.3200	5.3200	4.3400	4.3100	4.9100	4.8500	4.6000	4.5500	4.5000	4.3500
City of Callaway	--	--	--	--	--	--	--	--	2.0000	2.0000
City of Cedar Grove	--	--	--	--	--	--	--	--	--	1.5000

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)

2005 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	\$20,353,587	0.18%	\$325,855,113	38.75%	\$346,208,700	2.81%
St. Joe Land & Development	\$136,335,281	1.19%	\$469,447	0.06%	\$136,804,728	1.11%
Chapman Properties	\$82,724,633	0.72%	\$8,150,743	0.97%	\$90,875,376	0.74%
Peoples/Resort						
BellSouth Telecommunications	\$7,085,601	0.06%	\$66,887,775	7.95%	\$73,973,376	0.60%
Smurfit Stone Container Corp	\$1,745,470	0.02%	\$42,784,814	5.09%	\$44,530,284	0.36%
Lake Powell LLC	\$42,268,011	0.37%	\$1,149,806	0.14%	\$43,417,817	0.35%
Hilton Companies	\$35,865,188	0.31%	\$3,252,919	0.39%	\$39,118,107	0.32%
Columbia Gulf Coast Hospital & Hospital Corp of America	\$15,472,990	0.13%	\$12,122,603	1.44%	\$27,595,593	0.22%
Arizona Chemical	\$3,756,854	0.03%	\$33,340,881	3.96%	\$37,097,735	0.30%
Eagles Landing, LTD	\$25,174,864	0.22%	\$180,115	0.02%	\$25,354,979	0.20%
TOTAL ASSESSMENTS	\$370,782,479	3.23%	\$494,194,216	58.77%	\$864,976,695	7.01%

- (1) Assessed Value for all Real Property for fiscal year 2005 - \$11,486,987,000.
(2) Assessed Value for all Personal Property for fiscal year 2005 - \$840,961,000.
(3) Assessed Value for all Assessed Property for fiscal year 2005 - \$12,338,404,000.

Source: Bay County Property Appraiser's Office

TABLE 7

**BAY COUNTY, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT(1)
SEPTEMBER 30, 2005**

<u>JURISDICTION</u>	<u>NET DEBT</u>	<u>PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT</u>	<u>OVERLAPPING NET DEBT</u>
District School Board	\$29,660,000	100%	\$29,660,000

Source: Financial Statements of Jurisdictions listed

(1) Balance per Financial Statements for period ended June 30, 2005.

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(4)	INTEREST	TOTAL	COVERAGE
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
2005	\$12,075,741	\$4,995,463	\$7,080,278	(\$135,000)	\$2,845,516	\$2,710,516	2.6

(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.

Depreciated by the County related to this system was reversed. Activity related to the "A five City, not-for-profit Joint Venture, entered into a five year agreement to build and operate a wastewater treatment facility," was created.

(4) The Wholesale Water System Fund partially refunded the 1997 and 2000 Series Bonds resulting in a County's Domestic Waste Operations was removed for all years presented.

net increase in principal outstanding in FY05.

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
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
2005	\$12,923,035	\$10,994,809	\$1,928,226	\$1,400,000	\$1,788,106	\$3,188,106	0.6

(1) Operating and other revenues.

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

TABLE 9

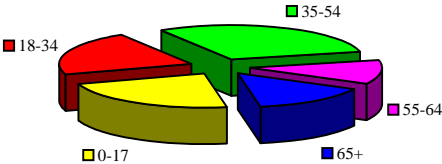
BAY COUNTY, FLORIDA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

YEAR	ESTIMATED POPULATION	PER CAPITA INCOME	UNEMPLOYMENT RATES
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	\$ 22,634	6.1%
2000	148,217	\$ 23,756	5.8%
2001	150,287	\$ 24,522	5.9%
2002	152,186	\$ 25,113	5.9%
2003	154,827	\$ 26,120	5.4%
2004	158,437	N/A	4.6%

AGE DISTRIBUTION OF POPULATION (2004 ESTIMATED)

AGE	TOTAL	PERCENT
0-17	36,112	23%
18-34	33,357	21%
35-54	47,945	30%
55-64	18,300	12%
65+	22,723	14%
	158,437	100%

AGE DISTRIBUTION OF POPULATION (2004)



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

N/A - Not Available

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TABLE 10
Page 1 of 2

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

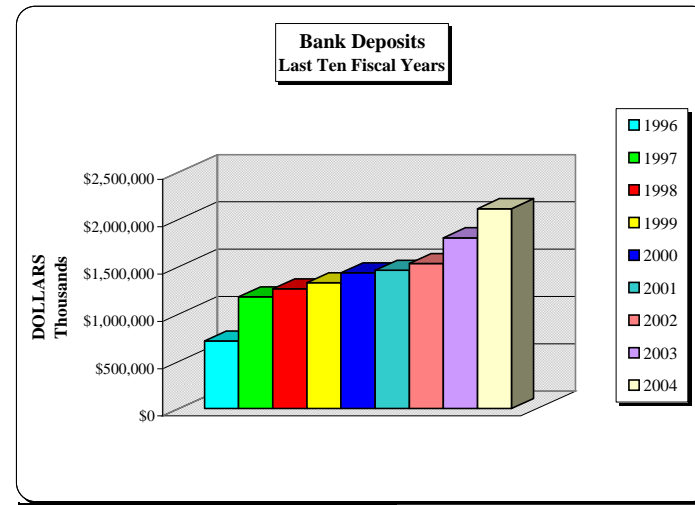
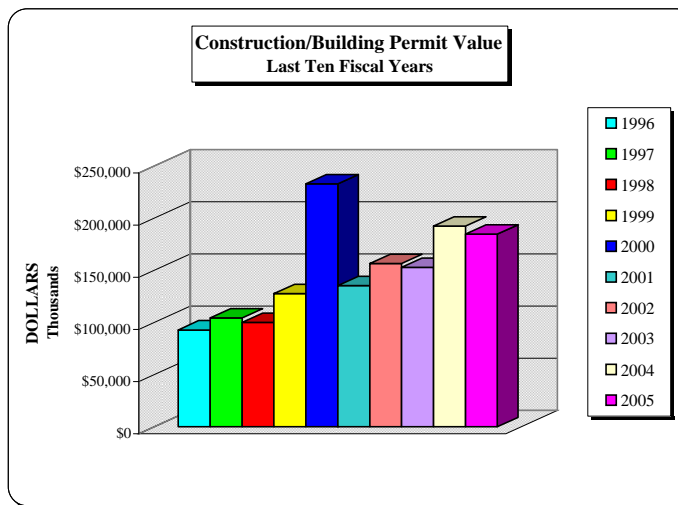
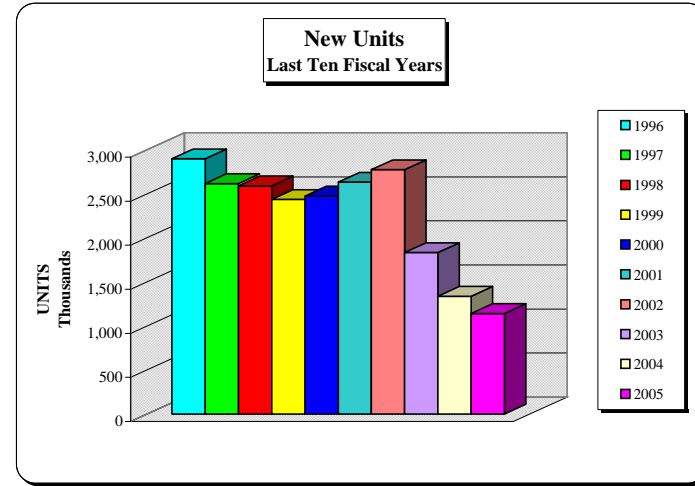
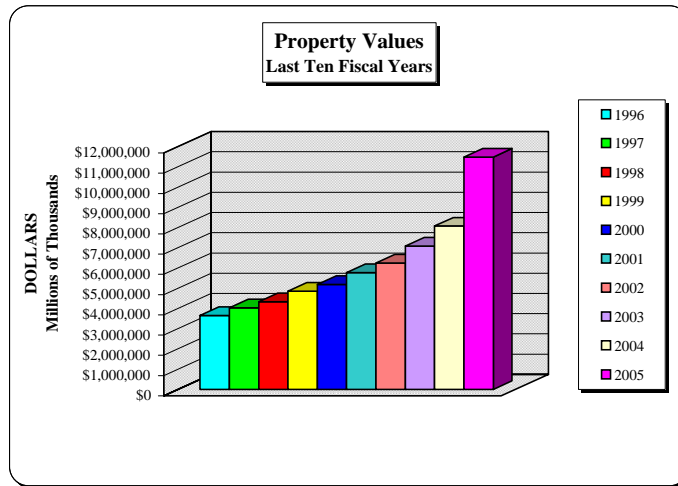
YEAR	PROPERTY VALUE(1)	NUMBER OF NEW UNITS	CONSTRUCTION(1)(2) BUILDING PERMIT VALUE	BANK DEPOSITS(1)
1996	\$3,653,357	2,900	\$92,748	\$714,437
1997	\$4,028,180	2,618	\$104,149	\$1,180,602
1998	\$4,335,327	2,592	\$99,994	\$1,265,285
1999	\$4,847,077	2,437	\$127,659	\$1,330,488
2000	\$5,189,691	2,476	\$232,971	\$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	\$2,112,637
2005	\$11,486,987	1,142	\$184,619	N/A

Sources: *Bay County Property Appraiser*
Bay County Building Department
University of Florida; Bureau of Economic and
Business Research "2005 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 2005 Not Available

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

General Information:	Bay County ("The County") is located on the Gulf of Mexico in the Panhandle region of Northwest Florida.
Date of Incorporation:	July 1, 1913
Land Area (square miles):	764
Government Structure:	Constitutional County with a five member elected Board and five elected constitutional offices. These offices are Clerk of the Circuit and County Courts, Sheriff, Tax Collector, Supervisor of Elections and Property Appraiser.
Populations:	The County's estimated population through April, 2004 is 158,437. The population by age is as follows:

<u>Age</u>	<u>2004</u>	
0-17	36,112	23%
18-34	33,357	21%
35-54	47,945	30%
55-64	18,300	12%
65+	22,723	14%
TOTAL	158,437	100%

Employers:

The size of the County's Labor Force is estimated to be 78,426. The County's Ten Largest Employers are as follows:

<u>Name of Firm</u>	<u>Industry</u>	<u>Number of Employees</u>
<i>Bay County School Board</i>	<i>Government</i>	4,910
<i>Tyndall Air Force Base</i>	<i>Military</i>	4,715
<i>Naval Support Activity</i>	<i>Military</i>	2,800
<i>Bay Medial Center</i>	<i>Health Care</i>	2,077
<i>Wal-Mart</i>	<i>Retailer</i>	1,240
<i>Sallie Mae</i>	<i>Broker/Student Loans</i>	1,200
<i>Gulf Coast Medical Center</i>	<i>Health Care</i>	850
<i>Gulf Coast Community College</i>	<i>State College</i>	727
<i>Nextel Partner</i>	<i>Customer Care Center</i>	675
<i>Smurfit-Stone Container</i>	<i>Kraft Linerboard</i>	<u>650</u>
TOTAL		19,844

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 28,400. 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 University** – (Tyndall AFB) offers undergraduate degree programs in psychology and business administration/management. In addition, TU-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

Description

Simmons Park

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

Description

Bay Point Resort and Country Club

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; “ 2005 Florida Statistical Abstract”;
Bay County Chamber of Commerce*

COMPLIANCE SECTION

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, 2005, and have issued our report thereon dated February 24, 2006.

We conducted our audit in accordance with United States generally accepted auditing standards, and *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 Report on Internal Control and Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with *Governmental 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 that report, which are dated February 24, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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 controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(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 Bay County, Florida complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)3.), require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

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 and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosure from financial statements); (4) failures to properly record financial transactions; and (5) 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, 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.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that Bay County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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, 2005, 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, 2005.

As required by the Rules of the Auditor General (Sections 10.554(h)6.c. and 10.556(7)), we applied financial 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 24, 2006

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 aggregate 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, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 24, 2006. 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

Bay County, Florida
Page Two

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 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 24, 2006

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

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, 2005. 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 of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, State of Florida 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, 2005.

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 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 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 24, 2006

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2005

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards and State Financial Assistance

Internal control over major programs:		
Material weaknesses identified?	___ Yes	___ <input checked="" type="checkbox"/> No
Reportable conditions identified not considered to be material weaknesses?	___ Yes	___ <input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs and state:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Section 10.557, Rules of the Auditor General?	___ Yes	___ <input checked="" type="checkbox"/> No

Identification of major programs / state projects:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.004	U. S. Department of Homeland Security Florida Department of Community Affairs
97.039	U. S. Department of Homeland Security Hazard Mitigation Grant

(Continued)

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2005

(Continued)

<u>CSFA Number</u>	<u>Name of State Projects</u>
37.022	Department of Environmental Protection Deer Point Lake Dirt Road Stabilization
52.901	Florida Housing Finance Corporation State Housing Initiatives Partnership Program
31.003	Executive Office of the Governor CSS Test Range Operations Center
55.016	Florida Department of Transportation Titus Road Intersection Improvement

Dollar threshold used to distinguish between Type A and Type B programs:	<u>Federal</u> \$ 300,000	<u>State</u> \$ 300,000
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Auditee qualified as low-risk auditee for Federal Single Audit?	<u> √ </u> Yes	<u> </u> No
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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, 2005

There were no prior year audit findings.

Bay County, Florida
Schedule of Expenditures of Federal Award
and State Financial Assistance
Year Ended September 30, 2005

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			
Lifeline Program for Males	16.579	05-CJ-K3-01-13-01-213	\$ 49,551
School Resource Officer Program	16.579	05-CJ-K3-01-13-01-214	16,254
Modify OBTSApplication for New Summary Reporting System	16.579	04-CJ-J3-01-13-01-249	46,600
Imaging of Criminal Case Documents	16.579	04-CJ-J3-01-13-01-252	503,326
Education Initiative I	16.579	05-CJ-K3-01-13-01-215	5,035
Livescan Program	16.579	04-CJ-J3-01-13-01-250	26,900
Passed through State of Florida Office of Attorney General			
Victims of Crime Act	16.575	V4298	32,871
Passed through State of Florida Department of Juvenile Justice			
Strengthening Bay Families	16.548	Q6003	13,200
Passed through Florida Department of Community Affairs			
Florida Interoperability Network - FY05	16.007	MA 5906-23	76,358
Direct			
Organized Crime Drug Enforcement Task Force	16.***	-----	14,840
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0208	30,455
Cops in School	16.710	2002SHWX0040	65,799
Total U.S. Department of Justice			881,189
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
Grand Lagoon Bridge	20.205	AN013	208,437
Total U.S. Department of Transportation			208,437
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs			
Hazard Mitigation Grant	83.548	04HM-7+-01-13-15-004	2,625
Local Mitigation Strategy	83.548	03DM-58-01-13-01-348	60,109
Disaster Relief Funding - Hurricane Frances	97.036	05-PA-G%-01-13-01-088	4,924
Disaster Relief Funding - Tropical Storm Bonnie/Hurricane Charley	97.036	05-PA-C%-01-13-01-708	4,335
Disaster Relief Funding	97.036	05-PA-G+-01-13-01-623	70,137
Disaster Relief Funding	97.036	05-PA-G+-01-13-23-589	158,828
Hazard Mitigation Grant	97.039	04HM-7+-01-13-15-001	15,319
Hazard Mitigation Grant	97.039	04HM-7+-01-13-15-017	20,813
Hazard Mitigation Grant	97.039	04HM-Q9-01-13-01-002	180,624
Hazard Mitigation Grant	97.039	04HM-7+-01-13-15-003	17,489
Hazard Mitigation Grant	97.039	04HM-7+-01-13-01-021	41,132
Hazard Mitigation Grant	97.039	04HM-7+-01-13-01-018	167,105
Hazard Mitigation Grant	97.039	04HM-7+-01-13-01-008	77,496
Hazard Mitigation Grant	97.039	04HM-6L-01-13-01-002	837,229
Emergency Management Preparedness & Assistance	97.042	05-BG-04-01-13-01-176	35,610
Bomb Team Equipment	97.004	05-CJ-L3-01-13-23-003	387,013
Fourth Tier Swat Team Equipment	97.004	05CJ-L2-01-13-23-054	266,722
Homeland Security - Sheriff	97.004	05DS-2N-01-13-01-327	133,064
Homeland Security - County	97.004	05DS-2N-01-13-01-272	28,217
Public Awareness System	97.004	05DS-2N-01-13-01-369	31,811
School Community Equipment & Fencing	97.004	05CJ-L2-01-13-23-051	77,919
Total U.S. Department of Homeland Security			2,618,521
U.S. Department of Health and Human Services			
Passed through Florida Department of Community Affairs			
Community Services Block Grant	93.569	05-SB-4N-12-00-01-001	160,008
Passed through Florida Department of Revenue			
Child Support Enforcement - Title IV	93.563	CC303	144,061
Total U.S. Department of Health and Human Services			304,069
U.S. General Services Administration			
Passed through Florida Department of Elections			
Voter Education	39.011	MOA	16,667
Voting Systems Assistance Grant	39.011	-----	239,315
Voting Systems Assistance Grant	39.011	-----	9,031
Total U.S. General Services Administration			265,013
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,277,229

Bay County, Florida
Schedule of Expenditures of Federal Award
and State Financial Assistance
Year Ended September 30, 2005

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
STATE OF FLORIDA			
Department of Juvenile Justice			
Local Law Enforcement Block Grant	80.***	2004-LB-BX-0208	\$ 1,692
Total Department of Juvenile Justice			<u>1,692</u>
Department of Environmental Protection			
Panama City Beach Renourishment Project	37.003	05BA2	76,945
Youngstown/Fountain Park	37.017	F3625	200,000
MB Miller Park/County Pier	37.017	F6193	77,408
Deer Point Lake Dirt Road Stabilization	37.022	-----	401,850
Small Quantity Generator Program	37.013	HW439	2,606
Total Department of Environmental Protection			<u>758,809</u>
Department of Health			
Emergency Medical Services	52.008	C-4003	50,580
Total Department of Health			<u>50,580</u>
Department of Agriculture and Consumer Services			
Mosquito Control	42.003	-----	18,513
Total Department of Agriculture and Consumer Services			<u>18,513</u>
Department of Community Affairs			
Hazard Mitigation Grant	52.010	04HM-Q9-01-13-01-002	30,103
Emergency Management Preparedness Grant	52.008	05-BG-04-01-13-01-176	102,959
Disaster Relief Funding - Tropical Storm Allison	52.017	02-RM-2?-01-13-01-004	7,253
Disaster Relief Funding - Hurricane Frances	52.600	05-PA-G%-01-13-01-088	274
Disaster Relief Funding - Tropical Storm Bonnie/Hurricane Charley	52.600	05-PA-C%-01-13-01-708	241
Disaster Relief Funding	52.600	05-PA-G+-01-13-01-623	1,749
Disaster Relief Funding	52.600	05-PA-G+-01-13-23-589	3,119
Total Department of Community Affairs			<u>145,698</u>
Department of Transportation			
N. Lagoon Drive Sidewalk/Bikepath	55.008	AN972	213,008
Titus Road Intersection Improvement	55.016	ANA16	452,060
Total Department of Transportation			<u>665,068</u>
Department Law Enforcement			
Violent Crime and Drug Control	71.005	-----	31,393
Total Department of Law Enforcement			<u>31,393</u>
Florida Housing Finance Corporation			
State Housing Initiatives Partnership Program	52.901	-----	886,900
Total Florida Housing Finance Corporation			<u>886,900</u>
Executive Office of the Governor			
CSS Test Range Operations Center	31.003	DIG-99-10	482,560
Total Executive Office of the Governor			<u>482,560</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 3,041,213</u>

*** CSFA Numbers are not available for this program

Notes to Schedule

1. 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, 2005

	1988	1989	1990	1991	1992	1993	1994	1995
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	\$ 8,621,857
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	3,271,308
Tipping Fees	-	-	-	-	4,274,055	4,593,236	4,928,619	4,987,702
Interest Revenue - Note Receivable	-	2,822,800	2,822,800	2,822,700	2,282,626	2,282,626	2,282,553	2,282,336
Interest Revenue - Other	1,134,647	906,236	416,354	994,260	1,069,038	381,982	360,470	1,020,565
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	264,760
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	21,950
Total Sources of Sales Tax and System Revenues	<u>\$ 6,473,284</u>	<u>\$ 12,817,711</u>	<u>\$ 15,358,537</u>	<u>\$ 13,731,968</u>	<u>\$ 21,933,269</u>	<u>\$ 17,255,586</u>	<u>\$ 18,886,421</u>	<u>\$ 20,470,478</u>
Uses of Sales Tax and System Revenues								
Capital Costs of the Incinerator								
Bay County's Portion of Bond Principal Payments	\$ 510,000	\$ 580,000	\$ 645,000	\$ 710,000	\$ -	\$ 1,665,000	\$ 1,450,000	\$ 1,550,000
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	1,166,887
Incinerator Lease Payments	3,659,999	3,659,999	3,659,999	3,659,999	3,838,811	3,120,225	3,120,225	3,117,141
Qualified Capital Asset Purchases	697,116	25,489	37,940	35,234	-	-	12,305	-
Landfill Postclosure Expense	-	-	-	-	-	-	5,666,800	1,636,145
Total Capital Costs of the Incinerator	<u>6,832,915</u>	<u>6,189,088</u>	<u>6,218,839</u>	<u>6,228,233</u>	<u>5,474,748</u>	<u>6,096,223</u>	<u>11,493,280</u>	<u>7,470,173</u>
Other Solid Waste System Expenses								
Personal Services	511,823	665,182	605,384	659,778	691,930	698,864	733,342	804,020
Utilities	16,702	17,318	19,157	17,668	17,424	15,785	19,653	18,196
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	2,282,336
Other Interest Expense	7,796	202,564	-	-	111,197	-	-	166,428
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	6,916,221
Total Other Solid Waste System Expenses	<u>5,174,077</u>	<u>10,518,051</u>	<u>9,608,614</u>	<u>8,911,995</u>	<u>9,848,732</u>	<u>9,089,060</u>	<u>9,162,900</u>	<u>10,187,201</u>
Total Uses of Sales Tax and System Revenues	<u>\$ 12,006,992</u>	<u>\$ 16,707,139</u>	<u>\$ 15,827,453</u>	<u>\$ 15,140,228</u>	<u>\$ 15,323,480</u>	<u>\$ 15,185,283</u>	<u>\$ 20,656,180</u>	<u>\$ 17,657,374</u>
Comparison of Sales Tax Revenues to								
Capital Costs of the Incinerator								
Total Sales Tax Revenues	\$ 1,586,313	\$ 4,575,088	\$ 6,138,457	\$ 5,661,613	\$ 6,325,935	\$ 6,767,527	\$ 8,187,271	\$ 8,621,857
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	7,470,173
Excess (Deficit) of Sales Tax Revenue Over								
(Under) Capital Costs of the Incinerator	<u>\$ (5,246,602)</u>	<u>\$ (1,614,000)</u>	<u>\$ (80,382)</u>	<u>\$ (566,620)</u>	<u>\$ 851,187</u>	<u>\$ 671,304</u>	<u>\$ (3,306,009)</u>	<u>\$ 1,151,684</u>
Reconciliation to Audited Financial Statements								
Total Sources of Sales Tax and System Revenues	\$ 6,473,284	\$ 12,817,711	\$ 15,358,537	\$ 13,731,968	\$ 21,933,269	\$ 17,255,586	\$ 18,886,421	\$ 20,470,478
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	17,657,374
Net Sources in Excess (Deficit) of Uses	<u>(5,533,708)</u>	<u>(3,889,428)</u>	<u>(468,916)</u>	<u>(1,408,260)</u>	<u>6,609,789</u>	<u>2,070,303</u>	<u>(1,769,759)</u>	<u>2,813,104</u>
Adjustments								
Debt Service - Principal	510,000	580,000	645,000	710,000	-	1,665,000	1,450,000	1,550,000
Depreciation and Amortization	(309,961)	(307,138)	(285,938)	(292,015)	(365,131)	(340,088)	(472,176)	(476,400)
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	<u>\$ (4,636,553)</u>	<u>\$ (3,591,077)</u>	<u>\$ (71,914)</u>	<u>\$ (955,041)</u>	<u>\$ 1,301,761</u>	<u>\$ 3,395,215</u>	<u>\$ (779,630)</u>	<u>\$ 3,886,704</u>

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total
\$ 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
3,169,523	3,196,558	3,036,671	3,297,045	3,555,557	3,853,111	4,058,750	4,197,316	4,345,685	4,501,165	65,442,043
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	6,980,649	70,178,551
2,282,336	2,282,064	2,276,403	199,830	-	-	-	-	-	-	24,639,074
1,099,446	1,238,077	1,389,881	1,221,729	1,222,177	1,633,779	930,760	916,502	665,050	911,461	17,512,414
1,000,000	-	-	-	1,026	-	-	6,795	-	-	5,470,828
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	17,604	1,335,333
-	-	-	-	-	-	259,038	(73,514)	(236,303)	50,779	-
57,699	12,645	77,050	53,779	49,062	497,864	956,472	356,461	396,316	461,377	3,028,094
\$ 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	\$ 12,923,035	\$ 325,909,996
\$ 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	\$ 1,400,000	\$ 21,595,000
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	2,136,261	31,276,736
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	9,683,641	29,261,367
(143,775)	-	2,158,791	(2,462,963)	(438,466)	4,965,662	(108,371)	(210,153)	(169,585)	1,138,289	12,032,374
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	14,358,191	134,097,636
811,627	859,830	873,977	808,223	765,933	841,334	892,026	964,506	953,178	1,033,991	14,174,948
18,791	21,786	20,225	18,046	23,498	22,646	27,568	27,406	29,877	27,754	379,500
2,282,336	2,282,064	2,276,403	199,830	-	-	-	-	-	-	24,639,074
-	-	-	-	-	-	-	-	-	-	487,985
1,000,000	-	-	-	-	-	-	-	-	-	2,069,484
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	8,794,775	132,485,568
18,161,546	9,884,446	10,213,554	8,441,864	8,483,066	8,866,402	9,662,484	9,089,028	9,077,019	9,856,520	174,236,559
\$ 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	\$ 24,214,711	\$ 308,334,195
\$ 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
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	14,358,191	134,097,636
\$ 3,210,782	\$ 2,500,098	\$ (718,754)	\$ 6,118,551	\$ 5,259,049	\$ 2,685,142	\$ 4,495,749	\$ 1,404,152	\$ (8,531,531)	\$ (14,358,191)	\$ (6,074,391)
\$ 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	\$ 12,923,035	\$ 325,909,996
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	24,214,711	308,334,195
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)	(11,291,676)	17,575,801
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	1,400,000	21,595,000
(475,118)	(423,925)	(400,214)	(1,423,105)	(3,603,784)	(3,730,621)	(3,665,849)	(3,654,419)	(3,641,372)	(3,556,985)	(27,424,239)
94,830	-	2,072,283	1,994,612	2,760,960	267,132	3,534,366	2,835,773	5,209,686	9,683,641	29,261,367
-	-	-	-	-	-	-	-	-	-	(4,942,897)
\$ 5,530,750	\$ 5,784,225	\$ 3,991,989	\$ 9,994,275	\$ 6,835,471	\$ 2,285,362	\$ 7,196,756	\$ 3,205,694	\$ (3,543,935)	\$ (3,765,020)	\$ 36,065,032

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, 2005

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

BAY COUNTY, FLORIDA

September 30, 2005

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, 2005
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**SUPERVISOR OF
ELECTIONS**

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, 2005, 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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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, 2005, 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 27, 2006 on our consideration of the Bay County Supervisor of Elections' 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.

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

Panama City, Florida
January 27, 2006

Bay County Supervisor of Elections
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2005

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 20,127
Investments	43,307
Accounts receivable	<u>9,578</u>
Total assets	<u><u>\$ 73,012</u></u>
 LIABILITIES	
Accounts payable and accrued liabilities	\$ 18,680
Due to other governments	38,843
Deferred revenue	<u>15,489</u>
Total liabilities	<u><u>73,012</u></u>
 FUND BALANCE	
Unreserved	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 73,012</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, 2005

	<u>General</u>
REVENUES	
Intergovernmental	\$ 298,831
Charges for services	1,395
Qualifying fees	7,579
Interest	<u>5,599</u>
Total revenues	<u>313,404</u>
EXPENDITURES	
Current	
General government	<u>1,189,216</u>
Total expenditures	<u>1,189,216</u>
Excess of expenditures over revenues	<u>(875,812)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	905,728
Reversion to Board of County Commissioners	<u>(29,916)</u>
Total other financing sources (uses)	<u>875,812</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 388,747	\$ 298,831	\$ (89,916)
Charges for services	1,800	1,800	1,395	(405)
Qualifying fees	700	8,279	7,579	(700)
Interest	3,060	3,060	5,599	2,539
Total revenues	<u>5,560</u>	<u>401,886</u>	<u>313,404</u>	<u>(88,482)</u>
EXPENDITURES				
Current				
General government	806,633	1,307,614	1,189,216	118,398
Total expenditures	<u>806,633</u>	<u>1,307,614</u>	<u>1,189,216</u>	<u>118,398</u>
Excess of expenditures over revenues	<u>(801,073)</u>	<u>(905,728)</u>	<u>(875,812)</u>	<u>29,916</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	801,073	905,728	905,728	-
Reversion to Board of County Commissioners	-	-	(29,916)	(29,916)
Total other financing sources (uses)	<u>801,073</u>	<u>905,728</u>	<u>875,812</u>	<u>(29,916)</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>

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

Bay County Supervisor of Elections
Notes to Special-Purpose Financial Statements
September 30, 2005

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, 2005

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 Elections' 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, 2005

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 and categorization of risk as required by GASB 3 and GASB 40.

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, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 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, 2004 – June 30, 2005 are 7.39% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2005 – September 30, 2005 are 7.83% and 15.23% for regular employees and elected county officials, respectively. The rate for

Bay County Supervisor of Elections
Notes to Special-Purpose Financial Statements
September 30, 2005

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 9.11% effective from October 1, 2004 – June 30, 2005 and 9.33% effective from July 1, 2005 – September 30, 2005. The Supervisor of Elections' contributions for the years ended September 30, 2005, 2004 and 2003 were \$31,286, \$28,911, and \$24,714, 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 as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated January 27, 2006.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and Internal Control over financial reporting. Disclosures in that report, which are dated January 27, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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 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 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 Supervisor of Elections complied with Section 218.415, Florida Statutes.

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The Honorable Mark Andersen
Bay County Supervisor of Elections
Page Two

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

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 and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (4) failures to properly record financial transactions; and (5) 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.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County 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 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.

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

Panama City, Florida
January 27, 2006

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, 2005, and have issued our report thereon dated January 27, 2006. 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 over financial reporting would not necessarily disclose all matters in the internal control 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 27, 2006

**CLERK OF CIRCUIT
COURT**

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, 2005, 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.

American Institute of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

Georgia Society 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, 2005, 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 26, 2006 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.

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

Panama City, Florida
January 26, 2006

Bay County Clerk of Circuit Court
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2005

	<u>General</u>	<u>Court</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,355,803	\$ 857,820	\$ 1,639,017	\$ 3,852,640
Accounts receivable	24,930	48,170	-	73,100
Total assets	<u>\$ 1,380,733</u>	<u>\$ 905,990</u>	<u>\$ 1,639,017</u>	<u>\$ 3,925,740</u>
LIABILITIES				
Accounts payable and Accrued liabilities	\$ 85,151	\$ 215,078	\$ 30,910	\$ 331,139
Deferred revenue	11,572	-	-	11,572
Due to state-bond estreature	-	82,225	-	82,225
Due to other governments	1,284,010	608,687	-	1,892,697
Total liabilities	<u>1,380,733</u>	<u>905,990</u>	<u>30,910</u>	<u>2,317,633</u>
FUND BALANCE				
Unreserved	<u>-</u>	<u>-</u>	<u>1,608,107</u>	<u>1,608,107</u>
Total liabilities and fund balance	<u>\$ 1,380,733</u>	<u>\$ 905,990</u>	<u>\$ 1,639,017</u>	<u>\$ 3,925,740</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, 2005

	General	Court	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenue	\$ -	\$ 144,061	\$ -	\$ 144,061
Charges for services	2,361,627	4,343,047	1,000,384	7,705,058
Miscellaneous	62,738	-	21,186	83,924
Total revenues	<u>2,424,365</u>	<u>4,487,108</u>	<u>1,021,570</u>	<u>7,933,043</u>
EXPENDITURES				
General government	2,113,470	3,878,421	948,972	6,940,863
Total expenditures	<u>2,113,470</u>	<u>3,878,421</u>	<u>948,972</u>	<u>6,940,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>310,895</u>	<u>608,687</u>	<u>72,598</u>	<u>992,180</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	973,115	-	-	973,115
Reversion to Board of County Commissioners	(1,284,010)	-	-	(1,284,010)
Reversion to State of Florida	-	(608,687)	-	(608,687)
Transfers in	-	-	30,999	30,999
Transfers out	-	-	(30,999)	(30,999)
Total other financing sources (uses)	<u>(310,895)</u>	<u>(608,687)</u>	<u>-</u>	<u>(919,582)</u>
Net change in fund balance	-	-	72,598	72,598
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>1,535,509</u>	<u>1,535,509</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,608,107</u>	<u>\$ 1,608,107</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,475,720	\$ 1,475,720	\$ 2,361,627	\$ 885,907
Miscellaneous	24,650	24,650	62,738	38,088
Total revenues	<u>1,500,370</u>	<u>1,500,370</u>	<u>2,424,365</u>	<u>923,995</u>
EXPENDITURES				
General government	2,470,954	2,470,954	2,113,470	357,484
Total expenditures	<u>2,470,954</u>	<u>2,470,954</u>	<u>2,113,470</u>	<u>357,484</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>(970,584)</u>	<u>(970,584)</u>	<u>310,895</u>	<u>1,281,479</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	970,584	970,584	973,115	2,531
Reversion to Board of County Commissioners	-	-	(1,284,010)	(1,284,010)
Total other financing sources (uses)	<u>970,584</u>	<u>970,584</u>	<u>(310,895)</u>	<u>(1,281,479)</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>

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

Bay County Clerk of Circuit Court
Special-Purpose Statement of Revenues, Expenditures and
Change in Fund Balance - Budget and Actual
Court Fund
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 230,000	\$ 230,000	\$ 144,061	\$ (85,939)
Charges for services	3,872,026	3,872,026	4,343,047	471,021
Total revenues	<u>4,102,026</u>	<u>4,102,026</u>	<u>4,487,108</u>	<u>385,082</u>
EXPENDITURES				
General government	<u>4,102,026</u>	<u>4,102,026</u>	<u>3,878,421</u>	<u>223,605</u>
Total expenditures	<u>4,102,026</u>	<u>4,102,026</u>	<u>3,878,421</u>	<u>223,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>608,687</u>	<u>608,687</u>
OTHER FINANCING SOURCES (USES)				
Reversion to State of Florida			(608,687)	(608,687)
Total other financing sources (uses)			<u>(608,687)</u>	<u>(608,687)</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>

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

Bay County Clerk of Circuit Court
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2005

ASSETS

Cash and cash equivalents	\$ 6,193,947
Total assets	<u>\$ 6,193,947</u>

LIABILITIES

Accounts payable	\$ 1,934,203
Due to other governments	<u>4,259,744</u>
Total liabilities	<u>\$ 6,193,947</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, 2005

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, 2005

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 and 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, 2005

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, 2005, the Clerk has pooled funds in the amount of \$79,342 on deposit in a 2a7-like pool, with 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, 2005

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, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 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, 2004 – June 30, 2005 are 7.39% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2005 – September 30, 2005 are 7.83% 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, 2004 – June 30, 2005 and 9.33% effective from July 1, 2005 – September 30, 2005. The Clerk's contributions for the years ended September 30, 2005, 2004 and 2003 were \$250,700, \$234,377, and \$190,223, 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, 2005. The lease includes three 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:

<u>Year Ending</u> <u>September 30,</u>	
2006	\$ 38,628
Total	<u>\$ 38,628</u>

Rental and lease expense for the year ended September 30, 2005 was \$82,442.

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NONMAJOR GOVERNMENTAL FUNDS

Bay County Clerk of Circuit Court
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2005

	Special Revenue						
	County Court Facility	10/6/3 Fund	Circuit Court Facility	Family Mediation	Records Modernization - Records	Records Modernization - Court	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ 481,459	\$ -	\$ 49,946	\$ 431,126	\$ 676,486	\$ 1,639,017
Total assets	<u>\$ -</u>	<u>\$ 481,459</u>	<u>\$ -</u>	<u>\$ 49,946</u>	<u>\$ 431,126</u>	<u>\$ 676,486</u>	<u>\$ 1,639,017</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ 500	\$ 30,410	\$ -	\$ 30,910
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>30,410</u>	<u>-</u>	<u>30,910</u>
Fund balance							
Unreserved	-	481,459	-	49,446	400,716	676,486	1,608,107
Total fund balance	<u>-</u>	<u>481,459</u>	<u>-</u>	<u>49,446</u>	<u>400,716</u>	<u>676,486</u>	<u>1,608,107</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 481,459</u>	<u>\$ -</u>	<u>\$ 49,946</u>	<u>\$ 431,126</u>	<u>\$ 676,486</u>	<u>\$ 1,639,017</u>

Bay County Clerk of Circuit Court
Combining Statement of Revenues, Expenditures and
Change in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2005

	Special Revenue						
	County Court Facility	10/6/3 Fund	Circuit Court Facility	Family Mediation	Records Modernization - Records	Records Modernization - Court	Total
REVENUES							
Charges for services	\$ -	\$ 80,000	\$ -	\$ -	\$ 697,121	\$ 223,263	\$ 1,000,384
Miscellaneous	1,209	4,723	832	178	8,209	6,035	21,186
Total revenues	<u>1,209</u>	<u>84,723</u>	<u>832</u>	<u>178</u>	<u>705,330</u>	<u>229,298</u>	<u>1,021,570</u>
EXPENDITURES							
Current							
General government	231,011	5,856	284,091	26,150	335,613	66,251	948,972
Total expenditures	<u>231,011</u>	<u>5,856</u>	<u>284,091</u>	<u>26,150</u>	<u>335,613</u>	<u>66,251</u>	<u>948,972</u>
Excess (deficiency) of revenues over (under) expenditures	(229,802)	78,867	(283,259)	(25,972)	369,717	163,047	72,598
Other financing sources (uses)							
Transfers in	-	-	-	-	30,999	-	30,999
Transfers out	-	-	-	-	-	(30,999)	(30,999)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,999</u>	<u>(30,999)</u>	<u>-</u>
Net changes in fund balance	(229,802)	78,867	(283,259)	(25,972)	400,716	132,048	72,598
Fund balance at beginning of year	<u>229,802</u>	<u>402,592</u>	<u>283,259</u>	<u>75,418</u>	<u>-</u>	<u>544,438</u>	<u>1,535,509</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 481,459</u>	<u>\$ -</u>	<u>\$ 49,446</u>	<u>\$ 400,716</u>	<u>\$ 676,486</u>	<u>\$ 1,608,107</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, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 356,528	\$ 5,282,245	\$ 5,175,938	\$ 462,835
Total assets	<u>\$ 356,528</u>	<u>\$ 5,282,245</u>	<u>\$ 5,175,938</u>	<u>\$ 462,835</u>
LIABILITIES				
Due to other governments	\$ 356,528	\$ 5,282,245	\$ 5,175,938	\$ 462,835
Total liabilities	<u>\$ 356,528</u>	<u>\$ 5,282,245</u>	<u>\$ 5,175,938</u>	<u>\$ 462,835</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 18,142	\$ 98,035	\$ 95,832	\$ 20,345
Total assets	<u>\$ 18,142</u>	<u>\$ 98,035</u>	<u>\$ 95,832</u>	<u>\$ 20,345</u>
LIABILITIES				
Due to other governments	\$ 18,142	\$ 98,035	\$ 95,832	\$ 20,345
Total liabilities	<u>\$ 18,142</u>	<u>\$ 98,035</u>	<u>\$ 95,832</u>	<u>\$ 20,345</u>
TAX DEED				
ASSETS				
Cash and cash equivalents	\$ 243,084	\$ 345,666	\$ 529,944	\$ 58,806
Total assets	<u>\$ 243,084</u>	<u>\$ 345,666</u>	<u>\$ 529,944</u>	<u>\$ 58,806</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 243,084	\$ 345,666	\$ 529,944	\$ 58,806
Total liabilities	<u>\$ 243,084</u>	<u>\$ 345,666</u>	<u>\$ 529,944</u>	<u>\$ 58,806</u>

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 6,448	\$ 967,146	\$ 945,370	\$ 28,224
Total assets	<u>\$ 6,448</u>	<u>\$ 967,146</u>	<u>\$ 945,370</u>	<u>\$ 28,224</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 6,448	\$ 967,146	\$ 945,370	\$ 28,224
Total liabilities	<u>\$ 6,448</u>	<u>\$ 967,146</u>	<u>\$ 945,370</u>	<u>\$ 28,224</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 981,036	\$ 7,295,934	\$ 6,433,757	\$ 1,843,213
Total assets	<u>\$ 981,036</u>	<u>\$ 7,295,934</u>	<u>\$ 6,433,757</u>	<u>\$ 1,843,213</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 981,036	\$ 7,295,934	\$ 6,433,757	\$ 1,843,213
Total liabilities	<u>\$ 981,036</u>	<u>\$ 7,295,934</u>	<u>\$ 6,433,757</u>	<u>\$ 1,843,213</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 725,607	\$ 2,442,929	\$ 1,472,264	\$ 1,696,272
Total assets	<u>\$ 725,607</u>	<u>\$ 2,442,929</u>	<u>\$ 1,472,264</u>	<u>\$ 1,696,272</u>
LIABILITIES				
Due to other governments	\$ 725,607	\$ 2,442,929	\$ 1,472,264	\$ 1,696,272
Total liabilities	<u>\$ 725,607</u>	<u>\$ 2,442,929</u>	<u>\$ 1,472,264</u>	<u>\$ 1,696,272</u>

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 30,296	\$ 354,655	\$ 365,859	\$ 19,092
Total assets	<u>\$ 30,296</u>	<u>\$ 354,655</u>	<u>\$ 365,859</u>	<u>\$ 19,092</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 15,164	\$ 354,655	\$ 365,859	\$ 3,960
Due to other governments	15,132	-	-	15,132
Total liabilities	<u>\$ 30,296</u>	<u>\$ 354,655</u>	<u>\$ 365,859</u>	<u>\$ 19,092</u>
DOC STAMPS				
ASSETS				
Cash and cash equivalents	\$ 1,316,126	\$ 47,789,281	\$ 48,037,037	\$ 1,068,370
Total assets	<u>\$ 1,316,126</u>	<u>\$ 47,789,281</u>	<u>\$ 48,037,037</u>	<u>\$ 1,068,370</u>
LIABILITIES				
Due to other governments	\$ 1,316,126	\$ 47,789,281	\$ 48,037,037	\$ 1,068,370
Total liabilities	<u>\$ 1,316,126</u>	<u>\$ 47,789,281</u>	<u>\$ 48,037,037</u>	<u>\$ 1,068,370</u>
INTANGIBLE TAX				
ASSETS				
Cash and cash equivalents	\$ 576,640	\$ 10,329,198	\$ 9,909,048	\$ 996,790
Total assets	<u>\$ 576,640</u>	<u>\$ 10,329,198</u>	<u>\$ 9,909,048</u>	<u>\$ 996,790</u>
LIABILITIES				
Due to other governments	\$ 576,640	\$ 10,329,198	\$ 9,909,048	\$ 996,790
Total liabilities	<u>\$ 576,640</u>	<u>\$ 10,329,198</u>	<u>\$ 9,909,048</u>	<u>\$ 996,790</u>

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 4,253,907	\$ 74,905,089	\$ 72,965,049	\$ 6,193,947
Total assets	<u>\$ 4,253,907</u>	<u>\$ 74,905,089</u>	<u>\$ 72,965,049</u>	<u>\$ 6,193,947</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 1,245,732	\$ 8,963,401	\$ 8,274,930	\$ 1,934,203
Due to other governments	3,008,175	65,941,688	64,690,119	4,259,744
Total liabilities	<u>\$ 4,253,907</u>	<u>\$ 74,905,089</u>	<u>\$ 72,965,049</u>	<u>\$ 6,193,947</u>

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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 as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated January 26, 2006.

We conducted our audit in accordance with United States generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and Internal Control over financial reporting. Disclosures in that report, which are dated January 26, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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 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 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 Clerk of Circuit Court complied with Section 218.415, Florida Statutes.

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

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

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 questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g. the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) 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.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County Clerk of Circuit Court was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Clerk of Circuit Court has no component units.

As required by Rules of the Auditor General (Section 10.554(1)(h)7.), the scope of our audit included a review of the provisions of Section 28.35, Florida Statutes, regarding the budget and performance standards certified by the Florida Clerk of Courts Operations Corporation. In connection with our audit, we determined that the Bay County Clerk of Circuit Court complied with the budget and performance standards pursuant to Section 28.35, Florida Statutes.

This management letter is intended solely for the information 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.

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

Panama City, Florida
January 26, 2006

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, 2005, and have issued our report thereon dated January 26, 2006. 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 over financial reporting would not necessarily disclose all matters in the internal control 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 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.

Carly Riggs & Ingram, L.L.C.

Panama City, Florida
January 26, 2006

**PROPERTY
APPRAISER**

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, 2005, 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.

American Institute of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

AICPA Alliance for CPA Firms

Center for Public
Company Audit Firms

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, 2005, 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 29, 2005 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 29, 2005

Bay County Property Appraiser
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2005

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 18,233</u>
Total assets	<u><u>\$ 18,233</u></u>
LIABILITIES	
Accounts payable	\$ 189
Due to other governments	375
Other current liabilities	<u>17,669</u>
Total liabilities	<u><u>18,233</u></u>
FUND BALANCE	
Unreserved	<u>-</u>
 Total liabilities and fund balance	 <u><u>\$ 18,233</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
Governmental Fund
Year Ended September 30, 2005

	General
REVENUES	
Charges for services	\$ 47,769
Interest income	5,556
Total revenues	<u>53,325</u>
EXPENDITURES	
Current	
General government	2,195,191
Debt service	
Principal retirement	4,848
Interest and fiscal charges	552
Total expenditures	<u>2,200,591</u>
Excess of expenditures over revenues	<u>(2,147,266)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	2,147,637
Reversion to Board of County Commissioners	(371)
Total other financing sources (uses)	<u>2,147,266</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, 2005

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ -	\$ 2,080	\$ 47,769	\$ 45,689
Interest income	-	-	5,556	5,556
Total revenues	-	2,080	53,325	51,245
EXPENDITURES				
Current				
General government	2,165,686	2,167,766	2,195,191	(27,425)
Debt service				
Principal retirement	4,848	4,848	4,848	-
Interest and fiscal charges	552	552	552	-
Total expenditures	2,171,086	2,173,166	2,200,591	(27,425)
Excess of expenditures over revenues	(2,171,086)	(2,171,086)	(2,147,266)	23,820
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,171,086	2,171,086	2,147,637	(23,449)
Reversion to Board of County Commissioners	-	-	(371)	(371)
Total other financing sources (uses)	2,171,086	2,171,086	2,147,266	(23,820)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2005

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, 2005

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 and 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, 2005:

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
Capital Leases Payable	\$ 14,701	\$ -	\$ 4,848	\$ 9,853

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2005

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.

The total cost of equipment purchased under lease purchases is \$16,605. Total principal maturities are as follows:

Year Ended September 30,	
2006	\$ 4,716
2007	4,008
2008	1,650
Total	10,374
Less: amount representing interest	(521)
Total	<u>\$ 9,853</u>

NOTE 4 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Bay County Property Appraiser contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 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

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2005

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

October 1, 2004 – June 30, 2005 are 7.39% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2005 – September 30, 2005 are 7.83% 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, 2004 – June 30, 2005 and 9.33% for the period July 1, 2005 – September 30, 2005. The Property Appraiser's contributions for the years ended September 30, 2005, 2004 and 2003 were \$117,418, \$111,104, and \$95,812, respectively, and are equal to the required contributions for each year.

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 as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated November 29, 2005.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and Internal Control over financial reporting. Disclosures in that report, which are dated November 29, 2005 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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 controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. During the prior year ended September 30, 2004, the Bay County Property Appraiser had the following instance of noncompliance which still existed for the year ended September 30, 2005:

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 Honorable Rick Barnett
Bay County Property Appraiser
Page Two

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)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

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 questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g. the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) 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 or the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County Property Appraiser was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Property Appraiser has no component units.

The Honorable Rick Barnett
Bay County Property Appraiser
Page Three

This management letter is intended solely for the information 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.

Carri Riggs & Ingram, L.L.C.

Panama City, Florida
November 29, 2005

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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, 2005, and have issued our report thereon dated November 29, 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 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 over financial reporting would not necessarily disclose all matters in the internal control 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 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 matters that we have reported to the Property Appraiser's management in a separate letter dated November 29, 2005.

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.

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

Panama City, Florida
November 29, 2005

TAX COLLECTOR

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, 2005 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.

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, 2005, 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 February 10, 2006 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.

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

Panama City, Florida
February 10, 2006

Bay County Tax Collector
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2005

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 721,927</u>
Total assets	<u><u>\$ 721,927</u></u>
LIABILITIES	
Due to other governments	<u>\$ 721,927</u>
Total liabilities	<u><u>721,927</u></u>
FUND BALANCE	
Unreserved	<u>-</u>
Total fund balance	<u><u>-</u></u>
Total liabilities and fund balance	<u><u>\$ 721,927</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, 2005

	General
REVENUES	
Charges for services	\$ 1,386,926
Total revenues	<u>1,386,926</u>
EXPENDITURES	
Current	
General government	2,204,784
Debt service	
Principal retirement	8,172
Total expenditures	<u>2,212,956</u>
Excess of expenditures over revenues	<u>(826,030)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	2,527,480
Reversion to Board of County Commissioners	<u>(1,701,450)</u>
Total other financing sources (uses)	<u>826,030</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,386,926	\$ 1,386,926
Total revenues	-	-	1,386,926	1,386,926
EXPENDITURES				
Current				
General government	2,282,818	2,852,944	2,204,784	648,160
Debt service				
Principal retirement	8,172	8,172	8,172	-
Total expenditures	2,290,990	2,861,116	2,212,956	648,160
Excess of expenditures over revenues	(2,290,990)	(2,861,116)	(826,030)	2,035,086
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,290,990	2,861,116	2,527,480	(333,636)
Reversion to Board of County Commissioners	-	-	(1,701,450)	(1,701,450)
Total other financing sources (uses)	2,290,990	2,861,116	826,030	(2,035,086)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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

Bay County Tax Collector
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2005

ASSETS

Cash and cash equivalents	\$ 1,248,326
Accounts receivable	<u>18,468</u>
Total assets	<u><u>\$ 1,266,794</u></u>

LIABILITIES

Bank overdraft	\$ 16,013
Due to other governments	1,246,093
Due to private companies	<u>4,688</u>
Total liabilities	<u><u>\$ 1,266,794</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, 2005

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 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 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, 2005

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 and 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, 2005

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, 2005.

NOTE 3 – PROPERTY TAXES

Property tax revenue is recognized when levied to the extent that it results in current receivables. The property tax calendar is as follows:

Lien date	January 1
Levy date	October 1
Tax bills mailed	November 30
Payments due by	March 31
Delinquent date	April 1
Tax sales – delinquent property taxes	June 1

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2005

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2005:

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
Capital Leases Payable	\$ 21,448	\$ -	\$ 8,172	\$ 13,276

Capital leases payable consist of lease purchase agreements on equipment. The leased equipment is capitalized at the present value of the minimum lease payments in the capital assets of the Bay County Board of County Commissioners. The related obligations are accounted for in the County's long-term liabilities.

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

Year Ended September 30,	
2006	\$ 8,172
2007	3,676
2008	1,428
Total	\$ 13,276

NOTE 5 – BANK OVERDRAFT

On September 30, 2005 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

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2005

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 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, 2004 – June 30, 2005 are 7.39% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2005 – September 30, 2005 are 7.83% 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, 2004 – June 30, 2005 and 9.33% effective from July 1, 2005 – September 30, 2005. The tax collector contributions for the years ended September 30, 2005, 2004 and 2003 were \$106,403, \$100,572 and \$79,365, 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, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 1,144,156	\$ 142,259,908	\$ 142,160,426	\$ 1,243,638
Total assets	<u>\$ 1,144,156</u>	<u>\$ 142,259,908</u>	<u>\$ 142,160,426</u>	<u>\$ 1,243,638</u>
LIABILITIES				
Due to other governments	\$ 1,144,156	\$ 142,259,908	\$ 142,160,426	\$ 1,243,638
Total liabilities	<u>\$ 1,144,156</u>	<u>\$ 142,259,908</u>	<u>\$ 142,160,426</u>	<u>\$ 1,243,638</u>
TAX CERTIFICATE FUND				
ASSETS				
Cash and cash equivalents	\$ 2,700	\$ 4,510,163	\$ 4,508,175	\$ 4,688
Total assets	<u>\$ 2,700</u>	<u>\$ 4,510,163</u>	<u>\$ 4,508,175</u>	<u>\$ 4,688</u>
LIABILITIES				
Due to private companies	\$ 2,700	\$ 4,510,163	\$ 4,508,175	\$ 4,688
Total liabilities	<u>\$ 2,700</u>	<u>\$ 4,510,163</u>	<u>\$ 4,508,175</u>	<u>\$ 4,688</u>
TAG FUND				
ASSETS				
Accounts receivable	\$ 17,951	\$ 10,179	\$ 9,662	\$ 18,468
Total assets	<u>\$ 17,951</u>	<u>\$ 10,179</u>	<u>\$ 9,662</u>	<u>\$ 18,468</u>
LIABILITIES				
Bank overdraft	\$ 14,634	\$ (21,292,066)	\$ (21,293,445)	\$ 16,013
Due to other governments	3,317	21,302,245	21,303,107	2,455
Total liabilities	<u>\$ 17,951</u>	<u>\$ 10,179</u>	<u>\$ 9,662</u>	<u>\$ 18,468</u>

Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
TOTAL-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,146,856	\$ 146,770,071	\$ 146,668,601	\$ 1,248,326
Accounts receivable	17,951	10,179	9,662	18,468
Total assets	<u>\$ 1,164,807</u>	<u>\$ 146,780,250</u>	<u>\$ 146,678,263</u>	<u>\$ 1,266,794</u>
LIABILITIES				
Bank overdraft	\$ 14,634	\$ (21,292,066)	\$ (21,293,445)	\$ 16,013
Due to other governments	1,147,473	163,562,153	163,463,533	1,246,093
Due to private companies	2,700	4,510,163	4,508,175	4,688
Total liabilities	<u>\$ 1,164,807</u>	<u>\$ 146,780,250</u>	<u>\$ 146,678,263</u>	<u>\$ 1,266,794</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 as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated February 10, 2006.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and Internal Control over financial reporting. Disclosures in that report, which are dated February 10, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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 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 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)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

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 and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (4) failures to properly record financial transactions; and (5) 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.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County 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 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
February 10, 2006

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, 2005, and have issued our report thereon dated February 10, 2006. 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 over financial reporting would not necessarily disclose all matters in the internal control 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 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.

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

Panama City, Florida
February 10, 2006

SHERIFF

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, 2005, 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.

American Institute of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

AICPA Alliance for CPA Firms

Center for Public
Company Audit Firms

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, 2005, 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 24, 2006 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 24, 2006

Bay County Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 549,823	\$ 102,668	\$ 652,491
Due from other governments	83,963	-	83,963
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 633,786</u>	<u>\$ 102,668</u>	<u>\$ 736,454</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 190,550	\$ -	\$ 190,550
Due to other governments	52,091	-	52,091
Deferred revenue	391,145	-	391,145
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>633,786</u>	<u>-</u>	<u>633,786</u>
FUND BALANCE			
Unreserved	<u>-</u>	<u>102,668</u>	<u>102,668</u>
	<u>\$ 633,786</u>	<u>\$ 102,668</u>	<u>\$ 736,454</u>

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

Bay County Sheriff
Special-Purpose Statement of Revenues, Expenditures and
Change in Fund Balance - Governmental Funds
Year Ended September 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental revenue	\$ 1,890,015	\$ 379,357	\$ 2,269,372
Interest income	50,594	-	50,594
Miscellaneous	70,490	151,612	222,102
Total revenues	<u>2,011,099</u>	<u>530,969</u>	<u>2,542,068</u>
EXPENDITURES			
Current			
Public safety	18,370,562	495,100	18,865,662
Debt service			
Principal retirement	442,991	-	442,991
Interest	12,417	-	12,417
Total expenditures	<u>18,825,970</u>	<u>495,100</u>	<u>19,321,070</u>
Excess (deficiency) of revenues			
Over (under) expenditures	<u>(16,814,871)</u>	<u>35,869</u>	<u>(16,779,002)</u>
OTHER FINANCING SOURCES (USES)			
Budget appropriations from			
Board of County Commissioners	16,866,962	-	16,866,962
Reversion to Board of			
County Commissioners	<u>(52,091)</u>	<u>-</u>	<u>(52,091)</u>
Total other financing			
sources (uses)	<u>16,814,871</u>	<u>-</u>	<u>16,814,871</u>
Net change in fund balance	-	35,869	35,869
Fund balance - beginning	<u>-</u>	<u>66,799</u>	<u>66,799</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 102,668</u>	<u>\$ 102,668</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 1,113,250	\$ 2,784,945	\$ 1,890,015	\$ (894,930)
Interest income	-	-	50,594	50,594
Miscellaneous	154,129	94,129	70,490	(23,639)
Total revenues	<u>1,267,379</u>	<u>2,879,074</u>	<u>2,011,099</u>	<u>(867,975)</u>
EXPENDITURES				
Current				
Public safety	17,404,284	19,289,239	18,370,562	918,677
Debt service				
Principal retirement	442,991	442,991	442,991	-
Interest and fiscal charges	12,417	12,417	12,417	-
Total expenditures	<u>17,859,692</u>	<u>19,744,647</u>	<u>18,825,970</u>	<u>918,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,592,313)</u>	<u>(16,865,573)</u>	<u>(16,814,871)</u>	<u>50,702</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	16,592,313	16,865,573	16,866,962	1,389
Reversion to Board of County Commissioners	<u>-</u>	<u>-</u>	<u>(52,091)</u>	<u>(52,091)</u>
Total other financing sources (uses)	<u>16,592,313</u>	<u>16,865,573</u>	<u>16,814,871</u>	<u>(50,702)</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>

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

Bay County Sheriff
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2005

ASSETS

Cash and cash equivalents	\$ 1,284
Total assets	<u>\$ 1,284</u>

LIABILITIES

Accounts payable	\$ 1,284
Total liabilities	<u>\$ 1,284</u>

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

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2005

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, 2005

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, 2005

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, 2005.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2005

NOTE 3 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2005 are summarized as follows:

	Balance September 30, 2004	Transfers	Increases	Decreases	Balance September 30, 2005
Autos, furniture and equipment	\$ 6,721,275	\$ 107,346	\$ 683,032	\$ 149,538	\$ 7,362,115
Property held under capital leases	1,380,647	(107,346)	-	-	1,273,301
Total	<u>\$ 8,101,922</u>	<u>\$ -</u>	<u>\$ 683,032</u>	<u>\$ 149,538</u>	<u>\$ 8,635,416</u>

Transfers include \$107,346 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, 2005:

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
Capital leases payable	\$ 721,611	\$ -	\$ 442,991	\$ 278,620
Compensated absences	668,504	32,311	-	700,815
Total	<u>\$ 1,390,115</u>	<u>\$ 32,311</u>	<u>\$ 442,991</u>	<u>\$ 979,435</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, 2005, are summarized as follows:

Year Ending September 30,	
2006	\$ 201,670
2007	81,345
Total	283,015
Less: amount representing interest	(4,395)
Balance	<u>\$ 278,620</u>

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2005

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, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 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, 2004 – June 30, 2005 are 7.39% and 18.53% for regular employees and special risk employees, respectively. Rates effective July 1, 2005 – September 30, 2005 are 7.83% 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, 2004 - June 30, 2005, and 9.33% effective from July 1, 2005 - September 30, 2005. Contributions for the years ended September 30, 2005, 2004 and 2003 were \$1,648,559, \$1,472,020, and \$1,246,678 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, 2005

	Special Revenue			
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Junior Deputies
ASSETS				
Cash and cash equivalents	\$ 2,354	\$ 23,919	\$ 13,942	\$ -
Total assets	<u>\$ 2,354</u>	<u>\$ 23,919</u>	<u>\$ 13,942</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance				
Unreserved	<u>2,354</u>	<u>23,919</u>	<u>13,942</u>	<u>-</u>
Total fund balance	<u>2,354</u>	<u>23,919</u>	<u>13,942</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,354</u>	<u>\$ 23,919</u>	<u>\$ 13,942</u>	<u>\$ -</u>

Special Revenue

Federal Seizure Account	Seizure Trust	Total
\$ 43,994	\$ 18,459	\$ 102,668
<u>\$ 43,994</u>	<u>\$ 18,459</u>	<u>\$ 102,668</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
43,994	18,459	102,668
<u>43,994</u>	<u>18,459</u>	<u>102,668</u>
<u>\$ 43,994</u>	<u>\$ 18,459</u>	<u>\$ 102,668</u>

Bay County Sheriff
Combining Statement of Revenues, Expenditures and
Change in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2005

	Special Revenue			
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Junior Deputies
REVENUES				
Intergovernmental	\$ 134,914	\$ 244,443	\$ -	\$ -
Miscellaneous	-	-	63,651	90
Total revenues	<u>134,914</u>	<u>244,443</u>	<u>63,651</u>	<u>90</u>
EXPENDITURES				
Current				
Public safety	137,524	228,151	53,102	1,185
Total expenditures	<u>137,524</u>	<u>228,151</u>	<u>53,102</u>	<u>1,185</u>
Net change in fund balance	(2,610)	16,292	10,549	(1,095)
Fund balance at beginning of year	<u>4,964</u>	<u>7,627</u>	<u>3,393</u>	<u>1,095</u>
Fund balance at end of year	<u><u>\$ 2,354</u></u>	<u><u>\$ 23,919</u></u>	<u><u>\$ 13,942</u></u>	<u><u>\$ -</u></u>

Special Revenue

Federal Seizure Account	Seizure Trust	Total
\$ -	\$ -	\$ 379,357
48,478	39,393	151,612
<u>48,478</u>	<u>39,393</u>	<u>530,969</u>
44,553	30,585	495,100
<u>44,553</u>	<u>30,585</u>	<u>495,100</u>
3,925	8,808	35,869
40,069	9,651	66,799
<u>\$ 43,994</u>	<u>\$ 18,459</u>	<u>\$ 102,668</u>

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AGENCY FUNDS

Bay County Sheriff
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 127,389	\$ 127,389	\$ -
Total assets	<u>\$ -</u>	<u>\$ 127,389</u>	<u>\$ 127,389</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ -	\$ 127,389	\$ 127,389	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 127,389</u>	<u>\$ 127,389</u>	<u>\$ -</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash	\$ 7,949	\$ 247,877	\$ 254,542	\$ 1,284
Total assets	<u>\$ 7,949</u>	<u>\$ 247,877</u>	<u>\$ 254,542</u>	<u>\$ 1,284</u>
LIABILITIES				
Accounts payable	\$ 7,949	\$ 247,877	\$ 254,542	\$ 1,284
Total liabilities	<u>\$ 7,949</u>	<u>\$ 247,877</u>	<u>\$ 254,542</u>	<u>\$ 1,284</u>

Bay County Sheriff
 Combining Statement of Changes in Assets and Liabilities
 All Agency Funds
 Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 7,949	\$ 375,266	\$ 381,931	\$ 1,284
Total assets	<u>\$ 7,949</u>	<u>\$ 375,266</u>	<u>\$ 381,931</u>	<u>\$ 1,284</u>
LIABILITIES				
Accounts payable	\$ 7,949	\$ 247,877	\$ 254,542	\$ 1,284
Due to other Governments	-	127,389	127,389	-
Total liabilities	<u>\$ 7,949</u>	<u>\$ 375,266</u>	<u>\$ 381,931</u>	<u>\$ 1,284</u>

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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 fiscal year ended September 30, 2005, and have issued our report thereon dated February 24, 2006.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and Internal Control over financial reporting. Disclosures in that report, which are dated February 24, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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 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 Sheriff complied with Section 218.415, Florida Statutes.

American Institute of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

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The Honorable Frank McKeithen
Bay County Sheriff
Page Two

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

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 and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g. the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) 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.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Sheriff has no component units.

This management letter is intended solely for the information 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.

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

Panama City, Florida
February 24, 2006

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, 2005, and have issued our report thereon dated February 24, 2006. 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 over financial reporting would not necessarily disclose all matters in the internal control 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 Frank McKeithen
Bay County Sheriff
Page Two

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.

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

Panama City, Florida
February 24, 2006

