

Bay County

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year ended
September 30, 2006

Our front cover, "Sandpiper Cove 1" was created by local artist, Paul Brent.
Mr. Brent is an internationally recognized artist who is best known for
his watercolors of coastal scenes and nature.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

BAY COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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, 2006
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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 23, 2007

Honorable Mike Nelson, 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

Lady 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, 2006. 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 five categories; financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.
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, 2005, to September 30, 2006, 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 Statements.

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 2006 proved to be a year of revitalization and infrastructure enhancement for the County. In an effort to encourage economic growth, while protecting its environment, the County and its communities immersed themselves into addressing capital needs. Construction began on a new jail facility that will house approximately 680 prisoners. This facility will replace the County's current facility which will be demolished upon completion of the new jail. The County's Traffic Engineering Department will soon be housed in a new 6300 square foot facility. This facility will include a sign/signal shop plus storage and office space. This facility is expected to be completed by spring 2007.

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 \$31million. 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.

Leisure Services is continuing to improve and expand recreational facilities within the County. Some of the area boat ramps have been renovated. Several area parks saw the installation of new playground equipment, fitness/hiking trails were completed and parking lot improvements completed that will provide more space 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.

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 this 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 purchased approximately 16 acres that will house the Administrative offices and the County Library. The Administrative building will be a three story office building approximately 122,000 square feet. The new 60,000 square foot Regional Library will be located on the southeast portion of the property.

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. 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, 2005. 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.

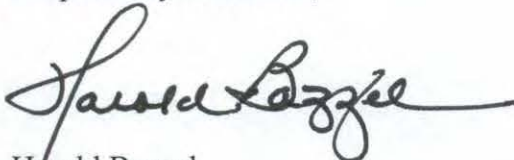
A Certificate of Achievement is valid for a period of one year only. Bay County has been awarded the Certificate of Achievement for seventeen consecutive years (fiscal years ended September 30, 1989 through 2005). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA for approval.

Acknowledgments

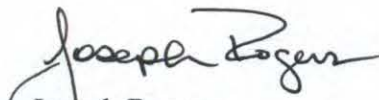
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Clerk's Division of Board Finance, the Office of Management and Budget, and the various directors of the County departments. The efforts of Lee Rooks and Devan Moore – Property Appraiser's Office and Marty Kirkland – Tax Collector's Office; 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 County Manager Edwin Smith 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.

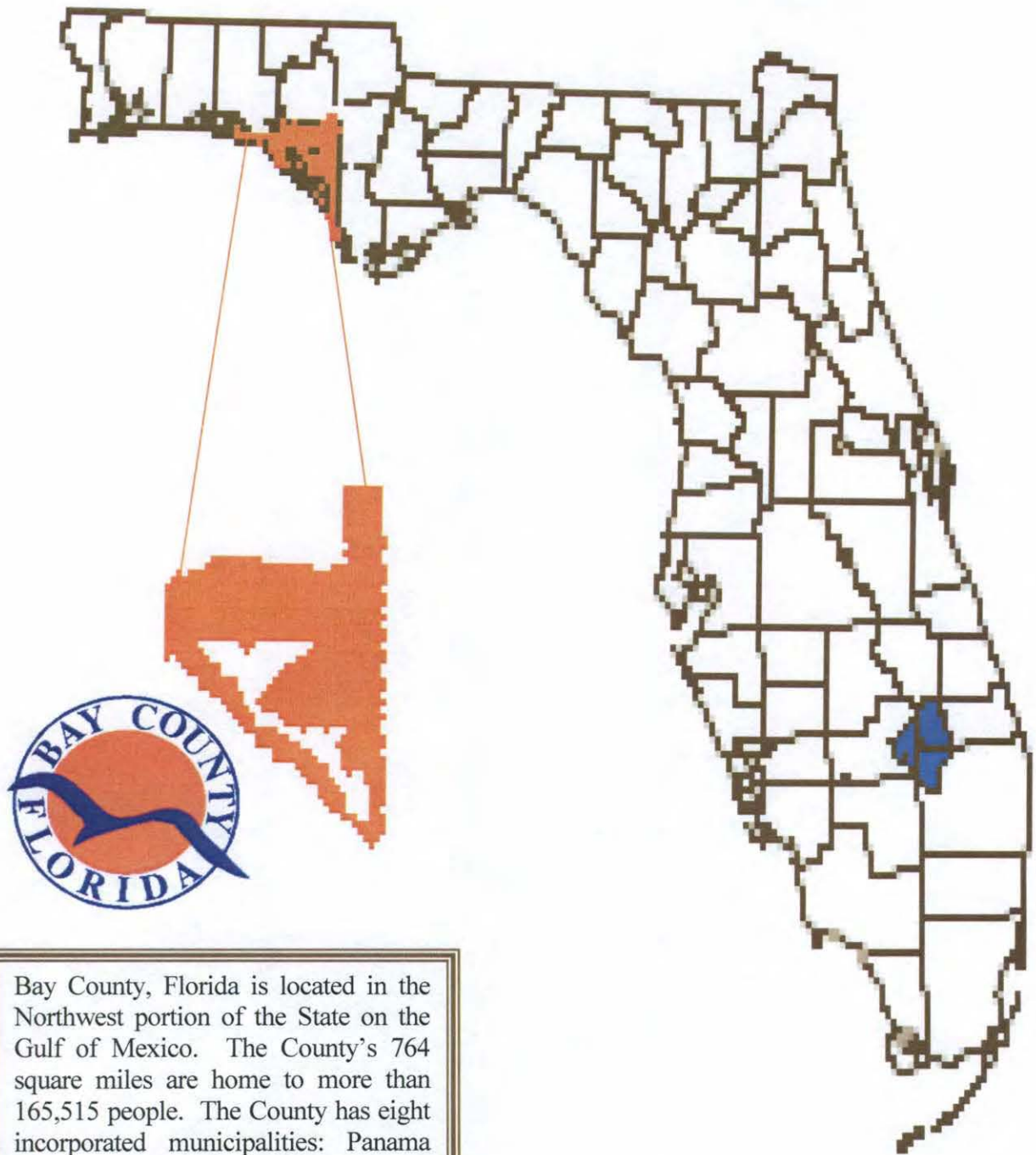
Respectfully submitted,



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 165,515 people. 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*



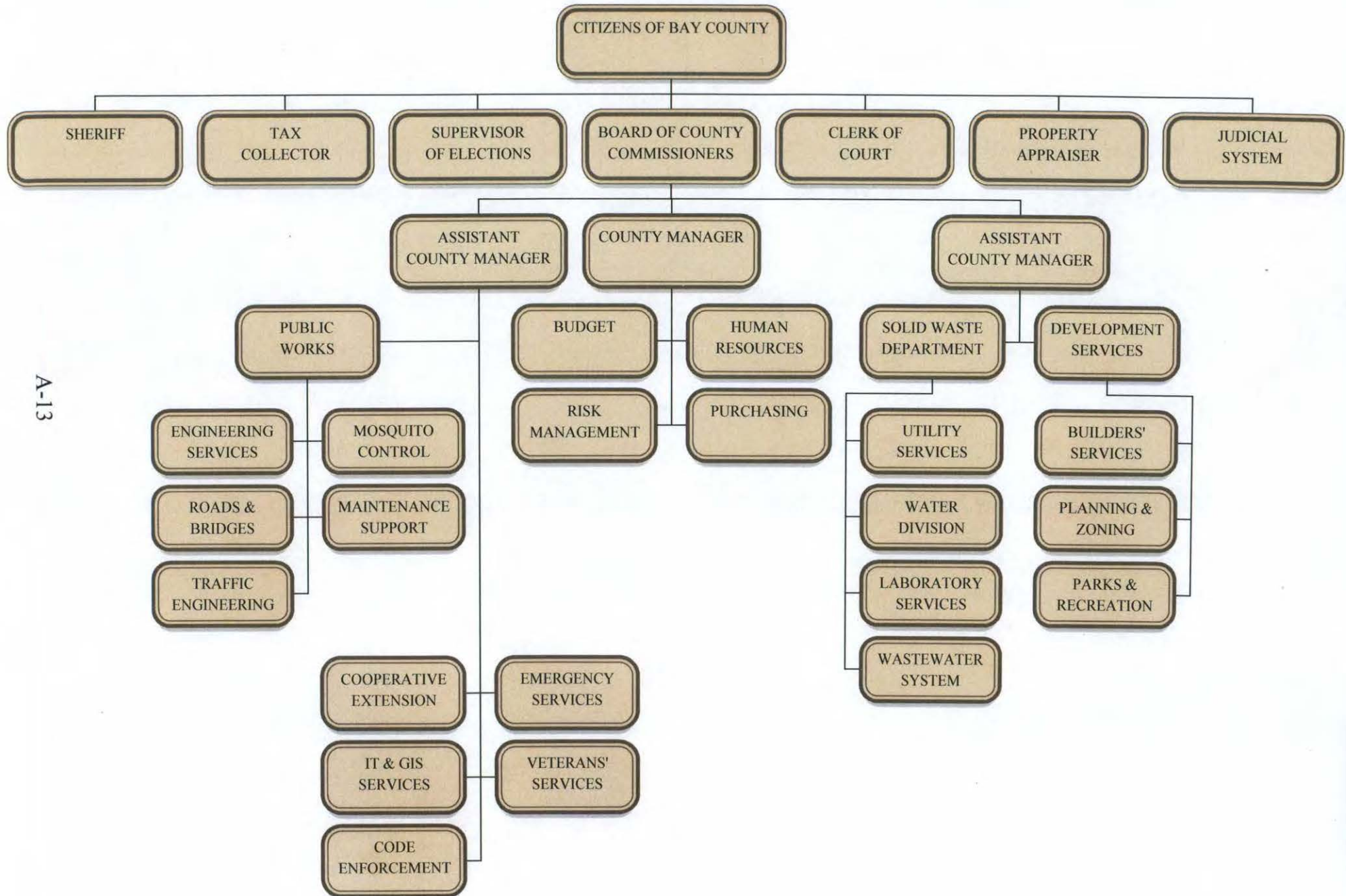
*Peggy Brannon
Tax Collector*



*Frank McKeithen
Sheriff*

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**BAY COUNTY
ORGANIZATIONAL CHART
Fiscal Year 2006**



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, 2005

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, 2005

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



President

Executive Director

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FINANCIAL SECTION

CARR, RIGGS & INGRAM, LLC

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Panama City, FL 32405
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Panama City, FL 32402

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INDEPENDENT AUDITORS' REPORT

The Honorable County Commissioners
Bay County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Florida (the County), as of and for the year ended September 30, 2006, 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 audits 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, 2006, and the respective changes in financial position, and, where applicable, cash flows 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 23, 2007 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, 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 considered in assessing 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 required 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 also not a required part of the basic financial statements of the County. 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 Section, Statistical Section, and Supplementary Information 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.

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

Panama City, Florida
February 23, 2007

Bay County, Florida
MANAGEMENT'S DISCUSSION and ANALYSIS
For the Year Ended September 30, 2006

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 \$268,919,759 (net assets). Of this amount, \$56,527,122 is unrestricted net assets for governmental activities and \$39,375,268 is unrestricted net assets for business-type activities, while \$18,043,292 is restricted net assets for governmental activities and \$7,862,907 is restricted net assets for business-type activities.
- Total net assets increased by \$29,081,700. Of this amount, \$28,423,737 is attributable to governmental activities and \$657,963 is attributable to business-type activities.
- As of September 30, 2006, general fund's unreserved fund balance was \$31,933,944 or 37 percent of total general fund expenditures.
- Governmental activities revenues increased to \$138,265,138 or approximately 20 percent, while governmental activities expenditures increased 7 percent to \$109,849,544. Business-type activities revenues increased to \$39,162,374 or 1 percent, while business-type activities expenditures increased 4 percent to \$38,496,268.
- The County's outstanding bonded debt increased by \$34,444,630 or 28 percent during fiscal year 2006. The key factor contributing to the increase in debt was the issuance of \$38,215,000 in sales tax revenue bonds to finance the construction of a new jail facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water, sewer, and solid waste disposal charges.

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

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

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the following legally separate component units: 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 nonmajor funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

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

FINANCIAL ANALYSIS OF THE COUNTY

The following schedule provides a summary of the assets, liabilities and net assets of the County. At the end of fiscal year 2006, 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 129,133,152	\$ 71,206,730	\$ 86,512,060	\$94,620,565	\$215,645,212	\$165,827,295
Capital assets	139,915,261	129,837,360	118,404,313	114,199,858	258,319,574	244,037,218
Total assets	<u>269,048,413</u>	<u>201,044,090</u>	<u>204,916,373</u>	<u>208,820,423</u>	<u>473,964,786</u>	<u>409,864,513</u>
Current and other liabilities	14,773,991	12,681,393	5,450,729	6,492,447	20,224,720	19,173,840
Long-term liabilities	70,111,409	32,913,901	114,708,898	117,225,617	184,820,307	150,139,518
Total liabilities	<u>84,885,400</u>	<u>45,595,294</u>	<u>120,159,627</u>	<u>123,718,064</u>	<u>205,045,027</u>	<u>169,313,358</u>
Net assets invested in capital Assets, net of related debt	109,592,599	97,194,417	37,518,571	40,706,567	147,111,170	137,900,984
Net assets-restricted	18,043,292	11,577,502	7,862,907	6,121,869	25,906,199	17,699,371
Net assets-unrestricted	56,527,122	46,676,877	39,375,268	38,273,923	95,902,390	84,950,800
Total net assets	<u>\$184,163,013</u>	<u>\$155,448,796</u>	<u>\$ 84,756,746</u>	<u>\$ 85,102,359</u>	<u>\$268,919,759</u>	<u>\$240,551,155</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 (55 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 9 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* (\$95,902,390) may be used to help meet the government's ongoing obligations to citizens and creditors.

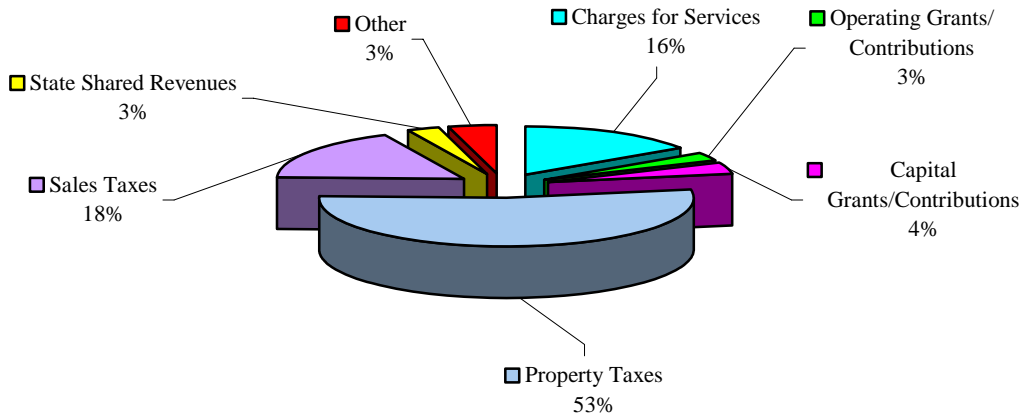
Governmental activities long-term liabilities, increased by \$37,197,508 during 2006 due to the issuance of \$38,215,000 in sales tax revenue bonds, while business-type activities long-term liabilities decreased by \$2,516,719 due to principal payments made on existing debt during fiscal year 2006.

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

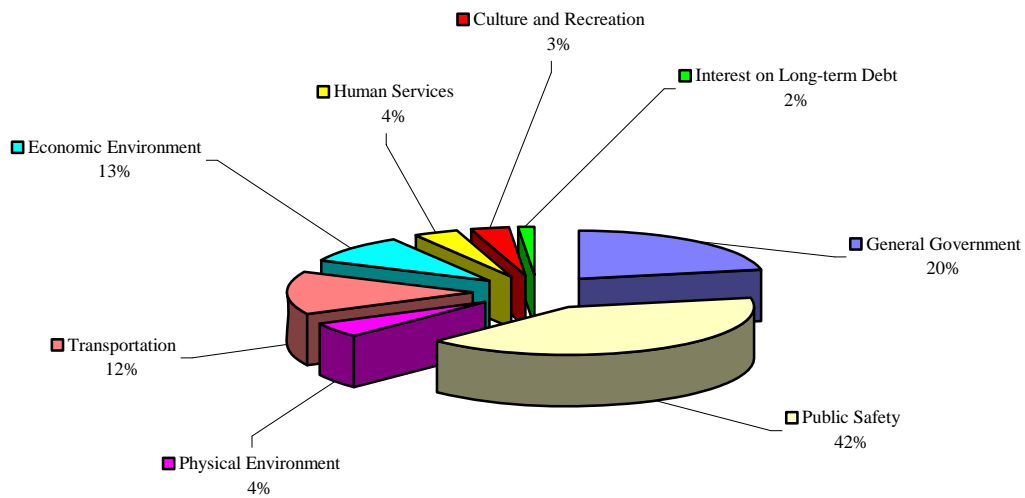
Bay County, Florida Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for services	\$ 21,692,291	\$ 20,067,408	\$ 34,705,632	\$ 34,124,110	\$ 56,397,923	\$ 54,191,518
Operating grants/contributions	3,590,815	3,720,822	7,505	-	3,598,320	3,720,822
Capital grants/contributions	6,793,674	9,080,137	-	-	6,793,674	9,080,137
General Revenues:						
Property taxes	73,729,204	53,349,589	-	-	73,729,204	53,349,589
Sales taxes	24,215,778	23,223,423	1,900	2,200	24,217,678	23,225,623
State shared revenues	3,491,084	3,290,582	-	-	3,491,084	3,290,582
Other	4,752,292	2,217,889	4,447,337	4,651,645	9,199,629	6,869,534
Total Revenues	138,265,138	114,949,850	39,162,374	38,777,955	177,427,512	153,727,805
Expenses:						
General government	21,899,647	22,524,334	-	-	21,899,647	22,524,334
Public safety	45,667,025	41,633,533	-	-	45,667,025	41,633,533
Physical environment	4,846,055	5,095,942	-	-	4,846,055	5,095,942
Transportation	13,023,819	14,988,586	-	-	13,023,819	14,988,586
Economic environment	14,186,061	9,736,560	-	-	14,186,061	9,736,560
Human services	4,591,809	3,866,283	-	-	4,591,809	3,866,283
Culture and recreation	3,943,961	3,589,770	-	-	3,943,961	3,589,770
Interest on long-term debt	1,691,167	1,343,382	-	-	1,691,167	1,343,382
Wholesale water system	-	-	10,871,172	10,600,450	10,871,172	10,600,450
Retail water and wastewater	-	-	4,135,864	4,034,030	4,135,864	4,034,030
Industrial wastewater	-	-	3,902,819	4,043,172	3,902,819	4,043,172
Solid waste	-	-	17,574,763	16,688,055	17,574,763	16,688,055
Building services	-	-	2,011,650	1,800,906	2,011,650	1,800,906
Total Expenses	109,849,544	102,778,390	38,496,268	37,166,613	148,345,812	139,945,003
Increase in net assets before Transfers	28,415,594	12,171,460	666,106	1,611,342	29,081,700	13,782,802
Transfers	8,143	(52,333)	(8,143)	52,333	-	-
Increase in net assets	28,423,737	12,119,127	657,963	1,663,675	29,081,700	13,782,802
Net assets - beginning	155,448,796	142,753,266	85,102,359	83,438,684	240,551,155	226,191,950
Prior period adjustment	290,480	576,403	(1,003,576)	-	(713,096)	576,403
Net assets - beginning (restated)	155,739,276	143,329,669	84,098,783	83,438,684	239,838,059	226,768,353
Net assets - ending	\$ 184,163,013	\$ 155,448,796	\$ 84,756,746	\$ 85,102,359	\$ 268,919,759	\$ 240,551,155

Revenues - Governmental Activities Fiscal Year Ended September 30, 2006



Expenses-Governmental Activities Fiscal Year Ended September 30, 2006



Bay County's overall financial position improved in 2006. As reflected in the changes in net assets, the County's net assets increased to \$29,081,700. 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, parks, libraries, fire services and roads. Total revenues increased \$23,699,707 from the previous year. Charges for services revenue also reflected a large increase over fiscal year 2005. Governmental activities revenues exceeded expenses by \$28,415,594, while business-type activities revenues also exceeded expenses by \$666,106. Total expenses increased \$8,400,809 from the previous year. Increased spending for public safety (emergency management and fire services), along with an increase in spending for economic environment (tourism, beach nourishment, and community redevelopment areas (CRAs)) were primarily responsible for the increase in expenses.

53% of the revenues for governmental activities are generated by property taxes, while most of the governmental resources are expended for public safety (42%), general government (20%), economic environment (13%), and transportation (12%) activities.

Charges for services provided 89% of the revenues for business-type activities. The increase in charges for services for business-type activities was the greatest contributing factor 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, 2006, total assets were \$83,682,355 and total liabilities were \$7,397,274. At the end of fiscal year 2006, unreserved fund balance of the general fund was \$31,933,944, while total fund balance equaled \$76,285,081.

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 medical services provided for inmates. Revenues from ad valorem taxes exceeded the budget due to the fact state law requires that the County budget taxes at 95% of the total levy and actual collections were 96% of the total levy. 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 public safety were also less than the final budget due to a decrease in contracted service provided by Corrections Corporation of America (CCA) for inmates. Excess fees returned to the County from the Clerk of Court and Tax Collector also substantially exceeded the budgeted amounts.

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. Fund balance increased \$1,912,153 in fiscal year 2006 mostly due to a substantial state grant for the North Lagoon sidewalk and bike lane project.

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. Fund balance continued steady growth of 3.2% in fiscal year 2006 due to an increase in the collection of tourist development taxes.

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 87% of its funds. MSTU's fund balance increased only slightly in 2006 due to the fact that increased revenues were used to update and purchase additional equipment which was needed to maintain quality fire protection for the citizens of Bay County.

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:

	2006	2005
<u>FUND</u>	<u>Unrestricted</u>	<u>Unrestricted</u>
	<u>Net Assets</u>	<u>Net Assets</u>
Wholesale water system	\$ 8,627,119	\$ 6,679,717
Retail water and wastewater	6,790,303	5,084,944
Industrial wastewater	1,750,561	1,609,373
Solid waste fund	15,299,374	19,537,838
Building services	6,907,911	5,362,051
Totals	<u>\$ 39,375,268</u>	<u>\$ 38,273,923</u>

The *Wholesale water system fund* is used to account for the operations of the County's wholesale water system. The slight slowdown in development contributed to the decrease in the collection of wholesale water impact fees, which decreased \$573,078 over the previous year. Impact fees charged to and paid by new customers must be used to expand and enhance the water system which provides service to those individuals. Charges for services, however, increased by \$736,478, over fiscal year 2005 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 2006, \$7,421,489 was generated by tip fees; this represents an increase of \$440,840 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 \$1,789,705 for the long term care and closure of its landfill. To date, the County has accrued a total liability for post closure care of \$10,402,545. As of September 30, 2006, total assets were \$84,102,020; total liabilities were \$47,973,387 and net assets were \$36,128,633.

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, 2006, was \$258,319,574 (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 \$2,062,642 was completed during the current fiscal year on the North Lagoon sidewalk and bike lane project. Completion of this project will enhance the safety of bicyclists and pedestrians along the North Lagoon corridor
- The County completed its new state of the art animal control facility in fiscal year 2006 at a cost of \$1,676,253.
- Construction was also completed in fiscal year 2006 on the waste to energy retrofit project at a total cost of \$18,717,820.
- Construction also continued on the \$31 million water treatment plant expansion and enhancement; with construction in process totaling \$16,106,991 at the end of the current fiscal year.
- Construction began in 2006 on a new 680 bed jail facility. Of the total project cost of \$39,772,732, \$1,334,216 was expensed in fiscal year 2006.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 12,655,446	\$ 9,631,284	\$ 1,017,143	\$ 1,017,143	\$ 13,672,589	\$ 10,648,427
Construction in Progress	4,312,345	2,451,568	16,557,874	26,919,222	20,870,219	29,370,790
Buildings and Improvements	36,319,715	35,085,522	1,494,516	1,574,371	37,814,231	36,659,893
Equipment	16,149,219	13,986,830	1,245,872	901,407	17,395,091	14,888,237
Infrastructure	70,478,536	68,682,156	98,088,908	83,787,715	168,567,444	152,469,871
Total	<u>\$139,915,261</u>	<u>\$129,837,360</u>	<u>\$118,404,313</u>	<u>\$ 114,199,858</u>	<u>\$ 258,319,574</u>	<u>\$ 244,037,218</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 \$158,751,454. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
	<u>\$67,099,121</u>	<u>\$30,794,385</u>	<u>\$91,652,333</u>	<u>\$93,512,439</u>	<u>\$158,751,454</u>	<u>\$124,306,824</u>
Revenue Bonds						

The County's total bonded debt outstanding increased by \$34,444,630 during the current fiscal year. The key factor contributing to this increase was the issuance of the 2006 sales tax revenue bonds totaling \$38,215,000.

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

The Florida Constitution and Bay County set no legal debt limits. More detailed information about the County's liabilities is presented in Notes 11 and 12 of the notes to the financial statements.

OTHER FINANCIAL INFORMATION

The County's economy remained strong during the current fiscal year. Despite the threat of an active hurricane season and rising gas prices, tourism remained strong with a 5.39% increase in the Local Option Tourist Development Tax. Construction began a downward turn in 2006 with building permits issued on new single and multi-family residential units down 26%. The County's unemployment rate decreased in 2006, to 3.1%, slightly lower than the state's average unemployment rate of 3.3%. The County will continue to focus on the construction of a new and expanded jail facility in fiscal year 2007. The County will also move forward with the construction of a new library, which will be located on the same site as the new administration complex. The development and construction of 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, 2006

	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	\$ 11,263,377	\$ 3,093,626	\$ 14,357,003	\$ 453,826	\$ 5,562
Investments	58,713,558	37,726,104	96,439,662	-	-
Accounts receivable (net)	1,773,109	5,867,656	7,640,765	20,236	-
Special assessments receivable	834,619	-	834,619	-	-
Accrued interest receivable	-	72,610	72,610	-	-
Due from other governments	4,852,155	473,404	5,325,559	-	-
Prepaid expenses	160,025	-	160,025	-	-
Notes receivable	-	21,159,167	21,159,167	-	-
Investment in joint venture	-	681,784	681,784	-	-
Restricted assets					
Cash and cash equivalents	844,385	4,093,638	4,938,023	-	-
Investments	49,605,926	11,765,722	61,371,648	-	-
Capital assets					
Nondepreciable	16,967,791	17,575,017	34,542,808	-	-
Depreciable, net	122,947,470	100,829,296	223,776,766	-	-
Unamortized bond costs	1,085,998	1,578,349	2,664,347	-	-
Total assets	<u>269,048,413</u>	<u>204,916,373</u>	<u>473,964,786</u>	<u>474,062</u>	<u>5,562</u>
LIABILITIES					
Accounts payable and accrued expenses	9,884,396	4,220,917	14,105,313	199,181	1,892
Internal balances	(40,504)	40,504	-	-	-
Due to other governments	987,302	400,236	1,387,538	-	-
Unearned revenues	3,631,837	-	3,631,837	-	-
Accrued interest payable	270,960	417,170	688,130	-	-
Customer deposits	40,000	371,902	411,902	-	-
Long-term liabilities					
Due within one year					
Accrued compensated absences	509,077	123,611	632,688	-	-
Notes payable	-	821,104	821,104	-	-
Capital leases	473,840	-	473,840	-	-
Bonds payable	3,025,000	2,970,000	5,995,000	-	-
Due in more than one year					
Accrued compensated absences	1,491,615	171,205	1,662,820	-	-
Notes payable	-	11,538,100	11,538,100	-	-
Capital leases	537,756	-	537,756	-	-
Bonds payable	64,074,121	88,682,333	152,756,454	-	-
Landfill postclosure liability	-	10,402,545	10,402,545	-	-
Total liabilities	<u>84,885,400</u>	<u>120,159,627</u>	<u>205,045,027</u>	<u>199,181</u>	<u>1,892</u>
NET ASSETS					
Invested in capital assets, net of related debt	109,592,599	37,518,571	147,111,170	-	-
Restricted for					
Debt service	1,045,509	264,124	1,309,633	-	-
Other purposes	1,346,712	-	1,346,712	-	-
Impact fee requirements	7,321,533	6,735,665	14,057,198	-	-
Capital projects	8,329,538	863,118	9,192,656	-	-
Unrestricted	56,527,122	39,375,268	95,902,390	274,881	3,670
Total net assets	<u>\$ 184,163,013</u>	<u>\$ 84,756,746</u>	<u>\$ 268,919,759</u>	<u>\$ 274,881</u>	<u>\$ 3,670</u>

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

Bay County, Florida
Statement of Activities
Year Ended September 30, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental activities				
General government	\$ 21,899,647	\$ 16,455,481	\$ 1,075,566	\$ 750,000
Public safety	45,667,025	2,041,634	1,992,887	740,667
Physical environment	4,846,055	1,602,888	179,931	436,637
Transportation	13,023,819	764,439	74,377	4,303,101
Economic environment	14,186,061	-	218,144	34,526
Human services	4,591,809	3,640	49,910	-
Culture and recreation	3,943,961	824,209	-	528,743
Interest on long-term debt	1,691,167	-	-	-
Total governmental activities	<u>109,849,544</u>	<u>21,692,291</u>	<u>3,590,815</u>	<u>6,793,674</u>
Business-type activities				
Wholesale water system	10,871,172	11,461,915	-	-
Retail water and wastewater	4,135,864	3,863,260	-	-
Industrial wastewater	3,902,819	3,826,936	-	-
Solid waste	17,574,763	12,217,568	7,505	-
Building services	2,011,650	3,335,953	-	-
Total business-type activities	<u>38,496,268</u>	<u>34,705,632</u>	<u>7,505</u>	<u>-</u>
Total primary government	<u>\$ 148,345,812</u>	<u>\$ 56,397,923</u>	<u>\$ 3,598,320</u>	<u>\$ 6,793,674</u>
Component Units				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 3,284,248	\$ 3,279,181	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	192,098	176,493	-	-
Total component units	<u>\$ 3,476,346</u>	<u>\$ 3,455,674</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				
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
Change 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.
\$ (3,618,600)	\$ -	\$ (3,618,600)	\$ -	\$ -
(40,891,837)	-	(40,891,837)	-	-
(2,626,599)	-	(2,626,599)	-	-
(7,881,902)	-	(7,881,902)	-	-
(13,933,391)	-	(13,933,391)	-	-
(4,538,259)	-	(4,538,259)	-	-
(2,591,009)	-	(2,591,009)	-	-
(1,691,167)	-	(1,691,167)	-	-
<u>(77,772,764)</u>	<u>-</u>	<u>(77,772,764)</u>	<u>-</u>	<u>-</u>
-	590,743	590,743	-	-
-	(272,604)	(272,604)	-	-
-	(75,883)	(75,883)	-	-
-	(5,349,690)	(5,349,690)	-	-
-	1,324,303	1,324,303	-	-
<u>-</u>	<u>(3,783,131)</u>	<u>(3,783,131)</u>	<u>-</u>	<u>-</u>
<u>(77,772,764)</u>	<u>(3,783,131)</u>	<u>(81,555,895)</u>	<u>-</u>	<u>-</u>
-	-	-	(5,067)	-
-	-	-	-	(15,605)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,067)</u>	<u>(15,605)</u>
73,729,204	-	73,729,204	-	-
24,215,778	1,900	24,217,678	-	-
3,491,084	-	3,491,084	-	-
3,262,306	3,366,297	6,628,603	391	402
1,489,986	1,081,040	2,571,026	-	1,734
106,188,358	4,449,237	110,637,595	391	2,136
8,143	(8,143)	-	-	-
106,196,501	4,441,094	110,637,595	391	2,136
28,423,737	657,963	29,081,700	(4,676)	(13,469)
155,448,796	85,102,359	240,551,155	279,557	17,139
290,480	(1,003,576)	(713,096)	-	-
155,739,276	84,098,783	239,838,059	279,557	17,139
<u>\$ 184,163,013</u>	<u>\$ 84,756,746</u>	<u>\$ 268,919,759</u>	<u>\$ 274,881</u>	<u>\$ 3,670</u>

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

Bay County, Florida
Balance Sheet
Governmental Funds
September 30, 2006

	General Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,620,479	\$ 725,794	\$ 4,518,446	\$ 10,864,719
Accounts receivable (net)	849,715	18,902	496,126	1,364,743
Special assessments receivable	-	443,866	390,753	834,619
Investments	24,466,031	8,900,054	20,490,657	53,856,742
Due from other funds	12,579	14,232	31,487	58,298
Due from other governments	3,525,600	942,385	384,170	4,852,155
Prepaid expenses	4,991	-	-	4,991
Restricted assets				
Cash and cash equivalents	749,943	23,730	70,712	844,385
Investments	48,453,017	289,695	863,214	49,605,926
Total assets	<u>\$ 83,682,355</u>	<u>\$ 11,358,658</u>	<u>\$ 27,245,565</u>	<u>\$ 122,286,578</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 3,900,266	\$ 687,000	\$ 1,011,549	\$ 5,598,815
Deferred revenues	3,272,607	-	359,230	3,631,837
Due to other funds	171,774	61,345	45,045	278,164
Due to other governments	52,627	-	934,733	987,360
Total liabilities	<u>7,397,274</u>	<u>748,345</u>	<u>2,350,557</u>	<u>10,496,176</u>
Fund balance				
Reserved for				
Debt service	1,118,335	-	483,343	1,601,678
Capital projects	39,451,543	858,827	-	40,310,370
Other purposes	3,781,259	-	16,062,679	19,843,938
Unreserved, reported in				
General fund	26,948,951	-	-	26,948,951
General fund - designated	4,984,993	-	-	4,984,993
Special revenue funds	-	9,751,486	8,348,986	18,100,472
Total fund balance	<u>76,285,081</u>	<u>10,610,313</u>	<u>24,895,008</u>	<u>111,790,402</u>
Total liabilities and fund balance	<u>\$ 83,682,355</u>	<u>\$ 11,358,658</u>	<u>\$ 27,245,565</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.				139,915,261
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.				1,753,721
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				<u>(69,296,371)</u>
Net assets of governmental activities				<u>\$ 184,163,013</u>

Bay County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2006

	General Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 67,316,520	\$ 4,971,676	\$ 13,608,683	\$ 85,896,879
Licenses and permits	2,230	-	-	2,230
Intergovernmental	18,508,180	5,394,339	770,877	24,673,396
Charges for services	11,462,144	509,934	7,809,900	19,781,978
Fines and forfeitures	137,019	-	-	137,019
Special assessments	-	254,505	-	254,505
Interest	2,053,626	278,699	747,493	3,079,818
Miscellaneous	1,698,587	645,286	734,856	3,078,729
Total revenues	<u>101,178,306</u>	<u>12,054,439</u>	<u>23,671,809</u>	<u>136,904,554</u>
EXPENDITURES				
Current				
General government	22,281,647	-	4,440,154	26,721,801
Public safety	43,266,517	-	5,824,148	49,090,665
Physical environment	188,351	-	5,479,754	5,668,105
Transportation	-	12,903,495	-	12,903,495
Economic environment	8,856,628	-	4,781,459	13,638,087
Human services	3,972,255	-	576,411	4,548,666
Culture and recreation	4,071,176	-	-	4,071,176
Debt service				
Principal	1,772,989	840,000	988,381	3,601,370
Interest and fiscal charges	943,299	148,699	440,686	1,532,684
Total expenditures	<u>85,352,862</u>	<u>13,892,194</u>	<u>22,530,993</u>	<u>121,776,049</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>15,825,444</u>	<u>(1,837,755)</u>	<u>1,140,816</u>	<u>15,128,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	75,586	4,302,212	4,869,873	9,247,671
Transfers out	(9,201,452)	(552,304)	(67,019)	(9,820,775)
Reversion to State of Florida	-	-	(796,010)	(796,010)
Debt issuance	39,666,217	-	-	39,666,217
Premium on debt issued	951,964	-	-	951,964
Total other financing sources (uses)	<u>31,492,315</u>	<u>3,749,908</u>	<u>4,006,844</u>	<u>39,249,067</u>
Net change in fund balance	47,317,759	1,912,153	5,147,660	54,377,572
Fund balance - beginning	<u>28,967,322</u>	<u>8,698,160</u>	<u>19,747,348</u>	<u>57,412,830</u>
Fund balance - ending	<u>\$ 76,285,081</u>	<u>\$ 10,610,313</u>	<u>\$ 24,895,008</u>	<u>\$ 111,790,402</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, 2006

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)	\$ 54,377,572
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,858,244
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to increase net assets.	1,929,179
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.	(314,610)
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.	669,215
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>(36,095,863)</u>
Change in net assets of governmental activities (page B-17)	<u><u>\$ 28,423,737</u></u>

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 66,569,438	\$ 66,569,438	\$ 67,316,520	\$ 747,082
Licenses and permits	3,240	3,240	2,230	(1,010)
Intergovernmental	20,032,088	22,762,086	18,508,180	(4,253,906)
Charges for services	9,423,291	10,983,260	11,462,144	478,884
Fines and forfeitures	144,987	154,987	137,019	(17,968)
Interest	463,121	2,007,282	2,053,626	46,344
Miscellaneous	1,058,372	1,662,516	1,698,587	36,071
Total revenues	<u>97,694,537</u>	<u>104,142,809</u>	<u>101,178,306</u>	<u>(2,964,503)</u>
EXPENDITURES				
Current				
General government	37,266,541	41,400,875	22,281,647	19,119,228
Public safety	40,668,418	45,680,724	43,266,517	2,414,207
Physical environment	207,272	207,272	188,351	18,921
Economic environment	9,369,269	9,473,779	8,856,628	617,151
Human services	4,218,591	4,690,691	3,972,255	718,436
Culture and recreation	4,215,134	4,922,447	4,071,176	851,271
Debt service				
Principal	1,776,540	1,776,540	1,772,989	3,551
Interest and fiscal charges	690,901	942,705	943,299	(594)
Total expenditures	<u>98,412,666</u>	<u>109,095,033</u>	<u>85,352,862</u>	<u>23,742,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(718,129)</u>	<u>(4,952,224)</u>	<u>15,825,444</u>	<u>20,777,668</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	75,162	75,586	424
Transfers out	(8,316,146)	(9,227,175)	(9,201,452)	25,723
Debt issuance	4,500,000	41,760,060	39,666,217	(2,093,843)
Premium on debt issued	-	951,964	951,964	-
Total other financing sources (uses)	<u>(3,816,146)</u>	<u>33,560,011</u>	<u>31,492,315</u>	<u>(2,067,696)</u>
Net change in fund balance	(4,534,275)	28,607,787	47,317,759	18,709,972
Fund balance - beginning	<u>28,967,322</u>	<u>28,967,322</u>	<u>28,967,322</u>	<u>-</u>
Fund balance - ending	<u>\$ 24,433,047</u>	<u>\$ 57,575,109</u>	<u>\$ 76,285,081</u>	<u>\$ 18,709,972</u>

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Transportation Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 4,863,853	\$ 4,863,853	\$ 4,971,676	\$ 107,823
Intergovernmental	4,995,807	12,140,276	5,394,339	(6,745,937)
Charges for services	220,436	398,436	509,934	111,498
Special assessments	232,960	232,960	254,505	21,545
Interest	153,401	153,401	278,699	125,298
Miscellaneous	2,448	140,610	645,286	504,676
Total revenues	<u>10,468,905</u>	<u>17,929,536</u>	<u>12,054,439</u>	<u>(5,875,097)</u>
EXPENDITURES				
Current				
Transportation	14,038,400	25,211,083	12,903,495	12,307,588
Debt service				
Principal	840,000	840,000	840,000	-
Interest	156,400	156,400	148,699	7,701
Total expenditures	<u>15,034,800</u>	<u>26,207,483</u>	<u>13,892,194</u>	<u>12,315,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,565,895)</u>	<u>(8,277,947)</u>	<u>(1,837,755)</u>	<u>6,440,192</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,315,000	4,302,212	4,302,212	-
Transfers out	-	(552,304)	(552,304)	-
Total other financing sources (uses)	<u>3,315,000</u>	<u>3,749,908</u>	<u>3,749,908</u>	<u>-</u>
Net change in fund balance	(1,250,895)	(4,528,039)	1,912,153	6,440,192
Fund balance - beginning	<u>8,698,160</u>	<u>8,698,160</u>	<u>8,698,160</u>	<u>-</u>
Fund balance - ending	<u>\$ 7,447,265</u>	<u>\$ 4,170,121</u>	<u>\$ 10,610,313</u>	<u>\$ 6,440,192</u>

Bay County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2006

	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	\$ 462,865	\$ 269,423	\$ 43,035	\$ 1,783,565	\$ 534,738	\$ 3,093,626	\$ 398,658
Accounts receivable (net)	1,049,838	642,350	1,331,345	2,743,577	100,546	5,867,656	408,424
Accrued interest receivable	-	72,610	-	-	-	72,610	-
Prepaid expenses	-	-	-	-	-	-	155,034
Investments	5,650,384	3,284,073	525,350	21,745,850	6,520,447	37,726,104	4,856,816
Due from other funds	2,198	-	-	-	-	2,198	287,391
Due from other governments	1,255	472,149	-	-	-	473,404	-
Total current assets	7,166,540	4,740,605	1,899,730	26,272,992	7,155,731	47,235,598	6,106,323
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	3,695,685	241,092	-	156,861	-	4,093,638	-
Investments	6,907,758	2,943,097	-	1,914,867	-	11,765,722	-
Notes receivable	1,532,997	19,544,204	81,966	-	-	21,159,167	-
Investment in joint venture	-	681,784	-	-	-	681,784	-
Unamortized bond costs	865,782	-	-	712,567	-	1,578,349	-
	13,002,222	23,410,177	81,966	2,784,295	-	39,278,660	-
Capital assets							
Land	261,192	3,500	-	752,451	-	1,017,143	-
Construction in progress	16,376,640	181,234	-	-	-	16,557,874	-
Buildings	2,373,739	-	134,702	924,320	246,080	3,678,841	-
Improvements	90,985	-	-	41,250	-	132,235	-
Furniture and equipment	875,108	1,740	76,831	2,517,741	813,236	4,284,656	-
Infrastructure	68,749,793	1,340,133	10,577,333	75,657,998	-	156,325,257	-
Less: accumulated depreciation	(27,838,129)	(543,335)	(9,689,736)	(24,849,027)	(671,466)	(63,591,693)	-
Total capital assets, net	60,889,328	983,272	1,099,130	55,044,733	387,850	118,404,313	-
Total noncurrent assets	73,891,550	24,393,449	1,181,096	57,829,028	387,850	157,682,973	-
Total assets	81,058,090	29,134,054	3,080,826	84,102,020	7,543,581	204,918,571	6,106,323
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	878,002	206,509	105,568	2,969,589	61,249	4,220,917	4,325,581
Due to other funds	6,832	2,198	12,997	16,353	4,322	42,702	27,021
Due to other governments	-	400,236	-	-	-	400,236	-
Accrued interest payable	204,683	72,610	-	139,877	-	417,170	-
Accrued compensated absences - current	29,816	24,908	4,631	20,853	43,403	123,611	-
Notes payable - current	-	821,104	-	-	-	821,104	-
Bonds payable - current	1,220,000	240,000	-	1,510,000	-	2,970,000	-
Total current liabilities	2,339,333	1,767,565	123,196	4,656,672	108,974	8,995,740	4,352,602
Noncurrent liabilities							
Customer deposits	100	174,586	100,000	30,060	67,156	371,902	-
Accrued compensated absences	23,450	31,636	7,939	36,490	71,690	171,205	-
Notes payable	-	11,538,100	-	-	-	11,538,100	-
Bonds payable, net	48,889,713	6,945,000	-	32,847,620	-	88,682,333	-
Landfill postclosure liability	-	-	-	10,402,545	-	10,402,545	-
Total noncurrent liabilities	48,913,263	18,689,322	107,939	43,316,715	138,846	111,166,085	-
Total liabilities	51,252,596	20,456,887	231,135	47,973,387	247,820	120,161,825	4,352,602
NET ASSETS							
Invested in capital assets, net of related debt	14,361,206	983,272	1,099,130	20,687,113	387,850	37,518,571	-
Restricted for							
Debt service	121,978	-	-	142,146	-	264,124	-
Impact fee requirements	5,832,073	903,592	-	-	-	6,735,665	-
Capital projects	863,118	-	-	-	-	863,118	-
Unrestricted	8,627,119	6,790,303	1,750,561	15,299,374	6,907,911	39,375,268	1,753,721
Total net assets	\$ 29,805,494	\$ 8,677,167	\$ 2,849,691	\$ 36,128,633	\$ 7,295,761	\$ 84,756,746	\$ 1,753,721

Bay County, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2006

	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	\$ 9,551,664	\$ 3,863,260	\$ 3,826,936	\$ 12,217,568	\$ 3,335,953	\$ 32,795,381	\$ 6,303,457
Impact fees	1,910,251	-	-	-	-	1,910,251	-
Miscellaneous	55,970	20,340	3,777	557,756	41,473	679,316	5,910
Total operating revenues	11,517,885	3,883,600	3,830,713	12,775,324	3,377,426	35,384,948	6,309,367
OPERATING EXPENSES							
Personal services	1,247,262	1,056,287	223,072	971,220	1,588,142	5,085,983	1,539,330
Contracted services	686,012	307,408	2,485,498	11,812,597	97,666	15,389,181	238,940
Repairs and maintenance	403,796	63,028	118,845	270,493	39,486	895,648	98,973
Utilities	1,216,222	8,149	805,723	34,534	9,988	2,074,616	24,317
Depreciation	2,446,763	46,260	167,143	2,040,652	106,497	4,807,315	-
Amortization	52,061	-	-	42,122	-	94,183	-
Materials	-	-	-	-	-	-	2,600,354
Insurance claims	-	-	-	-	-	-	1,320,744
Other operating expenses	1,679,252	1,961,863	102,538	320,349	169,871	4,233,873	595,048
Total operating expenses	7,731,368	3,442,995	3,902,819	15,491,967	2,011,650	32,580,799	6,417,706
Operating income (loss)	3,786,517	440,605	(72,106)	(2,716,643)	1,365,776	2,804,149	(108,339)
NONOPERATING REVENUES (EXPENSES)							
Interest income	915,789	960,707	56,836	1,165,253	267,712	3,366,297	182,488
Interest and fiscal charges	(3,139,804)	(692,869)	-	(2,082,796)	-	(5,915,469)	-
Taxes	-	-	-	1,900	-	1,900	-
Gain (loss) on investments	-	409,229	-	-	-	409,229	13,819
Total nonoperating revenues (expenses)	(2,224,015)	677,067	56,836	(915,643)	267,712	(2,138,043)	196,307
Income (loss) before transfers	1,562,502	1,117,672	(15,270)	(3,632,286)	1,633,488	666,106	87,968
Transfers in	-	389,977	-	-	-	389,977	581,671
Transfers out	(389,977)	-	-	-	(8,143)	(398,120)	(424)
Change in net assets	1,172,525	1,507,649	(15,270)	(3,632,286)	1,625,345	657,963	669,215
Total net assets - beginning	28,632,969	7,169,518	2,864,961	40,764,495	5,670,416	85,102,359	1,084,506
Prior period adjustment	-	-	-	(1,003,576)	-	(1,003,576)	-
Total net assets - beginning (restated)	28,632,969	7,169,518	2,864,961	39,760,919	5,670,416	84,098,783	1,084,506
Total net assets - ending	\$ 29,805,494	\$ 8,677,167	\$ 2,849,691	\$ 36,128,633	\$ 7,295,761	\$ 84,756,746	\$ 1,753,721

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2006

	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	\$ 11,422,114	\$ 3,751,225	\$ 3,626,781	\$ 11,857,722	\$ 3,363,657	\$ 34,021,499	\$ 6,649,606
Cash received from miscellaneous operating activities	55,970	20,340	3,777	557,756	41,473	679,316	-
Cash paid to suppliers for goods and services	(6,003,824)	(2,545,047)	(3,828,000)	(12,785,263)	(820,399)	(25,982,533)	(4,869,615)
Cash paid to employees for services	(924,133)	(819,167)	(177,105)	(687,433)	(1,168,314)	(3,776,152)	(1,539,330)
Net cash provided by (used in) operating activities	<u>4,550,127</u>	<u>407,351</u>	<u>(374,547)</u>	<u>(1,057,218)</u>	<u>1,416,417</u>	<u>4,942,130</u>	<u>240,661</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	389,977	-	-	-	389,977	581,671
Transfers out	(389,977)	-	-	-	(8,143)	(398,120)	(424)
Taxes	-	-	-	1,900	-	1,900	-
Net cash provided by (used in) noncapital financing activities	<u>(389,977)</u>	<u>389,977</u>	<u>-</u>	<u>1,900</u>	<u>(8,143)</u>	<u>(6,243)</u>	<u>581,247</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest paid on long-term debt	(2,509,436)	(694,632)	-	(1,734,906)	-	(4,938,974)	-
Principal paid on long-term debt	(1,160,000)	(886,107)	-	(1,455,000)	-	(3,501,107)	-
Purchase of capital assets	(8,169,703)	(166,235)	(10,685)	(626,755)	(186,400)	(9,159,778)	-
Net cash used in capital and related financing activities	<u>(11,839,139)</u>	<u>(1,746,974)</u>	<u>(10,685)</u>	<u>(3,816,661)</u>	<u>(186,400)</u>	<u>(17,599,859)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale and maturities of investment securities	1,692,823	841,777	(8,768)	1,137,721	993,265	4,656,818	730,841
Purchase of investments	(6,322,763)	(3,144,071)	32,748	(4,249,433)	(3,709,884)	(17,393,403)	(2,678,105)
Return of investment	-	96,262	-	-	-	96,262	-
Interest and dividends on investments	915,789	962,470	56,836	1,165,253	267,712	3,368,060	182,488
Collections on loans	38,000	886,107	93,112	-	-	1,017,219	-
Net cash provided by (used in) investing activities	<u>(3,676,151)</u>	<u>(357,455)</u>	<u>173,928</u>	<u>(1,946,459)</u>	<u>(2,448,907)</u>	<u>(8,255,044)</u>	<u>(1,764,776)</u>
Net increase (decrease) in cash and cash equivalents	(11,355,140)	(1,307,101)	(211,304)	(6,818,438)	(1,227,033)	(20,919,016)	(942,868)
Cash and cash equivalents - beginning	<u>15,513,690</u>	<u>1,817,616</u>	<u>254,339</u>	<u>8,758,864</u>	<u>1,761,771</u>	<u>28,106,280</u>	<u>1,341,526</u>
Cash and cash equivalents - ending	<u>\$ 4,158,550</u>	<u>\$ 510,515</u>	<u>\$ 43,035</u>	<u>\$ 1,940,426</u>	<u>\$ 534,738</u>	<u>\$ 7,187,264</u>	<u>\$ 398,658</u>
Classified as							
Current assets	\$ 462,865	\$ 269,423	\$ 43,035	\$ 1,783,565	\$ 534,738	\$ 3,093,626	\$ 398,658
Restricted assets	3,695,685	241,092	-	156,861	-	4,093,638	-
Total	<u>\$ 4,158,550</u>	<u>\$ 510,515</u>	<u>\$ 43,035</u>	<u>\$ 1,940,426</u>	<u>\$ 534,738</u>	<u>\$ 7,187,264</u>	<u>\$ 398,658</u>

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2006

	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)	\$ 3,786,517	\$ 440,605	\$ (72,106)	\$ (2,716,643)	\$ 1,365,776	\$ 2,804,149	\$ (108,339)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	2,446,763	46,260	167,143	2,040,652	106,497	4,807,315	-
Amortization	52,061	-	-	42,122	-	94,183	-
Loss on disposal of capital assets	46,315	-	-	101,275	-	147,590	-
(Increase) decrease in assets							
Accounts receivable	(82,663)	(279,480)	(200,155)	(480,286)	13,204	(1,029,380)	105,539
Prepaid expenses	-	-	-	-	-	-	(67,344)
Due from other funds	(2,198)	-	-	33,860	-	31,662	234,700
Due from other governments	(1,255)	156,929	-	-	-	155,674	-
Increase (decrease) in liabilities							
Accounts payable	(1,337,809)	27,313	(282,222)	(49,149)	(85,940)	(1,727,807)	113,046
Due to other funds	2,041	2,027	10,854	(646)	(8,085)	6,191	(36,941)
Due to other governments	(357,055)	1,875	-	-	-	(355,180)	-
Customer deposits	-	10,516	-	(14,695)	14,918	10,739	-
Accrued compensated absences	(2,590)	1,306	1,939	873	10,047	11,575	-
Landfill postclosure liability	-	-	-	(14,581)	-	(14,581)	-
Total adjustments	763,610	(33,254)	(302,441)	1,659,425	50,641	2,137,981	349,000
Net cash provided by (used in) operating activities	\$ 4,550,127	\$ 407,351	\$ (374,547)	\$ (1,057,218)	\$ 1,416,417	\$ 4,942,130	\$ 240,661

Bay County, Florida
Statement of Fiduciary Net Assets
Agency Funds
September 30, 2006

ASSETS

Cash and cash equivalents	\$ 5,741,959
Accounts receivable (net)	<u>14,530</u>
Total assets	<u><u>\$ 5,756,489</u></u>

LIABILITIES

Bank overdraft	\$ 14,530
Accounts payable and accrued liabilities	1,714,792
Due to other governments	<u>4,027,167</u>
Total liabilities	<u><u>\$ 5,756,489</u></u>

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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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, 2006

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, 2006

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, 2006

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, 2006

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, 2006

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, 2006

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, documentary 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, 2006

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, 2006

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

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

The 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, 2006 and 2005 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, 2006

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, 2006

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, 2006, 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, 2006

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 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, 2006

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, 2006, 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 2005 financial statement presentation to conform to the 2006 presentation.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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 funds 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 \$69,296,371 difference are as follows:

Bonds payable	\$ 66,190,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(73,996)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(1,085,998)
Plus: Issuance premium (to be amortized as interest expense)	983,117
Accrued interest payable	270,960
Capital leases payable	1,011,596
Compensated absences	2,000,692
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 69,296,371</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 \$139,915,261 difference are as follows:

Cost of capital assets	\$ 282,042,527
Less: Accumulated depreciation	<u>(142,127,266)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 139,915,261</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 change in fund balance - total governmental fund* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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

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 \$7,858,244 difference are as follows:

Capital outlay	\$ 17,619,434
Depreciation expense	<u>(9,761,190)</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>\$ 7,858,244</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 \$1,929,179 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.	\$ (437,242)
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>2,366,421</u>
Net adjustments to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 1,929,179</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 \$(36,095,863) difference are as follows:

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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

Debt issued or incurred:	
Capital lease financing	\$ (1,451,217)
Issuance of bonds	(38,215,000)
Plus premium	(951,964)
Less issuance cost	954,940
Principal repayments:	
Bonds	\$ 2,860,000
Capital leases	741,369
Amortization of deferred charge on refunding	(15,050)
Amortization of issuance costs	(36,219)
Amortization of bond premium	<u>17,278</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>\$ (36,095,863)</u>

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(314,610) difference are as follows:

Compensated absences	\$ (182,924)
Accrued interest	<u>(131,686)</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>\$ (314,610)</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
- Federal Seizure Account
- Seizure Trust

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

NOTE 3 – BUDGETS (Continued)

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

Records Modernization-Court
Records Modernization-Records
Family Mediation Fund
10/6/3 Fund

NOTE 4 – RESTRICTED ASSETS

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

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 844,385	\$ 4,093,638	\$ 4,938,023
Investments	49,605,926	11,765,722	61,371,648
	<u>\$ 50,450,311</u>	<u>\$ 15,859,360</u>	<u>\$ 66,309,671</u>

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Solid Waste	Total
Accrued interest payable	\$ 270,960	\$ 204,683	\$ 139,877	\$ 615,520
Current maturities of bonds	1,022,083	101,667	125,883	1,249,633
Payable from restricted assets	<u>\$ 1,293,043</u>	<u>\$ 306,350</u>	<u>\$ 265,760</u>	<u>\$ 1,865,153</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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

The County's cash and cash equivalents include cash on hand, demand deposits, and short-term investments 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.

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.

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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 rated 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. FLGIT has a Standard & Poors credit rating of AAA.

As of September 30, 2006, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (months)
U.S. Government Securities	\$ 35,623,437	Demand
Commercial Paper	28,480,842	1.33
Asset-back Securities	40,199,823	5.58
Florida Local Government Investment Trust	9,110,186	Demand
Local Government Surplus Trust Fund Investment Pool	40,234,811	Demand
Total fair value	\$ 153,649,099	

Interest Rate Risk

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 Risk

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. The commercial paper listed below are from U.S. corporations and are denominated in U.S. currency. As of September 30, 2006, the County had the following investments as rated by Standard and Poors, Moody's and Fitch Investor Services:

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Commercial Paper	Rating	Percentage of Investments in Commercial Paper
Atonium Funding LLC	A1, P1, F1	7%
Citi Group Funding	A1, P1, F1	17%
Golden Fish LLC	A1, P1, F1	14%
Gotham Funding	A1, P1, F1	4%
Liquid Funding LTD	A1, P1, F1	4%
Maximillian Capital	A1, P1, F1	7%
Norddeutsche Landsbk NY	A1, P1, F1	3%
Picaros Funding LLC	A1, P1, F1	5%
Rhineland Funding	A1, P1, F1	32%
Stanfield Victoria Funding	A1, P1, F1	7%

Custodial Risk

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, 2006 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 investments in commercial paper to 25% of the total investment 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

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

NOTE 7 – NOTES RECEIVABLE

Notes receivable recorded by the County at September 30, 2006 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.	\$ 81,966
Note receivable from the joint venture (Military Point Advanced Wastewater Treatment Facility) principal and interest based upon the 2004 Wastewater System Revenue Refunding Bonds and State Revolving Fund Note. Reduction of the principal balance mirrors the principal reduction of the bonds payable and note payable. Interest varies from 2.59% to 3.07%.	19,544,204
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.	1,322,210
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.	210,787
Total notes receivable – enterprise funds	<u>\$ 21,159,167</u>

NOTE 8 – CAPITAL ASSETS

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

	September 30, 2005	Transfers	Increases	Decreases	September 30, 2006
Capital assets, not being depreciated					
Land	\$ 9,631,284	\$ -	\$ 3,024,162	\$ -	\$ 12,655,446
Construction in progress	2,451,568	-	5,521,624	(3,660,847)	4,312,345
Total capital assets, not being depreciated	<u>12,082,852</u>	<u>-</u>	<u>8,545,786</u>	<u>(3,660,847)</u>	<u>16,967,791</u>
Capital assets, being depreciated					
Buildings and improvements	49,698,426	(184,560)	2,557,517	(96,735)	51,974,648
Furniture and equipment	33,342,169	-	6,489,153	(2,497,849)	37,333,473
Infrastructure	169,689,769	-	6,415,679	(338,833)	175,766,615
Total capital assets, being depreciated	<u>252,730,364</u>	<u>(184,560)</u>	<u>15,462,349</u>	<u>(2,933,417)</u>	<u>265,074,736</u>
Less accumulated depreciation					
Buildings and improvements	(14,612,904)	184,560	(1,260,209)	33,620	(15,654,933)
Furniture and equipment	(19,355,339)	-	(3,881,682)	2,052,767	(21,184,254)
Infrastructure	(101,007,613)	-	(4,619,299)	338,833	(105,288,079)
Total accumulated depreciation	<u>(134,975,856)</u>	<u>184,560</u>	<u>(9,761,190)</u>	<u>2,425,220</u>	<u>(142,127,266)</u>
Total capital assets, being depreciated, net	<u>117,754,508</u>	<u>-</u>	<u>5,701,159</u>	<u>(508,197)</u>	<u>122,947,470</u>
Total governmental-type activities capital assets, net	<u>\$ 129,837,360</u>	<u>\$ -</u>	<u>\$ 14,246,945</u>	<u>\$ (4,169,044)</u>	<u>\$ 139,915,261</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

NOTE 8 – CAPITAL ASSETS (Continued)

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2006:

	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	246,080	3,678,841
Improvements	90,985	-	-	41,250	-	132,235
Furniture and equipment	875,108	1,740	76,831	2,517,741	813,236	4,284,656
Infrastructure	68,749,793	1,340,133	10,577,333	75,657,998	-	156,325,257
Construction in progress	16,376,640	181,234	-	-	-	16,557,874
Total	<u>88,727,457</u>	<u>1,526,607</u>	<u>10,788,866</u>	<u>79,893,760</u>	<u>1,059,316</u>	<u>181,996,006</u>
Less: accumulated depreciation						
Buildings	(1,717,747)	-	(73,977)	(164,869)	(246,080)	(2,202,673)
Improvements	(74,008)	-	-	(39,879)	-	(113,887)
Furniture and equipment	(664,415)	(1,112)	(61,325)	(1,886,546)	(425,386)	(3,038,784)
Infrastructure	<u>(25,381,959)</u>	<u>(542,223)</u>	<u>(9,554,434)</u>	<u>(22,757,733)</u>	<u>-</u>	<u>(58,236,349)</u>
Total accumulated depreciation	<u>(27,838,129)</u>	<u>(543,335)</u>	<u>(9,689,736)</u>	<u>(24,849,027)</u>	<u>(671,466)</u>	<u>(63,591,693)</u>
Business-type activities capital assets, net	<u>\$ 60,889,328</u>	<u>\$ 983,272</u>	<u>\$ 1,099,130</u>	<u>\$ 55,044,733</u>	<u>\$ 387,850</u>	<u>\$ 118,404,313</u>

	September 30, 2005	Transfers	Increases	Decreases	September 30, 2006
Capital assets, not being depreciated					
Land	\$ 1,017,143	\$ -	\$ -	\$ -	\$ 1,017,143
Construction in progress	<u>26,919,222</u>	<u>-</u>	<u>8,630,883</u>	<u>(18,992,231)</u>	<u>16,557,874</u>
Total capital assets, not being depreciated	<u>27,936,365</u>	<u>-</u>	<u>8,630,883</u>	<u>(18,992,231)</u>	<u>17,575,017</u>
Capital assets, being depreciated					
Buildings	3,494,281	184,560	-	-	3,678,841
Improvements	123,751	-	8,484	-	132,235
Furniture and equipment	3,908,484	-	643,096	(266,924)	4,284,656
Infrastructure	<u>137,607,888</u>	<u>-</u>	<u>18,736,515</u>	<u>(19,146)</u>	<u>156,325,257</u>
Total capital assets, being depreciated	<u>145,134,404</u>	<u>184,560</u>	<u>19,388,095</u>	<u>(286,070)</u>	<u>164,420,989</u>
Less accumulated depreciation					
Buildings	(1,931,434)	(184,560)	(86,679)	-	(2,202,673)
Improvements	(112,227)	-	(1,660)	-	(113,887)
Furniture and equipment	(3,007,077)	-	(283,654)	251,947	(3,038,784)
Infrastructure	<u>(53,820,173)</u>	<u>-</u>	<u>(4,435,322)</u>	<u>19,146</u>	<u>(58,236,349)</u>
Total accumulated depreciation	<u>(58,870,911)</u>	<u>(184,560)</u>	<u>(4,807,315)</u>	<u>271,093</u>	<u>(63,591,693)</u>
Total capital assets, being depreciated, net	<u>86,263,493</u>	<u>-</u>	<u>14,580,780</u>	<u>(14,977)</u>	<u>100,829,296</u>
Total business-type activities	<u>\$ 114,199,858</u>	<u>\$ -</u>	<u>\$ 23,211,663</u>	<u>\$ (19,007,208)</u>	<u>\$ 118,404,313</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

NOTE 8 – CAPITAL ASSETS (Continued)

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

Governmental activities	
General government	\$ 1,355,376
Public safety	2,713,562
Physical environment	429,371
Transportation	4,261,411
Economic environment	564,321
Human services	67,674
Culture and recreation	369,475
Total depreciation expense - governmental activities	<u>\$ 9,761,190</u>
Business-type activities	
Wholesale water system	\$ 2,446,763
Retail water & wastewater	46,260
Industrial wastewater	167,143
Solid waste	2,040,234
Building services	106,915
Total depreciation expense - business-type activities	<u>\$ 4,807,315</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.

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

Vehicles	\$ 2,622,793
Equipment	12,125
Total	<u>2,634,918</u>
Less: accumulated depreciation	(961,864)
Net	<u>\$ 1,673,054</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2006 were as follows:

Year ending September 30,	
2007	\$ 481,101
2008	409,732
2009	144,983
2010	28,528
2011	3,605
Total minimum lease payments	<u>1,067,949</u>
Less amount representing interest	(56,353)
Present value of minimum lease payments	<u>\$ 1,011,596</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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 effective October 1, 2005 – June 30, 2006 were 7.83% and 15.23% for regular employees and elected officials, respectively. The rates effective July 1, 2006 – September 30, 2006 were 9.85% and 16.53% for regular employees and elected officials, respectively. The rates for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) were 9.33% effective October 1, 2005 – June 30, 2006, and 10.91% effective from July 1, 2006 – September 30, 2006. The County's contributions for the years ended September 30, 2006, 2005, and 2004 were \$3,801,294, \$3,396,580, and \$3,063,906, 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, 2006, 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.

\$ 9,312,560

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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

State Revolving Fund Program (SRF #2) consists of approved loans in the original amount of \$4,411,200 payable to the State of Florida Department of Environmental Protection State Revolving Fund Program. The interest rate is 3.03% per annum. The semi-annual loan payment is \$147,858, including interest and principal. Payments began on November 15, 1999, and continue through November 15, 2003. Starting on May 15, 2003, the semi-annual loan payment is reduced to \$132,319 and the loan matures on November 15, 2019. The loans are collateralized by the anticipated net system revenues of MPAWTF. Bay County is liable for the total obligation.

	\$ 3,046,644
Total notes payable-enterprise funds'	12,359,204
Less: current portion	(821,104)
Long-term portion of enterprise funds'	
notes payable	<u>\$ 11,538,100</u>

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

Year ending September 30,	Principal	Interest	Total
2007	\$ 821,104	\$ 332,890	\$ 1,153,994
2008	830,042	323,952	1,153,994
2009	853,936	300,058	1,153,994
2010	878,518	275,476	1,153,994
2011	903,810	250,184	1,153,994
2012-2016	4,924,694	845,276	5,769,970
2017-2020	3,147,100	129,162	3,276,262
Total	<u>\$ 12,359,204</u>	<u>\$ 2,456,998</u>	<u>\$ 14,816,202</u>

Enterprise Funds 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	\$ 415,000	\$ 695,000	\$ 110,000	\$ 240,000	\$ 1,510,000	\$ 2,970,000
Long-term portion	1,010,000	2,615,000	46,635,000	6,945,000	35,385,000	92,590,000
	1,425,000	3,310,000	46,745,000	7,185,000	36,895,000	95,560,000
Deferred amounts on :						
Issuance						
(discounts) and						
premiums	(26,111)	(64,450)	2,183,946	-	(772,607)	1,320,778
Refunding	-	-	(3,463,672)	-	(1,764,773)	(5,228,445)
Total bonds payable	<u>\$ 1,398,889</u>	<u>\$ 3,245,550</u>	<u>\$ 45,465,274</u>	<u>\$ 7,185,000</u>	<u>\$ 34,357,620</u>	<u>\$ 91,652,333</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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

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.

\$ 1,398,889

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.

7,185,000

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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

Solid Waste Sales Tax Revenue Bonds – Series 1998

Authorized and issued \$47,700,000, interest from 3.0% to 4.75%, principal payable annually on September 1, commencing September 1, 1999. Interest payable semiannually on March 1 and September 1. The principal and interest are secured by a prior lien upon and pledge of the proceeds of the Local Government Half-Cent Sales Tax and by a lien on the net revenues of the solid waste fund. 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.

\$ 34,357,620

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.

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.

3,245,550

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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

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.

	\$ 45,465,274
Total bonds payable – business-type activities	91,652,333
Less: current portion	(2,970,000)
Long-term portion of business-type activities bonds payable	<u>\$ 88,682,333</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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

The annual debt service requirements to maturity for bonds payable at September 30, 2006 are as follows:

Year ending September 30,	Principal	Interest	Total
2007	\$ 2,970,000	\$ 4,453,723	\$ 7,423,723
2008	3,090,000	4,330,841	7,420,841
2009	3,222,500	4,200,548	7,423,048
2010	3,360,000	4,062,389	7,422,389
2011	3,505,000	3,917,915	7,422,915
2012-2016	19,807,500	17,291,613	37,099,113
2017-2021	24,920,000	12,191,377	37,111,377
2022-2026	21,560,000	5,970,124	27,530,124
2027-2030	13,125,000	1,588,350	14,713,350
Total	<u>\$ 95,560,000</u>	<u>\$ 58,006,880</u>	<u>\$ 153,566,880</u>

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006	Due Within One Year
Bonds payable	\$ 98,407,500	\$ -	\$ (2,847,500)	\$ 95,560,000	\$ 2,970,000
Adjusted for deferred amounts on					
Issuance discounts/premiums	1,344,776	45,672	(69,670)	1,320,778	-
Refunding	(6,239,837)	-	1,011,392	(5,228,445)	-
Total bonds payable	93,512,439	45,672	(1,905,778)	91,652,333	2,970,000
Notes payable	13,012,811	-	(653,607)	12,359,204	821,104
Accrued compensated absences	283,259	137,964	(126,407)	294,816	123,611
Business-type activity- long-term liabilities	<u>\$ 106,808,509</u>	<u>\$ 183,636</u>	<u>\$ (2,685,792)</u>	<u>\$ 104,306,353</u>	<u>\$ 3,914,715</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, 2006 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, 2005	Additions	Deductions	Balance September 30, 2006	Due Within One Year
Bonds payable	\$ 30,835,000	\$ 38,215,000	\$ (2,860,000)	\$ 66,190,000	\$ 3,025,000
Adjusted for deferred amounts on					
Issuance premiums	48,431	951,964	(17,278)	983,117	-
Refunding	(89,046)	-	15,050	(73,996)	-
Total bonds payable	30,794,385	39,166,964	(2,862,228)	67,099,121	3,025,000
Capital leases payable	301,748	1,451,217	(741,369)	1,011,596	473,840
Accrued compensated absences	1,817,768	581,778	(398,854)	2,000,692	509,077
	<u>\$ 32,913,901</u>	<u>\$ 41,199,959</u>	<u>\$ (4,002,451)</u>	<u>\$ 70,111,409</u>	<u>\$ 4,007,917</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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, 2006:

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.

\$ 840,000

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.

16,850,000

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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.

\$ 4,486,251

Capital Improvement Revenue Bonds, Series 2003A

Authorized and issued \$7,170,000, interest at 2.7%, 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 refinance certain outstanding obligations for equipment and infrastructure of the County and to pay issuance costs of the Series 2003A Bonds.

5,290,000

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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.

\$ 475,000

Sales Tax Revenue Bonds, Series 2006

Authorized and issued \$38,215,000, interest from 4.0% to 5.0%, principal payable annually on September 1, commencing September 1, 2007, interest payable semi-annually on September 1 and March 1, commencing on March 1, 2006. The bonds are special obligations of the County and are payable solely from and secured on parity equally and ratably with the Bay County, Florida Sales Tax Revenue Bonds, Series 1998 and Bay County, Florida Sales Tax Revenue Bonds, Series 2002 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 Resolution No. 2123, all moneys, including investments thereof, in certain funds and accounts established under the resolution.

The Series 2006 Bonds were issued primarily to provide funds to construct an addition to the County's criminal justice facility.

	39,157,870
Total bonds payable – governmental activities	67,099,121
Less: current portion	(3,025,000)
Long-term portion governmental activities bonds payable	<u>\$ 64,074,121</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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

The annual debt service requirements to maturity for the revenue bonds payable at September 30, 2006 are as follows:

Year ending September 30,	Principal	Interest	Total
2007	\$ 3,025,000	\$ 3,009,497	\$ 6,034,497
2008	2,240,000	2,928,859	5,168,859
2009	2,310,000	2,856,467	5,166,467
2010	2,395,000	2,784,124	5,179,124
2011	2,475,000	2,707,442	5,182,442
2012-2016	3,715,000	12,836,411	16,551,411
2017-2021	3,490,000	12,094,430	15,584,430
2022-2026	14,495,000	10,656,710	25,151,710
2027-2031	26,065,000	5,436,140	31,501,140
2032	5,980,000	288,250	6,268,250
Total	<u>\$ 66,190,000</u>	<u>\$ 55,598,330</u>	<u>\$ 121,788,330</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, 2006 there was no arbitrage liability.

NOTE 13 – COMPENSATED ABSENCES

The County's compensated absences at September 30, 2006 are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 509,077	\$ 123,611	\$ 632,688
Long-term	1,491,615	171,205	1,662,820
Total	<u>\$ 2,000,692</u>	<u>\$ 294,816</u>	<u>\$ 2,295,508</u>

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLES, AND INTERFUND TRANSFERS

At September 30, 2006, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund	
General	Internal service funds	\$ 12,579
Transportation	Other nonmajor governmental funds	\$ 96
	Solid waste fund	176
	Internal service funds	<u>13,960</u>
		14,232

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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

Other nonmajor governmental funds	General		\$ 31,487
Water system revenue	Water and sewer retail		2,198
Internal service funds	General fund	\$ 140,287	
	Transportation	61,345	
	Other nonmajor governmental funds	44,949	
	Water system revenue	6,832	
	Solid waste fund	16,177	
	Industrial wastewater	12,997	
	Building services	4,322	
	Internal service funds	482	287,391
	Total		<u>\$ 347,887</u>

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

Interfund transfers during the year ended September 30, 2006 were as follows:

	Transfer in					Total
	General Fund	Transportation Fund	Nonmajor Governmental Funds	Internal Service Funds	Retail Water & Wastewater	
Transfer out						
General fund	\$ -	\$ 3,749,908	\$ 4,869,873	\$ 581,671	\$ -	\$ 9,201,452
Transportation fund	-	552,304	-	-	-	552,304
Nonmajor governmental funds	67,019	-	-	-	-	67,019
Wholesale water system	-	-	-	-	389,977	389,977
Building services	8,143	-	-	-	-	8,143
Internal service funds	424	-	-	-	-	424
Total	<u>\$ 75,586</u>	<u>\$ 4,302,212</u>	<u>\$ 4,869,873</u>	<u>\$ 581,671</u>	<u>\$ 389,977</u>	<u>\$ 10,219,319</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, 2006

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, 2006, consist of the following:

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Total Enterprise Funds
Restricted for debt service	\$ 121,978	\$ -	\$ 142,146	\$ 264,124
Restricted for impact fee requirements	5,832,073	903,592	-	6,735,665
Restricted for capital projects	863,118	-	-	863,118
Total	<u>\$ 6,817,169</u>	<u>\$ 903,592</u>	<u>\$ 142,146</u>	<u>\$ 7,862,907</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, 2006, consist of the following:

General fund:

Reserved for debt service \$ 1,118,335

Reserved for capital projects \$ 39,451,543

Reserved for other purposes

Reserved for drug court \$ 222,816

Reserved for boating improvement 199,534

Reserved for law enforcement 124,147

Reserved for court facilities 454,008

Reserved for innovative court programs 186,634

Reserved for legal aid 4,429

Reserved for law library 8,905

Reserved for teen court 7,108

Reserved for public records 581,050

Reserved for crime prevention 336,734

Reserved for library impact 380,679

Reserved for park impact 1,275,215

Total reserved for other purposes \$ 3,781,259

Special revenue funds:

Reserved for debt service \$ 483,343

Reserved for capital projects \$ 858,827

Reserved for other purposes

Reserved for fire impact \$ 439,461

Reserved for beach nourishment 14,841,943

Reserved for tourism promotion 781,275

Total reserved for other purposes \$ 16,062,679

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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, 2006 consists of the following:

General fund:

Designated for insurance claims and emergency contingency	<u>\$ 4,984,993</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 \$1,261,807 and the postclosure costs to maintain and monitor the Steelfield and Majette landfills will be approximately \$510,298 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 \$10,402,545 landfill closure and postclosure care liability at September 30, 2006, 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 2006. 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, 2006, \$1,789,705 was held for

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

these purposes. These are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined to be necessary, these costs may need to be covered by charges to future landfill users or from future tax revenue.

Legal Contingencies

General. 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 Bay County Sheriff's Office is a defendant in a civil case involving the death of a juvenile who was in the custody of a bootcamp program for juvenile offenders. The program was administered by the Sheriff's Office. The Sheriff's Office maintains liability insurance to cover liability claims, which will mitigate the risk of loss. The case is not sufficiently developed to allow an accurate prediction of the outcome of the litigation. As such, no estimate of loss, if any, can be determined.

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, 2006, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway's portion of note payable	\$ 9,312,560
Related interest expense	1,769,601
Wastewater System Revenue Refunding Bonds Series 2004 (see note 11)	7,185,000
Related interest expense	<u>3,967,888</u>
Total contingent liability – joint venture	<u>\$ 22,235,049</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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, 2006 are summarized as follows:

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount Outstanding at 9/30/06</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, 2006. 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 \$3,862,879 reported in the workers' compensation fund at September 30, 2006 is based on the requirements of Governmental Accounting Standards Board Statement Number 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 2005 and 2006 were as follows:

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

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, 2004 - September 30, 2005	\$ 3,433,213	\$ 442,369	\$ (154,551)	\$ 3,721,031
October 1, 2005 - September 30, 2006	\$ 3,721,031	\$ 512,975	\$ (371,127)	\$ 3,862,879

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 Number 10.

Changes in the self-insurers' fund's claims liability amount in fiscal years 2005 and 2006 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, 2004 - September 30, 2005	\$ 250,000	\$ 1,065,897	\$ (1,065,897)	\$ 250,000
October 1, 2005 - September 30, 2006	\$ 250,000	\$ 1,136,456	\$ (1,136,456)	\$ 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, 2006

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, 2006, the County's investment in the joint venture was \$681,784. 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, 2006

Assets	<u>\$ 44,630,415</u>
Liabilities	<u>35,767,994</u>
Net assets	
Invested in capital assets, net of related debt	3,175,480
Restricted	4,148,968
Unrestricted	<u>1,537,973</u>
Total net assets	<u>8,862,421</u>
Total liabilities and net assets	<u>\$ 44,630,415</u>

Statement of Activities
Year Ended September 30, 2006

Revenues	\$ 5,863,119
Expenses	<u>(4,006,269)</u>
Operating income	1,856,850
Nonoperating revenues (expenses), net	<u>(692,860)</u>
Net income before distributions	1,163,990
Distribution to owners	<u>(544,119)</u>
Net income	619,871
Net assets, beginning of year	<u>8,242,550</u>
Net assets, end of year	<u>\$ 8,862,421</u>

As of September 30, 2006 the County's portion of contributions and net assets in the joint venture is as follows:

County investment, beginning of year	\$ 368,635
Add: 2006 County share of net income	409,229
Less: 2005 distributions to owners	<u>(96,080)</u>
County investment in joint venture at September 30, 2006	<u>\$ 681,784</u>

BAY COUNTY, FLORIDA
Notes to Basic Financial Statements
September 30, 2006

NOTE 21 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2006 the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2006, billings for these services totaled \$2,144,511.

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 \$1,352,077 for the year ended September 30, 2006. In addition, during the current year the County recognized \$692,869 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$692,869, 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

During 2006, the County determined that expenses incurred during the prior year for right-of-way acquisitions in the transportation fund should have been capitalized as infrastructure. As a result, an increase has been made to the beginning net assets of the County's statement of activities in the amount of \$290,480.

Bonus Accrual for Resource Recovery Management Agreement

Pursuant to the terms of the Resource Recovery Management Agreement (Agreement) between the County and Montenay Bay LLC, (operator of the Bay County incinerator), the County is liable for certain bonuses to Montenay, related to the operation of the incinerator. The terms of the Agreement provide a waiver of portions of the accrued bonuses if the Agreement is renegotiated and extended beyond September 15, 2015. The County and Montenay Bay LLC are currently negotiating terms for a new agreement. However, as of the report date, terms for a new agreement have not been finalized. Under the terms of the original agreement, Bay County had accrued a liability for bonuses from 1999 through September 30, 2005 in the amount of \$1,003,576 that had not previously been recorded. In order to correctly report this liability a decrease has been made to the beginning net assets of the solid waste fund.

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 and stormwater assessment.

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.

Utility Regulatory Authority – to account for funds designated for the Bay County Utility Regulatory Authority.

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

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.

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.

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, 2006

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
ASSETS				
Cash and cash equivalents	\$ 186,046	\$ 644,981	\$ 34,025	\$ 65,036
Accounts receivable (net)	7,699	365,749	46,707	24,610
Special assessments receivable	-	-	-	-
Investments	2,271,134	11,869,820	415,354	793,923
Due from other funds	-	-	-	-
Due from other governments	-	133,761	132,885	64,983
Restricted assets				
Cash and cash equivalents	-	-	-	5,187
Investments	-	-	-	63,321
Total assets	<u>\$ 2,464,879</u>	<u>\$ 13,014,311</u>	<u>\$ 628,971</u>	<u>\$ 1,017,060</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 330,341	\$ 158,249	\$ 28,031	\$ 4,176
Deferred revenue	-	-	-	-
Due to other funds	32,564	-	170	-
Due to other governments	-	-	-	-
Total liabilities	<u>362,905</u>	<u>158,249</u>	<u>28,201</u>	<u>4,176</u>
Fund balance				
Reserved for				
Debt service	-	-	-	65,893
Other purposes	-	15,623,218	-	-
Unreserved	2,101,974	(2,767,156)	600,770	946,991
Total fund balance	<u>2,101,974</u>	<u>12,856,062</u>	<u>600,770</u>	<u>1,012,884</u>
Total liabilities and fund balance	<u>\$ 2,464,879</u>	<u>\$ 13,014,311</u>	<u>\$ 628,971</u>	<u>\$ 1,017,060</u>

Continued

Special Revenue					
District Mosquito Control	MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority	Court	10/6/3 Fund
\$ 70,515	\$ 324,615	\$ 25,571	\$ 893	\$ 1,117,716	\$ 488,995
4,962	28,918	382	-	17,099	-
-	-	390,753	-	-	-
860,803	3,956,611	312,155	10,857	-	-
-	-	-	31,487	-	-
-	52,541	-	-	-	-
-	65,525	-	-	-	-
-	799,893	-	-	-	-
<u>\$ 936,280</u>	<u>\$ 5,228,103</u>	<u>\$ 728,861</u>	<u>\$ 43,237</u>	<u>\$ 1,134,815</u>	<u>\$ 488,995</u>
\$ 7,408	\$ 157,106	\$ 2,125	\$ 43,237	\$ 200,082	\$ -
-	-	359,230	-	-	-
3,628	8,683	-	-	-	-
-	-	-	-	934,733	-
<u>11,036</u>	<u>165,789</u>	<u>361,355</u>	<u>43,237</u>	<u>1,134,815</u>	<u>-</u>
-	417,450	-	-	-	-
-	439,461	-	-	-	-
925,244	4,205,403	367,506	-	-	488,995
925,244	5,062,314	367,506	-	-	488,995
<u>\$ 936,280</u>	<u>\$ 5,228,103</u>	<u>\$ 728,861</u>	<u>\$ 43,237</u>	<u>\$ 1,134,815</u>	<u>\$ 488,995</u>

Continued

Bay County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

	Special Revenue			
	Family Mediation	Records Modernization - Court	Records Modernization - Records	Law Enforcement Training
ASSETS				
Cash and cash equivalents	\$ 47,095	\$ 778,036	\$ 677,155	\$ 1,467
Accounts receivable (net)	-	-	-	-
Special assessments receivable	-	-	-	-
Investments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Total assets	<u>\$ 47,095</u>	<u>\$ 778,036</u>	<u>\$ 677,155</u>	<u>\$ 1,467</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ -	\$ 53,000	\$ 27,794	\$ -
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>53,000</u>	<u>27,794</u>	<u>-</u>
Fund balance				
Reserved for				
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unreserved	47,095	725,036	649,361	1,467
Total fund balance	<u>47,095</u>	<u>725,036</u>	<u>649,361</u>	<u>1,467</u>
Total liabilities and fund balance	<u>\$ 47,095</u>	<u>\$ 778,036</u>	<u>\$ 677,155</u>	<u>\$ 1,467</u>

Special Revenue

Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ 11,954	\$ 4,761	\$ 3,067	\$ 36,518	\$ 4,518,446
-	-	-	-	496,126
-	-	-	-	390,753
-	-	-	-	20,490,657
-	-	-	-	31,487
-	-	-	-	384,170
-	-	-	-	70,712
-	-	-	-	863,214
<u>\$ 11,954</u>	<u>\$ 4,761</u>	<u>\$ 3,067</u>	<u>\$ 36,518</u>	<u>\$ 27,245,565</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,011,549
-	-	-	-	359,230
-	-	-	-	45,045
-	-	-	-	934,733
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,350,557</u>
-	-	-	-	483,343
-	-	-	-	16,062,679
11,954	4,761	3,067	36,518	8,348,986
<u>11,954</u>	<u>4,761</u>	<u>3,067</u>	<u>36,518</u>	<u>24,895,008</u>
<u>\$ 11,954</u>	<u>\$ 4,761</u>	<u>\$ 3,067</u>	<u>\$ 36,518</u>	<u>\$ 27,245,565</u>

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2006

	Special Revenue			
	Stormwater Management	Tourist Development	Public Safety	Intergovernmental Radio Communications
REVENUES				
Taxes	\$ 1,472,117	\$ 5,723,882	\$ -	\$ -
Intergovernmental	436,637	34,526	-	16,166
Charges for services	-	-	937,485	725,605
Interest	36,764	321,342	14,269	40,352
Miscellaneous	75,938	192,431	-	317,793
Total revenues	<u>2,021,456</u>	<u>6,272,181</u>	<u>951,754</u>	<u>1,099,916</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	1,355,642	590,929
Physical environment	5,426,943	-	-	-
Economic environment	-	4,781,459	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	650,240
Interest	-	-	-	129,259
Total expenditures	<u>5,426,943</u>	<u>4,781,459</u>	<u>1,355,642</u>	<u>1,370,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,405,487)</u>	<u>1,490,722</u>	<u>(403,888)</u>	<u>(270,512)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,175,421	-	200,000	452,765
Transfers out	-	-	-	-
Reversion to State of Florida	-	-	-	-
Total other financing sources (uses)	<u>4,175,421</u>	<u>-</u>	<u>200,000</u>	<u>452,765</u>
Net change in fund balance	769,934	1,490,722	(203,888)	182,253
Fund balance - beginning	<u>1,332,040</u>	<u>11,365,340</u>	<u>804,658</u>	<u>830,631</u>
Fund balance - ending	<u>\$ 2,101,974</u>	<u>\$ 12,856,062</u>	<u>\$ 600,770</u>	<u>\$ 1,012,884</u>

Continued

Special Revenue					
District Mosquito Control	MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority	Court	10/6/3 Fund
\$ 854,099	\$ 5,558,585	\$ -	\$ -	\$ -	\$ -
12,481	55,910	-	-	-	-
3,640	507,665	125,771	5,000	4,710,191	-
41,810	236,042	56,883	31	-	-
2,974	30,206	1,693	4	-	7,536
<u>915,004</u>	<u>6,388,408</u>	<u>184,347</u>	<u>5,035</u>	<u>4,710,191</u>	<u>7,536</u>
-	-	-	-	3,914,181	-
-	3,537,512	-	-	-	-
-	-	6,089	46,722	-	-
-	-	-	-	-	-
576,411	-	-	-	-	-
-	338,141	-	-	-	-
-	311,427	-	-	-	-
<u>576,411</u>	<u>4,187,080</u>	<u>6,089</u>	<u>46,722</u>	<u>3,914,181</u>	<u>-</u>
<u>338,593</u>	<u>2,201,328</u>	<u>178,258</u>	<u>(41,687)</u>	<u>796,010</u>	<u>7,536</u>
-	-	-	41,687	-	-
-	-	(67,019)	-	-	-
-	-	-	-	(796,010)	-
-	-	(67,019)	41,687	(796,010)	-
338,593	2,201,328	111,239	-	-	7,536
<u>586,651</u>	<u>2,860,986</u>	<u>256,267</u>	<u>-</u>	<u>-</u>	<u>481,459</u>
<u>\$ 925,244</u>	<u>\$ 5,062,314</u>	<u>\$ 367,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,995</u>

Continued

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2006

	Special Revenue			
	Family Mediation	Records Modernization - Court	Records Modernization - Records	Law Enforcement Training
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	111,754
Charges for services	-	192,661	601,882	-
Interest	-	-	-	-
Miscellaneous	149	8,482	17,643	-
Total revenues	<u>149</u>	<u>201,143</u>	<u>619,525</u>	<u>111,754</u>
EXPENDITURES				
Current				
General government	2,500	152,593	370,880	-
Public safety	-	-	-	112,641
Physical environment	-	-	-	-
Economic environment	-	-	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>2,500</u>	<u>152,593</u>	<u>370,880</u>	<u>112,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,351)</u>	<u>48,550</u>	<u>248,645</u>	<u>(887)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Reversion to State of Florida	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,351)	48,550	248,645	(887)
Fund balance - beginning	<u>49,446</u>	<u>676,486</u>	<u>400,716</u>	<u>2,354</u>
Fund balance - ending	<u>\$ 47,095</u>	<u>\$ 725,036</u>	<u>\$ 649,361</u>	<u>\$ 1,467</u>

Special Revenue

Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 13,608,683
103,403	-	-	-	770,877
-	-	-	-	7,809,900
-	-	-	-	747,493
-	2,352	37,027	40,628	734,856
<u>103,403</u>	<u>2,352</u>	<u>37,027</u>	<u>40,628</u>	<u>23,671,809</u>
-	-	-	-	4,440,154
115,368	11,533	77,954	22,569	5,824,148
-	-	-	-	5,479,754
-	-	-	-	4,781,459
-	-	-	-	576,411
-	-	-	-	988,381
-	-	-	-	440,686
<u>115,368</u>	<u>11,533</u>	<u>77,954</u>	<u>22,569</u>	<u>22,530,993</u>
<u>(11,965)</u>	<u>(9,181)</u>	<u>(40,927)</u>	<u>18,059</u>	<u>1,140,816</u>
-	-	-	-	4,869,873
-	-	-	-	(67,019)
-	-	-	-	(796,010)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,006,844</u>
(11,965)	(9,181)	(40,927)	18,059	5,147,660
<u>23,919</u>	<u>13,942</u>	<u>43,994</u>	<u>18,459</u>	<u>19,747,348</u>
<u>\$ 11,954</u>	<u>\$ 4,761</u>	<u>\$ 3,067</u>	<u>\$ 36,518</u>	<u>\$ 24,895,008</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Stormwater Management
Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,425,000	\$ 1,425,000	\$ 1,472,117	\$ 47,117
Intergovernmental	930,808	1,469,797	436,637	(1,033,160)
Interest	24,228	24,228	36,764	12,536
Miscellaneous	350,000	973,723	75,938	(897,785)
Total revenues	<u>2,730,036</u>	<u>3,892,748</u>	<u>2,021,456</u>	<u>(1,871,292)</u>
EXPENDITURES				
Physical environment	6,650,036	7,818,169	5,426,943	2,391,226
Total expenditures	<u>6,650,036</u>	<u>7,818,169</u>	<u>5,426,943</u>	<u>2,391,226</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,920,000)</u>	<u>(3,925,421)</u>	<u>(3,405,487)</u>	<u>519,934</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,920,000	4,175,421	4,175,421	-
Transfers out	-	(250,000)	-	250,000
Total other financing sources (uses)	<u>3,920,000</u>	<u>3,925,421</u>	<u>4,175,421</u>	<u>250,000</u>
Net change in fund balance	-	-	769,934	769,934
Fund balance - beginning	<u>1,332,040</u>	<u>1,332,040</u>	<u>1,332,040</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,332,040</u>	<u>\$ 1,332,040</u>	<u>\$ 2,101,974</u>	<u>\$ 769,934</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Tourist Development
Year Ended September 30, 2006

	Bugeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 5,285,509	\$ 5,285,509	\$ 5,723,882	\$ 438,373
Intergovernmental	169,520	754,520	34,526	(719,994)
Interest	66,741	66,741	321,342	254,601
Miscellaneous	73,191	73,191	192,431	119,240
Total revenues	<u>5,594,961</u>	<u>6,179,961</u>	<u>6,272,181</u>	<u>92,220</u>
EXPENDITURES				
Economic environment	<u>4,807,164</u>	<u>6,277,280</u>	<u>4,781,459</u>	<u>1,495,821</u>
Total expenditures	<u>4,807,164</u>	<u>6,277,280</u>	<u>4,781,459</u>	<u>1,495,821</u>
Excess (deficiency) of revenues over (under) expenditures	787,797	(97,319)	1,490,722	1,588,041
Fund balance - beginning	<u>11,365,340</u>	<u>11,365,340</u>	<u>11,365,340</u>	<u>-</u>
Fund balance - ending	<u>\$ 12,153,137</u>	<u>\$ 11,268,021</u>	<u>\$ 12,856,062</u>	<u>\$ 1,588,041</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Public Safety
Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 753,146	\$ 753,146	\$ 937,485	\$ 184,339
Interest	6,034	6,034	14,269	8,235
Total revenues	<u>759,180</u>	<u>759,180</u>	<u>951,754</u>	<u>192,574</u>
EXPENDITURES				
Public safety	<u>1,249,180</u>	<u>1,449,180</u>	<u>1,355,642</u>	<u>93,538</u>
Total expenditures	<u>1,249,180</u>	<u>1,449,180</u>	<u>1,355,642</u>	<u>93,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(490,000)</u>	<u>(690,000)</u>	<u>(403,888)</u>	<u>286,112</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	(490,000)	(490,000)	(203,888)	286,112
Fund balance - beginning	<u>804,658</u>	<u>804,658</u>	<u>804,658</u>	<u>-</u>
Fund balance - ending	<u>\$ 314,658</u>	<u>\$ 314,658</u>	<u>\$ 600,770</u>	<u>\$ 286,112</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Intergovernmental Radio Communications
Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 16,166	\$ 16,166
Charges for services	674,157	674,157	725,605	51,448
Interest	23,750	23,750	40,352	16,602
Miscellaneous	834,950	834,950	317,793	(517,157)
Total revenues	<u>1,532,857</u>	<u>1,532,857</u>	<u>1,099,916</u>	<u>(432,941)</u>
EXPENDITURES				
Public safety	1,201,384	1,201,384	590,929	610,455
Debt service				
Principal	652,720	652,720	650,240	2,480
Interest	131,518	131,518	129,259	2,259
Total expenditures	<u>1,985,622</u>	<u>1,985,622</u>	<u>1,370,428</u>	<u>615,194</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(452,765)</u>	<u>(452,765)</u>	<u>(270,512)</u>	<u>182,253</u>
OTHER FINANCING SOURCES				
Transfers in	<u>452,765</u>	<u>452,765</u>	<u>452,765</u>	<u>-</u>
Total other financing sources	<u>452,765</u>	<u>452,765</u>	<u>452,765</u>	<u>-</u>
Net change in fund balance	-	-	182,253	182,253
Fund balance - beginning	<u>830,631</u>	<u>830,631</u>	<u>830,631</u>	<u>-</u>
Fund balance - ending	<u>\$ 830,631</u>	<u>\$ 830,631</u>	<u>\$ 1,012,884</u>	<u>\$ 182,253</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
District Mosquito Control
Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 847,610	\$ 847,610	\$ 854,099	\$ 6,489
Intergovernmental	12,094	11,944	12,481	537
Charges for services	3,380	3,380	3,640	260
Interest	7,358	7,358	41,810	34,452
Miscellaneous	280,000	280,000	2,974	(277,026)
Total revenues	<u>1,150,442</u>	<u>1,150,292</u>	<u>915,004</u>	<u>(235,288)</u>
EXPENDITURES				
Human services	<u>1,150,442</u>	<u>1,150,292</u>	<u>576,411</u>	<u>573,881</u>
Total expenditures	<u>1,150,442</u>	<u>1,150,292</u>	<u>576,411</u>	<u>573,881</u>
Excess of revenues over expenditures	-	-	338,593	338,593
Fund balance - beginning	<u>586,651</u>	<u>586,651</u>	<u>586,651</u>	-
Fund balance - ending	<u>\$ 586,651</u>	<u>\$ 586,651</u>	<u>\$ 925,244</u>	<u>\$ 338,593</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
MSTU Fire Protection
Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 5,502,405	\$ 5,502,405	\$ 5,558,585	\$ 56,180
Intergovernmental	3,795	3,795	55,910	52,115
Charges for services	139,865	514,865	507,665	(7,200)
Interest	43,610	43,610	236,042	192,432
Miscellaneous	-	7,082	30,206	23,124
Total revenues	<u>5,689,675</u>	<u>6,071,757</u>	<u>6,388,408</u>	<u>316,651</u>
EXPENDITURES				
Public safety	5,645,551	5,668,396	3,537,512	2,130,884
Debt service				
Principal	332,110	332,110	338,141	(6,031)
Interest	<u>303,001</u>	<u>311,655</u>	<u>311,427</u>	<u>228</u>
Total expenditures	<u>6,280,662</u>	<u>6,312,161</u>	<u>4,187,080</u>	<u>2,125,081</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(590,987)</u>	<u>(240,404)</u>	<u>2,201,328</u>	<u>2,441,732</u>
OTHER FINANCING SOURCES				
Transfers out	-	(250,000)	-	250,000
Total other financing sources	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>
Net change in fund balance	(590,987)	(490,404)	2,201,328	2,691,732
Fund balance - beginning	<u>2,860,986</u>	<u>2,860,986</u>	<u>2,860,986</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,269,999</u>	<u>\$ 2,370,582</u>	<u>\$ 5,062,314</u>	<u>\$ 2,691,732</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
MSBU Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 82,700	\$ 82,700	\$ 125,771	\$ 43,071
Interest	396	396	56,883	56,487
Miscellaneous	-	-	1,693	1,693
Total revenues	<u>83,096</u>	<u>83,096</u>	<u>184,347</u>	<u>101,251</u>
EXPENDITURES				
Physical environment	<u>6,000</u>	<u>6,200</u>	<u>6,089</u>	<u>111</u>
Total expenditures	<u>6,000</u>	<u>6,200</u>	<u>6,089</u>	<u>111</u>
Excess of revenues over expenditures	<u>77,096</u>	<u>76,896</u>	<u>178,258</u>	<u>101,362</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(67,019)	(67,019)	-
Total other financing sources (uses)	<u>-</u>	<u>(67,019)</u>	<u>(67,019)</u>	<u>-</u>
Net change in fund balance	77,096	9,877	111,239	101,362
Fund balance - beginning	<u>256,267</u>	<u>256,267</u>	<u>256,267</u>	<u>-</u>
Fund balance - ending	<u>\$ 333,363</u>	<u>\$ 266,144</u>	<u>\$ 367,506</u>	<u>\$ 101,362</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Utility Regulatory Authority Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 16,800	\$ 16,800	\$ 5,000	\$ (11,800)
Interest	3,000	3,000	31	(2,969)
Miscellaneous	-	-	4	4
Total revenues	<u>19,800</u>	<u>19,800</u>	<u>5,035</u>	<u>(14,765)</u>
EXPENDITURES				
Physical environment	<u>40,500</u>	<u>40,500</u>	<u>46,722</u>	<u>(6,222)</u>
Total expenditures	<u>40,500</u>	<u>40,500</u>	<u>46,722</u>	<u>(6,222)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,700)</u>	<u>(20,700)</u>	<u>(41,687)</u>	<u>(20,987)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>20,700</u>	<u>20,700</u>	<u>41,687</u>	<u>20,987</u>
Total other financing sources (uses)	<u>20,700</u>	<u>20,700</u>	<u>41,687</u>	<u>20,987</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Court Fund
Year Ended September 30, 2006

	Bugeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 4,425,083	\$ 4,425,083	\$ 4,710,191	\$ 285,108
Total revenues	4,425,083	4,425,083	4,710,191	285,108
EXPENDITURES				
General government	4,425,083	4,425,083	3,914,181	510,902
Total expenditures	4,425,083	4,425,083	3,914,181	510,902
Excess of revenues over expenditures	-	-	796,010	796,010
OTHER FINANCING SOURCES (USES)				
Reversion to State of Florida	-	-	(796,010)	(796,010)
Total other financing sources (uses)	-	-	(796,010)	(796,010)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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, 2006

	Other Internal Services	Workers' Compensation	Insurance	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 60,787	\$ 316,933	\$ 20,938	\$ 398,658
Accounts receivable (net)	357,753	27,636	23,035	408,424
Prepaid expenses	-	50,000	105,034	155,034
Investments	732,287	3,868,934	255,595	4,856,816
Due from other funds	185,888	-	101,503	287,391
Total current assets	<u>1,336,715</u>	<u>4,263,503</u>	<u>506,105</u>	<u>6,106,323</u>
Total assets	<u>1,336,715</u>	<u>4,263,503</u>	<u>506,105</u>	<u>6,106,323</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	133,253	3,881,899	310,429	4,325,581
Due to other funds	<u>26,539</u>	<u>241</u>	<u>241</u>	<u>27,021</u>
Total current liabilities	<u>159,792</u>	<u>3,882,140</u>	<u>310,670</u>	<u>4,352,602</u>
Total liabilities	<u>159,792</u>	<u>3,882,140</u>	<u>310,670</u>	<u>4,352,602</u>
NET ASSETS				
Unrestricted	1,176,923	381,363	195,435	1,753,721
Total net assets	<u>\$ 1,176,923</u>	<u>\$ 381,363</u>	<u>\$ 195,435</u>	<u>\$ 1,753,721</u>

Bay County, Florida
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
Year Ended September 30, 2006

	Other Internal Services	Workers' Compensation	Insurance	Total
OPERATING REVENUES				
Charges for services	\$ 4,423,702	\$ 761,669	\$ 1,118,086	\$ 6,303,457
Miscellaneous	-	-	5,910	5,910
Total operating revenues	<u>4,423,702</u>	<u>761,669</u>	<u>1,123,996</u>	<u>6,309,367</u>
OPERATING EXPENSES				
Personal services	1,338,601	134,322	66,407	1,539,330
Contracted services	213,966	22,581	2,393	238,940
Repairs and maintenance	89,965	4,601	4,407	98,973
Utilities	19,059	2,979	2,279	24,317
Materials	2,600,354	-	-	2,600,354
Insurance claims	-	184,288	1,136,456	1,320,744
Other operating expenses	161,757	412,898	20,393	595,048
Total operating expenses	<u>4,423,702</u>	<u>761,669</u>	<u>1,232,335</u>	<u>6,417,706</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>(108,339)</u>	<u>(108,339)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	10,349	172,139	-	182,488
Gain (loss) on investment	969	13,563	(713)	13,819
Total nonoperating revenues (expenses)	<u>11,318</u>	<u>185,702</u>	<u>(713)</u>	<u>196,307</u>
Income (loss) before transfers	<u>11,318</u>	<u>185,702</u>	<u>(109,052)</u>	<u>87,968</u>
TRANSFERS				
Transfers in	358,823	-	222,848	581,671
Transfers out	-	(424)	-	(424)
Net transfers	<u>358,823</u>	<u>(424)</u>	<u>222,848</u>	<u>581,247</u>
Change in net assets	370,141	185,278	113,796	669,215
Total net assets - beginning	<u>806,782</u>	<u>196,085</u>	<u>81,639</u>	<u>1,084,506</u>
Total net assets - ending	<u>\$ 1,176,923</u>	<u>\$ 381,363</u>	<u>\$ 195,435</u>	<u>\$ 1,753,721</u>

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2006

	Other Internal Services	Workers' Compensation	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,876,367	\$ 756,379	\$ 1,016,860	\$ 6,649,606
Cash paid to suppliers for goods and services	(3,190,638)	(484,129)	(1,194,848)	(4,869,615)
Cash paid to employees for services	(1,338,601)	(134,322)	(66,407)	(1,539,330)
Net cash provided by (used in) operating activities	<u>347,128</u>	<u>137,928</u>	<u>(244,395)</u>	<u>240,661</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	358,823	-	222,848	581,671
Transfers out	<u>-</u>	<u>(424)</u>	<u>-</u>	<u>(424)</u>
Net cash provided by (used in) noncapital and related financing activities	<u>358,823</u>	<u>(424)</u>	<u>222,848</u>	<u>581,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investment securities	249,967	462,807	18,067	730,841
Purchase of investments	(930,017)	(1,677,945)	(70,143)	(2,678,105)
Interest and dividends on investments	10,349	172,139	-	182,488
Net cash provided by (used in) investing activities	<u>(669,701)</u>	<u>(1,042,999)</u>	<u>(52,076)</u>	<u>(1,764,776)</u>
Net increase (decrease) in cash and cash equivalents	36,250	(905,495)	(73,623)	(942,868)
Cash and cash equivalents - beginning	<u>24,537</u>	<u>1,222,428</u>	<u>94,561</u>	<u>1,341,526</u>
Cash and cash equivalents - ending	<u><u>\$ 60,787</u></u>	<u><u>\$ 316,933</u></u>	<u><u>\$ 20,938</u></u>	<u><u>\$ 398,658</u></u>

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2006

	Other Internal Services	Workers' Compensation	Insurance	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ -	\$ -	\$ (108,339)	\$ (108,339)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
(Increase) decrease in assets				
Accounts receivable	135,645	(7,115)	(22,991)	105,539
Prepaid expenses	-	-	(67,344)	(67,344)
Due from other funds	317,020	1,825	(84,145)	234,700
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	(68,622)	143,292	38,376	113,046
Due to other funds	(36,915)	(74)	48	(36,941)
Total adjustments	347,128	137,928	(136,056)	349,000
Net cash provided by (used in) operating activities	<u>\$ 347,128</u>	<u>\$ 137,928</u>	<u>\$ (244,395)</u>	<u>\$ 240,661</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.

Documentary 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 – 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, 2006

	<u>Fines and Forfeitures</u>	<u>Jury and Witness</u>	<u>Tax Deed Assets</u>	<u>Support</u>
ASSETS				
Cash and cash equivalents	\$ 428,555	\$ 20,623	\$ 90,846	\$ 4,410
Accounts receivable (net)	-	-	-	-
Total assets	<u>\$ 428,555</u>	<u>\$ 20,623</u>	<u>\$ 90,846</u>	<u>\$ 4,410</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	90,846	4,410
Due to other governments	428,555	20,623	-	-
Total liabilities	<u>\$ 428,555</u>	<u>\$ 20,623</u>	<u>\$ 90,846</u>	<u>\$ 4,410</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	<u>Court Registry</u>	<u>Cash Bond</u>	<u>Restitution</u>	<u>Documentary Stamps</u>
ASSETS				
Cash and cash equivalents	\$ 1,596,271	\$ 726,755	\$ 3,592	\$ 755,903
Accounts receivable (net)	-	-	-	-
Total assets	<u>\$ 1,596,271</u>	<u>\$ 726,755</u>	<u>\$ 3,592</u>	<u>\$ 755,903</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	1,596,271	-	3,592	-
Due to other governments	-	726,755	-	755,903
Total liabilities	<u>\$ 1,596,271</u>	<u>\$ 726,755</u>	<u>\$ 3,592</u>	<u>\$ 755,903</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	<u>Intangible Tax</u>	<u>Property Tax</u>	<u>Tax Certificate</u>	<u>Tag</u>
ASSETS				
Cash and cash equivalents	\$ 446,433	\$ 1,646,899	\$ 128	\$ -
Accounts receivable (net)	-	-	-	14,530
Total assets	<u>\$ 446,433</u>	<u>\$ 1,646,899</u>	<u>\$ 128</u>	<u>\$ 14,530</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ 14,530
Accounts payable and accrued liabilities	-	-	128	-
Due to other governments	446,433	1,646,899	-	-
Total liabilities	<u>\$ 446,433</u>	<u>\$ 1,646,899</u>	<u>\$ 128</u>	<u>\$ 14,530</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	<u>Other Suspense</u>	<u>Individual Depositors</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,999	\$ 19,545	\$ 5,741,959
Accounts receivable (net)	-	-	14,530
Total assets	<u>\$ 1,999</u>	<u>\$ 19,545</u>	<u>\$ 5,756,489</u>
LIABILITIES			
Bank overdraft	\$ -	\$ -	\$ 14,530
Accounts payable and accrued liabilities	-	19,545	1,714,792
Due to other governments	1,999	-	4,027,167
Total liabilities	<u>\$ 1,999</u>	<u>\$ 19,545</u>	<u>\$ 5,756,489</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 462,835	\$ 5,259,921	\$ 5,294,201	\$ 428,555
Total assets	<u>\$ 462,835</u>	<u>\$ 5,259,921</u>	<u>\$ 5,294,201</u>	<u>\$ 428,555</u>
LIABILITIES				
Due to other governments	\$ 462,835	\$ 5,259,921	\$ 5,294,201	\$ 428,555
Total liabilities	<u>\$ 462,835</u>	<u>\$ 5,259,921</u>	<u>\$ 5,294,201</u>	<u>\$ 428,555</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 20,345	\$ 68,501	\$ 68,223	\$ 20,623
Total assets	<u>\$ 20,345</u>	<u>\$ 68,501</u>	<u>\$ 68,223</u>	<u>\$ 20,623</u>
LIABILITIES				
Due to other governments	\$ 20,345	\$ 68,501	\$ 68,223	\$ 20,623
Total liabilities	<u>\$ 20,345</u>	<u>\$ 68,501</u>	<u>\$ 68,223</u>	<u>\$ 20,623</u>
TAX DEED ASSETS				
ASSETS				
Cash and cash equivalents	\$ 58,806	\$ 535,985	\$ 503,945	\$ 90,846
Total assets	<u>\$ 58,806</u>	<u>\$ 535,985</u>	<u>\$ 503,945</u>	<u>\$ 90,846</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 58,806	\$ 535,985	\$ 503,945	\$ 90,846
Total liabilities	<u>\$ 58,806</u>	<u>\$ 535,985</u>	<u>\$ 503,945</u>	<u>\$ 90,846</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 28,224	\$ 896,902	\$ 920,716	\$ 4,410
Total assets	<u>\$ 28,224</u>	<u>\$ 896,902</u>	<u>\$ 920,716</u>	<u>\$ 4,410</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 28,224	\$ 896,902	\$ 920,716	\$ 4,410
Total liabilities	<u>\$ 28,224</u>	<u>\$ 896,902</u>	<u>\$ 920,716</u>	<u>\$ 4,410</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,843,213	\$ 5,302,964	\$ 5,549,906	\$ 1,596,271
Total assets	<u>\$ 1,843,213</u>	<u>\$ 5,302,964</u>	<u>\$ 5,549,906</u>	<u>\$ 1,596,271</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,843,213	\$ 5,302,964	\$ 5,549,906	\$ 1,596,271
Total liabilities	<u>\$ 1,843,213</u>	<u>\$ 5,302,964</u>	<u>\$ 5,549,906</u>	<u>\$ 1,596,271</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 1,696,272	\$ 1,461,209	\$ 2,430,726	\$ 726,755
Total assets	<u>\$ 1,696,272</u>	<u>\$ 1,461,209</u>	<u>\$ 2,430,726</u>	<u>\$ 726,755</u>
LIABILITIES				
Due to other governments	\$ 1,696,272	\$ 1,461,209	\$ 2,430,726	\$ 726,755
Total liabilities	<u>\$ 1,696,272</u>	<u>\$ 1,461,209</u>	<u>\$ 2,430,726</u>	<u>\$ 726,755</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 19,092	\$ 270,542	\$ 286,042	\$ 3,592
Total assets	<u>\$ 19,092</u>	<u>\$ 270,542</u>	<u>\$ 286,042</u>	<u>\$ 3,592</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,960	\$ 270,542	\$ 270,910	\$ 3,592
Due to other governments	15,132	-	15,132	-
Total liabilities	<u>\$ 19,092</u>	<u>\$ 270,542</u>	<u>\$ 286,042</u>	<u>\$ 3,592</u>
DOCUMENTARY STAMPS				
ASSETS				
Cash and cash equivalents	\$ 1,068,370	\$ 31,416,480	\$ 31,728,947	\$ 755,903
Total assets	<u>\$ 1,068,370</u>	<u>\$ 31,416,480</u>	<u>\$ 31,728,947</u>	<u>\$ 755,903</u>
LIABILITIES				
Due to other governments	\$ 1,068,370	\$ 31,416,480	\$ 31,728,947	\$ 755,903
Total liabilities	<u>\$ 1,068,370</u>	<u>\$ 31,416,480</u>	<u>\$ 31,728,947</u>	<u>\$ 755,903</u>
INTANGIBLE TAX				
ASSETS				
Cash and cash equivalents	\$ 996,790	\$ 7,431,912	\$ 7,982,269	\$ 446,433
Total assets	<u>\$ 996,790</u>	<u>\$ 7,431,912</u>	<u>\$ 7,982,269</u>	<u>\$ 446,433</u>
LIABILITIES				
Due to other governments	\$ 996,790	\$ 7,431,912	\$ 7,982,269	\$ 446,433
Total liabilities	<u>\$ 996,790</u>	<u>\$ 7,431,912</u>	<u>\$ 7,982,269</u>	<u>\$ 446,433</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
PROPERTY TAX				
ASSETS				
Cash and cash equivalents	\$ 1,243,638	\$ 293,606,725	\$ 293,203,464	\$ 1,646,899
Total assets	<u>\$ 1,243,638</u>	<u>\$ 293,606,725</u>	<u>\$ 293,203,464</u>	<u>\$ 1,646,899</u>
LIABILITIES				
Due to other governments	\$ 1,243,638	\$ 293,606,725	\$ 293,203,464	\$ 1,646,899
Total liabilities	<u>\$ 1,243,638</u>	<u>\$ 293,606,725</u>	<u>\$ 293,203,464</u>	<u>\$ 1,646,899</u>
TAX CERTIFICATE				
ASSETS				
Cash and cash equivalents	\$ 4,688	\$ 5,066,824	\$ 5,071,384	\$ 128
Total assets	<u>\$ 4,688</u>	<u>\$ 5,066,824</u>	<u>\$ 5,071,384</u>	<u>\$ 128</u>
LIABILITIES				
Accounts payable	\$ 4,688	\$ 5,066,824	\$ 5,071,384	\$ 128
Total liabilities	<u>\$ 4,688</u>	<u>\$ 5,066,824</u>	<u>\$ 5,071,384</u>	<u>\$ 128</u>
TAG				
ASSETS				
Accounts receivable	\$ 18,468	\$ 9,147	\$ 13,085	\$ 14,530
Total assets	<u>\$ 18,468</u>	<u>\$ 9,147</u>	<u>\$ 13,085</u>	<u>\$ 14,530</u>
LIABILITIES				
Bank overdraft	\$ 16,013	\$ (19,038,023)	\$ (19,036,540)	\$ 14,530
Due to other governments	2,455	19,047,170	19,049,625	-
Total liabilities	<u>\$ 18,468</u>	<u>\$ 9,147</u>	<u>\$ 13,085</u>	<u>\$ 14,530</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 127,389	\$ 125,390	\$ 1,999
Total assets	<u>\$ -</u>	<u>\$ 127,389</u>	<u>\$ 125,390</u>	<u>\$ 1,999</u>
LIABILITIES				
Due to other governments	\$ -	\$ 127,389	\$ 125,390	\$ 1,999
Total liabilities	<u>\$ -</u>	<u>\$ 127,389</u>	<u>\$ 125,390</u>	<u>\$ 1,999</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 1,284	\$ 247,877	\$ 229,616	\$ 19,545
Total assets	<u>\$ 1,284</u>	<u>\$ 247,877</u>	<u>\$ 229,616</u>	<u>\$ 19,545</u>
LIABILITIES				
Accounts payable	\$ 1,284	\$ 247,877	\$ 229,616	\$ 19,545
Total liabilities	<u>\$ 1,284</u>	<u>\$ 247,877</u>	<u>\$ 229,616</u>	<u>\$ 19,545</u>
COMBINED TOTALS				
ASSETS				
Cash and cash equivalents	\$ 7,443,557	\$ 351,693,231	\$ 353,394,829	\$ 5,741,959
Accounts receivable (net)	18,468	9,147	13,085	14,530
Total assets	<u>\$ 7,462,025</u>	<u>\$ 351,702,378</u>	<u>\$ 353,407,914</u>	<u>\$ 5,756,489</u>
LIABILITIES				
Bank overdraft	\$ 16,013	\$ (19,038,023)	\$ (19,036,540)	\$ 14,530
Accounts payable and accrued liabilities	1,940,175	12,321,094	12,546,477	1,714,792
Due to other governments	5,505,837	358,419,307	359,897,977	4,027,167
Total liabilities	<u>\$ 7,462,025</u>	<u>\$ 351,702,378</u>	<u>\$ 353,407,914</u>	<u>\$ 5,756,489</u>

STATISTICAL SECTION

**BAY COUNTY, FLORIDA
STATISTICAL SECTION**

This part of Bay County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents

Page

Financial Trends C-2 – C-7

These schedules contain trend information to help the reader understand how the county's financial performance and well-being have changed over time.

Revenue Capacity..... C-8 – C-11

These schedules contain information to help the reader assess the factors affecting the county's ability to generate its property and sales taxes.

Debt Capacity C-12 – C-15

These schedules present information to help the reader assess the affordability of the county's current levels of outstanding debt and the county's ability to issue additional debt in the future.

Demographic and Economic Information C-16 – C-17

These schedules offer demographic and economic indicators to help the reader understand the environment within which the county's financial activities take place and to help make comparisons over time and with other governments.

Operating Information C-18 – C-20

These schedules contain information about the county's operations and resources to help the reader understand how the county's financial information relates to the services the county provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The county implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.*

Bay County, Florida
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 78,773,257	\$ 90,510,753	\$ 88,282,722	\$ 97,194,417	\$ 109,592,599
Restricted	9,768,340	11,518,294	10,792,988	11,577,502	18,043,292
Unrestricted	35,195,255	44,432,855	43,677,556	46,676,877	56,527,122
Total governmental activities net assets	<u>\$ 123,736,852</u>	<u>\$ 146,461,902</u>	<u>\$ 142,753,266</u>	<u>\$ 155,448,796</u>	<u>\$ 184,163,013</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 30,840,440	\$ 29,979,786	\$ 32,065,577	\$ 40,706,567	\$ 37,518,571
Restricted	2,210,971	2,462,812	3,619,366	6,121,869	7,862,907
Unrestricted	50,586,904	52,944,531	47,753,741	38,273,923	39,375,268
Total business-type activities net assets	<u>\$ 83,638,315</u>	<u>\$ 85,387,129</u>	<u>\$ 83,438,684</u>	<u>\$ 85,102,359</u>	<u>\$ 84,756,746</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 109,613,697	\$ 120,490,539	\$ 120,348,299	\$ 137,900,984	\$ 147,111,170
Restricted	11,979,311	13,981,106	14,412,354	17,699,371	25,906,199
Unrestricted	85,782,159	97,377,386	91,431,297	84,950,800	95,902,390
Total primary government net assets	<u>\$ 207,375,167</u>	<u>\$ 231,849,031</u>	<u>\$ 226,191,950</u>	<u>\$ 240,551,155</u>	<u>\$ 268,919,759</u>

Note: Accrual-basis of financial information for the county government as a whole is available back to 2002 only, the year GASB Statement 34 was implemented.

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Bay County, Florida
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses					
Governmental activities:					
General government	\$ 20,763,406	\$ 21,005,446	\$ 22,435,565	\$ 22,524,334	\$ 21,899,647
Public safety	30,860,048	35,938,773	39,270,923	41,633,533	45,667,025
Physical environment	4,988,009	544,977	4,700,201	5,095,942	4,846,055
Transportation	7,497,618	17,638,208	14,833,934	14,988,586	13,023,819
Economic environment	6,812,824	8,244,138	15,321,819	9,736,560	14,186,061
Human services	3,211,624	3,575,234	4,052,299	3,866,283	4,591,809
Culture/recreation	2,918,689	3,214,651	3,323,501	3,589,770	3,943,961
Interest on long-term debt	1,363,414	1,881,976	1,734,120	1,343,382	1,691,167
Total governmental activities expenses	<u>78,415,632</u>	<u>92,043,403</u>	<u>105,672,362</u>	<u>102,778,390</u>	<u>109,849,544</u>
Business-type activities:					
Wholesale water system	9,621,645	9,645,198	10,072,475	10,600,450	10,871,172
Retail water and wastewater	4,321,601	3,863,782	4,232,074	4,034,030	4,135,864
Industrial wastewater	4,226,933	3,836,251	4,335,269	4,043,172	3,902,819
Solid waste fund	15,454,499	14,720,170	14,690,237	16,688,055	17,574,763
Building services	1,299,282	1,243,934	1,413,981	1,800,906	2,011,650
Total business-type activities expenses	<u>34,923,960</u>	<u>33,309,335</u>	<u>34,744,036</u>	<u>37,166,613</u>	<u>38,496,268</u>
Total primary government expenses	<u>\$ 113,339,592</u>	<u>\$ 125,352,738</u>	<u>\$ 140,416,398</u>	<u>\$ 139,945,003</u>	<u>\$ 148,345,812</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 11,140,486	\$ 12,652,133	\$ 13,390,686	\$ 16,923,030	\$ 16,455,481
Public safety	1,429,998	1,421,733	1,464,439	1,585,880	2,041,634
Physical environment	39,344	73,015	-	134,478	1,602,888
Transportation	565,010	171,945	479,848	779,026	764,439
Human services	-	520	-	3,250	3,640
Culture and recreation	-	-	-	641,744	824,209
Operating grants and contributions	4,583,491	2,932,602	4,722,923	3,720,822	3,590,815
Capital grants and contributions	8,135,524	3,308,285	6,176,365	8,764,930	5,602,631
Total governmental activities program revenue	<u>25,893,853</u>	<u>20,560,233</u>	<u>26,234,261</u>	<u>32,553,160</u>	<u>30,885,737</u>
Business-type activities:					
Charges for services:					
Water system revenue	8,563,778	7,428,648	8,691,509	11,298,515	11,461,915
Retail water and wastewater	3,137,829	3,413,244	3,630,909	3,808,241	3,863,260
Industrial wastewater	4,169,987	3,826,186	4,259,480	3,939,556	3,826,936
Solid waste fund	8,995,003	9,029,767	10,306,832	11,481,814	12,217,568
Building services	1,244,582	1,566,572	2,593,891	3,595,984	3,335,953
Operating grants and contributions	40,250	78,648	-	-	7,505
Capital grants and contributions	881,294	372,770	-	-	-
Total business-type activities program revenue	<u>27,032,723</u>	<u>25,715,835</u>	<u>29,482,621</u>	<u>34,124,110</u>	<u>34,713,137</u>
Total primary government program revenues	<u>\$ 52,926,576</u>	<u>\$ 46,276,068</u>	<u>\$ 55,716,882</u>	<u>\$ 66,677,270</u>	<u>\$ 65,598,874</u>

	Fiscal Year				
	2002	2003	2004	2005	2006
Net (Expense) Revenue					
Governmental activities	\$ (52,521,779)	\$ (71,483,170)	\$ (79,438,101)	\$ (70,225,230)	\$ (78,963,807)
Business-type activities	(7,891,237)	(7,593,500)	(5,261,415)	(3,042,503)	(3,783,131)
Total primary government net expenses	<u>(60,413,016)</u>	<u>(79,076,670)</u>	<u>(84,699,516)</u>	<u>(73,267,733)</u>	<u>(82,746,938)</u>
General Revenue and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	39,571,968	42,615,587	47,569,663	53,349,589	73,729,204
Sales taxes	13,348,068	21,094,586	22,032,957	23,223,423	24,215,778
State shared revenues	10,170,007	2,831,535	3,120,133	3,290,582	3,491,084
Interest earnings	1,222,344	1,117,194	870,213	1,543,058	3,262,306
Other contributions	-	2,534,775	-	-	-
Miscellaneous	1,476,303	1,262,098	1,986,499	990,038	2,681,029
Transfers	2,675,863	(123,129)	150,000	(52,333)	8,143
Total governmental activities	<u>68,464,553</u>	<u>71,332,646</u>	<u>75,729,465</u>	<u>82,344,357</u>	<u>107,387,544</u>
Business-type activities:					
Sales tax	-	7,525,384	3,700	2,200	1,900
State shared revenues	11,416,279	-	-	-	-
Interest earnings	2,238,960	2,452,356	2,154,632	2,609,228	3,366,297
Miscellaneous	1,086,355	689,419	1,304,638	2,042,417	1,081,040
Transfers	2,081,562	123,129	(150,000)	52,333	(8,143)
Total business-type activities	<u>16,823,156</u>	<u>10,790,288</u>	<u>3,312,970</u>	<u>4,706,178</u>	<u>4,441,094</u>
Total primary government	<u>\$ 85,287,709</u>	<u>\$ 82,122,934</u>	<u>\$ 79,042,435</u>	<u>\$ 87,050,535</u>	<u>\$ 111,828,638</u>
Change in Net Assets					
Governmental activities	\$ 15,942,774	\$ (150,524)	\$ (3,708,636)	\$ 12,119,127	\$ 28,423,737
Business-type activities	8,931,919	3,196,788	(1,948,445)	1,663,675	657,963
Total primary government	<u>\$ 24,874,693</u>	<u>\$ 3,046,264</u>	<u>\$ (5,657,081)</u>	<u>\$ 13,782,802</u>	<u>\$ 29,081,700</u>

Note: Accrual-basis of financial information for the county government as a whole is available back to 2002 only, the year GASB Statement 34 was implemented.

Bay County, Florida
Fund Balance, Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ 20,472,156	\$ 9,371,988	\$ 5,570,545	\$ 4,706,248	\$ 44,351,137
Unreserved	<u>19,017,787</u>	<u>17,433,083</u>	<u>20,467,296</u>	<u>24,261,074</u>	<u>31,933,944</u>
Total general fund	<u>\$ 39,489,943</u>	<u>\$ 26,805,071</u>	<u>\$ 26,037,841</u>	<u>\$ 28,967,322</u>	<u>\$ 76,285,081</u>
 All Other Governmental Funds					
Reserved	\$ 14,769,114	\$ 17,977,555	\$ 10,698,530	\$ 10,837,255	\$ 17,404,849
Unreserved reported in:					
Special revenue funds	<u>15,211,385</u>	<u>17,756,167</u>	<u>18,464,781</u>	<u>17,608,253</u>	<u>18,100,472</u>
Total all other governmental funds	<u>\$ 29,980,499</u>	<u>\$ 35,733,722</u>	<u>\$ 29,163,311</u>	<u>\$ 28,445,508</u>	<u>\$ 35,505,321</u>

Bay County, Florida
Changes in Fund Balance, Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Taxes	\$ 48,969,611	\$ 51,921,256	\$ 57,136,660	\$ 63,186,101	\$ 85,896,879
Licenses and permits	3,617,158	3,965	2,840	2,390	2,230
Intergovernmental revenue	22,285,905	21,614,035	25,922,701	25,365,652	24,673,396
Charges for services	10,278,906	12,469,323	14,287,418	19,689,697	19,781,978
Fines and forfeitures	927,851	892,312	790,062	157,495	137,019
Special assessments	684,320	378,649	170,651	367,096	254,505
Interest	3,023,424	1,027,868	863,064	1,445,604	3,079,818
Miscellaneous	1,880,670	1,919,556	3,443,934	1,568,016	3,078,727
Total revenues	<u>91,667,845</u>	<u>90,226,964</u>	<u>102,617,330</u>	<u>111,782,051</u>	<u>136,904,552</u>
Expenditures					
General government	18,481,999	18,494,302	22,531,969	21,472,908	20,262,747
Public safety	29,516,458	35,492,011	37,281,629	39,787,836	43,970,630
Physical environment	4,724,728	3,922,018	4,322,124	4,662,334	4,363,508
Transportation	7,026,131	9,968,297	11,285,504	10,759,085	8,686,780
Economic environment	6,231,736	7,671,623	8,023,780	9,169,691	13,618,153
Human services	2,892,219	3,530,404	4,005,771	3,808,169	4,516,240
Culture and recreation	2,918,689	2,898,414	3,001,093	3,247,079	3,604,503
Capital Outlay	11,825,861	19,975,254	8,826,066	11,349,510	17,619,434
Debt service					
Principal retirement	2,428,799	3,096,446	9,070,909	3,224,333	3,601,370
Interest and fiscal charges	1,667,378	1,911,428	1,910,439	1,339,802	1,532,684
Bond issuance costs	-	63,673	-	-	-
Total expenditures	<u>87,713,998</u>	<u>107,023,870</u>	<u>110,259,284</u>	<u>108,820,747</u>	<u>121,776,049</u>
Excess of revenues over (under) expenditures	<u>3,953,847</u>	<u>(16,796,906)</u>	<u>(7,641,954)</u>	<u>2,961,304</u>	<u>15,128,503</u>
Other Financing Sources (Uses)					
Operating transfers in	9,540,558	8,056,538	7,615,705	7,837,156	9,247,671
Operating transfers out	(6,864,694)	(8,108,487)	(7,764,251)	(8,425,713)	(9,820,775)
Debt issuance	19,397,691	16,149,931	452,859	-	39,666,217
Premium on bonds issued	-	65,470	-	-	951,964
Payment to refunded bond escrow agent	-	(6,298,195)	-	-	-
Reversion to State of Florida	-	-	-	(608,687)	(796,010)
Total other financing sources (uses)	<u>22,073,555</u>	<u>9,865,257</u>	<u>304,313</u>	<u>(1,197,244)</u>	<u>39,249,067</u>
Net change in fund balance	<u>\$ 26,027,402</u>	<u>\$ (6,931,649)</u>	<u>\$ (7,337,641)</u>	<u>\$ 1,764,060</u>	<u>\$ 54,377,570</u>
Debt service as a percentage of noncapital expenditures	5.71%	6.19%	12.14%	4.91%	5.18%

Bay County, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)
(Unaudited)

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>	<u>Industrial Property</u>	<u>Agricultural Property</u>	<u>Centrally Assessed Property</u>	<u>Other Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
1997	\$ 3,790,987	\$ 801,990	\$ 1,192,078	\$ 102,568	\$ 79,529	\$ 9,084	\$ 1,201,154	\$ (2,442,958)	\$ 4,734,432	6.3172	\$ 7,727,819	61.26%
1998	4,082,699	831,176	1,281,557	110,998	80,429	10,578	1,236,233	(2,544,869)	5,088,801	6.3172	8,167,456	62.31%
1999	4,516,464	923,663	1,333,077	120,992	75,880	10,206	1,277,687	(2,666,533)	5,591,436	6.8472	8,884,747	62.93%
2000	4,839,335	954,030	1,319,396	125,853	73,113	11,176	1,297,138	(2,637,189)	5,982,852	6.8472	9,191,339	65.09%
2001	5,319,662	1,079,668	1,394,849	143,233	73,391	10,332	1,325,974	(2,742,410)	6,604,699	6.8472	10,064,385	65.62%
2002	5,749,943	1,127,089	1,446,838	147,128	72,076	9,800	1,379,666	(2,836,284)	7,096,256	6.8472	10,613,817	66.86%
2003	6,429,166	1,332,950	1,606,266	162,493	59,602	10,998	1,497,816	(3,163,380)	7,935,911	6.8472	11,934,440	66.50%
2004	7,328,829	1,423,465	1,573,208	163,550	54,000	9,311	1,654,940	(3,309,402)	8,897,901	6.8472	13,160,126	67.61%
2005	10,185,034	1,902,775	1,634,977	195,568	54,312	10,456	1,984,503	(3,629,221)	12,338,404	6.8472	17,707,803	69.68%
2006	14,408,485	2,718,772	1,657,889	249,844	58,838	13,941	2,616,869	(4,155,251)	17,569,387	5.0972	25,446,471	69.04%

Source: Bay County Property Appraiser

Notes: Property in Bay County is reassessed once every three years on average.

Bay County, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Unaudited)

	Year Taxes Are Payable									
	<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>2006</u>
County Direct Rates:										
General	5.6320	5.6320	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620	4.1620
Mosquito Control	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852
MSTU	<u>0.5000</u>	<u>0.5000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>0.7500</u>
Total Direct Rate	6.3172	6.3172	6.8472	6.8472	6.8472	6.8472	6.8472	6.8472	6.8472	5.0972
Municipalities:										
City of Panama City	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	4.7122
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	2.9000	2.9000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.2500
City of Mexico Beach	5.3200	4.3400	4.3100	4.9100	4.8500	4.6000	4.5500	4.5000	4.3500	3.7900
City of Callaway	--	--	--	--	--	--	--	2.0000	2.0000	2.0000
Town of Cedar Grove	--	--	--	--	--	--	--	--	1.5000	1.5000
School Districts	9.3270	9.2690	8.9180	8.6690	8.5300	8.6550	8.5690	8.1480	7.9350	6.8080
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
Special District:										
Beach Mosquito Control	0.3970	0.3930	0.3930	0.3544	0.2675	0.2990	0.2990	0.2590	0.2365	0.1410

Source: Bay County Property Appraiser

Bay County, Florida
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

	Fiscal Year 2006			Fiscal Year 1997		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Gulf Power Company	\$ 344,904,380	1	1.96%	\$ 129,165,027	1	2.73%
St. Joe Land & Development	199,679,679	2	1.14%	55,726,364	4	1.18%
Chapman Properties/Peoples/Resort	115,150,127	3	0.66%	-	-	-
Faircloth Properties	73,963,995	4	0.42%	-	-	-
Smurfit-Stone/Southwest Forest	69,604,007	5	0.40%	79,367,231	2	1.68%
BellSouth Telecommunications	62,572,443	6	0.36%	78,310,678	3	1.65%
Hilton Companies	62,224,697	7	0.35%	25,154,246	8	0.53%
Wal-Mart Stores/Sam's Club	37,457,323	8	0.21%	25,845,904	7	0.55%
Gulf Coast Electric Co-Op	34,562,905	9	0.20%	15,364,445	10	0.32%
Arizona Chemical Company	32,260,960	10	0.18%	39,960,505	5	0.84%
Columbia Gulf Coast Hospital/HCA	-	-	-	27,036,164	6	0.57%
Bay Point/Marriott	-	-	-	23,527,352	9	0.50%
Total	\$ 1,032,380,516		5.88%	\$ 499,457,916		10.55%

Total Taxable Assessed Value 2006 17,569,387,000
Total Taxable Assessed Value 1997 4,734,432,000

Source: Bay County Property Appraiser

Bay County, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
1997	\$ 67,178,535	\$ 237,991	\$ 67,416,526	\$ 64,453,534	96%	\$ 485,053	\$ 64,938,587	97%
1998	73,992,595	(2,940)	73,989,655	71,004,578	96%	513,748	71,518,326	97%
1999	79,027,496	15,165	79,042,661	75,952,712	96%	507,956	76,460,668	97%
2000	86,309,925	10,212	86,320,137	83,246,543	96%	260,565	83,507,108	97%
2001	90,563,069	11,686	90,574,755	87,286,096	96%	330,330	87,616,426	97%
2002	99,015,005	115,798	99,130,803	95,333,989	96%	525,284	95,859,273	97%
2003	107,970,150	129,147	108,099,297	104,078,973	96%	414,482	104,493,455	97%
2004	122,087,952	112,191	122,200,143	117,751,743	96%	333,634	118,085,377	97%
2005	132,865,168	150,304	133,015,472	127,948,406	96%	563,634	128,512,040	97%
2006	181,985,021	245,875	182,230,896	175,190,140	96%	599,402	175,789,542	97%

Source: Tax Collector's Office

Bay County, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Governmental Activities				
Revenue bonds	\$ 18,835,000	\$ 17,550,000	\$ 16,190,000	\$ 14,770,000
Capital leases	558,988	612,588	694,257	554,369
Notes payable	<u>1,121,323</u>	<u>1,013,035</u>	<u>910,427</u>	<u>807,819</u>
Total Governmental Activities	<u>20,515,311</u>	<u>19,175,623</u>	<u>17,794,684</u>	<u>16,132,188</u>
Business-type Activities				
Revenue bonds	\$ 72,810,625	\$ 81,135,660	\$ 75,207,959	\$ 105,262,005
Notes payable	<u>480,241</u>	<u>4,715,544</u>	<u>13,505,181</u>	<u>16,128,833</u>
Total Business-type Activities	<u>73,290,866</u>	<u>85,851,204</u>	<u>88,713,140</u>	<u>121,390,838</u>
Total Primary Government	<u>\$ 93,806,177</u>	<u>\$ 105,026,827</u>	<u>\$ 106,507,824</u>	<u>\$ 137,523,026</u>
Debt as a Percentage of Personal Income	3.3%	3.1%	3.1%	2.6%
Amount of Debt per Capita	\$ 682	\$ 677	\$ 713	\$ 608

*Information not available

Note: Details regarding the County's debt can be found in Note 11 of the financial statements.
See Schedule 11 for personal income and population data.

Schedule 9

Fiscal Year					
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 13,290,000	\$ 29,880,000	\$ 36,100,000	\$ 33,610,000	\$ 30,835,000	\$ 66,190,000
534,467	643,076	750,190	757,759	301,748	1,011,596
<u>6,591,931</u>	<u>6,862,216</u>	<u>7,585,259</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>20,416,398</u>	<u>37,385,292</u>	<u>44,435,449</u>	<u>34,367,759</u>	<u>31,136,748</u>	<u>67,201,596</u>
\$ 103,674,310	\$ 99,764,967	\$ 97,801,087	\$ 95,744,707	\$ 93,512,439	\$ 91,652,333
<u>16,053,027</u>	<u>15,522,266</u>	<u>14,701,885</u>	<u>13,885,513</u>	<u>13,012,811</u>	<u>12,359,204</u>
<u>119,727,337</u>	<u>115,287,233</u>	<u>112,502,972</u>	<u>109,630,220</u>	<u>106,525,250</u>	<u>104,011,537</u>
<u>\$ 140,143,735</u>	<u>\$ 152,672,525</u>	<u>\$ 156,938,421</u>	<u>\$ 143,997,979</u>	<u>\$ 137,661,998</u>	<u>\$ 171,213,133</u>
2.6%	2.5%	2.6%	3.1%	*	*
\$ 643	\$ 645	\$ 692	\$ 863	*	*

Bay County, Florida
Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenue Bonds - Wholesale Water System Fund				
Revenue - sale of goods and services	\$ 6,012,135	\$ 6,346,894	\$ 7,147,504	\$ 9,199,931
Less: Operating expenses	<u>(2,942,792)</u>	<u>(2,905,846)</u>	<u>(3,010,926)</u>	<u>(3,104,938)</u>
Net available revenue	<u>\$ 3,069,343</u>	<u>\$ 3,441,048</u>	<u>\$ 4,136,578</u>	<u>\$ 6,094,993</u>
Debt service				
Principal	\$ 199,000	\$ 490,000	\$ 512,000	\$ 540,000
Interest	\$ 763,571	\$ 1,208,307	\$ 1,183,240	\$ 1,893,202
Coverage*	3.2	2.0	2.4	2.5
 Revenue Bonds - Solid Waste Fund				
Revenue - sale of goods and services	\$ 20,985,191	\$ 21,562,843	\$ 20,642,196	\$ 20,799,363
Less: Operating expenses	<u>(11,519,670)</u>	<u>(14,025,001)</u>	<u>(6,911,344)</u>	<u>(8,044,600)</u>
Net available revenue	<u>\$ 9,465,521</u>	<u>\$ 7,537,842</u>	<u>\$ 13,730,852</u>	<u>\$ 12,754,763</u>
Debt service				
Principal	\$ 1,790,000	\$ 1,950,000	\$ 1,640,000	\$ 1,180,000
Interest	\$ 3,257,371	\$ 3,182,607	\$ 2,911,030	\$ 2,012,861
Coverage*	1.9	1.5	3.0	4.0

*Coverage equals net available revenue divided by debt service.

Schedule 10

Fiscal Year					
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 9,600,558	\$ 9,384,080	\$ 9,056,785	\$ 10,120,295	\$ 12,075,741	\$ 12,433,674
<u>(3,346,549)</u>	<u>(4,431,741)</u>	<u>(4,362,444)</u>	<u>(4,746,910)</u>	<u>(4,995,463)</u>	<u>(5,232,544)</u>
<u>\$ 6,254,009</u>	<u>\$ 4,952,339</u>	<u>\$ 4,694,341</u>	<u>\$ 5,373,385</u>	<u>\$ 7,080,278</u>	<u>\$ 7,201,130</u>
\$ 565,000	\$ 840,000	\$ 925,000	\$ 965,000	\$ (135,000)	\$ 1,160,000
\$ 2,987,818	\$ 2,964,563	\$ 2,927,531	\$ 2,885,745	\$ 2,845,516	\$ 2,509,436
1.8	1.3	1.2	1.4	2.6	2.0
\$ 22,125,343	\$ 22,260,841	\$ 17,919,069	\$ 11,146,302	\$ 12,923,035	\$ 13,942,477
<u>(13,832,064)</u>	<u>(9,074,477)</u>	<u>(8,876,738)</u>	<u>(8,907,434)</u>	<u>(10,994,809)</u>	<u>(13,409,193)</u>
<u>\$ 8,293,279</u>	<u>\$ 13,186,364</u>	<u>\$ 9,042,331</u>	<u>\$ 2,238,868</u>	<u>\$ 1,928,226</u>	<u>\$ 533,284</u>
\$ 1,215,000	\$ 1,260,000	\$ 1,305,000	\$ 1,350,000	\$ 1,400,000	\$ 1,455,000
\$ 1,973,923	\$ 1,931,398	\$ 1,886,037	\$ 1,838,732	\$ 1,788,106	\$ 1,734,906
2.6	4.1	2.8	0.7	0.6	0.2

Bay County, Florida
Demographic and Economic Statistics
Last Ten Years
(Unaudited)

Year	Estimated Population	Personal Income¹	Per Capita Personal Income	Unemployment Rate
1997	144,583	\$ 3,062,313	\$ 20,882	6.6%
1998	147,496	3,234,088	2,199	6.7%
1999	150,119	3,353,267	22,634	6.1%
2000	148,217	3,521,822	23,756	5.8%
2001	150,287	3,675,638	24,526	5.9%
2002	152,186	3,870,336	25,432	5.9%
2003	154,827	4,100,788	26,475	5.4%
2004	158,437	4,428,832	28,064	4.5%
2005	161,721	*	*	3.7%
2006	165,515	*	*	*

* Information not yet available

¹ In thousands of dollars

Source: Florida Statistical Abstract 2006

Bay County, Florida
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

<u>Employer</u>	2006			1997		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Tyndall Air Force Base	5,191	1	6.62%	6,469	1	9.30%
Bay County School Board	4,939	2	6.30%	3,500	2	5.03%
Naval Support Activity	3,707	3	4.73%	1,369	4	1.97%
Bay Medical Center	2,174	4	2.77%	1,600	3	2.30%
Wal-Mart	1,240	5	1.58%	-	-	-
Sallie Mae	1,200	6	1.53%	944	6	1.36%
Gulf Coast Medical Center	850	7	1.08%	799	7	1.15%
Trane Manufacturing Corp.	750	8	0.96%	-	-	-
Gulf Coast Community College	727	9	0.93%	-	-	-
Sprint-Nextel Partners	675	10	0.86%	-	-	-
Smurfit-Stone Container	-	-	-	585	8	0.84%
Paradise Found Resort & Hotel	-	-	-	1,000	5	1.44%
Bay Fabrication/Eastern Shipbuilding	-	-	-	330	9	0.47%
Edgewater Beach Resort	-	-	-	310	10	0.45%
	<u>21,453</u>		<u>27.35%</u>	<u>16,906</u>		<u>24.31%</u>
Total Bay County Labor Force	<u><u>78,426</u></u>			<u><u>69,537</u></u>		

Source: Bay County Economic Development Alliance

Bay County, Florida
Full-time Equivalent County Employees by Function
Last Ten Fiscal Years
(Unaudited)

<u>Function/Program</u>	Full-time Equivalent Employees as of December 31									
	<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>2006</u>
General Government	48	52	56	53	61	67	64	62	59	63
Public Safety	57	50	51	62	71	77	86	92	99	109
Physical Environment	84	81	86	93	99	101	114	112	109	111
Transportation	121	122	115	122	122	125	120	118	121	124
Economic Environment	7	2	1	3	3	3	2	2	2	3
Human Services	7	7	7	7	9	10	10	10	9	10
Culture/Recreation	14	18	20	19	17	18	18	18	18	20
Judicial System	12	12	11	11	11	11	11	9	10	9
Total	<u>350</u>	<u>344</u>	<u>347</u>	<u>370</u>	<u>393</u>	<u>412</u>	<u>425</u>	<u>423</u>	<u>427</u>	<u>449</u>

Source: County personnel department

Bay County, Florida
Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)

<u>Function/Program</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>2006</u>
General Government										
Assessed properties	86,377	87,982	89,131	90,617	92,173	93,478	95,709	98,044	103,104	107,007
Court cases:										
Circuit Criminal	2,649	2,315	3,147	3,753	3,886	4,719	5,230	4,718	4,461	4,449
County Criminal	10,565	11,164	10,118	10,760	11,547	12,554	12,522	12,153	9,824	8,882
Public Safety										
E-911 calls	*	*	88,031	112,108	100,000	105,000	108,846	115,000	113,548	118,000
Building permits issued**										
Commercial	*	*	*	139	293	352	393	345	435	274
Residential	*	*	*	479	1,263	1,576	1,421	2,192	2,213	1,424
Physical Environment										
Tons burned at Incinerator	213,559	207,294	209,527	209,939	214,185	220,965	219,413	213,468	223,462	237,825
Transportation										
Roads miles maintained	896.30	891.00	705.50	710.20	709.20	710.40	712.67	714.79	711.25	712.72
Economic Environment										
Tourist Development Tax										
Registrants	183	210	225	264	298	344	394	500	632	843
Human Services										
Baker Act admissions	247	333	271	236	302	279	279	328	377	348

* Information not available

** Permits include new construction, additions, renovations and alterations

Sources: County finance office and individual county departments

Bay County, Florida
Capital Asset Statistics by Function
Last Five Fiscal Years
(Unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public Safety					
Correction facility capacities	662	662	662	662	662
Fire stations	13	13	13	13	13
Culture & Recreation					
Parks	29	29	29	30	30
Park acreage	378	378	378	413	413
Boat ramps	19	19	19	19	19
Transportation					
Road miles	710.40	712.67	714.79	711.25	712.72
Bridges	11	14	14	14	14
Traffic signals	18	18	18	18	18
Physical Environment					
Water mains (miles)	*	*	*	*	105

*Information not available

Sources: County finance office and individual county departments

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 fiscal year ended September 30, 2006, and have issued our report thereon dated February 23, 2007.

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 the Report on Internal Control Over Financial Reporting and on 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 is dated February 23, 2007, 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 have the following findings:

Sheriff

06-01 Inadequate controls over cash remitted to other jurisdictions.

Funds collected from arrested individuals to satisfy judgments from other counties are transferred from the warrants department to the civil department at the Sheriff's Office. The funds are then deposited and subsequently disbursed to the appropriate county. Due to inadequate reconciliations of the amounts received from the arrested individual to the amounts delivered to the Sheriff's civil department, an employee of the Sheriff stole approximately seventeen thousand dollars of these funds over a period of several months. The Sheriff replaced the stolen money from his operating fund and is prosecuting the employee.

Recommendation:

We recommend that an employee, independent of the cash handling process, reconcile on a regular basis, the amounts collected from the warrants department to the amounts deposited in the civil department trust account. The reconciliations should be approved by the department head and kept on file for review.

Management's Response:

The Sheriff is implementing controls, including regular reconciliations of these funds to prevent future fraud in this area.

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 disclosures from 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. Other than the item noted as 06-01 above, our audit did not disclose any matters required to be disclosed pursuant to Section 10.554(1)(h)4., Rules of the Auditor General.

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 fiscal year ended September 30, 2006, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the County's annual financial audit report for the fiscal year ended September 30, 2006.

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 23, 2007

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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 County Commissioners
Bay County, Florida

We have audited the accompanying 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, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 23, 2007. 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 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 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. However, we noted other matters we considered involving internal control over financial reporting that we have reported to the County in a separate letter dated February 23, 2007.

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 certain federal and state awarding agencies and pass-through entities 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 23, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM/STATE PROJECT AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR
GENERAL

The Honorable County Commissioners
Bay County, Florida

Compliance

We have audited the compliance of Bay County, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2006. 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, 2006.

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 awarding agencies and pass-through entities 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 23, 2007

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2006

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

Identification of major programs / state projects:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.579	U.S. Department of Justice Florida Department of Law Enforcement
20.205	U.S. Department of Transportation Florida Department of Transportation

(Continued)

Bay County, Florida
 Schedule of Findings and Questioned Costs
 Federal Awards and State Financial Assistance (Continued)
 Year Ended September 30, 2006

<u>CSFA Number</u>	<u>Name of State Projects</u>
45.020	Department of State and Secretary of State Public Library Construction
55.008	Florida Department of Transportation N. Lagoon Drive Sidewalk/Bikepath

Dollar threshold used to distinguish between Type A and Type B programs:	<u>Federal</u> \$ 300,000	<u>State</u> \$ 300,000
---	------------------------------	----------------------------

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 – Findings and Questioned Costs – Major Federal Award Programs and State Financial Assistance Projects

There were no findings.

Bay County, Florida
Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2006

There were no prior year audit findings.

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2006

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	16.738	06-JAGC-BAY-3-M8-067	\$ 37,116
School Resource Officer Program	16.738	06-JAGC-BAY-3-M8-066	49,974
Courthouse Security Enhancement	16.738	2005-DJ-BX-1382	39,787
Comprehensive Case Info System 2	16.579	05CJ-K3-01-13-01-211	150,657
Criminal History Record Improvement	16.579	06-CJ-J3-01-13-01-285	28,823
Enhancement/Automation - OBTS	16.579	04CJ-J3-01-13-01-251	65,790
OBTS in Court Processing System	16.579	05CJ-K3-01-13-01-212	526,470
Passed through State of Florida Office of Attorney General			
Victims of Crime Act	16.575	V5048	15,524
Passed through State of Florida Department of Juvenile Justice			
Strengthening Bay Families	16.548	Q6003	31,008
Total U.S. Department of Justice			<u>945,149</u>
Federal Election of Assistance Commission			
Passed through Florida Department of State and Secretary of State			
Pollworker Recruitment	90.401	-----	25,221
Voter Education Grant 05	90.401	-----	15,420
Voter Education Grant 06	90.401	-----	29,506
Total Federal Election of Assistance Commission			<u>70,147</u>
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
Grand Lagoon Bridge	20.205	AN013	222,486
CR 390 & Transmitter	20.205	AOC64	57,500
Hurricane Ivan - Debris Cleanup	20.205	AOJ31	180,162
Total U.S. Department of Transportation			<u>460,148</u>
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs			
Disaster Relief Funding	97.036	05PA-G--01-13-01-623	175,509
Disaster Relief Funding	97.036	06DN-@G-01-13-01-553	167,400
Disaster Relief Funding	97.036	06DN-@G-01-13-23-573	68,463
Emergency Management Preparedness & Assistance	97.042	06-BG-04-01-13-01-057	35,605
Bomb Team Equipment	97.004	05-CJ-L3-01-13-23-003	289,346
Fourth Tier SWAT Team Equipment	97.004	05CJ-L2-01-13-23-054	39,821
Homeland Security - Sheriff	97.004	05DS-2N-01-13-01-327	136,400
Homeland Security - County	97.004	05DS-2N-01-13-01-272	106,518
Continued Build Out of SWAT/Bomb	97.004	06-SHSP-BAY-1-N9-032	97,352
Enhance Local Domestic Security	97.004	06-SHSP-BAY-2-N9-039	67,360
Regional Infrastructure Hardening	97.004	05-CJ-L2-01-13-01-172	10,019
Passed through Florida Department of Financial Services			
State Homeland Security Grant Program	97.073	FM223	22,968
Total U.S. Department of Homeland Security			<u>1,216,761</u>
U.S. Department of Health and Human Services			
Passed through Florida Department of Community Affairs			
Community Services Block Grant	93.569	06-SB-5N-12-00-01-001	172,869
Passed through Florida Department of State and Secretary of State			
HHS Voting Access	93.617	-----	10,872
Passed through Florida Department of Revenue			
Child Support Enforcement - Title IV	93.563	-----	204,104
Total U.S. Department of Health and Human Services			<u>387,845</u>
U.S. Department of the Interior			
Direct			
Lake Powell Watershed	15.630	401816G023	13,000
Total U.S. Department of the Interior			<u>13,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,093,050</u>

(Continued)

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2006

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
STATE OF FLORIDA			
Department of Juvenile Justice			
Drug Court	20.013	-----	\$ 27,002
Total Department of Juvenile Justice			<u>27,002</u>
Department of Corrections			
Drug Court	20.013	-----	35,648
Total Department of Juvenile Justice			<u>35,648</u>
Department of Environmental Protection			
Panama City Beach Renourishment Project	37.003	05BA2	34,526
MB Miller Park/County Pier	37.017	F6193	122,592
Deer Point Lake Dirt Road Stabilization	37.022	-----	500,000
Total Department of Environmental Protection			<u>657,118</u>
Department of Health			
Emergency Medical Services	52.008	C-5003	52,261
Total Department of Health			<u>52,261</u>
Department of Agriculture and Consumer Services			
Mosquito Control	42.003	-----	18,902
Total Department of Agriculture and Consumer Services			<u>18,902</u>
Department of Community Affairs			
Emergency Management Preparedness Grant	52.008	06-BG-04-01-13-01-057	102,959
Disaster Relief Funding	52.600	05-PA-G--01-13-01-623	7,919
Total Department of Community Affairs			<u>110,878</u>
Department of State and Secretary of State			
Public Library Construction	45.020	06-SP-01	432,951
State Aid to Libraries Grant	45.030	06-ST-45	95,792
Total Department of State and Secretary of State			<u>528,743</u>
Department of Transportation			
N. Lagoon Drive Sidewalk/Bikepath	55.008	AN972	1,630,965
Bridge Street Project	55.008	AM039	22,000
Small County Road Assistance Program	55.016	AO152	134,260
Total Department of Transportation			<u>1,787,225</u>
Department Law Enforcement			
Violent Crime and Drug Control	71.005	-----	14,785
Criminal History Record Improvement	71.***	06-CJ-J3-01-13-01-285	9,608
Total Department of Law Enforcement			<u>24,393</u>
Florida Housing Finance Corporation			
State Housing Initiatives Partnership Program	52.901	-----	661,887
Total Florida Housing Finance Corporation			<u>661,887</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 3,904,057</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

Bay County, Florida
Schedule 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, 2006

	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	\$ 6,473,284	\$ 12,817,711	\$ 15,358,537	\$ 13,731,968	\$ 21,933,269	\$ 17,255,586	\$ 18,886,421	\$ 20,470,478
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	6,832,915	6,189,088	6,218,839	6,228,233	5,474,748	6,096,223	11,493,280	7,470,173
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	5,174,077	10,518,051	9,608,614	8,911,995	9,848,732	9,089,060	9,162,900	10,187,201
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
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	\$ (5,246,602)	\$ (1,614,000)	\$ (80,382)	\$ (566,620)	\$ 851,187	\$ 671,304	\$ (3,306,009)	\$ 1,151,684
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	(5,533,708)	(3,889,428)	(468,916)	(1,408,260)	6,609,789	2,070,303	(1,769,759)	2,813,104
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	\$ (4,636,553)	\$ (3,591,077)	\$ (71,914)	\$ (955,041)	\$ 1,301,761	\$ 3,395,215	\$ (779,630)	\$ 3,886,704

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	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	4,796,079	70,238,122
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	7,421,489	77,600,040
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	1,165,253	18,677,667
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	-	-	7,505	9,414,952
-	-	-	-	-	-	-	-	-	-	-	872,967
533	22,866	1,036	23,357	-	2,713	90,604	41,537	14,406	17,604	25,960	1,361,293
-	-	-	-	-	-	259,038	(73,514)	(236,303)	50,779	90,592	90,592
57,699	12,645	77,050	53,779	49,062	497,864	956,472	356,461	396,316	461,377	435,599	3,463,693
\$ 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	\$ 13,942,477	\$ 339,852,473
\$ 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	\$ 1,455,000	\$ 23,050,000
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	2,082,796	33,359,532
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	9,670,814	38,932,181
(143,775)	-	2,158,791	(2,462,963)	(438,466)	4,965,662	(108,371)	(210,153)	(169,585)	1,138,289	(14,581)	12,017,793
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	13,194,029	147,291,665
811,627	859,830	873,977	808,223	765,933	841,334	892,026	964,506	953,178	1,033,991	971,220	15,146,168
18,791	21,786	20,225	18,046	23,498	22,646	27,568	27,406	29,877	27,754	34,534	414,034
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	12,418,638	144,904,206
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	13,424,392	187,660,951
\$ 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	\$ 26,618,421	\$ 334,952,616
\$ 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	13,194,029	147,291,665
\$ 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)	\$ (13,194,029)	\$ (19,268,420)
\$ 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	\$ 13,942,477	\$ 339,852,473
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	26,618,421	334,952,616
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)	(12,675,944)	4,899,857
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	1,455,000	23,050,000
(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)	(2,082,356)	(29,506,595)
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	9,670,814	38,932,181
-	-	-	-	-	-	-	-	-	-	(1,003,376)	(5,946,273)
\$ 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)	\$ (4,635,862)	\$ 31,429,170

BAY COUNTY, FLORIDA
Notes to the Schedule 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, 2006

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, 2004 and 2006 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 net assets, 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 net assets, the extraordinary loss is subtracted from operating revenues and expenses.

FINANCIAL STATEMENTS AND COMPLIANCE REPORTS
BAY COUNTY CONSTITUTIONAL OFFICERS

BAY COUNTY, FLORIDA

September 30, 2006

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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September 30, 2006
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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, 2006, 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.

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 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, 2006, 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 16, 2007 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
February 16, 2007

Bay County Supervisor of Elections
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2006

	General
ASSETS	
Cash and cash equivalents	\$ 15,096
Investments	183,367
Total assets	<u>\$ 198,463</u>
 LIABILITIES	
Accounts payable and accrued liabilities	\$ 83,332
Due to other governments	106,420
Deferred revenue	8,711
Total liabilities	<u>198,463</u>
 FUND BALANCE	
Unreserved	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 198,463</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, 2006

	<u>General</u>
REVENUES	
Intergovernmental	\$ 77,211
Charges for services	4,569
Miscellaneous	6,330
Interest	<u>17,229</u>
Total revenues	<u>105,339</u>
EXPENDITURES	
Current	
General government	<u>1,206,309</u>
Total expenditures	<u>1,206,309</u>
Excess of expenditures over revenues	<u>(1,100,970)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	1,207,332
Reversion to Board of County Commissioners	<u>(106,362)</u>
Total other financing sources (uses)	<u>1,100,970</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 70,704	\$ 77,211	\$ 6,507
Charges for services	1,800	1,800	4,569	2,769
Miscellaneous	700	1,073	6,330	5,257
Interest	3,121	3,121	17,229	14,108
Total revenues	<u>5,621</u>	<u>76,698</u>	<u>105,339</u>	<u>28,641</u>
EXPENDITURES				
Current				
General government	<u>1,184,325</u>	<u>1,284,030</u>	<u>1,206,309</u>	<u>77,721</u>
Total expenditures	<u>1,184,325</u>	<u>1,284,030</u>	<u>1,206,309</u>	<u>77,721</u>
Excess of expenditures over revenues	<u>(1,178,704)</u>	<u>(1,207,332)</u>	<u>(1,100,970)</u>	<u>106,362</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,178,704	1,207,332	1,207,332	-
Reversion to Board of County Commissioners	<u>-</u>	<u>-</u>	<u>(106,362)</u>	<u>(106,362)</u>
Total other financing sources (uses)	<u>1,178,704</u>	<u>1,207,332</u>	<u>1,100,970</u>	<u>(106,362)</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, 2006

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, 2006

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, 2006

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 Governmental Accounting Standards Board numbers 3 and 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, 2005 – June 30, 2006 are 7.83% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2006 – September 30, 2006 are 9.85% and 16.53% for regular employees and elected county officials, respectively. The rate for

Bay County Supervisor of Elections
Notes to Special-Purpose Financial Statements
September 30, 2006

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 9.33% effective from October 1, 2005 – June 30, 2006 and 10.91% effective from July 1, 2006 – September 30, 2006. The Supervisor of Elections' contributions for the years ended September 30, 2006, 2005 and 2004 were \$37,389, \$31,286, and \$28,911, 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, 2006, and have issued our report thereon dated February 16, 2007.

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 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*. Disclosures in that report, which is dated February 16, 2007, 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 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 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.) 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
February 16, 2007

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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 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, 2006, and have issued our report thereon dated February 16, 2007. 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.

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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 pass-through entities, 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 16, 2007

**CLERK OF CIRCUIT
COURT**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special-purpose financial statements of the Bay County Clerk of Circuit Court as of and for the year ended September 30, 2006, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Bay County Clerk of Circuit Court's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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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, 2006, 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 17, 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 Bay County Clerk of Circuit Court, 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 17, 2006

Bay County Clerk of Circuit Court
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2006

	<u>General</u>	<u>Court</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 911,482	\$ 1,117,716	\$ 1,991,281	\$ 4,020,479
Accounts receivable	65,190	17,099	-	82,289
Total assets	<u>\$ 976,672</u>	<u>\$ 1,134,815</u>	<u>\$ 1,991,281</u>	<u>\$ 4,102,768</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 108,396	\$ 200,082	\$ 80,794	\$ 389,272
Deferred revenue	9,740	-	-	9,740
Due to state-bond estreature	858,536	138,723	-	997,259
Due to other governments	-	796,010	-	796,010
Total liabilities	<u>976,672</u>	<u>1,134,815</u>	<u>80,794</u>	<u>2,192,281</u>
FUND BALANCE				
Unreserved	<u>-</u>	<u>-</u>	<u>1,910,487</u>	<u>1,910,487</u>
Total liabilities and fund balance	<u>\$ 976,672</u>	<u>\$ 1,134,815</u>	<u>\$ 1,991,281</u>	<u>\$ 4,102,768</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, 2006

	General	Court	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 204,104	\$ -	\$ -	\$ 204,104
Charges for services	1,933,623	4,710,191	794,543	7,438,357
Miscellaneous	60,983	-	33,810	94,793
Total revenues	<u>2,198,710</u>	<u>4,710,191</u>	<u>828,353</u>	<u>7,737,254</u>
EXPENDITURES				
General government	2,394,460	3,914,181	525,973	6,834,614
Total expenditures	<u>2,394,460</u>	<u>3,914,181</u>	<u>525,973</u>	<u>6,834,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(195,750)</u>	<u>796,010</u>	<u>302,380</u>	<u>902,640</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,054,286	-	-	1,054,286
Reversion to Board of County Commissioners	(858,536)	-	-	(858,536)
Reversion to State of Florida	-	(796,010)	-	(796,010)
Total other financing sources (uses)	<u>195,750</u>	<u>(796,010)</u>	<u>-</u>	<u>(600,260)</u>
Net change in fund balance	-	-	302,380	302,380
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>1,608,107</u>	<u>1,608,107</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,910,487</u>	<u>\$ 1,910,487</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, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue	\$ 235,000	\$ 205,000	\$ 204,104	\$ (896)
Charges for services	1,868,830	1,876,830	1,933,623	56,793
Miscellaneous	18,416	40,416	60,983	20,567
Total revenues	<u>2,122,246</u>	<u>2,122,246</u>	<u>2,198,710</u>	<u>76,464</u>
EXPENDITURES				
General government	<u>3,169,308</u>	<u>3,169,308</u>	<u>2,394,460</u>	<u>774,848</u>
Total expenditures	<u>3,169,308</u>	<u>3,169,308</u>	<u>2,394,460</u>	<u>774,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,047,062)</u>	<u>(1,047,062)</u>	<u>(195,750)</u>	<u>851,312</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,047,062	1,047,062	1,054,286	7,224
Reversion to Board of County Commissioners	-	-	(858,536)	(858,536)
Total other financing sources (uses)	<u>1,047,062</u>	<u>1,047,062</u>	<u>195,750</u>	<u>(851,312)</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 4,425,083	\$ 4,425,083	\$ 4,710,191	\$ 285,108
Total revenues	<u>4,425,083</u>	<u>4,425,083</u>	<u>4,710,191</u>	<u>285,108</u>
EXPENDITURES				
General government	4,425,083	4,425,083	3,914,181	510,902
Total expenditures	<u>4,425,083</u>	<u>4,425,083</u>	<u>3,914,181</u>	<u>510,902</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>796,010</u>	<u>796,010</u>
OTHER FINANCING SOURCES (USES)				
Reversion to State of Florida	-	-	(796,010)	(796,010)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(796,010)</u>	<u>(796,010)</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, 2006

ASSETS

Cash and cash equivalents	\$ 4,073,388
Total assets	<u>\$ 4,073,388</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,695,119
Due to other governments	<u>2,378,269</u>
Total liabilities	<u>\$ 4,073,388</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, 2006

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 Types

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 Type

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, 2006

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, 2006

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, 2006, the Clerk has pooled funds in the amount of \$83,177 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, 2006

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, 2005 – June 30, 2006 are 7.83% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2006 – September 30, 2006 are 9.85% and 16.53% 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 9.33% effective from October 1, 2005 – June 30, 2006 and 10.91% effective from July 1, 2006 – September 30, 2006. The Clerk's contributions for the years ended September 30, 2006, 2005 and 2004 were \$303,877, \$250,700, and \$234,377, 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, 2006. 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:

Year Ending <u>September 30,</u>	
2007	\$ 38,628
Total	<u>\$ 38,628</u>

Rental and lease expense for the year ended September 30, 2006 was \$78,847.

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NONMAJOR GOVERNMENTAL FUNDS

Bay County Clerk of Circuit Court
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

	10/6/3 Fund	Family Mediation	Records Modernization - Records	Records Modernization - Court	Total
ASSETS					
Cash and cash equivalents	\$ 488,995	\$ 47,095	\$ 677,155	\$ 778,036	\$ 1,991,281
Total assets	<u>\$ 488,995</u>	<u>\$ 47,095</u>	<u>\$ 677,155</u>	<u>\$ 778,036</u>	<u>\$ 1,991,281</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 27,794	\$ 53,000	\$ 80,794
Total liabilities	<u>-</u>	<u>-</u>	<u>27,794</u>	<u>53,000</u>	<u>80,794</u>
Fund balance					
Unreserved	488,995	47,095	649,361	725,036	1,910,487
Total fund balance	<u>488,995</u>	<u>47,095</u>	<u>649,361</u>	<u>725,036</u>	<u>1,910,487</u>
Total liabilities and fund balance	<u>\$ 488,995</u>	<u>\$ 47,095</u>	<u>\$ 677,155</u>	<u>\$ 778,036</u>	<u>\$ 1,991,281</u>

Bay County Clerk of Circuit Court
Combining Statement of Revenues, Expenditures and
Change in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2006

	10/6/3 Fund	Family Mediation	Records Modernization - Records	Records Modernization - Court	Total
REVENUES					
Charges for services	\$ -	\$ -	\$ 601,882	\$ 192,661	\$ 794,543
Miscellaneous	7,536	149	17,643	8,482	33,810
Total revenues	<u>7,536</u>	<u>149</u>	<u>619,525</u>	<u>201,143</u>	<u>828,353</u>
EXPENDITURES					
Current					
General government	-	2,500	370,880	152,593	525,973
Total expenditures	<u>-</u>	<u>2,500</u>	<u>370,880</u>	<u>152,593</u>	<u>525,973</u>
Excess (deficiency) of revenues over (under) expenditures	7,536	(2,351)	248,645	48,550	302,380
Fund balance at beginning of year	<u>481,459</u>	<u>49,446</u>	<u>400,716</u>	<u>676,486</u>	<u>1,608,107</u>
Fund balance at end of year	<u>\$ 488,995</u>	<u>\$ 47,095</u>	<u>\$ 649,361</u>	<u>\$ 725,036</u>	<u>\$ 1,910,487</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, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 462,835	\$ 5,259,921	\$ 5,294,201	\$ 428,555
Total assets	<u>\$ 462,835</u>	<u>\$ 5,259,921</u>	<u>\$ 5,294,201</u>	<u>\$ 428,555</u>
LIABILITIES				
Due to other governments	\$ 462,835	\$ 5,259,921	\$ 5,294,201	\$ 428,555
Total liabilities	<u>\$ 462,835</u>	<u>\$ 5,259,921</u>	<u>\$ 5,294,201</u>	<u>\$ 428,555</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 20,345	\$ 68,501	\$ 68,223	\$ 20,623
Total assets	<u>\$ 20,345</u>	<u>\$ 68,501</u>	<u>\$ 68,223</u>	<u>\$ 20,623</u>
LIABILITIES				
Due to other governments	\$ 20,345	\$ 68,501	\$ 68,223	\$ 20,623
Total liabilities	<u>\$ 20,345</u>	<u>\$ 68,501</u>	<u>\$ 68,223</u>	<u>\$ 20,623</u>
TAX DEED				
ASSETS				
Cash and cash equivalents	\$ 58,806	\$ 535,985	\$ 503,945	\$ 90,846
Total assets	<u>\$ 58,806</u>	<u>\$ 535,985</u>	<u>\$ 503,945</u>	<u>\$ 90,846</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 58,806	\$ 535,985	\$ 503,945	\$ 90,846
Total liabilities	<u>\$ 58,806</u>	<u>\$ 535,985</u>	<u>\$ 503,945</u>	<u>\$ 90,846</u>

(Continued)

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds (Continued)
Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 28,224	\$ 896,902	\$ 920,716	\$ 4,410
Total assets	<u>\$ 28,224</u>	<u>\$ 896,902</u>	<u>\$ 920,716</u>	<u>\$ 4,410</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 28,224	\$ 896,902	\$ 920,716	\$ 4,410
Total liabilities	<u>\$ 28,224</u>	<u>\$ 896,902</u>	<u>\$ 920,716</u>	<u>\$ 4,410</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,843,213	\$ 5,302,964	\$ 5,549,906	\$ 1,596,271
Total assets	<u>\$ 1,843,213</u>	<u>\$ 5,302,964</u>	<u>\$ 5,549,906</u>	<u>\$ 1,596,271</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,843,213	\$ 5,302,964	\$ 5,549,906	\$ 1,596,271
Total liabilities	<u>\$ 1,843,213</u>	<u>\$ 5,302,964</u>	<u>\$ 5,549,906</u>	<u>\$ 1,596,271</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 1,696,272	\$ 1,461,209	\$ 2,430,726	\$ 726,755
Total assets	<u>\$ 1,696,272</u>	<u>\$ 1,461,209</u>	<u>\$ 2,430,726</u>	<u>\$ 726,755</u>
LIABILITIES				
Due to other governments	\$ 1,696,272	\$ 1,461,209	\$ 2,430,726	\$ 726,755
Total liabilities	<u>\$ 1,696,272</u>	<u>\$ 1,461,209</u>	<u>\$ 2,430,726</u>	<u>\$ 726,755</u>

(Continued)

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds (Continued)
Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 19,092	\$ 270,542	\$ 286,042	\$ 3,592
Total assets	<u>\$ 19,092</u>	<u>\$ 270,542</u>	<u>\$ 286,042</u>	<u>\$ 3,592</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,960	\$ 270,542	\$ 270,910	\$ 3,592
Due to other governments	15,132	-	15,132	-
Total liabilities	<u>\$ 19,092</u>	<u>\$ 270,542</u>	<u>\$ 286,042</u>	<u>\$ 3,592</u>
DOC STAMPS				
ASSETS				
Cash and cash equivalents	\$ 1,068,370	\$ 31,416,480	\$ 31,728,947	\$ 755,903
Total assets	<u>\$ 1,068,370</u>	<u>\$ 31,416,480</u>	<u>\$ 31,728,947</u>	<u>\$ 755,903</u>
LIABILITIES				
Due to other governments	\$ 1,068,370	\$ 31,416,480	\$ 31,728,947	\$ 755,903
Total liabilities	<u>\$ 1,068,370</u>	<u>\$ 31,416,480</u>	<u>\$ 31,728,947</u>	<u>\$ 755,903</u>
INTANGIBLE TAX				
ASSETS				
Cash and cash equivalents	\$ 996,790	\$ 7,431,912	\$ 7,982,269	\$ 446,433
Total assets	<u>\$ 996,790</u>	<u>\$ 7,431,912</u>	<u>\$ 7,982,269</u>	<u>\$ 446,433</u>
LIABILITIES				
Due to other governments	\$ 996,790	\$ 7,431,912	\$ 7,982,269	\$ 446,433
Total liabilities	<u>\$ 996,790</u>	<u>\$ 7,431,912</u>	<u>\$ 7,982,269</u>	<u>\$ 446,433</u>

(Continued)

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds (Continued)
Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 6,193,947	\$ 52,644,416	\$ 54,764,975	\$ 4,073,388
Total assets	<u>\$ 6,193,947</u>	<u>\$ 52,644,416</u>	<u>\$ 54,764,975</u>	<u>\$ 4,073,388</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,934,203	\$ 7,006,393	\$ 7,245,477	\$ 1,695,119
Due to other governments	4,259,744	45,638,023	47,519,498	2,378,269
Total liabilities	<u>\$ 6,193,947</u>	<u>\$ 52,644,416</u>	<u>\$ 54,764,975</u>	<u>\$ 4,073,388</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, 2006, and have issued our report thereon dated November 17, 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 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*. Disclosures in that report, which is dated November 17, 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 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 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 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 pass-through entities 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 17, 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, 2006, and have issued our report thereon dated November 17, 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 pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida
November 17, 2006

**PROPERTY
APPRAISER**

CARR, RIGGS & INGRAM, LLC

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Panama City, FL 32405
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INDEPENDENT AUDITORS' REPORT

The Honorable Rick Barnett
Bay County Property Appraiser
Bay County, Florida

We have audited the accompanying special-purpose financial statements of the Bay County Property Appraiser as of and for the year ended September 30, 2006, 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, 2006, 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 30, 2006 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 30, 2006

Bay County Property Appraiser
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2006

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 5,169</u>
Total assets	<u><u>\$ 5,169</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 4,670
Due to other governments	<u> 499</u>
Total liabilities	<u><u> 5,169</u></u>
FUND BALANCE	
Unreserved	<u> -</u>
 Total liabilities and fund balance	 <u><u>\$ 5,169</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, 2006

	General
REVENUES	
Charges for services	\$ 36,477
Interest income	11,629
Total revenues	<u>48,106</u>
EXPENDITURES	
Current	
General government	2,473,773
Debt service	
Principal retirement	22,401
Interest and fiscal charges	2,910
Total expenditures	<u>2,499,084</u>
Excess of expenditures over revenues	<u>(2,450,978)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	2,299,372
Reversion to Board of County Commissioners	(499)
Debt issued	152,105
Total other financing sources (uses)	<u>2,450,978</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 36,477	\$ 36,477
Interest income	-	-	11,629	11,629
Total revenues	-	-	48,106	48,106
EXPENDITURES				
Current				
General government	2,253,844	2,274,061	2,321,668	(47,607)
Debt service				
Principal retirement	22,401	22,401	22,401	-
Interest and fiscal charges	2,910	2,910	2,910	-
Total expenditures	2,279,155	2,299,372	2,346,979	(47,607)
Excess of expenditures over revenues	(2,279,155)	(2,299,372)	(2,298,873)	499
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,279,155	2,299,372	2,299,372	-
Reversion to Board of County Commissioners	-	-	(499)	(499)
Total other financing sources (uses)	2,279,155	2,299,372	2,298,873	(499)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

Note:

The budgetary basis used by the Bay County Property Appraiser differs from the basis of presentation of the Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance required by generally accepted accounting principles. Capital leases executed during the year are not reported as expenditures for budgetary purposes, but are reported as program expenditures and proceeds from debt issuance for financial reporting purposes. This results in a change of \$152,105 to general government expenditures and debt issued for the comparison of budget to actual. For budgetary comparison purposes the actual column has been adjusted to the same basis as the budget column.

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2006

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.

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2006

NOTE 3 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2006:

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
Capital Leases Payable	\$ 9,853	\$ 152,105	\$ 22,401	\$ 139,557

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 \$264,080. Total principal maturities are as follows:

Year Ended September 30,	
2007	\$ 43,023
2008	41,378
2009	39,723
2010	28,528
2011	3,605
Total	156,257
Less: amount representing interest	(16,700)
Total	\$ 139,557

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

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2006

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2005 – June 30, 2006 are 7.83% and 15.23% for regular employees and elected county officials, respectively. Rates effective July 1, 2006 – September 30, 2006 are 9.85% and 16.53% 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 9.33% effective October 1, 2005 – June 30, 2006 and 10.91% for the period July 1, 2006 – September 30, 2006. The Property Appraiser's contributions for the years ended September 30, 2006, 2005 and 2004 were \$139,229, \$117,418, and \$111,104, 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.

NOTE 6 – SUBSEQUENT EVENT

The Property Appraiser's office has had a complaint filed against them for improper valuation of certain properties. As a result, an investigation is being conducted by the Florida Department of Law Enforcement. The outcome can not be determined as of the issuance date of these financial statements.

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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, 2006, and have issued our report thereon dated November 30, 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 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*. Disclosures in that report, which is dated November 30, 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. All prior year findings have been corrected.

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 Honorable Rick Barnett
Bay County Property Appraiser
Page Two

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal 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.

Subsequent to September 30, 2006, the Property Appraiser's office had a complaint filed against them for improper valuation of certain properties. As a result, an investigation is being conducted by the Florida Department of Law Enforcement. The outcome can not be determined as of the issuance date of these financial statements.

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

This management letter is intended solely for the information 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 pass-through entities 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 30, 2006

CARR, RIGGS & INGRAM, LLC

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

The Honorable 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, 2006, and have issued our report thereon dated November 30, 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 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.

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The Honorable Rick Barnett
Bay County Property Appraiser
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay County Property Appraiser's special-purpose financial statements are free of material misstatement, we performed tests of his compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to the Property Appraiser's management in a separate letter dated November 30, 2006.

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 pass-through entities 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 30, 2006

TAX COLLECTOR

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INDEPENDENT AUDITORS' REPORT

The Honorable Peggy Brannon
Bay County Tax Collector
Bay County, Florida

We have audited the accompanying special-purpose financial statements of the Bay County Tax Collector as of and for the year ended September 30, 2006 as listed in the table of contents. These special-purpose financial statements are the responsibility of the Tax Collector's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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The Honorable Peggy Brannon
Bay County Tax Collector
Page Two

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tax Collector as of September 30, 2006, and the results of her operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 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 Bay County Tax Collector, 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
November 30, 2006

Bay County Tax Collector
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2006

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,784,638</u>
Total assets	<u><u>\$ 2,784,638</u></u>
LIABILITIES	
Due to other governments	<u>\$ 2,784,638</u>
Total liabilities	<u>2,784,638</u>
FUND BALANCE	
Unreserved	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 2,784,638</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, 2006

	<u>General</u>
REVENUES	
Charges for services	\$ 1,642,108
Total revenues	<u>1,642,108</u>
EXPENDITURES	
Current	
General government	2,313,520
Debt service	
Principal retirement	13,276
Total expenditures	<u>2,326,796</u>
Excess of expenditures over revenues	<u>(684,688)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	3,426,163
Reversion to Board of County Commissioners	<u>(2,741,475)</u>
Total other financing sources (uses)	<u>684,688</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,642,108	\$ 1,642,108
Total revenues	-	-	1,642,108	1,642,108
EXPENDITURES				
Current				
General government	2,325,492	3,412,887	2,313,520	1,099,367
Debt service				
Principal retirement	13,276	13,276	13,276	-
Total expenditures	2,338,768	3,426,163	2,326,796	1,099,367
Excess of expenditures over revenues	(2,338,768)	(3,426,163)	(684,688)	2,741,475
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,338,768	3,426,163	3,426,163	-
Reversion to Board of County Commissioners	-	-	(2,741,475)	(2,741,475)
Total other financing sources (uses)	2,338,768	3,426,163	684,688	(2,741,475)
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, 2006

ASSETS

Cash and cash equivalents	\$ 1,647,027
Accounts receivable	<u>14,530</u>
Total assets	<u><u>\$ 1,661,557</u></u>

LIABILITIES

Bank overdraft	\$ 14,530
Due to other governments	1,646,899
Due to private companies	<u>128</u>
Total liabilities	<u><u>\$ 1,661,557</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, 2006

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, 2006

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, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in State Pool – The Local Government Surplus Funds Trust Fund, an external investment pool administered by the State of Florida Board of Administration (pool), has adopted operating procedures consistent with the 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, 2006.

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, 2006

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2006:

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
Capital Leases Payable	\$ 13,276	\$ -	\$ 13,276	\$ -

The capital lease on equipment was renegotiated in May 2006. As a result, the Tax Collector entered into a new lease which is considered to be an operating lease.

NOTE 5 – BANK OVERDRAFT

On September 30, 2006 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. Also, there is a hold placed on the individual's ability to renew tags and licenses. They are required to pay the NSF check before they are allowed to renew.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Bay County Tax Collector contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 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, 2005 – June 30, 2006 are 7.83% and 15.23% for regular employees and elected

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2006

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

county officials, respectively. Rates effective July 1, 2006 – September 30, 2006 are 9.85% and 16.53% 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 9.33% effective from October 1, 2005 – June 30, 2006 and 10.91% effective from July 1, 2006 – September 30, 2006. The tax collector contributions for the years ended September 30, 2006, 2005 and 2004 were \$123,979, \$106,403 and \$100,572, 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, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 1,243,638	\$ 293,606,725	\$ 293,203,464	\$ 1,646,899
Total assets	<u>\$ 1,243,638</u>	<u>\$ 293,606,725</u>	<u>\$ 293,203,464</u>	<u>\$ 1,646,899</u>
LIABILITIES				
Due to other governments	\$ 1,243,638	\$ 293,606,725	\$ 293,203,464	\$ 1,646,899
Total liabilities	<u>\$ 1,243,638</u>	<u>\$ 293,606,725</u>	<u>\$ 293,203,464</u>	<u>\$ 1,646,899</u>
TAX CERTIFICATE FUND				
ASSETS				
Cash and cash equivalents	\$ 4,688	\$ 5,066,824	\$ 5,071,384	\$ 128
Total assets	<u>\$ 4,688</u>	<u>\$ 5,066,824</u>	<u>\$ 5,071,384</u>	<u>\$ 128</u>
LIABILITIES				
Due to private companies	\$ 4,688	\$ 5,066,824	\$ 5,071,384	\$ 128
Total liabilities	<u>\$ 4,688</u>	<u>\$ 5,066,824</u>	<u>\$ 5,071,384</u>	<u>\$ 128</u>
TAG FUND				
ASSETS				
Accounts receivable	\$ 18,468	\$ 9,147	\$ 13,085	\$ 14,530
Total assets	<u>\$ 18,468</u>	<u>\$ 9,147</u>	<u>\$ 13,085</u>	<u>\$ 14,530</u>
LIABILITIES				
Bank overdraft	\$ 16,013	\$ (19,038,023)	\$ (19,036,540)	\$ 14,530
Due to other governments	2,455	19,047,170	19,049,625	-
Total liabilities	<u>\$ 18,468</u>	<u>\$ 9,147</u>	<u>\$ 13,085</u>	<u>\$ 14,530</u>

Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
TOTAL-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,248,326	\$ 298,673,549	\$ 298,274,848	\$ 1,647,027
Accounts receivable	18,468	9,147	13,085	14,530
Total assets	<u>\$ 1,266,794</u>	<u>\$ 298,682,696</u>	<u>\$ 298,287,933</u>	<u>\$ 1,661,557</u>
LIABILITIES				
Bank overdraft	\$ 16,013	\$ (19,038,023)	\$ (19,036,540)	\$ 14,530
Due to other governments	1,246,093	312,653,895	312,253,089	1,646,899
Due to private companies	4,688	5,066,824	5,071,384	128
Total liabilities	<u>\$ 1,266,794</u>	<u>\$ 298,682,696</u>	<u>\$ 298,287,933</u>	<u>\$ 1,661,557</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, 2006, and have issued our report thereon dated November 30, 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 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*. Disclosures in that report, which is dated November 30, 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 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.

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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 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.) 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 pass-through entities 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 30, 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, 2006, and have issued our report thereon dated November 30, 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 pass-through entities 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 30, 2006

SHERIFF

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INDEPENDENT AUDITORS' REPORT

The Honorable Frank McKeithen
Bay County Sheriff
Bay County, Florida

We have audited the accompanying special-purpose financial statements of the Bay County Sheriff as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Bay County Sheriff's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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The Honorable Frank McKeithen
Bay County Sheriff
Page Two

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bay County Sheriff as of September 30, 2006, 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 16, 2007 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, 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 16, 2007

Bay County Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 171,158	\$ 57,767	\$ 228,925
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 171,158</u>	<u>\$ 57,767</u>	<u>\$ 228,925</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 67,901	\$ -	\$ 67,901
Due to other governments	<u>103,257</u>	<u> -</u>	<u>103,257</u>
Total liabilities	<u>171,158</u>	<u> -</u>	<u>171,158</u>
FUND BALANCE			
Unreserved	<u> -</u>	<u>57,767</u>	<u>57,767</u>
	<u>\$ 171,158</u>	<u>\$ 57,767</u>	<u>\$ 228,925</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, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental revenue	\$ 1,173,563	\$ 215,157	\$ 1,388,720
Interest income	103,517	-	103,517
Miscellaneous	110,311	80,007	190,318
Total revenues	<u>1,387,391</u>	<u>295,164</u>	<u>1,682,555</u>
EXPENDITURES			
Current			
Public safety	20,666,620	340,065	21,006,685
Debt service			
Principal retirement	705,693	-	705,693
Interest	36,146	-	36,146
Total expenditures	<u>21,408,459</u>	<u>340,065</u>	<u>21,748,524</u>
Excess (deficiency) of revenues			
Over (under) expenditures	<u>(20,021,068)</u>	<u>(44,901)</u>	<u>(20,065,969)</u>
OTHER FINANCING SOURCES (USES)			
Budget appropriations from			
Board of County Commissioners	18,825,213	-	18,825,213
Debt issued	1,299,112	-	1,299,112
Reversion to Board of			
County Commissioners	(103,257)	-	(103,257)
Total other financing	<u>20,021,068</u>	<u>-</u>	<u>20,021,068</u>
sources (uses)			
Net change in fund balance	-	(44,901)	(44,901)
Fund balance - beginning	<u>-</u>	<u>102,668</u>	<u>102,668</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 57,767</u>	<u>\$ 57,767</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 1,279,535	\$ 2,293,545	\$ 1,173,563	\$ (1,119,982)
Interest income	-	-	103,517	103,517
Miscellaneous	-	126,920	110,311	(16,609)
Total revenues	<u>1,279,535</u>	<u>2,420,465</u>	<u>1,387,391</u>	<u>(1,033,074)</u>
EXPENDITURES				
Current				
Public safety	19,062,767	20,503,839	19,367,508	1,136,331
Debt service				
Principal retirement	705,693	705,693	705,693	-
Interest and fiscal charges	36,146	36,146	36,146	-
Total expenditures	<u>19,804,606</u>	<u>21,245,678</u>	<u>20,109,347</u>	<u>1,136,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,525,071)</u>	<u>(18,825,213)</u>	<u>(18,721,956)</u>	<u>103,257</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	18,525,071	18,825,213	18,825,213	-
Reversion to Board of County Commissioners	-	-	(103,257)	(103,257)
Total other financing sources (uses)	<u>18,525,071</u>	<u>18,825,213</u>	<u>18,721,956</u>	<u>(103,257)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note:

The budgetary basis used by the Bay County Sheriff differs from the basis of presentation of the Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance required by generally accepted accounting principles. Capital leases executed during the year are not reported as expenditures for budgetary purposes, but are reported as program expenditures and proceeds from debt issuance for financial reporting purposes. This results in a change of \$1,299,112 to public safety expenditures and debt issued for the comparison of budget to actual. For budgetary comparison purposes the actual column has been adjusted to the same basis as the budget column.

Bay County Sheriff
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2006

ASSETS

Cash and cash equivalents	\$ 21,544
Total assets	<u>\$ 21,544</u>

LIABILITIES

Accounts payable	\$ 19,545
Due to other governments	1,999
Total liabilities	<u>\$ 21,544</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, 2006

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, 2006

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 provide vacation and sick leave. Accumulated sick leave is not paid upon termination of employment with the Sheriff. 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.

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.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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, 2006.

NOTE 3 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2006 are summarized as follows:

	Balance September 30, 2005	Transfers	Increases	Decreases	Balance September 30, 2006
Autos, furniture and equipment	\$ 7,362,115	\$ 201,574	\$ 1,396,931	\$ 1,502,355	\$ 7,458,265
Property held under capital leases	1,273,301	(201,574)	1,299,112	-	2,370,839
Total	<u>\$ 8,635,416</u>	<u>\$ -</u>	<u>\$ 2,696,043</u>	<u>\$ 1,502,355</u>	<u>\$ 9,829,104</u>

Transfers include \$201,574 of property that is no longer under capital lease and has been reclassified under autos, furniture and equipment.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2006

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2006:

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
Capital leases payable	\$ 278,620	\$ 1,299,112	\$ 705,693	\$ 872,039
Compensated absences	700,815	-	9,353	691,462
Total	<u>\$ 979,435</u>	<u>\$ 1,299,112</u>	<u>\$ 715,046</u>	<u>\$ 1,563,501</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, 2006, are summarized as follows:

<u>Year Ending September 30,</u>	
2007	\$ 438,078
2008	368,354
2009	<u>105,260</u>
Total	911,692
Less: amount representing interest	<u>(39,653)</u>
Balance	<u>\$ 872,039</u>

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.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2006

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2005 – June 30, 2006 are 7.83% and 18.53% for regular employees and special risk employees, respectively. Rates effective July 1, 2006 – September 30, 2006 are 7.83% and 20.92% 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 9.33% effective October 1, 2005 - June 30, 2006, and 10.91% effective from July 1, 2006 - September 30, 2006. Contributions for the years ended September 30, 2006, 2005 and 2004 were \$1,731,691, \$1,648,559, and \$1,472,020 respectively, and are equal to the required contributions for each year.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The Bay County Sheriff's Office is a defendant in a civil case involving the death of a juvenile who was in the custody of a bootcamp program for juvenile offenders. The program was administered by the Sheriff's Office. The Sheriff's Office maintains liability insurance to cover liability claims, which may mitigate the risk of loss. The case is not sufficiently developed to allow an accurate prediction of the outcome of the litigation. As such, no estimate of loss, if any, can be determined.

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NONMAJOR GOVERNMENTAL FUNDS

Bay County Sheriff
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

	Special Revenue		
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
ASSETS			
Cash and cash equivalents	\$ 1,467	\$ 11,954	\$ 4,761
Total assets	<u>\$ 1,467</u>	<u>\$ 11,954</u>	<u>\$ 4,761</u>
LIABILITIES AND FUND BALANCE			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance			
Unreserved	<u>1,467</u>	<u>11,954</u>	<u>4,761</u>
Total fund balance	<u>1,467</u>	<u>11,954</u>	<u>4,761</u>
Total liabilities and fund balance	<u>\$ 1,467</u>	<u>\$ 11,954</u>	<u>\$ 4,761</u>

Special Revenue

Federal Seizure Account	Seizure Trust	Total
\$ 3,067	\$ 36,518	\$ 57,767
<u>\$ 3,067</u>	<u>\$ 36,518</u>	<u>\$ 57,767</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
3,067	36,518	57,767
<u>3,067</u>	<u>36,518</u>	<u>57,767</u>
<u>\$ 3,067</u>	<u>\$ 36,518</u>	<u>\$ 57,767</u>

Bay County Sheriff
Combining Statement of Revenues, Expenditures and
Change in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2006

	Special Revenue		
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
REVENUES			
Intergovernmental	\$ 111,754	\$ 103,403	\$ -
Miscellaneous	-	-	2,352
Total revenues	<u>111,754</u>	<u>103,403</u>	<u>2,352</u>
EXPENDITURES			
Current			
Public safety	<u>112,641</u>	<u>115,368</u>	<u>11,533</u>
Total expenditures	<u>112,641</u>	<u>115,368</u>	<u>11,533</u>
Net change in fund balance	(887)	(11,965)	(9,181)
Fund balance - beginning	<u>2,354</u>	<u>23,919</u>	<u>13,942</u>
Fund balance - ending	<u>\$ 1,467</u>	<u>\$ 11,954</u>	<u>\$ 4,761</u>

Special Revenue

Federal Seizure Account	Seizure Trust	Total
\$ -	\$ -	\$ 215,157
37,027	40,628	80,007
<u>37,027</u>	<u>40,628</u>	<u>295,164</u>
<u>77,954</u>	<u>22,569</u>	<u>340,065</u>
<u>77,954</u>	<u>22,569</u>	<u>340,065</u>
(40,927)	18,059	(44,901)
<u>43,994</u>	<u>18,459</u>	<u>102,668</u>
<u>\$ 3,067</u>	<u>\$ 36,518</u>	<u>\$ 57,767</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, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 127,389	\$ 125,390	\$ 1,999
Total assets	<u>\$ -</u>	<u>\$ 127,389</u>	<u>\$ 125,390</u>	<u>\$ 1,999</u>
LIABILITIES				
Due to other governments	\$ -	\$ 127,389	\$ 125,390	\$ 1,999
Total liabilities	<u>\$ -</u>	<u>\$ 127,389</u>	<u>\$ 125,390</u>	<u>\$ 1,999</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash	\$ 1,284	\$ 247,877	\$ 229,616	\$ 19,545
Total assets	<u>\$ 1,284</u>	<u>\$ 247,877</u>	<u>\$ 229,616</u>	<u>\$ 19,545</u>
LIABILITIES				
Accounts payable	\$ 1,284	\$ 247,877	\$ 229,616	\$ 19,545
Total liabilities	<u>\$ 1,284</u>	<u>\$ 247,877</u>	<u>\$ 229,616</u>	<u>\$ 19,545</u>

Bay County Sheriff
 Combining Statement of Changes in Assets and Liabilities
 All Agency Funds
 Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,284	\$ 375,266	\$ 355,006	\$ 21,544
Total assets	<u>\$ 1,284</u>	<u>\$ 375,266</u>	<u>\$ 355,006</u>	<u>\$ 21,544</u>
LIABILITIES				
Accounts payable	\$ 1,284	\$ 247,877	\$ 229,616	\$ 19,545
Due to other governments	-	127,389	125,390	1,999
Total liabilities	<u>\$ 1,284</u>	<u>\$ 375,266</u>	<u>\$ 355,006</u>	<u>\$ 21,544</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, 2006, and have issued our report thereon dated February 16, 2007.

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 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*. Disclosures in that report, which is dated February 16, 2007, 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 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.

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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 have the following findings:

06-01 Inadequate controls over cash remitted to other jurisdictions.

Funds collected from arrested individuals to satisfy judgments from other counties are transferred from the warrants division to the civil division at the Sheriff's Office. The funds are then deposited and subsequently disbursed to the appropriate county. Due to inadequate reconciliations of the amounts received from the arrested individual to the amounts delivered to the Sheriff's Office, an employee of the Sheriff stole approximately seventeen thousand dollars of these funds over a period of several months. The Sheriff replaced the stolen money from his operating fund and is prosecuting the employee.

Recommendation:

We recommend that an employee, independent of the cash handling process, reconcile on a regular basis the amounts collected at the warrants division to the amounts deposited in the civil division trust account. The reconciliations should be approved by the department head and kept on file for review.

Management's Response:

The Sheriff is implementing controls, including regular reconciliations of these funds to prevent future fraud in this area.

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. Other than already disclosed there are 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

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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 pass-through entities 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 16, 2007

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



The Honorable Frank McKeithen
Bay County Sheriff
Bay County, Florida

We have audited the special-purpose financial statements of the Bay County Sheriff as of and for the year ended September 30, 2006, and have issued our report thereon dated February 16, 2007. 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. However, we noted other matters involving internal control over financial reporting that we have reported to the Sheriff in a separate letter dated February 16, 2007.

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Compliance and Other Matters

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

This report is intended solely for the information and use of the Bay County Sheriff, management, the Board of County Commissioners, and appropriate federal and state awarding agencies and pass-through entities 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 16, 2007