



# Bay County

F L O R I D A

2007

**Comprehensive  
Annual Financial Report**  
for the Fiscal Year Ended September 30, 2007



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF**

**BAY COUNTY, FLORIDA**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**PREPARED BY THE OFFICE**

**OF**

**HAROLD BAZZEL  
CLERK OF CIRCUIT COURT**

**JOSEPH ROGERS  
FINANCE OFFICER**

**BAY COUNTY, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007  
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# **INTRODUCTORY SECTION**



# HAROLD BAZZEL

CLERK OF THE CIRCUIT COURT, BAY COUNTY



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PANAMA CITY, FLORIDA 32402-2269  
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April 1, 2008

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 Zane Spitzer, 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, 2007. 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.

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, 2006, to September 30, 2007, 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 2007 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 continued 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 completed its new 6300 square foot facility. The new facility includes a sign/signal shop plus storage and office space. The County also began construction of a new 60,000 square foot regional library.

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 completed construction of a 60MGD plant expansion/enhancement project at a cost of approximately \$35 million. This expansion/enhancement project will enable the County to meet future predicted demands for water treatment and distribution.

Panama City Beach and its pristine beaches continue to attract the attention of individuals from all over the United States. Many of the older hotels/motels are being demolished making way for the construction of new residential and resort facilities.

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. Construction of a new County pier at M.B. Miller Park is also scheduled to begin in fiscal year 2008. The new pier will be constructed of concrete, replacing the old wooden pier, and will be 1500 feet in length. The new pier, as well as, a number of renovations to various County parks, represents efforts being made by the County not only in anticipation of future growth, but to improve the quality of life for Bay County's citizenry, and promote tourism and recreation.

Construction of a new 30,000 square foot Emergency Operations Center will get under way in fiscal year 2008. 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. Construction is expected to be completed in 2009.

The County purchased approximately 16 acres that will house the new Administrative Complex and County Library. The Administrative building will be a three story office building approximately 122,000 square feet, with construction beginning in fiscal year 2008. The new 60,000 square foot Regional Library will be located on the southeast portion of the property and is expected to be completed in the spring of 2008.

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. The first phase of Pier Park is scheduled to be open in the spring of 2008. 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, 2006. 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.

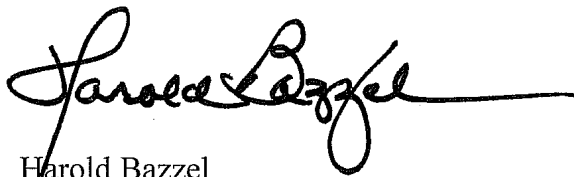
A Certificate of Achievement is valid for a period of one year only. Bay County has been awarded the Certificate of Achievement for eighteen consecutive years (fiscal years ended September 30, 1989 through 2006). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA for approval.

### **Acknowledgments**

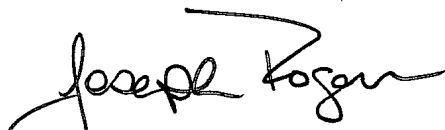
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Clerk's Division of Board Finance, the Office of Management and Budget, and the various directors of the County departments. The efforts of Lee Rooks – Property Appraiser's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

We would also like to thank the Constitutional Officers; Frank McKeithen, Zane Spitzer, 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,

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

Harold Bazzel  
Clerk of Circuit Court

A handwritten signature in black ink, appearing to read "Joseph Rogers", with a large loop at the beginning and a horizontal flourish at the end.

Joseph Rogers  
Finance Officer



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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 167,631 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*



*Zane Spitzer  
Property Appraiser*



*Peggy Brannon  
Tax Collector*

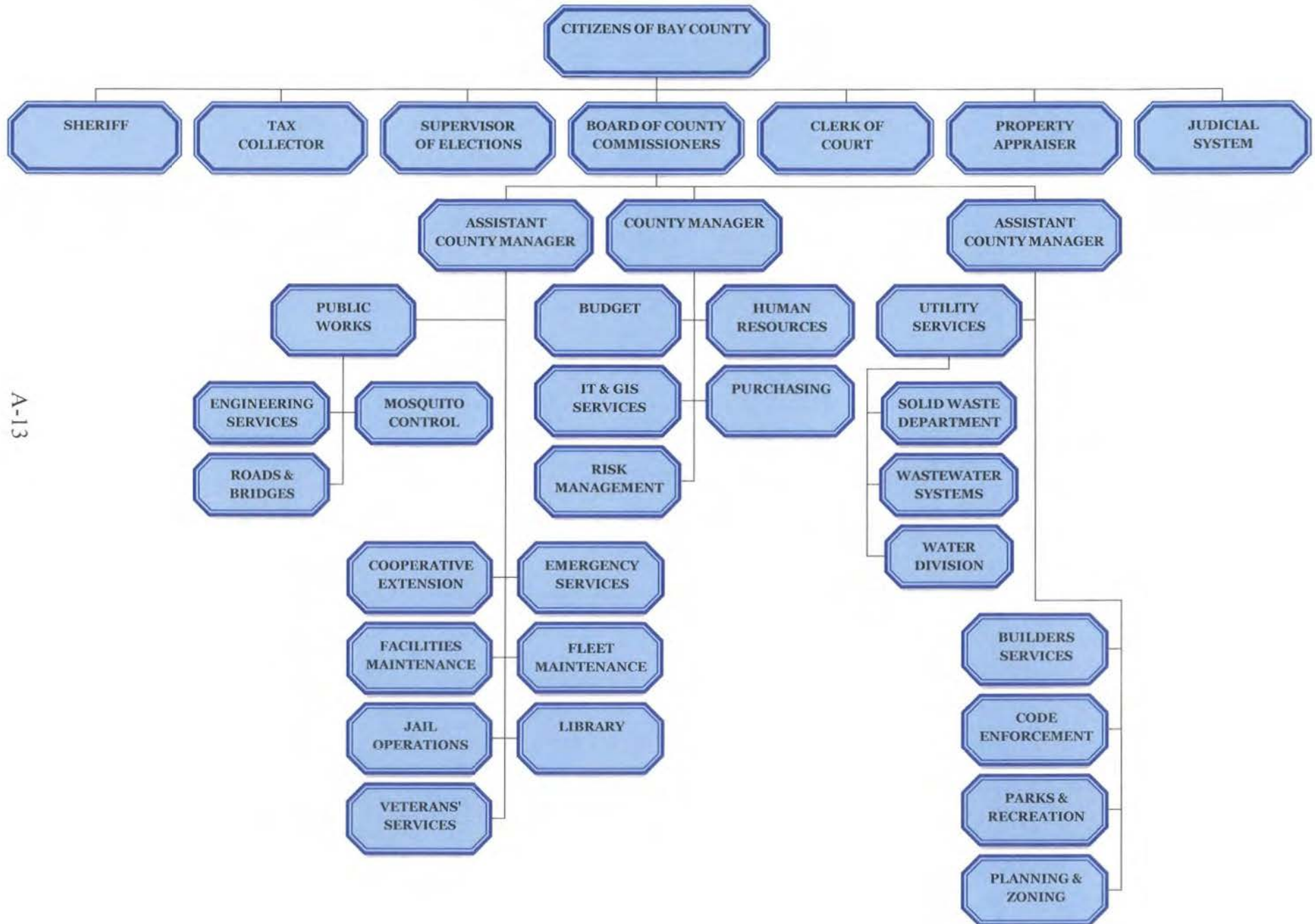


*Frank McKeithen  
Sheriff*

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**BAY COUNTY  
ORGANIZATIONAL CHART**  
Fiscal Year 2007



# ***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, 2006*

*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, 2006

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.



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

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# **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

The Honorable County Commissioners  
Bay County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Florida (the County), as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Florida, as of September 30, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008 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.



The Honorable County Commissioners  
Bay County, Florida  
Page Two

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 and Statistical Section is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Bay County, Florida. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

Panama City, Florida  
March 31, 2008

**Bay County, Florida**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Year Ended September 30, 2007**

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 \$290,990,493 (net assets). Of this amount, \$62,053,258 is unrestricted net assets for governmental activities and \$29,535,560 is unrestricted net assets for business-type activities, while \$19,924,887 is restricted net assets for governmental activities and \$2,999,323 is restricted net assets for business-type activities.
- Total net assets increased by \$21,711,955. Of this amount, an increase of \$27,487,487 is attributable to governmental activities and a decrease of \$5,775,532 is attributable to business-type activities.
- As of September 30, 2007, general fund's unreserved fund balance was \$33,598,429 or 33 percent of total general fund expenditures.
- Governmental activities revenues increased to \$145,671,604 or approximately 5 percent, while governmental activities expenses increased 8 percent to \$118,184,117. Business-type activities revenues decreased to \$33,648,029 or 14 percent, while business-type activities expenses increased 2 percent to \$39,423,561.
- The County's outstanding bonded debt decreased by \$4,866,307 or 3 percent during fiscal year 2007. The key factor contributing to the decrease was the scheduled principal retirements of its bonded debt.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

The *government-wide financial statements* include the *statement of net assets* and *statement of activities*. These statements are designed to provide readers with a broad overview of the County's financial position in a manner similar to that of private-sector companies. Emphasis is

placed on the net assets of governmental activities and business-type activities, as well as the change in net assets. Governmental activities are primarily supported by property taxes, sales taxes, federal and state grants, and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water, sewer, and solid waste disposal charges.

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

The ***statement of activities*** presents information on all revenues and expenses 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 expenses 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).

Expenses 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 expenses, include among others, general government services, public safety, culture and recreation, transportation, and economic environment. Business-type activities expenses, 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, Inc. and Panama City Beach Convention and Visitor's Bureau, Inc. Financial information for these component units is reported separately from the County's financial information.

### ***Fund Financial Statements***

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

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

statement provides information concerning assets held in trust by the County for the benefit of parties outside the government.

*Fund financial statements* for all governmental funds include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balance**. The County's general fund and major special revenue funds include a **statement of revenues, expenditures, and changes in fund balance-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 2007, 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 129,790,780	\$ 129,133,152	\$ 68,315,337	\$ 86,512,060	\$ 198,106,117	\$ 215,645,212
Capital assets	164,413,211	139,915,261	132,115,431	118,404,313	296,528,642	258,319,574
<b>Total assets</b>	<u>294,203,991</u>	<u>269,048,413</u>	<u>200,430,768</u>	<u>204,916,373</u>	<u>494,634,759</u>	<u>473,964,786</u>
Current and other liabilities	14,883,831	14,773,991	9,684,479	5,450,729	24,568,310	20,224,720
Long-term liabilities	67,310,881	70,111,409	111,765,075	114,708,898	179,075,956	184,820,307
<b>Total liabilities</b>	<u>82,194,712</u>	<u>84,885,400</u>	<u>121,449,554</u>	<u>120,159,627</u>	<u>203,644,266</u>	<u>205,045,027</u>
Net assets invested in capital Assets, net of related debt	130,031,134	109,592,599	46,446,331	37,518,571	176,477,465	147,111,170
Net assets-restricted	19,924,887	18,043,292	2,999,323	7,862,907	22,924,210	25,906,199
Net assets-unrestricted	62,053,258	56,527,122	29,535,560	39,375,268	91,588,818	95,902,390
<b>Total net assets</b>	<u>\$ 212,009,279</u>	<u>\$ 184,163,013</u>	<u>\$ 78,981,214</u>	<u>\$ 84,756,746</u>	<u>\$ 290,990,493</u>	<u>\$ 268,919,759</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 (61 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 8 percent of the County's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net assets* (\$91,588,818) may be used to help meet the government's ongoing obligations to citizens and creditors.

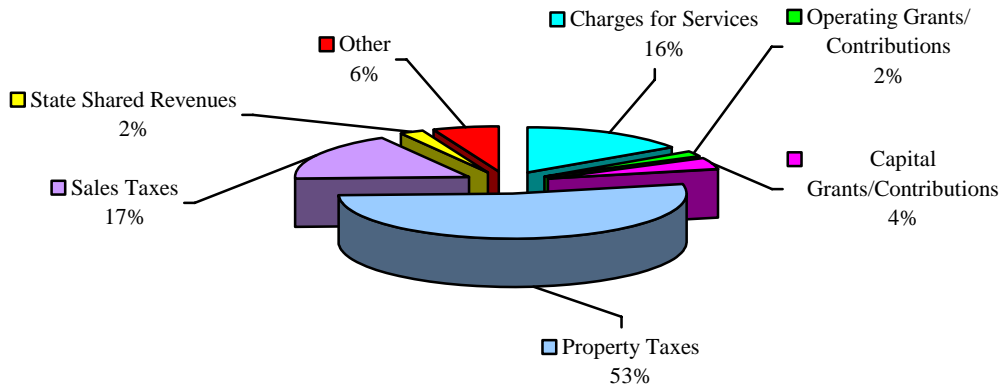
Governmental activities long-term liabilities, decreased by \$2,800,528 during 2007, while business-type activities long-term liabilities decreased by \$2,943,823. Both were due to principal payments made on existing debt during fiscal year 2007.

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

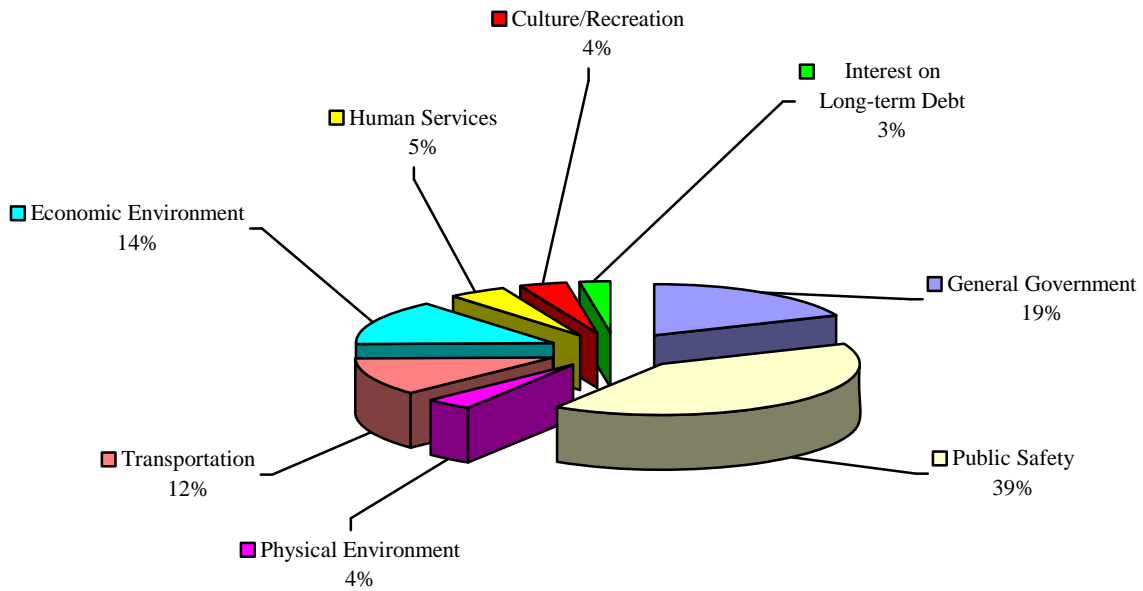
## Bay County, Florida Changes in Net Assets

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Program revenues:</b>						
Charges for services	\$ 22,488,551	\$ 21,692,291	\$ 28,405,158	\$ 34,672,393	\$ 50,893,709	\$ 56,397,923
Operating grants/contributions	3,076,826	3,590,815	202,351	7,505	3,279,177	3,598,320
Capital grants/contributions	5,880,132	6,793,674	18,603	-	5,898,735	6,793,674
<b>General revenues:</b>						
Property taxes	77,146,885	73,729,204	-	-	77,146,885	73,729,204
Sales taxes	24,982,006	24,215,778	1,500	1,900	24,983,506	24,217,678
State shared revenues	3,379,522	3,491,084	-	-	3,379,522	3,491,084
Other	8,717,682	4,752,292	5,020,417	4,480,576	13,738,099	9,199,629
<b>Total revenues</b>	<u>145,671,604</u>	<u>138,265,138</u>	<u>33,648,029</u>	<u>39,162,374</u>	<u>179,319,633</u>	<u>177,427,512</u>
<b>Expenses:</b>						
General government	22,123,284	21,899,647	-	-	22,123,284	21,899,647
Public safety	47,595,636	45,667,025	-	-	47,595,636	45,667,025
Physical environment	4,411,573	4,846,055	-	-	4,411,573	4,846,055
Transportation	14,053,021	13,023,819	-	-	14,053,021	13,023,819
Economic environment	16,957,645	14,186,061	-	-	16,957,645	14,186,061
Human services	5,594,624	4,591,809	-	-	5,594,624	4,591,809
Culture and recreation	4,473,399	3,943,961	-	-	4,473,399	3,943,961
Interest on long-term debt	2,974,935	1,691,167	-	-	2,974,935	1,691,167
Wholesale water system	-	-	12,060,032	10,871,172	12,060,032	10,871,172
Retail water and wastewater	-	-	5,808,833	4,135,864	5,808,833	4,135,864
Industrial wastewater	-	-	2,218,595	3,902,819	2,218,595	3,902,819
Solid waste	-	-	17,209,523	17,574,763	17,209,523	17,574,763
Building services	-	-	2,126,578	2,011,650	2,126,578	2,011,650
<b>Total expenses</b>	<u>118,184,117</u>	<u>109,849,544</u>	<u>39,423,561</u>	<u>38,496,268</u>	<u>157,607,681</u>	<u>148,345,812</u>
Increase (decrease) in net assets before Transfers	27,487,487	28,415,594	(5,775,532)	666,106	21,711,955	29,081,700
Transfers	-	8,143	-	(8,143)	-	-
<b>Increase (decrease) in net assets</b>	<u>27,487,487</u>	<u>28,423,737</u>	<u>(5,775,532)</u>	<u>657,963</u>	<u>21,711,955</u>	<u>29,081,700</u>
<b>Net assets - beginning</b>	184,163,013	155,448,796	84,756,746	85,102,359	268,919,759	240,551,155
<b>Prior period adjustments</b>	358,779	290,480	-	(1,003,576)	358,779	(713,096)
<b>Net assets – beginning (restated)</b>	<u>184,521,792</u>	<u>155,739,276</u>	<u>84,756,746</u>	<u>84,098,783</u>	<u>269,278,538</u>	<u>239,838,059</u>
<b>Net assets - ending</b>	<u>\$ 212,009,279</u>	<u>\$ 184,163,013</u>	<u>\$ 78,981,214</u>	<u>\$ 84,756,746</u>	<u>\$ 290,990,493</u>	<u>\$ 268,919,759</u>

### Revenues - Governmental Activities Fiscal Year Ended September 30, 2007



### Expenses-Governmental Activities Fiscal Year Ended September 30, 2007



Bay County's overall financial position improved in 2007. As reflected in the changes in net assets, the County's net assets increased by \$21,711,955. 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 commercial 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. Even though there was a decrease in charges for services in fiscal year 2007, total revenues increased \$1,892,121 from the previous year. Governmental activities revenues exceeded expenses by \$27,487,487, while business-type activities expenses exceeded revenues by \$5,775,532. Increases in interest income and property tax revenue greatly contributed to the increase in net assets in governmental activities. Total expenses increased \$9,261,869 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 (39%), general government (19%), economic environment (14%), and transportation (12%) activities. Charges for services provided 84% of the revenues for business-type activities.

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

### ***Governmental Funds***

#### **General Fund**

The main operating fund of the County is the general fund. As of September 30, 2007, total assets were \$83,267,808 and total liabilities were \$12,720,070. At the end of fiscal year 2007, unreserved fund balance of the general fund was \$33,598,429, while total fund balance equaled \$70,547,738.

The general fund's budget was amended during the year to reflect adjustments to construction projects, decreased costs associated with park and recreation improvements, increased grant funding and contributions, as well as, increased 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 slightly below the budgeted amounts due to the economic slowdown being experienced throughout the state. 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, as well as, a decrease in funding for juvenile detention. 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 accounts for the maintenance of the County's roadways, as well as, its road signs and traffic signals. Fund balance decreased \$1,179,745 in fiscal year 2007 due to the fact that more funds were expended on maintenance and improvements to the County's roads and bridges than was collected in gas taxes.

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 in fiscal year 2007 due to an increase in the collection of tourist development taxes, which were up 12% over fiscal year 2006.

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 88% of its revenues. MSTU's fund balance increased only slightly in 2007 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:

	<b>2007</b>	<b>2006</b>
<b>FUND</b>	<b>Unrestricted Net Assets</b>	<b>Unrestricted Net Assets</b>
Wholesale water system	\$ 3,632,766	\$ 8,627,119
Retail water and wastewater	5,930,574	6,790,303
Industrial wastewater	2,021,934	1,750,561
Solid waste fund	10,556,534	15,299,374
Building services	7,393,752	6,907,911
<b>Total</b>	<b>\$ 29,535,560</b>	<b>\$ 39,375,268</b>

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 \$858,625 from 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 decreased by \$242,203 over fiscal year 2006. This was due to decreases in demand by local municipalities for wholesale water.

The County's *solid waste fund* accounts for the operations and maintenance of the County's landfill and incinerator. The current tip fee rates established by the County did not generate sufficient funds to cover the costs of current operations. In fiscal year 2007, \$6,573,801 was generated by tip fees; this represents a decrease of \$847,688 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 \$1,995,318 for the long-term care and closure of its landfill. To date, the County has accrued a total liability for postclosure care of \$10,377,703. As of September 30, 2007, total assets were \$75,619,367; total liabilities were \$44,381,344 and net assets were \$31,238,023.

### **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, 2007, was \$296,528,642 (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 continued in 2007 on a new state of the art Library for Bay County. \$6,388,916 of the total project cost of \$9,869,894 was expensed in the current fiscal year.
- The County completed its new Transportation Sign and Signal Shop in fiscal year 2007 at a cost of \$569,106.
- Enhancements and improvements to the County pier's facilities were completed in fiscal year 2007 at a cost of \$739,816. The improvements included bathroom and shower facilities, along with a pavilion for use by locals as well as visitors to the County's beaches.
- Construction was completed on the 60 MGD water treatment plant expansion and enhancement project; with construction costs totaling \$33,579,216.
- Construction continued in 2007 on a new 680 bed jail facility. Of the total project cost of \$39,772,732, \$11,592,484 was expensed in fiscal year 2007.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 12,855,446	\$ 12,655,446	\$ 1,017,143	\$ 1,017,143	\$ 13,872,589	\$ 13,672,589
Construction in progress	25,363,946	4,312,345	-	16,557,874	25,363,946	20,870,219
Books	1,120,688	-	-	-	1,120,688	-
Buildings and improvements	36,998,301	36,319,715	1,388,583	1,494,516	38,386,884	37,814,231
Equipment	16,336,730	16,149,219	2,514,935	1,245,872	18,851,665	17,395,091
Infrastructure	71,738,100	70,478,536	127,194,770	98,088,908	198,932,870	168,567,444
Total	<u>\$164,413,211</u>	<u>\$139,915,261</u>	<u>\$132,115,431</u>	<u>\$ 118,404,313</u>	<u>\$ 296,528,642</u>	<u>\$ 258,319,574</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 \$153,885,147. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

### **Outstanding Bonded Debt**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
	<u>\$64,215,420</u>	<u>\$67,099,121</u>	<u>\$89,669,727</u>	<u>\$91,652,333</u>	<u>\$153,885,147</u>	<u>\$158,751,454</u>
Revenue Bonds						

The County's total bonded debt outstanding decreased by \$4,866,307 during the fiscal year ended September 30, 2007. The key factor contributing to this decrease was scheduled debt payments.

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 on revenue bonds. More detailed information about the County's liabilities is presented in notes 12 and 13 of the notes to the financial statements.

## ***OTHER FINANCIAL INFORMATION***

The County's economy began to feel the effects of the economic slowdown during the fiscal year ended September 30, 2007. Construction began a downward turn in 2007 with building permits issued on new single and multi-family residential units down 75% from the prior year. Despite, however, the prediction of an active hurricane season and rising gas prices, tourism remained strong with a 12% increase in the local option tourist development tax. The County's unemployment rate increased in 2007, to 4.4%, slightly lower than the State's average unemployment rate of 4.5%. The County will continue to focus on the construction of a new and expanded jail facility in fiscal year 2008. The new Bay County Regional Library should be completed in 2008. The new library 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, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
<b>ASSETS</b>					
Cash and cash equivalents	\$ 11,019,256	\$ 2,913,667	\$ 13,932,923	\$ 323,400	\$ 22,766
Investments	63,808,508	28,457,829	92,266,337	-	-
Accounts receivable (net)	1,491,602	6,117,874	7,609,476	271,931	-
Special assessments receivable	784,566	-	784,566	-	-
Accrued interest receivable	-	68,300	68,300	-	-
Due from other governments	6,366,814	434,069	6,800,883	-	-
Prepaid expenses	147,862	-	147,862	-	-
Notes receivable	-	19,856,842	19,856,842	-	-
Investment in joint venture	-	470,361	470,361	-	-
Restricted assets					
Cash and cash equivalents	1,392,323	789,674	2,181,997	-	-
Investments	43,419,259	7,722,557	51,141,816	-	-
Capital assets					
Nondepreciable	38,219,392	1,017,143	39,236,535	-	-
Depreciable, net	126,193,819	131,098,288	257,292,107	-	-
Unamortized bond costs	1,360,590	1,484,164	2,844,754	-	-
Total assets	<u>294,203,991</u>	<u>200,430,768</u>	<u>494,634,759</u>	<u>595,331</u>	<u>22,766</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	15,303,887	3,220,268	18,524,155	257,544	515
Internal balances	(5,296,633)	5,296,633	-	-	-
Due to other governments	1,267,346	373,307	1,640,653	-	-
Unearned revenues	3,331,624	-	3,331,624	-	-
Accrued interest payable	237,607	403,220	640,827	-	-
Customer deposits	40,000	391,051	431,051	-	-
Long-term liabilities					
Due within one year					
Accrued compensated absences	595,484	137,038	732,522	-	-
Notes payable	-	867,632	867,632	-	-
Capital leases	440,147	-	440,147	-	-
Bonds payable	2,285,000	3,090,000	5,375,000	-	-
Due in more than one year					
Accrued compensated absences	1,517,067	162,337	1,679,404	-	-
Notes payable	-	10,550,638	10,550,638	-	-
Capital leases	542,763	-	542,763	-	-
Bonds payable	61,930,420	86,579,727	148,510,147	-	-
Landfill postclosure liability	-	10,377,703	10,377,703	-	-
Total liabilities	<u>82,194,712</u>	<u>121,449,554</u>	<u>203,644,266</u>	<u>257,544</u>	<u>515</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	130,031,134	46,446,331	176,477,465	-	-
Restricted for					
Debt service	206,776	261,676	468,452	-	-
Other purposes	1,454,742	-	1,454,742	-	-
Impact fees	4,717,744	1,857,870	6,575,614	-	-
Capital projects	13,545,625	879,777	14,425,402	-	-
Unrestricted	62,053,258	29,535,560	91,588,818	337,787	22,251
Total net assets	<u>\$ 212,009,279</u>	<u>\$ 78,981,214</u>	<u>\$ 290,990,493</u>	<u>\$ 337,787</u>	<u>\$ 22,251</u>

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

Bay County, Florida  
Statement of Activities  
Year Ended September 30, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
<b>Primary Government</b>				
Governmental activities				
General government	\$ 22,123,284	\$ 16,819,772	\$ 1,069,218	\$ 1,131,474
Public safety	47,595,636	1,953,947	264,369	189,731
Physical environment	4,411,573	1,523,655	953,051	365,993
Transportation	14,053,021	1,541,359	-	1,566,695
Economic environment	16,957,645	-	580,892	227,560
Human services	5,594,624	3,900	18,500	-
Culture and recreation	4,473,399	645,918	190,796	2,398,679
Interest on long-term debt	2,974,935	-	-	-
Total governmental activities	<u>118,184,117</u>	<u>22,488,551</u>	<u>3,076,826</u>	<u>5,880,132</u>
Business-type activities				
Wholesale water system	12,060,032	10,361,087	202,351	-
Retail water and wastewater	5,808,833	4,189,192	-	18,603
Industrial wastewater	2,218,595	2,280,293	-	-
Solid waste	17,209,523	9,475,368	-	-
Building services	2,126,578	2,099,218	-	-
Total business-type activities	<u>39,423,561</u>	<u>28,405,158</u>	<u>202,351</u>	<u>18,603</u>
Total primary government	<u>\$ 157,607,678</u>	<u>\$ 50,893,709</u>	<u>\$ 3,279,177</u>	<u>\$ 5,898,735</u>
<b>Component Units</b>				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 3,277,959	\$ 3,340,451	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	175,493	186,645	-	-
Total component units	<u>\$ 3,453,452</u>	<u>\$ 3,527,096</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				
Change in net assets				
Net assets - beginning				
Prior period adjustment				
Net assets - beginning (restated)				
Net assets - ending				

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

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
\$ (3,102,820)	\$ -	\$ (3,102,820)	\$ -	\$ -
(45,187,589)	-	(45,187,589)	-	-
(1,568,874)	-	(1,568,874)	-	-
(10,944,967)	-	(10,944,967)	-	-
(16,149,193)	-	(16,149,193)	-	-
(5,572,224)	-	(5,572,224)	-	-
(1,238,006)	-	(1,238,006)	-	-
(2,974,935)	-	(2,974,935)	-	-
<u>(86,738,608)</u>	<u>-</u>	<u>(86,738,608)</u>	<u>-</u>	<u>-</u>
-	(1,496,594)	(1,496,594)	-	-
-	(1,601,038)	(1,601,038)	-	-
-	61,698	61,698	-	-
-	(7,734,155)	(7,734,155)	-	-
-	(27,360)	(27,360)	-	-
<u>-</u>	<u>(10,797,449)</u>	<u>(10,797,449)</u>	<u>-</u>	<u>-</u>
<u>(86,738,608)</u>	<u>(10,797,449)</u>	<u>(97,536,057)</u>	<u>-</u>	<u>-</u>
-	-	-	62,492	-
-	-	-	-	11,152
<u>-</u>	<u>-</u>	<u>-</u>	<u>62,492</u>	<u>11,152</u>
77,146,885	-	77,146,885	-	-
24,982,006	1,500	24,983,506	-	-
3,379,522	-	3,379,522	-	-
7,007,059	3,629,698	10,636,757	414	602
1,710,623	1,390,719	3,101,342	-	6,827
114,226,095	5,021,917	119,248,012	414	7,429
<u>27,487,487</u>	<u>(5,775,532)</u>	<u>21,711,955</u>	<u>62,906</u>	<u>18,581</u>
184,163,013	84,756,746	268,919,759	274,881	3,670
358,779	-	358,779	-	-
<u>184,521,792</u>	<u>84,756,746</u>	<u>269,278,538</u>	<u>274,881</u>	<u>3,670</u>
<u>\$ 212,009,279</u>	<u>\$ 78,981,214</u>	<u>\$ 290,990,493</u>	<u>\$ 337,787</u>	<u>\$ 22,251</u>

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



Bay County, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2007

	General	Transportation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,687,331	\$ 540,559	\$ 6,205,297	\$ 10,433,187
Accounts receivable (net)	759,391	12,703	553,111	1,325,205
Special assessments receivable	-	438,414	346,152	784,566
Investments	28,668,661	5,326,355	24,089,895	58,084,911
Due from other funds	5,219,061	13,159	-	5,232,220
Due from other governments	3,462,788	1,465,506	1,436,921	6,365,215
Prepaid items	4,991	-	22,000	26,991
Restricted assets				
Cash and cash equivalents	1,081,918	202,614	107,792	1,392,324
Investments	40,383,667	1,981,449	1,054,143	43,419,259
Total assets	<u>\$ 83,267,808</u>	<u>\$ 9,980,759</u>	<u>\$ 33,815,311</u>	<u>\$ 127,063,878</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$ 9,469,529	\$ 223,655	\$ 1,051,055	\$ 10,744,239
Deferred revenues	2,729,543	273,769	328,313	3,331,625
Due to other funds	454,612	52,605	138,689	645,906
Due to other governments	66,386	162	1,242,859	1,309,407
Total liabilities	<u>12,720,070</u>	<u>550,191</u>	<u>2,760,916</u>	<u>16,031,177</u>
Fund balance				
Reserved for				
Debt service	943,158	82,042	470,288	1,495,488
Capital projects	32,220,031	858,827	-	33,078,858
Other purposes	3,786,120	-	12,113,371	15,899,491
Unreserved, reported in				
General fund	28,735,322	-	-	28,735,322
General fund - designated	4,863,107	-	-	4,863,107
Special revenue funds	-	8,489,699	18,470,736	26,960,435
Total fund balance	<u>70,547,738</u>	<u>9,430,568</u>	<u>31,054,395</u>	<u>111,032,701</u>
Total liabilities and fund balance	<u>\$ 83,267,808</u>	<u>\$ 9,980,759</u>	<u>\$ 33,815,311</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.				164,413,211
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.				2,751,265
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				<u>(66,187,898)</u>
Net assets of governmental activities				<u>\$ 212,009,279</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Year Ended September 30, 2007

	General Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 70,011,157	\$ 5,230,665	\$ 15,065,614	\$ 90,307,436
Licenses and permits	1,899	-	-	1,899
Intergovernmental	16,880,245	4,804,385	2,205,283	23,889,913
Charges for services	10,003,719	1,182,161	8,615,972	19,801,852
Fines and forfeitures	63,081	-	-	63,081
Special assessments	-	359,198	-	359,198
Interest	5,115,460	449,298	1,161,166	6,725,924
Contributions and donations	-	-	190,797	190,797
Miscellaneous	1,298,494	92,087	555,455	1,946,036
Total revenues	<u>103,374,055</u>	<u>12,117,794</u>	<u>27,794,287</u>	<u>143,286,136</u>
<b>EXPENDITURES</b>				
Current				
General government	25,659,030	-	4,820,415	30,479,445
Public safety	51,800,592	-	7,009,922	58,810,514
Physical environment	197,489	-	5,408,744	5,606,233
Transportation	-	15,071,575	-	15,071,575
Economic environment	11,444,097	-	4,981,515	16,425,612
Human services	4,864,341	-	696,168	5,560,509
Culture and recreation	2,995,577	-	1,245,710	4,241,287
Debt service				
Principal	1,966,879	855,000	1,062,058	3,883,937
Interest and fiscal charges	2,440,865	131,899	390,575	2,963,339
Total expenditures	<u>101,368,870</u>	<u>16,058,474</u>	<u>25,615,107</u>	<u>143,042,451</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>2,005,185</u>	<u>(3,940,680)</u>	<u>2,179,180</u>	<u>243,685</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	200,000	2,856,249	4,854,771	7,911,020
Transfers out	(8,561,600)	(95,314)	(200,000)	(8,856,914)
Reversion to State of Florida	-	-	(1,005,046)	(1,005,046)
Issuance of refunding bonds	11,344,764	-	4,758,612	16,103,376
Bond issuance costs	(238,495)	-	(106,450)	(344,945)
Payment to refunded bond escrow agent	(10,437,601)	-	(4,658,328)	(15,095,929)
Discount on debt issued	(49,596)	-	(22,136)	(71,732)
Total other financing sources (uses)	<u>(7,742,528)</u>	<u>2,760,935</u>	<u>3,621,423</u>	<u>(1,360,170)</u>
Net change in fund balance	<u>(5,737,343)</u>	<u>(1,179,745)</u>	<u>5,800,603</u>	<u>(1,116,485)</u>
Fund balance - beginning	76,285,081	10,610,313	24,895,008	111,790,402
Prior period adjustment	-	-	358,784	358,784
Fund balance - beginning (restated)	<u>76,285,081</u>	<u>10,610,313</u>	<u>25,253,792</u>	<u>112,149,186</u>
Fund balance - ending	<u>\$ 70,547,738</u>	<u>\$ 9,430,568</u>	<u>\$ 31,054,395</u>	<u>\$ 111,032,701</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, 2007

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

Net change in fund balance - total governmental funds (page B-19)	\$ (1,116,485)
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.	21,850,888
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to increase net assets.	2,803,929
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.	(78,506)
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.	997,544
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.	3,030,117
Change in net assets of governmental activities (page B-17)	\$ 27,487,487

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 73,377,284	\$ 69,467,598	\$ 70,011,157	\$ 543,559
Licenses and permits	3,499	3,499	1,899	(1,600)
Intergovernmental	22,819,190	23,057,032	16,880,245	(6,176,787)
Charges for services	10,290,079	10,338,118	10,003,719	(334,399)
Fines and forfeitures	149,000	149,000	63,081	(85,919)
Interest	1,906,033	1,906,033	5,115,460	3,209,427
Miscellaneous	385,056	544,448	1,298,494	754,046
Total revenues	<u>108,930,141</u>	<u>105,465,728</u>	<u>103,374,055</u>	<u>(2,091,673)</u>
<b>EXPENDITURES</b>				
Current				
General government	41,514,007	44,423,749	25,659,030	18,764,719
Public safety	64,782,996	65,686,941	51,800,592	13,886,349
Physical environment	205,503	205,503	197,489	8,014
Economic environment	12,928,848	11,688,382	11,444,097	244,285
Human services	4,718,851	5,103,632	4,864,341	239,291
Culture and recreation	6,464,464	5,747,572	2,995,577	2,751,995
Debt service				
Principal	1,904,906	1,901,196	1,966,879	(65,683)
Interest and fiscal charges	2,531,086	2,522,317	2,440,865	81,452
Total expenditures	<u>135,050,661</u>	<u>137,279,292</u>	<u>101,368,870</u>	<u>35,910,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,120,520)</u>	<u>(31,813,564)</u>	<u>2,005,185</u>	<u>33,818,749</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	200,000	200,000	-
Transfers out	(6,683,571)	(13,517,542)	(8,561,600)	4,955,942
Issuance of refunding bonds	-	-	11,344,764	11,344,764
Bond issuance costs	-	-	(238,495)	(238,495)
Payment to refunded bond escrow agent	-	-	(10,437,601)	(10,437,601)
Discount on debt issued	-	-	(49,596)	(49,596)
Total other financing sources (uses)	<u>(6,683,571)</u>	<u>(13,317,542)</u>	<u>(7,742,528)</u>	<u>5,575,014</u>
Net change in fund balance	(32,804,091)	(45,131,106)	(5,737,343)	39,393,763
Fund balance - beginning	<u>76,285,081</u>	<u>76,285,081</u>	<u>76,285,081</u>	<u>-</u>
Fund balance - ending	<u>\$ 43,480,990</u>	<u>\$ 31,153,975</u>	<u>\$ 70,547,738</u>	<u>\$ 39,393,763</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Transportation Fund  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,050,246	\$ 5,050,246	\$ 5,230,665	\$ 180,419
Intergovernmental	7,385,048	13,850,482	4,804,385	(9,046,097)
Charges for services	1,609,650	1,609,650	1,182,161	(427,489)
Special assessments	105,381	105,381	359,198	253,817
Interest	159,775	159,775	449,298	289,523
Miscellaneous	1,602,472	1,607,172	92,087	(1,515,085)
Total revenues	<u>15,912,572</u>	<u>22,382,706</u>	<u>12,117,794</u>	<u>(10,264,912)</u>
<b>EXPENDITURES</b>				
Current				
Transportation	17,781,948	29,342,219	15,071,575	14,270,644
Debt service				
Principal	855,000	855,000	855,000	-
Interest	135,600	135,600	131,899	3,701
Total expenditures	<u>18,772,548</u>	<u>30,332,819</u>	<u>16,058,474</u>	<u>14,274,345</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,859,976)</u>	<u>(7,950,113)</u>	<u>(3,940,680)</u>	<u>4,009,433</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,570,500	2,856,249	2,856,249	-
Transfers out	<u>(400,000)</u>	<u>(95,314)</u>	<u>(95,314)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,170,500</u>	<u>2,760,935</u>	<u>2,760,935</u>	<u>-</u>
Net change in fund balance	(689,476)	(5,189,178)	(1,179,745)	4,009,433
Fund balance - beginning	<u>10,610,313</u>	<u>10,610,313</u>	<u>10,610,313</u>	<u>-</u>
Fund balance - ending	<u>\$ 9,920,837</u>	<u>\$ 5,421,135</u>	<u>\$ 9,430,568</u>	<u>\$ 4,009,433</u>

Bay County, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2007

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 148,133	\$ 428,594	\$ 162,308	\$ 1,475,994	\$ 698,638	\$ 2,913,667	\$ 586,069
Accounts receivable (net)	1,972,321	449,261	578,138	3,039,806	78,348	6,117,874	168,077
Accrued interest receivable	-	68,300	-	-	-	68,300	-
Prepaid expenses	-	-	-	-	-	-	120,871
Investments	1,448,664	4,187,499	1,587,279	14,407,976	6,826,411	28,457,829	5,723,598
Due from other funds	15,299	-	-	-	-	15,299	765,261
Due from other governments	-	434,069	-	-	-	434,069	-
Total current assets	3,584,417	5,567,723	2,327,725	18,923,776	7,603,397	38,007,038	7,363,876
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	388,364	189,231	-	212,079	-	789,674	-
Investments	3,797,983	1,850,552	-	2,074,022	-	7,722,557	-
Notes receivable	1,493,572	18,363,270	-	-	-	19,856,842	-
Investment in joint venture	-	470,361	-	-	-	470,361	-
Unamortized bond costs	813,720	-	-	670,444	-	1,484,164	-
	6,493,639	20,873,414	-	2,956,545	-	30,323,598	-
Capital assets							
Land	261,192	3,500	-	752,451	-	1,017,143	-
Construction in progress	-	-	-	-	-	-	-
Buildings	2,373,739	-	134,702	898,720	246,080	3,653,241	-
Improvements	90,985	-	-	41,250	-	132,235	-
Furniture and equipment	965,072	48,197	127,735	3,854,529	790,932	5,786,465	-
Infrastructure	102,560,005	1,494,828	10,577,333	75,584,102	-	190,216,268	-
Less: accumulated depreciation	(30,105,936)	(593,207)	(9,859,653)	(27,392,006)	(739,119)	(68,689,921)	-
Total capital assets, net	76,145,057	953,318	980,117	53,739,046	297,893	132,115,431	-
Total noncurrent assets	82,638,696	21,826,732	980,117	56,695,591	297,893	162,439,029	-
Total assets	86,223,113	27,394,455	3,307,842	75,619,367	7,901,290	200,446,067	7,363,876
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	2,086,219	340,588	194,535	558,848	40,078	3,220,268	4,599,649
Due to other funds	5,278,716	20,261	1,313	8,167	3,475	5,311,932	12,962
Due to other governments	-	373,307	-	-	-	373,307	-
Accrued interest payable	199,950	68,300	-	134,970	-	403,220	-
Accrued compensated absences - current	42,257	26,350	3,314	22,125	42,992	137,038	-
Notes payable - current	-	867,632	-	-	-	867,632	-
Bonds payable - current	1,275,000	245,000	-	1,570,000	-	3,090,000	-
Total current liabilities	8,882,142	1,941,438	199,162	2,294,110	86,545	13,403,397	4,612,611
Noncurrent liabilities							
Customer deposits	100	186,812	100,000	41,234	62,905	391,051	-
Accrued compensated absences	24,528	32,897	6,628	38,089	60,195	162,337	-
Notes payable	-	10,550,638	-	-	-	10,550,638	-
Bonds payable, net	48,249,519	6,700,000	-	31,630,208	-	86,579,727	-
Landfill postclosure liability	-	-	-	10,377,703	-	10,377,703	-
Total noncurrent liabilities	48,274,147	17,470,347	106,628	42,087,234	123,100	108,061,456	-
Total liabilities	57,156,289	19,411,785	305,790	44,381,344	209,645	121,464,853	4,612,611
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	23,676,162	953,318	980,118	20,538,840	297,893	46,446,331	-
Restricted for							
Debt service	119,027	-	-	142,649	-	261,676	-
Impact fee requirements	759,092	1,098,778	-	-	-	1,857,870	-
Capital projects	879,777	-	-	-	-	879,777	-
Unrestricted	3,632,766	5,930,574	2,021,934	10,556,534	7,393,752	29,535,560	2,751,265
Total net assets	\$ 29,066,824	\$ 7,982,670	\$ 3,002,052	\$ 31,238,023	\$ 7,691,645	\$ 78,981,214	\$ 2,751,265

Bay County, Florida  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended September 30, 2007

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>OPERATING REVENUES</b>							
Charges for services	\$ 9,309,461	\$ 4,189,192	\$ 2,280,293	\$ 9,475,368	\$ 2,099,218	\$ 27,353,532	\$ 6,915,683
Impact fees	1,051,626	-	-	-	-	1,051,626	-
Miscellaneous	6,152	42,734	3,239	38,981	31,372	122,478	10,514
Total operating revenues	<u>10,367,239</u>	<u>4,231,926</u>	<u>2,283,532</u>	<u>9,514,349</u>	<u>2,130,590</u>	<u>28,527,636</u>	<u>6,926,197</u>
<b>OPERATING EXPENSES</b>							
Personal services	1,422,398	1,221,455	193,529	756,151	1,648,758	5,242,291	1,627,532
Contracted services	748,319	313,267	477,456	11,122,333	157,072	12,818,447	286,716
Repairs and maintenance	680,936	32,921	149,452	289,210	30,022	1,182,541	88,491
Utilities	1,362,520	14,405	998,258	25,897	10,639	2,411,719	28,104
Depreciation	2,278,238	49,873	172,136	2,647,037	126,147	5,273,431	-
Amortization	52,061	-	-	42,122	-	94,183	-
Materials	-	-	-	-	-	-	2,429,957
Insurance claims	-	-	-	-	-	-	2,189,276
Other operating expenses	2,429,297	3,516,248	227,764	300,567	153,940	6,627,816	512,778
Total operating expenses	<u>8,973,769</u>	<u>5,148,169</u>	<u>2,218,595</u>	<u>15,183,317</u>	<u>2,126,578</u>	<u>33,650,428</u>	<u>7,162,854</u>
Operating income (loss)	<u>1,393,470</u>	<u>(916,243)</u>	<u>64,937</u>	<u>(5,668,968)</u>	<u>4,012</u>	<u>(5,122,792)</u>	<u>(236,657)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest income	754,123	1,012,860	87,424	1,383,419	391,872	3,629,698	282,670
Interest and fiscal charges	(3,086,263)	(660,664)	-	(2,026,206)	-	(5,773,133)	-
Taxes	-	-	-	1,500	-	1,500	-
Grants	200,000	-	-	-	-	200,000	-
Gain (loss) on investments	-	(130,450)	-	-	-	(130,450)	5,637
Total nonoperating revenues (expenses)	<u>(2,132,140)</u>	<u>221,746</u>	<u>87,424</u>	<u>(641,287)</u>	<u>391,872</u>	<u>(2,072,385)</u>	<u>288,307</u>
Income (loss) before contributions and transfers	(738,670)	(694,497)	152,361	(6,310,255)	395,884	(7,195,177)	51,650
Contributions	-	-	-	1,419,645	-	1,419,645	-
Transfers in	-	-	-	-	-	-	945,894
Change in net assets	(738,670)	(694,497)	152,361	(4,890,610)	395,884	(5,775,532)	997,544
Total net assets - beginning	<u>29,805,494</u>	<u>8,677,167</u>	<u>2,849,691</u>	<u>36,128,633</u>	<u>7,295,761</u>	<u>84,756,746</u>	<u>1,753,721</u>
Total net assets - ending	<u>\$ 29,066,824</u>	<u>\$ 7,982,670</u>	<u>\$ 3,002,052</u>	<u>\$ 31,238,023</u>	<u>\$ 7,691,645</u>	<u>\$ 78,981,214</u>	<u>\$ 2,751,265</u>

Bay County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2007

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 9,431,992	\$ 4,432,587	\$ 3,033,501	\$ 9,209,740	\$ 2,117,165	\$ 28,224,985	\$ 6,688,674
Cash received from miscellaneous operating activities	6,152	42,734	3,239	38,981	31,372	122,478	-
Cash paid to suppliers for goods and services	(4,381,177)	(4,047,152)	(1,815,175)	(14,181,776)	(828,326)	(25,253,606)	(5,241,150)
Cash paid to employees for services	(1,040,557)	(923,228)	(156,629)	(753,280)	(1,198,917)	(4,072,611)	(1,627,532)
Net cash provided by (used in) operating activities	<u>4,016,410</u>	<u>(495,059)</u>	<u>1,064,936</u>	<u>(5,686,335)</u>	<u>121,294</u>	<u>(978,754)</u>	<u>(180,008)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	-	-	-	-	-	945,894
Advance from general fund	5,271,884	-	-	-	-	5,271,884	-
Taxes	-	-	-	1,500	-	1,500	-
Contributions	200,000	-	-	385,000	-	585,000	-
Net cash provided by (used in) noncapital financing activities	<u>5,471,884</u>	<u>-</u>	<u>-</u>	<u>386,500</u>	<u>-</u>	<u>5,858,384</u>	<u>945,894</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Interest paid on long-term debt	(2,456,190)	(664,974)	-	(1,678,525)	-	(4,799,689)	-
Principal paid on long-term debt	(1,220,000)	(1,180,934)	-	(1,510,000)	-	(3,910,934)	-
Purchase of capital assets	(17,539,200)	(19,918)	(53,124)	(326,131)	(43,304)	(17,981,677)	-
Net cash used in capital and related financing activities	<u>(21,215,390)</u>	<u>(1,865,826)</u>	<u>(53,124)</u>	<u>(3,514,656)</u>	<u>(43,304)</u>	<u>(26,692,300)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sale and maturities of investment securities	10,440,801	270,061	454,504	10,251,197	130,954	21,547,517	376,618
Purchase of investments	(3,129,306)	(80,943)	(1,516,433)	(3,072,478)	(436,916)	(8,236,076)	(1,237,763)
Return of investment	-	80,973	-	-	-	80,973	-
Interest and dividends on investments	754,123	1,017,170	87,424	1,383,419	391,872	3,634,008	282,670
Collections on loans	39,425	1,180,934	81,966	-	-	1,302,325	-
Net cash provided by (used in) investing activities	<u>8,105,043</u>	<u>2,468,195</u>	<u>(892,539)</u>	<u>8,562,138</u>	<u>85,910</u>	<u>18,328,747</u>	<u>(578,475)</u>
Net increase (decrease) in cash and cash equivalents	(3,622,053)	107,310	119,273	(252,353)	163,900	(3,483,923)	187,411
Cash and cash equivalents - beginning	<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>
Cash and cash equivalents - ending	<u>\$ 536,497</u>	<u>\$ 617,825</u>	<u>\$ 162,308</u>	<u>\$ 1,688,073</u>	<u>\$ 698,638</u>	<u>\$ 3,703,341</u>	<u>\$ 586,069</u>
Classified as							
Current assets	\$ 148,133	\$ 428,594	\$ 162,308	\$ 1,475,994	\$ 698,638	\$ 2,913,667	\$ 586,069
Restricted assets	388,364	189,231	-	212,079	-	789,674	-
Total	<u>\$ 536,497</u>	<u>\$ 617,825</u>	<u>\$ 162,308</u>	<u>\$ 1,688,073</u>	<u>\$ 698,638</u>	<u>\$ 3,703,341</u>	<u>\$ 586,069</u>



Bay County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2007

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ 1,393,470	\$ (916,243)	\$ 64,937	\$ (5,668,968)	\$ 4,012	\$ (5,122,792)	\$ (236,657)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	2,278,238	49,873	172,136	2,647,037	126,147	5,273,431	-
Amortization	52,061	-	-	42,122	-	94,183	-
Loss on disposal of capital assets	5,235	-	-	19,427	7,112	31,774	-
(Increase) decrease in assets							
Accounts receivable	(922,483)	193,089	753,208	(296,229)	22,198	(250,217)	240,347
Prepaid expenses	-	-	-	-	-	-	34,163
Due from other funds	(13,101)	-	-	-	-	(13,101)	(477,870)
Due from other governments	1,255	38,080	-	-	-	39,335	-
Increase (decrease) in liabilities							
Accounts payable	1,208,216	134,079	88,967	(2,410,741)	(21,171)	(1,000,650)	274,068
Due to other funds	-	18,063	(11,684)	(8,186)	(847)	(2,654)	(14,059)
Due to other governments	-	(26,929)	-	-	-	(26,929)	-
Customer deposits	-	12,226	-	11,174	(4,251)	19,149	-
Accrued compensated absences	13,519	2,703	(2,628)	2,871	(11,906)	4,559	-
Landfill postclosure liability	-	-	-	(24,842)	-	(24,842)	-
Total adjustments	2,622,940	421,184	999,999	(17,367)	117,282	4,144,038	56,649
Net cash provided by (used in) operating activities	\$ 4,016,410	\$ (495,059)	\$ 1,064,936	\$ (5,686,335)	\$ 121,294	\$ (978,754)	\$ (180,008)
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Contribution of capital assets	\$ -	\$ -	\$ -	\$ 1,034,645	\$ -	\$ 1,034,645	\$ -

Bay County, Florida  
Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2007

**ASSETS**

Cash and cash equivalents	\$ 6,165,753
Accounts receivable (net)	13,430
Total assets	<u>\$ 6,179,183</u>

**LIABILITIES**

Bank overdraft	\$ 13,430
Accounts payable and accrued liabilities	1,481,880
Due to other governments	4,683,873
Total liabilities	<u>\$ 6,179,183</u>

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

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, sanitation, solid waste and building 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 any unexpended appropriations at the end of the year 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.

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 represent assets held by the County in a custodial capacity for other individuals or governments.

Governmental Funds

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 excludes 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, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Basis of Presentation

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The County has used GASB Statement 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds, except for the building services and industrial wastewater funds 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, 2007

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

year, various supplemental appropriations were approved by the Board in accordance with Florida Statutes.

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

Encumbrances

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

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

Investments

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

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, 2007

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 “AAAF” 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, 2007 and 2006 are not significant and have not been recorded. Special assessments due from property owners are recorded as receivables when the final assessment role is approved.

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007

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 generally 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, 2007, 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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

Landfill Closure Costs

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

Capital Contributions

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

Accrued Compensated Absences

The County's policy is to grant paid absences for vacation and sick leave. Employees, except those of the Property Appraiser and Tax Collector, are permitted to accumulate a limited amount of earned but unused vacation benefits which will be paid to them upon termination. 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 six 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. Employees that leave in good standing, are not retiring, and have ten years of service are eligible to receive payment for sick leave. 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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2007, 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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the 2006 financial statement presentation to conform to the 2007 presentation.

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 \$66,187,898 difference are as follows:

Bonds payable	\$ 63,950,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(602,806)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(1,360,590)
Plus: Issuance premium (to be amortized as interest expense)	868,226
Accrued interest payable	237,607
Capital leases payable	982,910
Compensated absences	2,112,551
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 66,187,898</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 \$164,413,211 difference are as follows:

Cost of capital assets	\$ 316,011,458
Less: Accumulated depreciation	(151,598,247)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 164,413,211</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:



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

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

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 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 \$21,850,888 difference are as follows:

Capital outlay	\$ 32,780,705
Depreciation expense	<u>(10,929,817)</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>\$ 21,850,888</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 increase net assets." The details of this \$2,803,929 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.	\$ (81,804)
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>2,885,733</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>\$ 2,803,929</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, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$3,030,117 difference are as follows:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

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

Debt issued or incurred:	
Capital lease financing	\$ (683,376)
Issuance of bonds	(15,420,000)
Plus Premium	(71,733)
Less issuance cost	344,945
Deferred loss on refunding	554,737
Principal repayments:	
Bonds	17,660,000
Capital leases	763,938
Amortization of deferred charge on refunding	(25,927)
Amortization of issuance costs	(65,677)
Amortization of bond premium	<u>(26,790)</u>
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 3,030,117</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 \$(78,506) difference are as follows:

Compensated absences	\$ (111,859)
Accrued interest	<u>33,353</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>\$ (78,506)</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:

- Crime Prevention Fund
- 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, 2007

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	\$ 1,392,323	\$ 789,674	\$ 2,181,997
Investments	43,419,259	7,722,557	51,141,816
	<u>\$ 44,811,582</u>	<u>\$ 8,512,231</u>	<u>\$ 53,323,813</u>

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Solid Waste	Total
Accrued interest payable	\$ 237,607	\$ 199,950	\$ 134,970	\$ 572,527
Current maturities of bonds	268,333	106,250	130,833	505,416
Payable from restricted assets	<u>\$ 505,940</u>	<u>\$ 306,200</u>	<u>\$ 265,803</u>	<u>\$ 1,077,943</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, 2007

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. The

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, 2007

**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 "AAAF."

As of September 30, 2007, the County had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (months)</b>
U.S. Government Securities	\$11,003,614	Demand
Commercial Paper	32,700,771	3.08
Asset-back Securities	26,917,369	2.25
Florida Local Government Investment Trust	9,586,915	Demand
Local Government Surplus Trust Fund Investment Pool	63,157,094	Demand
Other	42,390	Time Deposit
<b>Total fair value</b>	<b>\$143,408,153</b>	

**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 a nationally recognized statistical rating organization at the end of the fiscal year. The commercial paper listed below is from U.S. corporations and is denominated in U.S. currency. The Local Government Surplus Trust

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

Fund is not rated by statistical rating organizations. As of September 30, 2007, the County had the following investments as rated by Standard and Poors, Moody's and/or Fitch Investor Services:

<b>Commercial Paper</b>	<b>Rating</b>	<b>Percentage of Investments in Commercial Paper</b>
Anglesea Funding	A1, P1	6%
Beethoven Funding	A1, P1	9%
Cortland Capital	A1, P1	9%
Hudson-Thames	A1, P1	9%
Klio Funding Group	A1, P1	3%
Kommunalkredit	P1, F1	15%
Kora Development Bank of New York	A1, P1, F1	6%
La Fayette Asset	A1, P1, F1	12%
McKinley II Funding	A1, P1	9%
Rhineland Funding	P1, F1	3%
Romulus Funding	A1, P1	6%
TSL	A1, P1	13%

**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. See note 24 for more information on custodial risk.

**Concentration of Credit Risk**

The County's investment policy limits investments in commercial paper to 25% of the total investment portfolio. The County's investment portfolio (which excludes bank deposits for the purpose of this disclosure) did not include any investments held with a single commercial paper issuer that exceeded 5% of the County's total investments.

**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, 2007

**NOTE 7 – NOTES RECEIVABLE**

Notes receivable recorded by the County at September 30, 2007 are as follows:

**Enterprise Funds**

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%. \$ 18,363,270

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. 1,288,206

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. 205,366

Total notes receivable – enterprise funds \$ 19,856,842

**NOTE 8 – CAPITAL ASSETS**

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

	September 30, 2006	Increases	Decreases	September 30, 2007
Capital assets, not being depreciated				
Land	\$ 12,655,446	\$ 200,000	\$ -	\$ 12,855,446
Construction in progress	4,312,345	23,528,989	(2,477,388)	25,363,946
Total capital assets, not being depreciated	<u>16,967,791</u>	<u>23,728,989</u>	<u>(2,477,388)</u>	<u>38,219,392</u>
Capital assets, being depreciated				
Books	-	1,289,223	-	1,289,223
Buildings and improvements	51,974,648	2,120,210	-	54,094,858
Furniture and equipment	37,333,473	4,648,325	(1,697,507)	40,284,291
Infrastructure	175,766,615	6,357,079	-	182,123,694
Total capital assets, being depreciated	<u>265,074,736</u>	<u>14,414,837</u>	<u>(1,697,507)</u>	<u>277,792,066</u>
Less accumulated depreciation				
Books	-	(168,535)	-	(168,535)
Buildings and improvements	(15,654,933)	(1,441,626)	-	(17,096,559)
Furniture and equipment	(21,184,254)	(4,363,857)	1,600,552	(23,947,559)
Infrastructure	(105,288,079)	(5,097,515)	-	(110,385,594)
Total accumulated depreciation	<u>(142,127,266)</u>	<u>(11,071,533)</u>	<u>1,600,552</u>	<u>(151,598,247)</u>
Total capital assets, being depreciated, net	<u>122,947,470</u>	<u>3,343,304</u>	<u>(96,955)</u>	<u>126,193,819</u>
Total governmental-type activities capital assets, net	<u>\$ 139,915,261</u>	<u>\$ 27,072,293</u>	<u>\$ (2,574,343)</u>	<u>\$ 164,413,211</u>

The increase in accumulated depreciated of \$11,071,533 includes \$141,716 that was transferred to the County for the Public Library capital assets.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

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

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2007:

	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	898,720	246,080	3,653,241
Improvements	90,985	-	-	41,250	-	132,235
Furniture and equipment	965,072	48,197	127,735	3,854,529	790,932	5,786,465
Infrastructure	102,560,005	1,494,828	10,577,333	75,584,102	-	190,216,268
Total	<u>106,250,993</u>	<u>1,546,525</u>	<u>10,839,770</u>	<u>81,131,052</u>	<u>1,037,012</u>	<u>200,805,352</u>
Less: accumulated depreciation						
Buildings	(1,764,129)	-	(77,091)	(193,762)	(246,080)	(2,281,062)
Improvements	(75,403)	-	-	(40,428)	-	(115,831)
Furniture and equipment	(723,162)	(6,643)	(71,844)	(1,976,842)	(493,039)	(3,271,530)
Infrastructure	<u>(27,543,242)</u>	<u>(586,564)</u>	<u>(9,710,718)</u>	<u>(25,180,974)</u>	<u>-</u>	<u>(63,021,498)</u>
Total accumulated depreciation	<u>(30,105,936)</u>	<u>(593,207)</u>	<u>(9,859,653)</u>	<u>(27,392,006)</u>	<u>(739,119)</u>	<u>(68,689,921)</u>
Business-type activities capital assets, net	<u>\$ 76,145,057</u>	<u>\$ 953,318</u>	<u>\$ 980,117</u>	<u>\$53,739,046</u>	<u>\$ 297,893</u>	<u>\$ 132,115,431</u>

	<u>September 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2007</u>
Capital assets, not being depreciated				
Land	\$ 1,017,143	\$ -	\$ -	\$ 1,017,143
Construction in progress	<u>16,557,874</u>	<u>-</u>	<u>(16,557,874)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>17,575,017</u>	<u>-</u>	<u>(16,557,874)</u>	<u>1,017,143</u>
Capital assets, being depreciated				
Buildings	3,678,841	-	(25,600)	3,653,241
Improvements	132,235	-	-	132,235
Furniture and equipment	4,284,656	1,609,289	(107,479)	5,786,466
Infrastructure	<u>156,325,257</u>	<u>33,964,907</u>	<u>(73,897)</u>	<u>190,216,267</u>
Total capital assets, being depreciated	<u>164,420,989</u>	<u>35,574,196</u>	<u>(206,976)</u>	<u>199,788,209</u>
Less accumulated depreciation				
Buildings	(2,202,673)	(84,789)	6,400	(2,281,062)
Improvements	(113,887)	(1,944)	-	(115,831)
Furniture and equipment	(3,038,784)	(327,732)	94,986	(3,271,530)
Infrastructure	<u>(58,236,349)</u>	<u>(4,858,966)</u>	<u>73,817</u>	<u>(63,021,498)</u>
Total accumulated depreciation	<u>(63,591,693)</u>	<u>(5,273,431)</u>	<u>175,203</u>	<u>(68,689,921)</u>
Total capital assets, being depreciated, net	<u>100,829,296</u>	<u>30,300,765</u>	<u>(31,773)</u>	<u>131,098,288</u>
Total business-type activities Capital assets, net	<u>\$ 118,404,313</u>	<u>\$ 30,300,765</u>	<u>\$ (16,589,647)</u>	<u>\$ 132,115,431</u>



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 8 – CAPITAL ASSETS (Continued)

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

Governmental activities		
General government	\$	1,514,330
Public safety		2,985,182
Physical environment		446,702
Transportation		4,765,055
Economic environment		555,222
Human services		58,772
Culture and recreation		604,554
Total depreciation expense - governmental activities	\$	<u>10,929,817</u>
Business-type activities		
Wholesale water system	\$	2,278,238
Retail water & wastewater		49,873
Industrial wastewater		172,136
Solid waste		2,647,037
Building services		126,147
Total depreciation expense - business-type activities	\$	<u>5,273,431</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	\$	1,331,484
Equipment		198,361
Total		<u>1,529,845</u>
Less: accumulated depreciation		<u>(407,767)</u>
Net	\$	<u>1,122,078</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007 were as follows:

Year ending September 30,		
_____		
2008	\$	478,501
2009		393,524
2010		167,562
2011		3,606
Total minimum lease payments		<u>1,043,193</u>
Less amount representing interest		<u>(60,283)</u>
Present value of minimum lease payments	\$	<u>982,910</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

**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 for the fiscal year 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 10.91% effective for the entire fiscal year. The County's contributions for the years ended September 30, 2007, 2006, and 2005 were \$4,593,291 , \$3,801,294 and \$3,396,580 respectively, and are equal to the required contributions for each year.

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The County provides health insurance to its active and retired employees (the OPEB Plan). Pursuant to Section 112.0801, Florida Statutes, the County is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees.

Currently, the County funds the OPEB Plan on a pay-as-you-go basis as a current operating expense, and reflects the expense in its financial statements in the fiscal year in which the payments are made. Pursuant to the provisions of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, governments who provide post employment benefits other than pensions will be required to begin showing all or a portion of the liabilities associated with their OPEB Plans in their financial statements and whether, and to what extent, progress is being made in funding those liabilities.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The County intends to implement the requirements of GASB 45 in the fiscal year ending September 30, 2008 and is in the process of obtaining an actuarial valuation of the OPEB liability as of October 1, 2007.

NOTE 12 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES

Notes payable, in the enterprise funds at September 30, 2007, 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. \$ 8,681,617

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 \$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. 2,736,653

Total notes payable-enterprise funds	11,418,270	
Less: current portion	(867,632)	
Long-term portion of enterprise funds notes payable	\$ 10,550,638	

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

Year ending September 30,	Principal	Interest	Total
2008	\$ 867,632	\$ 286,362	\$ 1,153,994
2009	850,932	303,062	1,153,994
2010	876,038	277,956	1,153,994
2011	901,886	252,108	1,153,994
2012	928,496	225,498	1,153,994
2013-2017	5,069,944	700,027	5,769,971
2018-2020	1,923,342	65,167	1,988,509
Total	\$ 11,418,270	\$ 2,110,180	\$ 13,528,450

Bay County, Florida  
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**NOTE 12 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)**

**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	\$ 435,000	\$ 725,000	\$ 115,000	\$ 245,000	\$ 1,570,000	\$ 3,090,000
Long-term portion	575,000	1,890,000	46,520,000	6,700,000	33,815,000	89,500,000
	1,010,000	2,615,000	46,635,000	6,945,000	35,385,000	92,590,000
Deferred amounts on:						
Issuance						
(discounts) and						
premiums	(20,800)	(47,995)	2,092,510	-	(726,936)	1,296,779
Refunding	-	-	(2,759,196)	-	(1,457,856)	(4,217,052)
Total bonds payable	<u>\$ 989,200</u>	<u>\$ 2,567,005</u>	<u>\$ 45,968,314</u>	<u>\$ 6,945,000</u>	<u>\$ 33,200,208</u>	<u>\$ 89,669,727</u>

**Water System Refunding Revenue Bonds – Series 1997**

Authorized and issued \$18,885,000, interest from 3.75% to 5.125%, principal payable annually on September 1, commencing September 1, 1998. Interest payable semiannually on March 1 and September 1. The principal and interest are payable solely from and secured by a junior, subordinate and inferior lien upon the net revenue derived from the operation of the County's water system. \$14,275,000 was refunded on April 28, 2005 by the Water System Revenue Refunding Bonds – Series 2005. Average remaining annual debt service is \$364,007.

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.

\$ 989,200

**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.

Bay County, Florida  
Notes to Basic Financial Statements  
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NOTE 12 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)

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 \$1,115,145. Bay County is liable for one half of the total obligation.

\$ 6,945,000

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 \$3,189,917.

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.

33,200,208

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 \$728,617.

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.

2,567,005

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 12 – 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.

	\$ 45,968,314
Total bonds payable – business-type activities	89,669,727
Less: current portion	<u>(3,090,000)</u>
Long-term portion of business-type activities bonds payable	<u>\$ 86,579,727</u>

The annual debt service requirements to maturity for bonds payable at September 30, 2007 are as follows:

Year ending September 30,	Principal	Interest	Total
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	3,647,500	3,775,662	7,423,162
2013-2017	20,682,500	16,416,965	37,099,465
2018-2022	26,125,000	10,977,063	37,102,063
2023-2027	18,877,500	4,914,674	23,792,174
2028-2031	10,080,000	957,100	11,037,100
Total	<u>\$ 92,590,000</u>	<u>\$ 53,553,157</u>	<u>\$ 146,143,157</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

**NOTE 12 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)**

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007	Due Within One Year
Bonds payable	\$ 95,560,000	\$ -	\$ (2,970,000)	\$ 92,590,000	\$ 3,090,000
Adjusted for deferred amounts on					
Issuance discounts/premiums	1,320,778	-	(23,999)	1,296,779	-
Refunding	(5,228,445)	-	1,011,393	(4,217,052)	-
Total bonds payable	91,652,333	-	(1,982,606)	89,669,727	3,090,000
Notes payable	12,359,204	-	(940,934)	11,418,270	867,632
Accrued compensated absences	294,816	128,170	(123,611)	299,375	137,038
Business-type activity- long-term liabilities	<u>\$ 104,306,353</u>	<u>\$ 128,170</u>	<u>\$ (3,047,151)</u>	<u>\$ 101,387,372</u>	<u>\$ 4,094,670</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, 2007 there was no arbitrage liability.

**NOTE 13 – LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES**

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

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007	Due Within One Year
Bonds payable	\$ 66,190,000	\$ 15,420,000	\$ (17,660,000)	\$ 63,950,000	\$ 2,285,000
Adjusted for deferred amounts on					
Issuance discounts/premiums	983,117	(71,733)	(43,158)	868,226	-
Refunding	(73,996)	(554,738)	25,928	(602,806)	-
Total bonds payable	67,099,121	14,793,529	(17,677,230)	64,215,420	2,285,000
Capital leases payable	1,011,596	735,251	(763,937)	982,910	440,147
Accrued compensated absences	2,000,692	620,936	(509,077)	2,112,551	595,484
	<u>\$ 70,111,409</u>	<u>\$ 16,149,716</u>	<u>\$ (18,950,244)</u>	<u>\$ 67,310,881</u>	<u>\$ 3,320,631</u>

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, 2007:

**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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 13 – LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES (Continued)

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.

\$ 1,960,000

Transportation Improvement Revenue Refunding Bonds - Series 2003

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

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

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

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

3,638,118

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



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

**NOTE 13 – LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES (Continued)**

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.

\$ 4,465,000

**Taxable Capital Improvement Revenue Bonds, Series 2003B**

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

390,000

**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.

39,051,489

**Sales Tax Revenue Refunding Bonds, Series 2007**

On April 10, 2007, the County issued \$15,420,000 of Sales Tax Revenue Refunding Bonds, Series 2007 at a premium of \$71,733. A portion of the proceeds were used to refund \$14,540,000 of the outstanding Sales Tax Revenue Bonds - Series 2002, plus an additional \$554,738 of proceeds were used to purchase U.S Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

**NOTE 13 – LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES (Continued)**

future debt service payments on the 2002 Series Refunded Bonds. As a result, \$14,540,000 of the 2002 series bonds are considered to be defeased, and the County's liability associated with those bonds has been removed from the financial statements.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$554,738. The difference is reported as a deferred amount on refunding. The County completed the refunding to reduce its debt service over the next 25 years by \$967,941 and obtain an economic gain of \$489,145.

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, Bay County, Florida Sales Tax Revenue Bonds, Series 2002, and Bay County, Florida Sales Tax Revenue Bonds, Series 2006 by a prior lien and pledge 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.

Interest varies from 3.6% to 4.4%, principal payable annually on September 1, commencing September 1, 2007, interest payable semi-annually on September 1 and March 1, commencing on March 1, 2008.

	\$ 14,710,813
Total bonds payable – governmental activities	64,215,420
Less: current portion	(2,285,000)
Long-term portion governmental activities bonds payable	<u>\$ 61,930,420</u>

The annual debt service requirements to maturity for the governmental activities revenue bonds payable at September 30, 2007 are as follows:

Year ending September 30,	Principal	Interest	Total
2008	\$ 2,285,000	\$ 2,843,906	\$ 5,128,906
2009	2,360,000	2,769,804	5,129,804
2010	2,445,000	2,695,661	5,140,661
2011	2,525,000	2,617,180	5,142,180
2012	1,505,000	2,536,742	4,041,742
2013-2017	3,170,000	12,174,975	15,344,975
2018-2022	3,885,000	11,442,069	15,327,069
2023-2027	18,510,000	9,547,904	28,057,904
2028-2032	27,265,000	3,899,161	31,164,161
Total	<u>\$ 63,950,000</u>	<u>\$ 50,527,402</u>	<u>\$ 114,477,402</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

**NOTE 13 – LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES (Continued)**

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the County to rebate excess arbitrage earnings from bond proceeds to the Federal government. As of September 30, 2007 there was no arbitrage liability.

**NOTE 14 – COMPENSATED ABSENCES**

The County's compensated absences at September 30, 2007 are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 595,484	\$ 137,038	\$ 732,522
Long-term	1,517,067	162,337	1,679,404
Total	<u>\$ 2,112,551</u>	<u>\$ 299,375</u>	<u>\$ 2,411,926</u>

**NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES, AND INTERFUND TRANSFERS**

Interfund receivables and payables result primarily from the normal operations of the internal service funds. Interfund transfers during the year ended September 30, 2007 were as follows:

	Transfer in				
	General Fund	Transportation Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Transfer out					
General fund	\$ -	\$ 2,760,935	\$ 4,854,771	\$ 945,894	\$ 8,561,600
Transportation fund	-	95,314	-	-	95,314
Nonmajor governmental funds	200,000	-	-	-	200,000
Total	<u>\$ 200,000</u>	<u>\$ 2,856,249</u>	<u>\$ 4,854,771</u>	<u>\$ 945,894</u>	<u>\$ 8,856,914</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.

At September 30, 2007, interfund receivables and payables are as follows:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

**NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES, AND INTERFUND TRANSFERS (Continued)**

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Other nonmajor governmental funds	\$ 31,037
	Solid waste fund	3,333
	Retail water and wastewater	4,999
	Wholesale water system	5,179,693
		<u>5,219,062</u>
Transportation	Other nonmajor governmental funds	70
	Other transportation funds	162
	Solid waste fund	116
	Internal service funds	12,812
		<u>13,160</u>
Wholesale water system	Industrial Wastewater	36
	Solid Waste	1
	Retail water and wastewater	15,262
		<u>15,299</u>
Internal service funds	General fund	452,412
	Transportation	52,605
	Other nonmajor governmental funds	107,582
	Wholesale water system	99,023
	Solid waste fund	4,717
	Industrial wastewater	1,277
	Building services	3,425
	Other internal service funds	201
		<u>721,242</u>
	Total	<u><u>\$ 5,968,763</u></u>

**NOTE 16 – 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, 2007, consisted of the following:

Bay County, Florida  
Notes to Basic Financial Statements  
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NOTE 16 – EQUITY (Continued)

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Total Enterprise Funds
Restricted for debt service	\$ 119,027	\$ -	\$ 142,649	\$ 261,676
Restricted for impact fee requirements	759,092	1,098,778	-	1,857,870
Restricted for capital projects	879,777	-	-	879,777
Total	<u>\$ 1,757,896</u>	<u>\$ 1,098,778</u>	<u>\$ 142,649</u>	<u>\$ 2,999,323</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, 2007, consist of the following:

General fund:

Reserved for debt service \$ 943,158

Reserved for capital projects \$ 32,220,031

Reserved for other purposes

Reserved for drug court \$ 209,969

Reserved for boating improvement 260,524

Reserved for law enforcement 126,104

Reserved for innovative court programs 272,496

Reserved for legal aid 44,079

Reserved for law library 44,806

Reserved for teen court 18,380

Reserved for public records 788,928

Reserved for crime prevention 85,286

Reserved for library impact 458,173

Reserved for park impact 1,477,375

Total reserved for other purposes \$ 3,786,120

Special revenue funds:

Reserved for debt service \$ 552,330

Reserved for capital projects \$ 858,827

Reserved for other purposes

Reserved for fire impact \$ 685,066

Reserved for beach nourishment 10,570,160

Reserved for tourism promotion 858,145

Total reserved for other purposes \$ 12,113,371

Bay County, Florida  
Notes to Basic Financial Statements  
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NOTE 16 – EQUITY (Continued)

Designated Fund Balance

The County has established certain designations within the unreserved fund balance section of the governmental funds. Designated fund balance at September 30, 2007 consists of the following:

General fund:

Designated for insurance claims and emergency contingency	<u>\$ 4,863,107</u>
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NOTE 17 – 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. The referenced bonds were defeased pursuant to an Escrow Deposit Agreement dated December 12, 2007. They were redeemed on January 14, 2008.

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 \$1,469,712 and the postclosure costs to maintain and monitor the Steelfield and Majette landfills will be approximately \$525,606 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 \$10,377,703 landfill closure and postclosure care liability at September 30, 2007, 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 2007. Actual cost may be higher due to inflation, deflation, changes in technology, or changes in applicable laws and regulations.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2007, \$2,008,482 was held for these purposes. These are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined to be necessary, these costs may need to be covered by charges to future landfill users or from future tax revenue.

Legal Contingencies

*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.

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, 2007, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway’s portion of note payable	\$ 8,681,617
Related interest expense	1,583,341
Wastewater System Revenue Refunding Bonds Series 2004 (see note 12)	6,945,000
Related interest expense	3,648,878
	<hr/>
Total contingent liability – joint venture	<u>\$ 20,858,836</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments

Bay County has open contract commitments for its governmental activities as follows:

Project	Contract Amount	Expended to Date	Remaining Commitment
Jail Facility	\$ 39,772,732	\$ 12,907,153	\$ 26,865,579
Library	9,869,894	6,821,867	3,048,027
Total contract commitments	\$ 49,642,626	\$ 19,729,020	\$ 29,913,606

NOTE 18 – 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, 2007 are summarized as follows:

Issue	Date of Issue	Amount Outstanding at September 30, 2007
Bay County, Florida Variable/Fixed Rate Revenue Bonds, Series 2000 (Methodist Homes for the Aging Project)	October 1, 2001	\$ 7,120,000
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	\$ 11,415,000

NOTE 19 – 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, 2007. The County purchases commercial insurance for claims in



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 19 – WORKERS’ COMPENSATION – SELF INSURANCE (Continued)

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 \$4,195,507 reported in the workers' compensation fund at September 30, 2007 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 2006 and 2007 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, 2005 - September 30, 2006	<u>\$ 3,721,031</u>	<u>\$ 512,975</u>	<u>\$ (371,127)</u>	<u>\$ 3,862,879</u>
October 1, 2006 - September 30, 2007	<u>\$ 3,862,879</u>	<u>\$ 524,358</u>	<u>\$ (191,730)</u>	<u>\$ 4,195,507</u>

NOTE 20 – INSURANCE

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

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

Changes in the self-insurers' fund's claims liability amount in fiscal years 2006 and 2007 were as follows:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 20 – 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, 2005 - September 30, 2006	\$ 250,000	\$ 1,136,456	\$ (1,136,456)	\$ 250,000
October 1, 2006 - September 30, 2007	\$ 250,000	\$ 2,057,436	\$ (2,057,436)	\$ 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 21 – JOINT VENTURE

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

The joint venture is owned and governed by Bay County, Florida; the cities of Callaway, Parker, and Springfield; and the Town of Cedar Grove. One owner is selected by the others to be responsible for operating the System. The owner designated to be the Operator is Bay County, Florida. The Operator of the System, in accordance with the interlocal agreement, prepares the system's annual budget, sets treatment rates and collects funds sufficient to pay debt service, cost of operations and maintenance, renewal and replacement, and any enhancements to reserves. The results of operations and cash flows are accounted for in total within the financial statements of the joint venture. The County's interest in equity is reported within the County's Retail Water and Wastewater Fund. As of September 30, 2007, the County's investment in the joint venture was \$470,361. Complete financial statements for the joint venture may be obtained from the Operator at P.O. Box 2269, Panama City, Florida 32402.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 21 – JOINT VENTURE (Continued)

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

Statement of Net Assets  
September 30, 2007

Assets	<u>\$ 41,327,595</u>
Liabilities	<u>33,348,689</u>
Net assets	
Invested in capital assets, net of related debt	3,668,898
Restricted	4,146,017
Unrestricted	<u>163,991</u>
Total net assets	<u>7,978,906</u>
Total liabilities and net assets	<u>\$ 41,327,595</u>

Statement of Activities  
Year Ended September 30, 2007

Revenues	\$ 5,781,315
Expenses	<u>(4,198,835)</u>
Operating income	1,582,480
Nonoperating revenues (expenses), net	<u>(806,008)</u>
Net income before distributions	776,472
Distribution to owners	<u>(1,659,987)</u>
Net income	(883,515)
Net assets, beginning of year	<u>8,862,421</u>
Net assets, end of year	<u>\$ 7,978,906</u>

As of September 30, 2007 the County's portion of contributions and net assets in the joint venture is as follows:

County investment, beginning of year	\$ 681,784
Add: 2007 County share of net income	(130,450)
Less: 2006 distributions to owners	<u>(80,973)</u>
County investment in joint venture at September 30, 2007	<u>\$ 470,361</u>

NOTE 22 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2007 the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2007, billings for these services totaled \$2,047,154.

As described in note 21, Bay County is an owner of the Military Point Advanced Wastewater Treatment Facility. Bay County, Florida incurs operational expenses on behalf

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 22 – RELATED PARTY TRANSACTIONS (Continued)

of the joint venture. Reimbursement for these expenses amounted to \$2,070,891 for the year ended September 30, 2007. In addition, during the current year the County recognized \$660,664 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$660,664, related to the State Revolving Fund Loan Program as discussed in note 12.

NOTE 23 – PRIOR PERIOD ADJUSTMENT

Capitalization of Capital Assets

During 2007, the County determined that expenses incurred during the prior year for drainage projects in the stormwater management fund should have been recorded as construction in progress and therefore capitalized instead of expensed. As a result, an increase of \$358,779 has been made to the beginning net assets on the County's governmental statement of activities.

NOTE 24 – SUBSEQUENT EVENTS

As discussed in note 5, at September 30, 2007, the County had \$63,157,094 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities in the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to subprime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of all assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current Pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Pool A participants may withdraw 37% of their balance or \$4 million, whichever is greater without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Service assigned its "AAAM" principal stability fund rating to Pool A.

Pool B participants are prohibited from withdrawing any amount from the Pool. However, cash holdings are being distributed to participants as they become available from maturities and sales as well as received income. Market valuations of the assets held in Pool B are not

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2007

NOTE 24 – SUBSEQUENT EVENTS (Continued)

readily available. In addition, full realization of the principal value of Pool B assets is not readily determinable. On December 5, 2007, the County had \$33,600,834 and \$5,645,303 invested in Pool A and Pool B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

On October 16, 2007, the County closed on a \$30,000,000 Capital Improvement Revenue Bond Issue, Series 2007. The proceeds of the bonds will be used for certain capital improvements within the County including the construction of a new administration building and a public pier.

On December 12, 2007, the County closed on a \$21,000,000 Utility System Revenue Bond Anticipation Note, Series 2007. The proceeds of the note were used to purchase the water and wastewater utility systems of Gulf Coast Electric Cooperative on March 31, 2008.

NOTE 25 – DEFICIT FUND BALANCE

The Utility Regulatory Authority nonmajor special revenue fund had a deficit fund balance as of September 30, 2007 in the amount of \$16,958.

# 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.

Public Library – to account for the operations of the public library system in Bay and surrounding counties.

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.

Crime Prevention – to account for expenditures to fund crime prevention programs in the county in accordance with Florida Statute 775.083, funded through fines paid by offenders.

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, 2007

	Special Revenue				
	Stormwater Management	Public Library	Tourist Development	Public Safety	Intergovernmental Radio Communications
<b>ASSETS</b>					
Cash and cash equivalents	\$ 217,434	\$ 39,419	\$ 999,984	\$ 63,767	\$ 98,078
Accounts receivable (net)	10,214	39,947	413,640	885	21,088
Special assessments receivable	-	-	-	-	-
Investments	2,126,377	381,484	14,006,760	623,604	959,147
Prepaid items	-	-	-	-	-
Due from other governments	365,993	-	822,898	236,230	-
Restricted assets					
Cash and cash equivalents	-	-	-	-	6,226
Investments	-	-	-	-	60,879
Total assets	<u>\$ 2,720,018</u>	<u>\$ 460,850</u>	<u>\$ 16,243,282</u>	<u>\$ 924,486</u>	<u>\$ 1,145,418</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities					
Accounts payable	\$ 69,063	\$ 46,367	\$ 350,914	\$ 5,200	\$ 2,446
Deferred revenue	-	-	-	-	-
Due to other funds	29,643	20,532	-	14,111	-
Due to other governments	-	-	-	-	-
Total liabilities	<u>98,706</u>	<u>66,899</u>	<u>350,914</u>	<u>19,311</u>	<u>2,446</u>
Fund balance					
Reserved for					
Debt service	-	-	-	-	65,062
Other purposes	-	-	11,428,305	-	-
Unreserved	<u>2,621,312</u>	<u>393,951</u>	<u>4,464,063</u>	<u>905,175</u>	<u>1,077,910</u>
Total fund balance	<u>2,621,312</u>	<u>393,951</u>	<u>15,892,368</u>	<u>905,175</u>	<u>1,142,972</u>
Total liabilities and fund balance	<u>\$ 2,720,018</u>	<u>\$ 460,850</u>	<u>\$ 16,243,282</u>	<u>\$ 924,486</u>	<u>\$ 1,145,418</u>

Continued

Special Revenue					
District Mosquito Control	MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority	Court Fund	10/6/3 Fund
\$ 136,834	\$ 437,187	\$ 39,144	\$ 102	\$ 1,485,711	\$ 448,733
8,120	38,538	346	-	20,333	-
-	-	346,152	-	-	-
1,338,162	4,270,554	382,807	1,000	-	-
-	-	-	-	-	-
-	11,800	-	-	-	-
-	101,566	-	-	-	-
-	993,264	-	-	-	-
<u>\$ 1,483,116</u>	<u>\$ 5,852,909</u>	<u>\$ 768,449</u>	<u>\$ 1,102</u>	<u>\$ 1,506,044</u>	<u>\$ 448,733</u>
\$ 14,257	\$ 258,867	\$ 106	\$ 1,060	\$ 263,185	\$ 17,987
-	-	328,313	-	-	-
3,953	53,450	-	17,000	-	-
-	-	-	-	1,242,859	-
<u>18,210</u>	<u>312,317</u>	<u>328,419</u>	<u>18,060</u>	<u>1,506,044</u>	<u>17,987</u>
-	405,226	-	-	-	-
-	685,066	-	-	-	-
<u>1,464,906</u>	<u>4,450,300</u>	<u>440,030</u>	<u>(16,958)</u>	<u>-</u>	<u>430,746</u>
<u>1,464,906</u>	<u>5,540,592</u>	<u>440,030</u>	<u>(16,958)</u>	<u>-</u>	<u>430,746</u>
<u>\$ 1,483,116</u>	<u>\$ 5,852,909</u>	<u>\$ 768,449</u>	<u>\$ 1,102</u>	<u>\$ 1,506,044</u>	<u>\$ 448,733</u>

Continued

Bay County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2007

	Special Revenue				
	Family Mediation	Records Modernization - Court	Records Modernization - Records	Law Enforcement Training	Special Law Enforcement Trust
<b>ASSETS</b>					
Cash and cash equivalents	\$ 44,691	\$ 818,332	\$ 855,663	\$ 3,918	\$ 2,763
Accounts receivable (net)	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Investments	-	-	-	-	-
Prepaid items	-	-	22,000	-	-
Due from other governments	-	-	-	-	-
Restricted assets					
Cash and cash equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Total Assets	<u>\$ 44,691</u>	<u>\$ 818,332</u>	<u>\$ 877,663</u>	<u>\$ 3,918</u>	<u>\$ 2,763</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities					
Accounts payable	\$ 1,900	\$ -	\$ 19,703	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	<u>1,900</u>	<u>-</u>	<u>19,703</u>	<u>-</u>	<u>-</u>
Fund balance					
Reserved for					
Debt service	-	-	-	-	-
Other purposes	-	-	-	-	-
Unreserved	<u>42,791</u>	<u>818,332</u>	<u>857,960</u>	<u>3,918</u>	<u>2,763</u>
Total fund balance	<u>42,791</u>	<u>818,332</u>	<u>857,960</u>	<u>3,918</u>	<u>2,763</u>
Total liabilities and fund balance	<u>\$ 44,691</u>	<u>\$ 818,332</u>	<u>\$ 877,663</u>	<u>\$ 3,918</u>	<u>\$ 2,763</u>

Special Revenue

Special Contribution	Crime Prevention	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ 409	\$ 426,097	\$ 66,036	\$ 20,995	\$ 6,205,297
-	-	-	-	553,111
-	-	-	-	346,152
-	-	-	-	24,089,895
-	-	-	-	22,000
-	-	-	-	1,436,921
-	-	-	-	107,792
-	-	-	-	1,054,143
<u>\$ 409</u>	<u>\$ 426,097</u>	<u>\$ 66,036</u>	<u>\$ 20,995</u>	<u>\$ 33,815,311</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,051,055
-	-	-	-	328,313
-	-	-	-	138,689
-	-	-	-	1,242,859
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,760,916</u>
-	-	-	-	470,288
-	-	-	-	12,113,371
<u>409</u>	<u>426,097</u>	<u>66,036</u>	<u>20,995</u>	<u>18,470,736</u>
<u>409</u>	<u>426,097</u>	<u>66,036</u>	<u>20,995</u>	<u>31,054,395</u>
<u>\$ 409</u>	<u>\$ 426,097</u>	<u>\$ 66,036</u>	<u>\$ 20,995</u>	<u>\$ 33,815,311</u>

Bay County, Florida  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2007

	Special Revenue				
	Stormwater Management	Public Library	Tourist Development	Public Safety	Intergovernmental Radio Communications
<b>REVENUES</b>					
Taxes	\$ 1,491,694	\$ -	\$ 6,438,193	\$ -	\$ -
Intergovernmental	365,993	225,536	856,474	-	-
Charges for services	-	432,484	-	1,029,141	735,134
Interest	80,824	3,910	483,045	32,347	62,031
Contributions and donations	-	190,797	-	-	-
Miscellaneous	5,632	482	240,109	6,613	234,729
Total revenues	<u>1,944,143</u>	<u>853,209</u>	<u>8,017,821</u>	<u>1,068,101</u>	<u>1,031,894</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	563,696	557,976
Physical environment	5,303,967	-	-	-	-
Culture and recreation	-	1,245,710	-	-	-
Economic environment	-	-	4,981,515	-	-
Human services	-	-	-	-	-
Debt service					
Principal	-	14,731	-	-	670,560
Interest	-	13,200	-	-	111,538
Total expenditures	<u>5,303,967</u>	<u>1,273,641</u>	<u>4,981,515</u>	<u>563,696</u>	<u>1,340,074</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,359,824)</u>	<u>(420,432)</u>	<u>3,036,306</u>	<u>504,405</u>	<u>(308,180)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	3,520,378	814,383	-	-	438,268
Transfers out	-	-	-	(200,000)	-
Bond issuance costs	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Reversion to State of Florida	-	-	-	-	-
Total other financing sources (uses)	<u>3,520,378</u>	<u>814,383</u>	<u>-</u>	<u>(200,000)</u>	<u>438,268</u>
Net change in fund balance	<u>160,554</u>	<u>393,951</u>	<u>3,036,306</u>	<u>304,405</u>	<u>130,088</u>
Fund balance - beginning	2,101,974	-	12,856,062	600,770	1,012,884
Prior period adjustment	<u>358,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning (restated)	<u>2,460,758</u>	<u>-</u>	<u>12,856,062</u>	<u>600,770</u>	<u>1,012,884</u>
Fund balance - ending	<u>\$ 2,621,312</u>	<u>\$ 393,951</u>	<u>\$ 15,892,368</u>	<u>\$ 905,175</u>	<u>\$ 1,142,972</u>

Continued

Special Revenue					
District Mosquito Control	MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority	Court Fund	10/6/3 Fund
\$ 1,132,851	\$ 6,002,876	\$ -	\$ -	\$ -	\$ -
18,500	27,790	-	-	-	-
3,900	363,289	31,961	-	5,291,260	-
77,330	375,039	46,640	-	-	-
-	-	-	-	-	-
3,249	19,642	-	-	-	21,455
1,235,830	6,788,636	78,601	-	5,291,260	21,455
-	-	-	-	4,286,214	79,704
-	5,639,452	-	-	-	-
-	-	6,077	98,700	-	-
-	-	-	-	-	-
-	-	-	-	-	-
696,168	-	-	-	-	-
-	376,767	-	-	-	-
-	265,837	-	-	-	-
696,168	6,282,056	6,077	98,700	4,286,214	79,704
539,662	506,580	72,524	(98,700)	1,005,046	(58,249)
-	-	-	81,742	-	-
-	-	-	-	-	-
-	(106,450)	-	-	-	-
-	(22,136)	-	-	-	-
-	4,758,612	-	-	-	-
-	(4,658,328)	-	-	-	-
-	-	-	-	(1,005,046)	-
-	(28,302)	-	81,742	(1,005,046)	-
539,662	478,278	72,524	(16,958)	-	(58,249)
925,244	5,062,314	367,506	-	-	488,995
-	-	-	-	-	-
925,244	5,062,314	367,506	-	-	488,995
\$ 1,464,906	\$ 5,540,592	\$ 440,030	\$ (16,958)	\$ -	\$ 430,746

Continued

Bay County, Florida  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2007

	Special Revenue				
	Family Mediation	Records Modernization - Court	Records Modernization - Records	Law Enforcement Training	Special Law Enforcement Trust
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	65,683	37,345
Charges for services	-	177,070	551,733	-	-
Interest	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous	471	9,005	13,809	-	-
Total revenues	<u>471</u>	<u>186,075</u>	<u>565,542</u>	<u>65,683</u>	<u>37,345</u>
<b>EXPENDITURES</b>					
Current					
General government	4,775	92,779	356,943	-	-
Public safety	-	-	-	63,232	46,536
Physical environment	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>4,775</u>	<u>92,779</u>	<u>356,943</u>	<u>63,232</u>	<u>46,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,304)</u>	<u>93,296</u>	<u>208,599</u>	<u>2,451</u>	<u>(9,191)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Reversion to State of Florida	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(4,304)</u>	<u>93,296</u>	<u>208,599</u>	<u>2,451</u>	<u>(9,191)</u>
Fund balance - beginning	47,095	725,036	649,361	1,467	11,954
Prior period adjustment	-	-	-	-	-
Fund balance - beginning (restated)	<u>47,095</u>	<u>725,036</u>	<u>649,361</u>	<u>1,467</u>	<u>11,954</u>
Fund balance - ending	<u>\$ 42,791</u>	<u>\$ 818,332</u>	<u>\$ 857,960</u>	<u>\$ 3,918</u>	<u>\$ 2,763</u>

Special Contribution	Crime Prevention	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 15,065,614
5,156	461,641	111,603	29,562	2,205,283
-	-	-	-	8,615,972
-	-	-	-	1,161,166
-	-	-	-	190,797
-	-	208	51	555,455
5,156	461,641	111,811	29,613	27,794,287
-	-	-	-	4,820,415
9,508	35,544	48,842	45,136	7,009,922
-	-	-	-	5,408,744
-	-	-	-	1,245,710
-	-	-	-	4,981,515
-	-	-	-	696,168
-	-	-	-	1,062,058
-	-	-	-	390,575
9,508	35,544	48,842	45,136	25,615,107
(4,352)	426,097	62,969	(15,523)	2,179,180
-	-	-	-	4,854,771
-	-	-	-	(200,000)
-	-	-	-	(106,450)
-	-	-	-	(22,136)
-	-	-	-	4,758,612
-	-	-	-	(4,658,328)
-	-	-	-	(1,005,046)
-	-	-	-	3,621,423
(4,352)	426,097	62,969	(15,523)	5,800,603
4,761	-	3,067	36,518	24,895,008
-	-	-	-	358,784
4,761	-	3,067	36,518	25,253,792
\$ 409	\$ 426,097	\$ 66,036	\$ 20,995	\$ 31,054,395



Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Stormwater Management  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,330,000	\$ 1,330,000	\$ 1,491,694	\$ 161,694
Intergovernmental	750,000	750,000	365,993	(384,007)
Interest	24,470	24,470	80,824	56,354
Miscellaneous	250,000	1,272,371	5,632	(1,266,739)
Total revenues	<u>2,354,470</u>	<u>3,376,841</u>	<u>1,944,143</u>	<u>(1,432,698)</u>
<b>EXPENDITURES</b>				
Physical environment	<u>6,051,470</u>	<u>6,897,219</u>	<u>5,303,967</u>	<u>1,593,252</u>
Total expenditures	<u>6,051,470</u>	<u>6,897,219</u>	<u>5,303,967</u>	<u>1,593,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,697,000)</u>	<u>(3,520,378)</u>	<u>(3,359,824)</u>	<u>160,554</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>3,697,000</u>	<u>3,520,378</u>	<u>3,520,378</u>	<u>-</u>
Total other financing sources (uses)	<u>3,697,000</u>	<u>3,520,378</u>	<u>3,520,378</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>160,554</u>	<u>160,554</u>
Fund balance - beginning	2,101,974	2,101,974	2,101,974	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>358,784</u>	<u>358,784</u>
Fund balance - beginning (restated)	<u>2,101,974</u>	<u>2,101,974</u>	<u>2,460,758</u>	<u>358,784</u>
Fund balance - ending	<u>\$ 2,101,974</u>	<u>\$ 2,101,974</u>	<u>\$ 2,621,312</u>	<u>\$ 519,338</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Public Library  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	323,235	323,235	225,536	\$ (97,699)
Charges for services	251,434	251,434	432,484	181,050
Interest	-	-	3,910	3,910
Contributions and donations	189,001	189,001	190,797	1,796
Miscellaneous	20	20	482	462
Total revenues	<u>763,690</u>	<u>763,690</u>	<u>853,209</u>	<u>89,519</u>
<b>EXPENDITURES</b>				
Culture and recreation	1,550,142	1,550,142	1,245,710	304,432
Debt service				
Principal	14,731	14,731	14,731	-
Interest	13,200	13,200	13,200	-
Total expenditures	<u>1,578,073</u>	<u>1,578,073</u>	<u>1,273,641</u>	<u>304,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(814,383)</u>	<u>(814,383)</u>	<u>(420,432)</u>	<u>393,951</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		814,383	814,383	-
Total other financing sources (uses)	<u>-</u>	<u>814,383</u>	<u>814,383</u>	<u>-</u>
Net change in fund balance	(814,383)	-	393,951	393,951
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ (814,383)</u>	<u>\$ -</u>	<u>\$ 393,951</u>	<u>\$ 393,951</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Tourist Development  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,501,059	\$ 5,501,059	\$ 6,438,193	\$ 937,134
Intergovernmental	167,609	167,609	856,474	688,865
Interest	69,138	69,138	483,045	413,907
Miscellaneous	39,563	39,563	240,109	200,546
Total revenues	<u>5,777,369</u>	<u>5,777,369</u>	<u>8,017,821</u>	<u>2,240,452</u>
<b>EXPENDITURES</b>				
Economic environment	<u>4,557,979</u>	<u>4,936,499</u>	<u>4,981,515</u>	<u>(45,016)</u>
Total expenditures	<u>4,557,979</u>	<u>4,936,499</u>	<u>4,981,515</u>	<u>(45,016)</u>
Excess (deficiency) of revenues over (under) expenditures	1,219,390	840,870	3,036,306	2,195,436
Fund balance - beginning	<u>12,856,062</u>	<u>12,856,062</u>	<u>12,856,062</u>	<u>-</u>
Fund balance - ending	<u>\$ 14,075,452</u>	<u>\$ 13,696,932</u>	<u>\$ 15,892,368</u>	<u>\$ 2,195,436</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Public Safety  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 802,795	\$ 859,082	\$ 1,029,141	\$ 170,059
Interest	6,155	6,155	32,347	26,192
Miscellaneous	-	-	6,613	6,613
Total revenues	<u>808,950</u>	<u>865,237</u>	<u>1,068,101</u>	<u>202,864</u>
<b>EXPENDITURES</b>				
Public safety	<u>1,108,950</u>	<u>965,237</u>	<u>563,696</u>	<u>401,541</u>
Total expenditures	<u>1,108,950</u>	<u>965,237</u>	<u>563,696</u>	<u>401,541</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(300,000)</u>	<u>(100,000)</u>	<u>504,405</u>	<u>604,405</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<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	(300,000)	(300,000)	304,405	604,405
Fund balance - beginning	<u>600,770</u>	<u>600,770</u>	<u>600,770</u>	<u>-</u>
Fund balance - ending	<u>\$ 300,770</u>	<u>\$ 300,770</u>	<u>\$ 905,175</u>	<u>\$ 604,405</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Intergovernmental Radio Communications  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 678,955	\$ 662,949	\$ 735,134	\$ 72,185
Interest	24,225	24,225	62,031	37,806
Miscellaneous	969,673	933,029	234,729	(698,300)
Total revenues	<u>1,672,853</u>	<u>1,620,203</u>	<u>1,031,894</u>	<u>(588,309)</u>
<b>EXPENDITURES</b>				
Public safety	1,434,999	1,276,330	557,976	718,354
Debt service				
Principal	589,463	670,563	670,560	3
Interest	99,378	111,578	111,538	40
Total expenditures	<u>2,123,840</u>	<u>2,058,471</u>	<u>1,340,074</u>	<u>718,397</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(450,987)</u>	<u>(438,268)</u>	<u>(308,180)</u>	<u>130,088</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	450,987	438,268	438,268	-
Total other financing sources (uses)	<u>450,987</u>	<u>438,268</u>	<u>438,268</u>	<u>-</u>
Net change in fund balance	-	-	130,088	130,088
Fund balance - beginning	<u>1,012,884</u>	<u>1,012,884</u>	<u>1,012,884</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,012,884</u>	<u>\$ 1,012,884</u>	<u>\$ 1,142,972</u>	<u>\$ 130,088</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
District Mosquito Control  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,154,509	\$ 1,119,938	\$ 1,132,851	\$ 12,913
Intergovernmental	18,513	18,513	18,500	(13)
Charges for services	3,380	3,380	3,900	520
Interest	-	-	77,330	77,330
Miscellaneous	407,579	407,579	3,249	(404,330)
Total revenues	<u>1,583,981</u>	<u>1,549,410</u>	<u>1,235,830</u>	<u>(313,580)</u>
<b>EXPENDITURES</b>				
Human services	<u>1,583,981</u>	<u>1,549,410</u>	<u>696,168</u>	<u>853,242</u>
Total expenditures	<u>1,583,981</u>	<u>1,549,410</u>	<u>696,168</u>	<u>853,242</u>
Excess of revenues over expenditures	-	-	539,662	539,662
Fund balance - beginning	<u>925,244</u>	<u>925,244</u>	<u>925,244</u>	<u>-</u>
Fund balance - ending	<u>\$ 925,244</u>	<u>\$ 925,244</u>	<u>\$ 1,464,906</u>	<u>\$ 539,662</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
MSTU Fire Protection  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 6,327,298	\$ 5,972,527	\$ 6,002,876	\$ 30,349
Intergovernmental	303,833	303,833	27,790	(276,043)
Charges for services	426,264	433,287	363,289	(69,998)
Interest	44,046	44,046	375,039	330,993
Miscellaneous	-	-	19,642	19,642
Total revenues	<u>7,101,441</u>	<u>6,753,693</u>	<u>6,788,636</u>	<u>34,943</u>
<b>EXPENDITURES</b>				
Public safety	7,157,336	7,773,431	5,639,452	2,133,979
Debt service				
Principal	341,183	344,893	376,767	(31,874)
Interest	<u>291,092</u>	<u>300,861</u>	<u>265,837</u>	<u>35,024</u>
Total expenditures	<u>7,789,611</u>	<u>8,419,185</u>	<u>6,282,056</u>	<u>2,137,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(688,170)</u>	<u>(1,665,492)</u>	<u>506,580</u>	<u>2,172,072</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuance costs	-	(12,860)	(106,450)	(93,590)
Discount on bonds issued	-	-	(22,136)	(22,136)
Issuance of refunding bonds	-	-	4,758,612	4,758,612
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>(4,658,328)</u>	<u>(4,658,328)</u>
Total other financing sources (uses)	<u>-</u>	<u>(12,860)</u>	<u>(28,302)</u>	<u>(15,442)</u>
Net change in fund balance	(688,170)	(1,678,352)	478,278	2,156,630
Fund balance - beginning	<u>5,062,314</u>	<u>5,062,314</u>	<u>5,062,314</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,374,144</u>	<u>\$ 3,383,962</u>	<u>\$ 5,540,592</u>	<u>\$ 2,156,630</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
MSBU Fund  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 84,354	\$ 84,354	\$ 31,961	\$ (52,393)
Interest	8,000	8,000	46,640	38,640
Miscellaneous	-	-	-	-
Total revenues	<u>92,354</u>	<u>92,354</u>	<u>78,601</u>	<u>(13,753)</u>
<b>EXPENDITURES</b>				
Physical environment	<u>6,300</u>	<u>6,300</u>	<u>6,077</u>	<u>223</u>
Total expenditures	<u>6,300</u>	<u>6,300</u>	<u>6,077</u>	<u>223</u>
Excess of revenues over expenditures	<u>86,054</u>	<u>86,054</u>	<u>72,524</u>	<u>(13,530)</u>
Net change in fund balance	86,054	86,054	72,524	(13,530)
Fund balance - beginning	<u>256,267</u>	<u>256,267</u>	<u>367,506</u>	<u>111,239</u>
Fund balance - ending	<u>\$ 342,321</u>	<u>\$ 342,321</u>	<u>\$ 440,030</u>	<u>\$ 97,709</u>



Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Utility Regulatory Authority Fund  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 8,400	\$ 8,400	\$ -	\$ (8,400)
Interest	500	500	-	(500)
Total revenues	<u>8,900</u>	<u>8,900</u>	<u>-</u>	<u>(8,900)</u>
<b>EXPENDITURES</b>				
Physical environment	<u>40,000</u>	<u>90,642</u>	<u>98,700</u>	<u>(8,058)</u>
Total expenditures	<u>40,000</u>	<u>90,642</u>	<u>98,700</u>	<u>(8,058)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,100)</u>	<u>(81,742)</u>	<u>(98,700)</u>	<u>(16,958)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>31,100</u>	<u>81,742</u>	<u>81,742</u>	<u>-</u>
Total other financing sources (uses)	<u>31,100</u>	<u>81,742</u>	<u>81,742</u>	<u>-</u>
Net change in fund balance	-	-	(16,958)	(16,958)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,958)</u>	<u>\$ (16,958)</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Court Fund  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 4,655,133	\$ 4,655,133	\$ 5,291,260	\$ 636,127
Total revenues	4,655,133	4,655,133	5,291,260	636,127
<b>EXPENDITURES</b>				
General government	-	4,655,133	4,286,214	368,919
Total expenditures	-	4,655,133	4,286,214	368,919
Excess of revenues over expenditures	4,655,133	-	1,005,046	1,005,046
<b>OTHER FINANCING SOURCES (USES)</b>				
Reversion to State of Florida	-	-	(1,005,046)	(1,005,046)
Total other financing sources (uses)	-	-	(1,005,046)	(1,005,046)
Net change in fund balance	4,655,133	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ 4,655,133	\$ -	\$ -	\$ -

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### Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

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

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

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

Bay County, Florida  
Combining Statement of Net Assets  
Internal Service Funds  
September 30, 2007

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 115,994	\$ 444,654	\$ 25,421	\$ 586,069
Accounts receivable (net)	167,764	60	253	168,077
Prepaid expenses	-	50,000	70,871	120,871
Investments	1,126,533	4,348,465	248,600	5,723,598
Due from other funds	301,839	-	463,422	765,261
Total current assets	<u>1,712,130</u>	<u>4,843,179</u>	<u>808,567</u>	<u>7,363,876</u>
Total assets	<u>1,712,130</u>	<u>4,843,179</u>	<u>808,567</u>	<u>7,363,876</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	136,639	4,205,180	257,830	4,599,649
Due to other funds	12,812	75	75	12,962
Total current liabilities	<u>149,451</u>	<u>4,205,255</u>	<u>257,905</u>	<u>4,612,611</u>
Total liabilities	<u>149,451</u>	<u>4,205,255</u>	<u>257,905</u>	<u>4,612,611</u>
<b>NET ASSETS</b>				
Unrestricted	<u>1,562,679</u>	<u>637,924</u>	<u>550,662</u>	<u>2,751,265</u>
Total net assets	<u>\$ 1,562,679</u>	<u>\$ 637,924</u>	<u>\$ 550,662</u>	<u>\$ 2,751,265</u>

Bay County, Florida  
Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Internal Service Funds  
Year Ended September 30, 2007

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,461,810	\$ 542,392	\$ 1,911,481	\$ 6,915,683
Miscellaneous	8,600	25	1,889	10,514
Total operating revenues	<u>4,470,410</u>	<u>542,417</u>	<u>1,913,370</u>	<u>6,926,197</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,479,341	92,986	55,205	1,627,532
Contracted services	260,076	24,654	1,986	286,716
Repairs and maintenance	84,363	1,359	2,769	88,491
Utilities	25,434	1,335	1,335	28,104
Materials	2,429,957	-	-	2,429,957
Insurance claims	-	131,840	2,057,436	2,189,276
Other operating expenses	186,407	277,399	48,972	512,778
Total operating expenses	<u>4,465,578</u>	<u>529,573</u>	<u>2,167,703</u>	<u>7,162,854</u>
Operating income (loss)	<u>4,832</u>	<u>12,844</u>	<u>(254,333)</u>	<u>(236,657)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	44,285	238,385	-	282,670
Gain (loss) on investment	2,655	5,332	(2,350)	5,637
Total nonoperating revenues (expenses)	<u>46,940</u>	<u>243,717</u>	<u>(2,350)</u>	<u>288,307</u>
Income (loss) before transfers	<u>51,772</u>	<u>256,561</u>	<u>(256,683)</u>	<u>51,650</u>
<b>TRANSFERS</b>				
Transfers in	333,984	-	611,910	945,894
Net transfers	<u>333,984</u>	<u>-</u>	<u>611,910</u>	<u>945,894</u>
Change in net assets	385,756	256,561	355,227	997,544
Total net assets - beginning	<u>1,176,923</u>	<u>381,363</u>	<u>195,435</u>	<u>1,753,721</u>
Total net assets - ending	<u>\$ 1,562,679</u>	<u>\$ 637,924</u>	<u>\$ 550,662</u>	<u>\$ 2,751,265</u>

Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2007

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers and others	\$ 4,544,448	\$ 569,993	\$ 1,574,233	\$ 6,688,674
Cash paid to suppliers for goods and services	(2,996,578)	(113,472)	(2,131,100)	(5,241,150)
Cash paid to employees for services	(1,479,341)	(92,986)	(55,205)	(1,627,532)
Net cash provided by (used in) operating activities	<u>68,529</u>	<u>363,535</u>	<u>(612,072)</u>	<u>(180,008)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	333,984	-	611,910	945,894
Net cash provided by (used in) noncapital financing activities	<u>333,984</u>	<u>-</u>	<u>611,910</u>	<u>945,894</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale and maturities of investment securities	171,392	210,570	(5,344)	376,618
Purchase of investments	(562,983)	(684,769)	9,989	(1,237,763)
Interest and dividends on investments	44,285	238,385	-	282,670
Net cash provided by (used in) investing activities	<u>(347,306)</u>	<u>(235,814)</u>	<u>4,645</u>	<u>(578,475)</u>
Net increase in cash and cash equivalents	55,207	127,721	4,483	187,411
Cash and cash equivalents - beginning	<u>60,787</u>	<u>316,933</u>	<u>20,938</u>	<u>398,658</u>
Cash and cash equivalents - ending	<u><u>\$ 115,994</u></u>	<u><u>\$ 444,654</u></u>	<u><u>\$ 25,421</u></u>	<u><u>\$ 586,069</u></u>

Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2007

	Other Internal Services	Workers' Compensation	Insurance	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 4,832	\$ 12,844	\$ (254,333)	\$ (236,657)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
(Increase) decrease in assets				
Accounts receivable	189,989	27,576	22,782	240,347
Prepaid expenses	-	-	34,163	34,163
Due from other funds	(115,951)	-	(361,919)	(477,870)
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	3,386	323,281	(52,599)	274,068
Due to other funds	(13,727)	(166)	(166)	(14,059)
Total adjustments	63,697	350,691	(357,739)	56,649
Net cash provided by (used in) operating activities	<u>\$ 68,529</u>	<u>\$ 363,535</u>	<u>\$ (612,072)</u>	<u>\$ (180,008)</u>



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**Fiduciary Funds**  
Agency Funds

Fines, Forfeitures & Other Fees – 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.

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, 2007

	<u>Fines, Forfeitures &amp; Other Fees</u>	<u>Jury and Witness</u>	<u>Tax Deed Assets</u>	<u>Support</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,818,244	\$ 37,456	\$ 100,703	\$ 4,260
Accounts receivable (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 1,818,244</u></u>	<u><u>\$ 37,456</u></u>	<u><u>\$ 100,703</u></u>	<u><u>\$ 4,260</u></u>
<b>LIABILITIES</b>				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	100,703	4,260
Due to other governments	<u>1,818,244</u>	<u>37,456</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>\$ 1,818,244</u></u>	<u><u>\$ 37,456</u></u>	<u><u>\$ 100,703</u></u>	<u><u>\$ 4,260</u></u>

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2007

	<u>Court Registry</u>	<u>Cash Bond</u>	<u>Restitution</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,365,740	\$ 903,984	\$ 7,189
Accounts receivable (net)	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 1,365,740</u></u>	<u><u>\$ 903,984</u></u>	<u><u>\$ 7,189</u></u>
<b>LIABILITIES</b>			
Bank overdraft	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	1,365,740	-	7,189
Due to other governments	<u>-</u>	<u>903,984</u>	<u>-</u>
Total liabilities	<u><u>\$ 1,365,740</u></u>	<u><u>\$ 903,984</u></u>	<u><u>\$ 7,189</u></u>

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2007

	<u>Property Tax</u>	<u>Tax Certificate</u>	<u>Tag</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,924,189	\$ 2,714	\$ -
Accounts receivable (net)	-	-	13,430
Total assets	<u>\$ 1,924,189</u>	<u>\$ 2,714</u>	<u>\$ 13,430</u>
<b>LIABILITIES</b>			
Bank overdraft	\$ -	\$ -	13,430
Accounts payable and accrued liabilities	-	2,714	-
Due to other governments	1,924,189	-	-
Total liabilities	<u>\$ 1,924,189</u>	<u>\$ 2,714</u>	<u>\$ 13,430</u>

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2007

	<u>Other Suspense</u>	<u>Individual Depositors</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 1,274	\$ 6,165,753
Accounts receivable (net)	-	-	13,430
Total assets	<u>\$ -</u>	<u>\$ 1,274</u>	<u>\$ 6,179,183</u>
<b>LIABILITIES</b>			
Bank overdraft	\$ -	\$ -	\$ 13,430
Accounts payable and accrued liabilities	-	1,274	1,481,880
Due to other governments	-	-	4,683,873
Total liabilities	<u>\$ -</u>	<u>\$ 1,274</u>	<u>\$ 6,179,183</u>

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>FINES, FORFEITURES, &amp; OTHER FEES</b>				
<b>ASSETS*</b>				
Cash and cash equivalents	\$ 1,630,891	\$ 38,915,890	\$ 38,728,536	\$ 1,818,245
Total assets	<u>\$ 1,630,891</u>	<u>\$ 38,915,890</u>	<u>\$ 38,728,536</u>	<u>\$ 1,818,245</u>
<b>LIABILITIES</b>				
Due to other governments	1,630,891	\$ 38,915,890	\$ 38,728,536	\$ 1,818,245
Total liabilities	<u>\$ 1,630,891</u>	<u>\$ 38,915,890</u>	<u>\$ 38,728,536</u>	<u>\$ 1,818,245</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,623	\$ 117,252	\$ 100,419	\$ 37,456
Total assets	<u>\$ 20,623</u>	<u>\$ 117,252</u>	<u>\$ 100,419</u>	<u>\$ 37,456</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 20,623	\$ 117,252	\$ 100,419	\$ 37,456
Total liabilities	<u>\$ 20,623</u>	<u>\$ 117,252</u>	<u>\$ 100,419</u>	<u>\$ 37,456</u>
<b>TAX DEED ASSETS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 90,846	\$ 186,553	\$ 176,696	\$ 100,703
Total assets	<u>\$ 90,846</u>	<u>\$ 186,553</u>	<u>\$ 176,696</u>	<u>\$ 100,703</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 90,846	\$ 186,553	\$ 176,696	\$ 100,703
Total liabilities	<u>\$ 90,846</u>	<u>\$ 186,553</u>	<u>\$ 176,696</u>	<u>\$ 100,703</u>

\*Fines, Forfeitures, Doc Stamps, and Intangible Tax Funds reported separately in prior years have been combined in the current year.

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,410	\$ 883,475	\$ 883,625	\$ 4,260
Total assets	<u>\$ 4,410</u>	<u>\$ 883,475</u>	<u>\$ 883,625</u>	<u>\$ 4,260</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 4,410	\$ 883,475	\$ 883,625	\$ 4,260
Total liabilities	<u>\$ 4,410</u>	<u>\$ 883,475</u>	<u>\$ 883,625</u>	<u>\$ 4,260</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,596,271	\$ 19,612,397	\$ 19,842,928	\$ 1,365,740
Total assets	<u>\$ 1,596,271</u>	<u>\$ 19,612,397</u>	<u>\$ 19,842,928</u>	<u>\$ 1,365,740</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,596,271	\$ 19,612,397	\$ 19,842,928	\$ 1,365,740
Total liabilities	<u>\$ 1,596,271</u>	<u>\$ 19,612,397</u>	<u>\$ 19,842,928</u>	<u>\$ 1,365,740</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 726,755	\$ 1,630,979	\$ 1,453,750	\$ 903,984
Total assets	<u>\$ 726,755</u>	<u>\$ 1,630,979</u>	<u>\$ 1,453,750</u>	<u>\$ 903,984</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 726,755	\$ 1,630,979	\$ 1,453,750	\$ 903,984
Total liabilities	<u>\$ 726,755</u>	<u>\$ 1,630,979</u>	<u>\$ 1,453,750</u>	<u>\$ 903,984</u>



Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,592	\$ 252,229	\$ 248,632	\$ 7,189
Total assets	<u>\$ 3,592</u>	<u>\$ 252,229</u>	<u>\$ 248,632</u>	<u>\$ 7,189</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 3,592	\$ 252,229	\$ 248,632	\$ 7,189
Total liabilities	<u>\$ 3,592</u>	<u>\$ 252,229</u>	<u>\$ 248,632</u>	<u>\$ 7,189</u>
<b>PROPERTY TAX</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,646,899	\$ 414,310,929	\$ 414,033,639	\$ 1,924,189
Total assets	<u>\$ 1,646,899</u>	<u>\$ 414,310,929</u>	<u>\$ 414,033,639</u>	<u>\$ 1,924,189</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,646,899	\$ 414,310,929	\$ 414,033,639	\$ 1,924,189
Total liabilities	<u>\$ 1,646,899</u>	<u>\$ 414,310,929</u>	<u>\$ 414,033,639</u>	<u>\$ 1,924,189</u>
<b>TAX CERTIFICATE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 128	\$ 7,582,514	\$ 7,579,928	\$ 2,714
Total assets	<u>\$ 128</u>	<u>\$ 7,582,514</u>	<u>\$ 7,579,928</u>	<u>\$ 2,714</u>
<b>LIABILITIES</b>				
Due to others	\$ 128	\$ 7,582,514	\$ 7,579,928	\$ 2,714
Total liabilities	<u>\$ 128</u>	<u>\$ 7,582,514</u>	<u>\$ 7,579,928</u>	<u>\$ 2,714</u>
<b>TAG</b>				
<b>ASSETS</b>				
Accounts receivable	\$ 14,530	\$ 10,015	\$ 11,115	\$ 13,430
Total assets	<u>\$ 14,530</u>	<u>\$ 10,015</u>	<u>\$ 11,115</u>	<u>\$ 13,430</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ 14,530	\$ (17,850,071)	\$ (17,848,971)	\$ 13,430
Due to other governments	-	17,860,086	17,860,086	-
Total liabilities	<u>\$ 14,530</u>	<u>\$ 10,015</u>	<u>\$ 11,115</u>	<u>\$ 13,430</u>

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,999	\$ 124,000	\$ 125,999	\$ -
Total assets	<u>\$ 1,999</u>	<u>\$ 124,000</u>	<u>\$ 125,999</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,999	\$ 124,000	\$ 125,999	\$ -
Total liabilities	<u>\$ 1,999</u>	<u>\$ 124,000</u>	<u>\$ 125,999</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,545	\$ 245,032	\$ 263,303	\$ 1,274
Total assets	<u>\$ 19,545</u>	<u>\$ 245,032</u>	<u>\$ 263,303</u>	<u>\$ 1,274</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 19,545	\$ 245,032	\$ 263,303	\$ 1,274
Total liabilities	<u>\$ 19,545</u>	<u>\$ 245,032</u>	<u>\$ 263,303</u>	<u>\$ 1,274</u>
<b>COMBINED TOTALS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,741,959	\$ 483,861,249	\$ 483,437,454	\$ 6,165,754
Accounts receivable (net)	14,530	10,015	11,115	13,430
Total assets	<u>\$ 5,756,489</u>	<u>\$ 483,871,264</u>	<u>\$ 483,448,569</u>	<u>\$ 6,179,184</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ 14,530	\$ (17,850,071)	\$ (17,848,971)	\$ 13,430
Accounts payable and accrued liabilities	1,714,664	21,179,685	21,415,183	1,479,166
Due to other governments	4,027,167	472,959,136	472,302,429	4,683,874
Due to others	128	7,582,514	7,579,928	2,714
Total liabilities	<u>\$ 5,756,489</u>	<u>\$ 483,871,264</u>	<u>\$ 483,448,569</u>	<u>\$ 6,179,184</u>

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# **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.*

<b><u>Contents</u></b>	<b><u>Page</u></b>
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<b>Financial Trends .....</b>	<b>C-3</b>
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*These schedules contain trend information to help the reader understand how the county’s financial performance and well-being have changed over time.*

<b>Revenue Capacity.....</b>	<b>C-8</b>
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*These schedules contain information to help the reader assess the factors affecting the county’s ability to generate its property and sales taxes.*

<b>Debt Capacity .....</b>	<b>C-14</b>
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*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.*

<b>Demographic and Economic Information .....</b>	<b>C-20</b>
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*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.*

<b>Operating Information .....</b>	<b>C-22</b>
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*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.*

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

	<b>Fiscal Year</b>				
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 90,510,753	\$ 88,282,722	\$ 97,194,417	\$ 109,592,599	\$ 130,031,134
Restricted	11,518,294	10,792,988	11,577,502	18,043,292	19,924,887
Unrestricted	<u>44,432,855</u>	<u>43,677,556</u>	<u>46,676,877</u>	<u>56,527,122</u>	<u>62,053,258</u>
<b>Total governmental activities net assets</b>	<b><u>\$ 146,461,902</u></b>	<b><u>\$ 142,753,266</u></b>	<b><u>\$ 155,448,796</u></b>	<b><u>\$ 184,163,013</u></b>	<b><u>\$ 212,009,279</u></b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 29,979,786	\$ 32,065,577	\$ 40,706,567	\$ 37,518,571	\$ 46,446,331
Restricted	2,462,812	3,619,366	6,121,869	7,862,907	2,999,323
Unrestricted	<u>52,944,531</u>	<u>47,753,741</u>	<u>38,273,923</u>	<u>39,375,268</u>	<u>29,535,560</u>
<b>Total business-type activities net assets</b>	<b><u>\$ 85,387,129</u></b>	<b><u>\$ 83,438,684</u></b>	<b><u>\$ 85,102,359</u></b>	<b><u>\$ 84,756,746</u></b>	<b><u>\$ 78,981,214</u></b>
<b>Primary Government</b>					
Invested in capital assets, net of related debt	\$ 120,490,539	\$ 120,348,299	\$ 137,900,984	\$ 147,111,170	\$ 176,477,465
Restricted	13,981,106	14,412,354	17,699,371	25,906,199	\$ 22,924,210
Unrestricted	<u>97,377,386</u>	<u>91,431,297</u>	<u>84,950,800</u>	<u>95,902,390</u>	<u>\$ 91,588,818</u>
<b>Total primary government net assets</b>	<b><u>\$ 231,849,031</u></b>	<b><u>\$ 226,191,950</u></b>	<b><u>\$ 240,551,155</u></b>	<b><u>\$ 268,919,759</u></b>	<b><u>\$ 290,990,493</u></b>

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 21,005,446	\$ 22,435,565	\$ 22,524,334	\$ 21,899,647	\$ 22,123,284
Public safety	35,938,773	39,270,923	41,633,533	45,667,025	47,595,636
Physical environment	544,977	4,700,201	5,095,942	4,846,055	4,411,573
Transportation	17,638,208	14,833,934	14,988,586	13,023,819	14,053,021
Economic environment	8,244,138	15,321,819	9,736,560	14,186,061	16,957,645
Human services	3,575,234	4,052,299	3,866,283	4,591,809	5,594,624
Culture/recreation	3,214,651	3,323,501	3,589,770	3,943,961	4,473,399
Interest on long-term debt	1,881,976	1,734,120	1,343,382	1,691,167	2,974,935
Total governmental activities expenses	<u>92,043,403</u>	<u>105,672,362</u>	<u>102,778,390</u>	<u>109,849,544</u>	<u>118,184,117</u>
<b>Business-type activities:</b>					
Wholesale water system	9,645,198	10,072,475	10,600,450	10,871,172	12,060,032
Retail water and wastewater	3,863,782	4,232,074	4,034,030	4,135,864	5,808,833
Industrial wastewater	3,836,251	4,335,269	4,043,172	3,902,819	2,218,595
Solid waste fund	14,720,170	14,690,237	16,688,055	17,574,763	17,209,523
Building services	1,243,934	1,413,981	1,800,906	2,011,650	2,126,578
Total business-type activities expenses	<u>33,309,335</u>	<u>34,744,036</u>	<u>37,166,613</u>	<u>38,496,268</u>	<u>39,423,561</u>
<b>Total primary government expenses</b>	<b><u>\$ 125,352,738</u></b>	<b><u>\$ 140,416,398</u></b>	<b><u>\$ 139,945,003</u></b>	<b><u>\$ 148,345,812</u></b>	<b><u>\$ 157,607,678</u></b>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
Charges for services:					
General government	\$ 12,652,133	\$ 13,390,686	\$ 16,923,030	\$ 16,455,481	\$ 16,819,772
Public safety	1,421,733	1,464,439	1,585,880	2,041,634	1,953,947
Physical environment	73,015	-	134,478	1,602,888	1,523,655
Transportation	171,945	479,848	779,026	764,439	1,541,359
Human services	520	-	3,250	3,640	3,900
Culture and recreation	-	-	641,744	824,209	645,918
Operating grants and contributions	2,932,602	4,722,923	3,720,822	3,590,815	3,076,826
Capital grants and contributions	3,308,285	6,176,365	8,764,930	5,602,631	5,880,132
Total governmental activities program revenue	<u>20,560,233</u>	<u>26,234,261</u>	<u>32,553,160</u>	<u>30,885,737</u>	<u>31,445,509</u>
<b>Business-type activities:</b>					
Charges for services:					
Water system revenue	7,428,648	8,691,509	11,298,515	11,461,915	10,361,087
Retail water and wastewater	3,413,244	3,630,909	3,808,241	3,863,260	4,189,192
Industrial wastewater	3,826,186	4,259,480	3,939,556	3,826,936	2,280,293
Solid waste fund	9,029,767	10,306,832	11,481,814	12,217,568	9,475,368
Building services	1,566,572	2,593,891	3,595,984	3,335,953	2,099,218
Operating grants and contributions	78,648	-	-	7,505	202,351
Capital grants and contributions	372,770	-	-	-	18,603
Total business-type activities program revenue	<u>25,715,835</u>	<u>29,482,621</u>	<u>34,124,110</u>	<u>34,713,137</u>	<u>28,626,112</u>
<b>Total primary government program revenues</b>	<b><u>\$ 46,276,068</u></b>	<b><u>\$ 55,716,882</u></b>	<b><u>\$ 66,677,270</u></b>	<b><u>\$ 65,598,874</u></b>	<b><u>\$ 60,071,621</u></b>



	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Net (Expense)Revenue</b>					
Governmental activities	\$ (71,483,170)	\$ (79,438,101)	\$ (70,225,230)	\$ (78,963,807)	\$ (86,738,608)
Business-type activities	(7,593,500)	(5,261,415)	(3,042,503)	(3,783,131)	(10,797,449)
Total primary government net expenses	<u>(79,076,670)</u>	<u>(84,699,516)</u>	<u>(73,267,733)</u>	<u>(82,746,938)</u>	<u>(97,536,057)</u>
<b>General Revenue and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	42,615,587	47,569,663	53,349,589	73,729,204	77,146,885
Sales taxes	21,094,586	22,032,957	23,223,423	24,215,778	24,982,006
State shared revenues	2,831,535	3,120,133	3,290,582	3,491,084	3,379,522
Interest earnings	1,117,194	870,213	1,543,058	3,262,306	7,007,059
Other contributions	2,534,775	-	-	-	-
Miscellaneous	1,262,098	1,986,499	990,038	2,681,029	1,710,623
Transfers	(123,129)	150,000	(52,333)	8,143	-
Total governmental activities	<u>71,332,646</u>	<u>75,729,465</u>	<u>82,344,357</u>	<u>107,387,544</u>	<u>114,226,095</u>
Business-type activities:					
Sales tax	7,525,384	3,700	2,200	1,900	1,500
State shared revenues	-	-	-	-	-
Interest earnings	2,452,356	2,154,632	2,609,228	3,366,297	3,629,698
Miscellaneous	689,419	1,304,638	2,042,417	1,081,040	1,390,719
Transfers	123,129	(150,000)	52,333	(8,143)	-
Total business-type activities	<u>10,790,288</u>	<u>3,312,970</u>	<u>4,706,178</u>	<u>4,441,094</u>	<u>5,021,917</u>
<b>Total primary government</b>	<u><b>\$ 82,122,934</b></u>	<u><b>\$ 79,042,435</b></u>	<u><b>\$ 87,050,535</b></u>	<u><b>\$ 111,828,638</b></u>	<u><b>\$ 119,248,012</b></u>
<b>Change in Net Assets</b>					
Governmental activities	\$ (150,524)	\$ (3,708,636)	\$ 12,119,127	\$ 28,423,737	\$ 27,487,487
Business-type activities	3,196,788	(1,948,445)	1,663,675	657,963	(5,775,532)
<b>Total primary government</b>	<u><b>\$ 3,046,264</b></u>	<u><b>\$ (5,657,081)</b></u>	<u><b>\$ 13,782,802</b></u>	<u><b>\$ 29,081,700</b></u>	<u><b>\$ 21,711,955</b></u>

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

	<b>Fiscal Year</b>				
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
<b>General Fund</b>					
Reserved	\$ 9,371,988	\$ 5,570,545	\$ 4,706,248	\$ 44,351,137	\$ 36,949,309
Unreserved	<u>17,433,083</u>	<u>20,467,296</u>	<u>24,261,074</u>	<u>31,933,944</u>	<u>33,598,429</u>
<b>Total general fund</b>	<b><u>\$ 26,805,071</u></b>	<b><u>\$ 26,037,841</u></b>	<b><u>\$ 28,967,322</u></b>	<b><u>\$ 76,285,081</u></b>	<b><u>\$ 70,547,738</u></b>
 <b>All Other Governmental Funds</b>					
Reserved	\$ 17,977,555	\$ 10,698,530	\$ 10,837,255	\$ 17,404,849	\$ 13,524,528
Unreserved:					
Special revenue funds	<u>17,756,167</u>	<u>18,464,781</u>	<u>17,608,253</u>	<u>18,100,472</u>	<u>26,960,435</u>
<b>Total all other governmental funds</b>	<b><u>\$ 35,733,722</u></b>	<b><u>\$ 29,163,311</u></b>	<b><u>\$ 28,445,508</u></b>	<b><u>\$ 35,505,321</u></b>	<b><u>\$ 40,484,963</u></b>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>					
Taxes	\$ 51,921,256	\$ 57,136,660	\$ 63,186,101	\$ 85,896,879	\$ 90,307,436
Licenses and permits	3,965	2,840	2,390	2,230	1,899
Intergovernmental revenue	21,614,035	25,922,701	25,365,652	24,673,396	23,889,913
Charges for services	12,469,323	14,287,418	19,689,697	19,781,978	19,801,852
Fines and forfeitures	892,312	790,062	157,495	137,019	63,081
Special assessments	378,649	170,651	367,096	254,505	359,198
Interest	1,027,868	863,064	1,445,604	3,079,818	6,725,924
Contributions and Donations	-	-	-	-	190,797
Miscellaneous	1,919,556	3,443,934	1,568,016	3,078,727	1,946,036
Total revenues	<u>90,226,964</u>	<u>102,617,330</u>	<u>111,782,051</u>	<u>136,904,552</u>	<u>143,286,136</u>
<b>Expenditures</b>					
General government	18,494,302	22,531,969	21,472,908	20,262,747	6,967,890
Public safety	35,492,011	37,281,629	39,787,836	43,970,630	57,386,591
Physical environment	3,922,018	4,322,124	4,662,334	4,363,508	3,967,883
Transportation	9,968,297	11,285,504	10,759,085	8,686,780	9,306,583
Economic environment	7,671,623	8,023,780	9,169,691	13,618,153	16,404,349
Human services	3,530,404	4,005,771	3,808,169	4,516,240	5,538,168
Culture and recreation	2,898,414	3,001,093	3,247,079	3,604,503	3,843,006
Capital Outlay	19,975,254	8,826,066	11,349,510	17,619,434	32,780,705
Debt service					
Principal retirement	3,096,446	9,070,909	3,224,333	3,601,370	3,883,937
Interest and fiscal charges	1,911,428	1,910,439	1,339,802	1,532,684	2,963,339
Total expenditures	<u>106,960,197</u>	<u>110,259,284</u>	<u>108,820,747</u>	<u>121,776,049</u>	<u>143,042,451</u>
Excess of revenues over (under) expenditures	<u>(16,733,233)</u>	<u>(7,641,954)</u>	<u>2,961,304</u>	<u>15,128,503</u>	<u>243,685</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	8,056,538	7,615,705	7,837,156	9,247,671	7,911,020
Operating transfers out	(8,108,487)	(7,764,251)	(8,425,713)	(9,820,775)	(8,856,914)
Debt issuance	16,149,931	452,859	-	39,666,217	16,103,376
Premium on bonds issued	65,470	-	-	951,964	(71,732)
Bond issuance costs	(63,673)	-	-	-	(344,945)
Payment to refunded bond escrow agent	(6,298,195)	-	-	-	(15,095,929)
Reversion to State of Florida	-	-	(608,687)	(796,010)	(1,005,046)
Total other financing sources (uses)	<u>9,801,584</u>	<u>304,313</u>	<u>(1,197,244)</u>	<u>39,249,067</u>	<u>(1,360,170)</u>
<b>Net change in fund balance</b>	<b><u>\$ (6,931,649)</u></b>	<b><u>\$ (7,337,641)</u></b>	<b><u>\$ 1,764,060</u></b>	<b><u>\$ 54,377,570</u></b>	<b><u>\$ (1,116,485)</u></b>
Debt service as a percentage of noncapital expenditures	6.11%	12.14%	4.91%	5.18%	6.62%

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

<b><u>Fiscal Year</u></b>	<b><u>Residential Property</u></b>	<b><u>Commercial Property</u></b>	<b><u>Personal Property</u></b>	<b><u>Industrial Property</u></b>	<b><u>Agricultural Property</u></b>	<b><u>Centrally Assessed Property</u></b>	<b><u>Other Property</u></b>	<b><u>Less: Tax-Exempt Property</u></b>	<b><u>Total Taxable Assessed Value</u></b>	<b><u>Total Direct Tax Rate</u></b>	<b><u>Estimated Actual Taxable Value</u></b>	<b><u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u></b>
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%
2007	14,751,997	3,028,134	1,697,022	291,470	64,117	22,516	2,708,292	(4,299,941)	18,263,607	4.6678	26,379,351	69.23%

**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)**

	<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>	<u>2007</u>
<b>County Direct Rates:</b>										
General	5.6320	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620	4.1620	3.7915
Mosquito Control	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1525
MSTU	<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>	<u>0.7238</u>
<b>Total Direct Rate</b>	<b>6.3172</b>	<b>6.8472</b>	<b>6.8472</b>	<b>6.8472</b>	<b>6.8472</b>	<b>6.8472</b>	<b>6.8472</b>	<b>6.8472</b>	<b>5.0972</b>	<b>4.6678</b>
<b>Municipalities:</b>										
City of Panama City	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	4.7122	3.7610
Panama City Downtown Improvement Board	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	2.4700
City of Lynn Haven	2.9000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.2500	2.8266
City of Mexico Beach	4.3400	4.3100	4.9100	4.8500	4.6000	4.5500	4.5000	4.3500	3.7900	3.7200
City of Callaway	--	--	--	--	--	--	2.0000	2.0000	2.0000	2.0000
Town of Cedar Grove	--	--	--	--	--	--	--	1.5000	1.5000	1.5000
<b>School Districts</b>	9.2690	8.9180	8.6690	8.5300	8.6550	8.5690	8.1480	7.9350	6.8080	6.4710
<b>Northwest Florida Water Management District</b>	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0450
<b>Special District:</b>										
Beach Mosquito Control	0.3930	0.3930	0.3544	0.2675	0.2990	0.2990	0.2590	0.2365	0.1410	0.1438

*Source: Bay County Property Appraiser*

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

	Fiscal Year 2007			Fiscal Year 1998		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
St. Joe Land & Development	\$ 408,738,491	1	2.24%	\$ 54,501,344	4	1.07%
Gulf Power Company	352,137,450	2	1.93%	131,205,349	1	2.58%
Peoples First/Resort Hospitality	118,913,902	3	0.65%	-	-	-
Charles Faircloth	77,204,557	4	0.42%	-	-	-
Hilton Companies	70,157,831	5	0.38%	-	-	-
BellSouth Telecommunications	63,888,899	6	0.35%	77,754,072	-	1.53%
Smurfit-Stone/Southwest Forest	57,371,221	7	0.31%	80,212,121	2	1.58%
Wal-Mart Stores	38,626,978	8	0.21%	24,085,142	6	0.47%
Gulf Coast Electric Co-Op	36,934,426	9	0.20%	16,151,724	10	0.32%
Arizona Chemical Company	35,402,054	10	0.19%	41,765,554	5	0.82%
Hospital Corp. of America	-	-	-	23,176,414	7	0.46%
Berg Pipe	-	-	-	16,648,408	8	0.33%
Bay Point/Marriott	-	-	-	16,431,104	9	0.32%
<b>Total</b>	<b>\$ 1,259,375,809</b>		<b>6.90%</b>	<b>\$ 481,931,232</b>		<b>9.47%</b>

Total Taxable Assessed Value 2007      18,263,607,000  
Total Taxable Assessed Value 1998      5,088,801,000

*Source: Bay County Property Appraiser*

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

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year (Original Levy)</b>	<b>Adjustments</b>	<b>Total Adjusted Levy</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
				<b>Amount</b>	<b>Percentage of Original Levy</b>		<b>Amount</b>	<b>Percentage of Original Levy</b>
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%
2007*	80,546,305	56,610	80,602,915	76,972,250	96%	192,603	77,164,853	96%

**Source:** Tax Collector's Office

\*2007 represents Bay County Property Tax Levies and Collections only.

**State of Florida and Bay County**  
**Total Historical Half-Cent Sales Tax Distributions**  
**For Ten Year Period 1998-2007**  
**(Unaudited)**

The following table shows the historical sales tax collection and their annual percentage increases for the State of Florida and Bay County.

<b>Fiscal Year</b>	<b>Total Distributions</b>	<b>Percentage</b>	<b>Total Distributions</b>	<b>Percentage</b>
<b><u>Ending</u></b>	<b><u>To Cities and Counties</u></b>	<b><u>Change</u></b>	<b><u>Bay County</u></b>	<b><u>Change</u></b>
1998	\$1,095,517,351	8.59%	\$6,610,424	5.70%
1999	\$1,165,863,783	6.42%	\$7,203,193	8.97%
2000	\$1,264,423,146	8.45%	\$7,570,459	5.10%
2001	\$1,317,612,342	4.21%	\$7,598,116	0.37%
2002	\$1,369,026,910	3.90%	\$7,815,575	2.86%
2003	\$1,427,172,904	4.25%	\$8,204,756	4.98%
2004	\$1,542,503,903	8.08%	\$9,076,524	10.63%
2005	\$1,613,474,991	4.60%	\$9,241,000	1.81%
2006	\$1,750,220,913	8.48%	\$9,943,501	7.60%
2007	\$1,770,078,126	1.13%	\$10,050,492	1.08%

*Source: Florida Department of Revenue*



**Distribution of Half-Cent  
Sales Tax in Bay County, Florida  
For Ten Year Period 1998 - 2007  
(Amounts in Thousands)  
(Unaudited)**

Fiscal Year 1998 - 2007 distribution of Sales Tax Revenues is represented in the following chart.

<b>Fiscal Year Ending</b>	<b>Distributions To The County</b>	<b>Percentage Of County to Total</b>	<b>Distributions To The Cities</b>	<b>Percentage Of Cities to Total</b>
1998	\$6,610,424	57%	\$4,959,520	43%
1999	\$7,203,193	57%	\$5,367,373	43%
2000	\$7,570,459	57%	\$5,624,302	43%
2001	\$7,598,116	57%	\$5,645,875	43%
2002	\$7,815,575	57%	\$5,985,916	43%
2003	\$8,204,756	57%	\$6,294,203	43%
2004	\$9,076,524	57%	\$6,920,821	43%
2005	\$9,241,000	57%	\$7,040,308	43%
2006	\$9,943,501	57%	\$7,565,014	43%
2007	\$10,050,492	57%	\$7,639,745	43%

*Source: Florida Department of Revenue*

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

	<b>Fiscal Year</b>			
	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>
<b>Governmental Activities</b>				
Revenue bonds	\$ 17,550,000	\$ 16,190,000	\$ 14,770,000	\$ 13,290,000
Capital leases	612,588	694,257	554,369	534,467
Notes payable	<u>1,013,035</u>	<u>910,427</u>	<u>807,819</u>	<u>6,591,931</u>
<b>Total Governmental Activities</b>	<u>19,175,623</u>	<u>17,794,684</u>	<u>16,132,188</u>	<u>20,416,398</u>
<b>Business-type Activities</b>				
Revenue bonds	\$ 81,135,660	\$ 75,207,959	\$ 105,262,005	\$ 103,674,310
Notes payable	<u>4,715,544</u>	<u>13,505,181</u>	<u>16,128,833</u>	<u>16,053,027</u>
<b>Total Business-type Activities</b>	<u>85,851,204</u>	<u>88,713,140</u>	<u>121,390,838</u>	<u>119,727,337</u>
<b>Total Primary Government</b>	<b><u>\$ 105,026,827</u></b>	<b><u>\$ 106,507,824</u></b>	<b><u>\$ 137,523,026</u></b>	<b><u>\$ 140,143,735</u></b>
<b>Debt as a Percentage of Personal Income</b>	3.1%	3.1%	2.6%	2.6%
<b>Amount of Debt per Capita</b>	\$ 677	\$ 713	\$ 608	\$ 643

\*Information not available

**Note:** Details regarding the County's debt can be found in Note 12 of the financial statements.  
See Schedule 15 for personal income and population data.

Schedule 11

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 29,880,000	\$ 36,100,000	\$ 33,610,000	\$ 30,835,000	\$ 66,190,000	\$ 63,950,000
643,076	750,190	757,759	301,748	1,011,596	982,910
6,862,216	7,585,259	-	-	-	-
<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>	<u>64,932,910</u>
\$ 99,764,967	\$ 97,801,087	\$ 95,744,707	\$ 93,512,439	\$ 91,652,333	\$ 89,669,727
15,522,266	14,701,885	13,885,513	13,012,811	12,359,204	11,418,271
<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>101,087,998</u>
<b><u>\$ 152,672,525</u></b>	<b><u>\$ 156,938,421</u></b>	<b><u>\$ 143,997,979</u></b>	<b><u>\$ 137,661,998</u></b>	<b><u>\$ 171,213,133</u></b>	<b><u>\$ 166,020,908</u></b>
2.5%	2.6%	3.2%	3.6%	*	*
\$ 645	\$ 699	\$ 910	\$ 1,076	*	*

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

	<b>Fiscal Year</b>			
	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>
<b>Revenue Bonds - Wholesale Water System Fund</b>				
Revenue - sale of goods and services	\$ 6,346,894	\$ 7,147,504	\$ 9,199,931	\$ 9,600,558
Less: Operating expenses	<u>(2,905,846)</u>	<u>(3,010,926)</u>	<u>(3,104,938)</u>	<u>(3,346,549)</u>
<b>Net available revenue</b>	<b><u>\$ 3,441,048</u></b>	<b><u>\$ 4,136,578</u></b>	<b><u>\$ 6,094,993</u></b>	<b><u>\$ 6,254,009</u></b>
Debt service				
Principal	\$ 490,000	\$ 512,000	\$ 540,000	\$ 565,000
Interest	\$ 1,208,307	\$ 1,183,240	\$ 1,893,202	\$ 2,987,818
Coverage*	2.0	2.4	2.5	1.8
 <b>Revenue Bonds - Solid Waste Fund</b>				
Revenue - sale of goods and services	\$ 21,562,843	\$ 20,642,196	\$ 20,799,363	\$ 22,125,343
Less: Operating expenses	<u>(14,025,001)</u>	<u>(6,911,344)</u>	<u>(8,044,600)</u>	<u>(13,832,064)</u>
<b>Net available revenue</b>	<b><u>\$ 7,537,842</u></b>	<b><u>\$ 13,730,852</u></b>	<b><u>\$ 12,754,763</u></b>	<b><u>\$ 8,293,279</u></b>
Debt service				
Principal	\$ 1,950,000	\$ 1,640,000	\$ 1,180,000	\$ 1,215,000
Interest	\$ 3,182,607	\$ 2,911,030	\$ 2,012,861	\$ 1,973,923
Coverage*	1.5	3.0	4.0	2.6

\*Coverage equals net available revenue divided by debt service.

## Schedule 12

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 9,384,080	\$ 9,056,785	\$ 10,120,295	\$ 12,075,741	\$ 12,433,674	\$ 11,121,362
<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>(6,643,470)</u>
<b><u>\$ 4,952,339</u></b>	<b><u>\$ 4,694,341</u></b>	<b><u>\$ 5,373,385</u></b>	<b><u>\$ 7,080,278</u></b>	<b><u>\$ 7,201,130</u></b>	<b><u>\$ 4,477,892</u></b>
\$ 840,000	\$ 925,000	\$ 965,000	\$ (135,000)	\$ 1,160,000	\$ 1,220,000
\$ 2,964,563	\$ 2,927,531	\$ 2,885,745	\$ 2,845,516	\$ 2,509,436	\$ 2,456,190
1.3	1.2	1.4	2.6	2.0	1.2
\$ 22,260,841	\$ 17,919,069	\$ 11,146,302	\$ 12,923,035	\$ 13,942,477	\$ 10,899,268
<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>(12,494,158)</u>
<b><u>\$ 13,186,364</u></b>	<b><u>\$ 9,042,331</u></b>	<b><u>\$ 2,238,868</u></b>	<b><u>\$ 1,928,226</u></b>	<b><u>\$ 533,284</u></b>	<b><u>\$ (1,594,890)</u></b>
\$ 1,260,000	\$ 1,305,000	\$ 1,350,000	\$ 1,400,000	\$ 1,455,000	\$ 1,510,000
\$ 1,931,398	\$ 1,886,037	\$ 1,838,732	\$ 1,788,106	\$ 1,734,906	\$ 1,678,525
4.1	2.8	0.7	0.6	0.2	(0.5)

**Bay County, Florida**  
**Wholesale Water System**  
**Historical Revenues, Expenses and Debt Service Coverage**  
**Last Five Fiscal Years**  
**(Unaudited)**

	<b>2003</b>		<b>2004</b>		<b>2005</b>		<b>2006</b>		<b>2007</b>	
Operating Revenues	\$	8,224,208	\$	9,661,749	\$	11,312,823	\$	11,517,885	\$	10,367,239
Interest	\$	507,827	\$	458,546	\$	762,918	\$	915,789	\$	754,123
Other Revenue	\$	324,750	\$	-	\$	-	\$	-	\$	200,000
<b>Gross Revenues</b>	\$	9,056,785	\$	10,120,295	\$	12,075,741	\$	12,433,674	\$	11,321,362
Operating Expenses (less depreciation and amortization)	\$	4,362,444	\$	4,746,910	\$	4,995,463	\$	5,232,544	\$	6,643,470
<b>Net Revenue</b>	\$	4,694,341	\$	5,373,385	\$	7,080,278	\$	7,201,130	\$	4,677,892
Debt Service 1979 Issue	\$	-	\$	-	\$	-	\$	-	\$	-
Debt Service 1992 Issue	\$	-	\$	-	\$	-	\$	-	\$	-
Debt Service 1997 Issue	\$	1,209,747	\$	1,209,697	\$	1,027,068	\$	485,260	\$	482,260
Debt Service 2000 Issue	\$	2,642,784	\$	2,641,048	\$	2,196,541	\$	852,965	\$	860,870
Debt Service 2005 Issue	\$	-	\$	-	\$	759,375	\$	2,331,210	\$	2,333,060
Total Debt Service	\$	3,852,531	\$	3,850,745	\$	3,982,984	\$	3,669,435	\$	3,676,190
<b>Coverage Factor</b>		<b>1.219</b>		<b>1.395</b>		<b>1.778</b>		<b>1.962</b>		<b>1.272</b>

**Historical Coverage of Projected  
Maximum Annual Debt Service  
By Sales Tax Revenues  
Last Five Fiscal Years  
(Unaudited)**

<b><u>Fiscal Year Ending</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
Half-Cent Sales Tax Receipts <sup>1</sup>	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165
Series 1998 Bond <sup>2</sup>	\$ 3,194,875	\$ 3,194,875	\$ 3,194,875	\$ 3,194,875	\$ 3,194,875
Series 2002 Bond <sup>3</sup>	1,178,701	1,178,701	1,178,701	1,178,701	445,495
Series 2006 Bond <sup>4</sup>	-	-	-	5,134,488	5,134,488
Series 2007 Bond <sup>5</sup>	-	-	-	-	1,141,450
<b>Total Maximum Annual Debt Service</b>	<b>\$ 4,373,576</b>	<b>\$ 4,373,576</b>	<b>\$ 4,373,576</b>	<b>\$ 9,508,064</b>	<b>\$ 9,916,308</b>
 <b>Coverage of Maximum Annual Debt Service by Sales Tax Revenues</b>	 <b>1.93</b>	 <b>2.05</b>	 <b>2.22</b>	 <b>1.06</b>	 <b>1.00</b>

<sup>1</sup> Source: Bay County Finance Department.

<sup>2</sup> Maximum debt service is in year 2023

<sup>3</sup> Maximum debt service is in year 2011. Partially refunded by Series 2007 Bond.

<sup>4</sup> Maximum debt service is in year 2030

<sup>5</sup> Maximum debt service is in year 2018

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

<b>Year</b>	<b>Estimated Population</b>	<b>Personal Income<sup>1</sup></b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>Unemployment Rate<sup>3</sup></b>
1998	147,496	\$ 3,234,088	\$ 21,999	6.7%
1999	150,119	3,353,267	22,634	6.1%
2000	148,217	3,521,822	23,754	5.8%
2001	150,287	3,675,638	24,526	5.9%
2002	152,186	3,870,336	25,438	5.9%
2003	154,827	4,119,403	26,623	5.4%
2004	158,437	4,545,721	28,836	4.5%
2005	161,721	4,887,759	30,298	3.6%
2006	165,515	*	*	3.1%
2007	167,631	*	*	*

\* Information not yet available

<sup>1</sup> In thousands of dollars

<sup>2</sup> 2000, 2002-2004 data revised.

<sup>3</sup> 2005 data revised.

**Source:** *Florida Statistical Abstract 2007*



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

<u><b>Employer</b></u>	<b>2007</b>			<b>1998</b>		
	<u><b>Employees</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total County Employment</b></u>	<u><b>Employees</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total County Employment</b></u>
Tyndall Air Force Base	5,191	1	5.94%	6,743	1	10.31%
Naval Support Activity	3,816	2	4.37%	2,455	3	3.75%
Bay County School Board	3,370	3	3.86%	3,500	2	5.35%
Bay Medical Center	2,174	4	2.49%	1,850	4	2.83%
Wal-Mart	1,240	5	1.42%	-	-	-
Sallie Mae	1,200	6	1.37%	977	5	1.49%
Gulf Coast Medical Center	850	7	0.97%	800	6	1.22%
Trane Manufacturing Corp.	750	8	0.86%	-	-	-
Smurfit-Stone Container	650	9	0.74%	585	7	0.89%
Eastern Shipbuilding	601	10	0.69%	400	10	0.61%
Paradise Found Resort & Hotel	-	-	-	522	8	0.80%
Arizona Chemical	-	-	-	500	9	0.76%
	<u><b>19,842</b></u>		<u><b>22.70%</b></u>	<u><b>18,332</b></u>		<u><b>28.04%</b></u>
Total Bay County Labor Force	<u><u>87,417</u></u>			<u><u>65,388</u></u>		

***Source:** Bay County Economic Development Alliance*

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

<b><u>Function/Program</u></b>	<b>Full-time Equivalent Employees as of December 31</b>									
	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
General Government	52	56	53	61	67	64	62	59	63	74
Public Safety	50	51	62	71	77	86	92	99	109	123
Physical Environment	81	86	93	99	101	114	112	109	111	118
Transportation	122	115	122	122	125	120	118	121	124	128
Economic Environment	2	1	3	3	3	2	2	2	3	2
Human Services	7	7	7	9	10	10	10	9	10	9
Culture/Recreation	18	20	19	17	18	18	18	18	20	81
Judicial System	12	11	11	11	11	11	9	10	9	9
<b>Total</b>	<b><u>344</u></b>	<b><u>347</u></b>	<b><u>370</u></b>	<b><u>393</u></b>	<b><u>412</u></b>	<b><u>425</u></b>	<b><u>423</u></b>	<b><u>427</u></b>	<b><u>449</u></b>	<b><u>544</u></b>

*Source: County personnel department*

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

<b><u>Function/Program</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
<b>General Government</b>										
Assessed properties	87,982	89,131	90,617	92,173	93,478	95,709	98,044	103,104	107,007	110,279
Court cases:										
Circuit Criminal	2,315	3,147	3,753	3,886	4,719	5,230	4,718	4,461	4,449	4,846
County Criminal	11,164	10,118	10,760	11,547	12,554	12,522	12,153	9,824	8,882	11,882
<b>Public Safety</b>										
E-911 calls	*	88,031	112,108	100,000	105,000	108,846	115,000	113,548	118,000	124,977
Building permits issued**										
Commercial	*	*	139	293	352	393	345	435	274	256
Residential	*	*	479	1,263	1,576	1,421	2,192	2,213	1,424	1,018
<b>Physical Environment</b>										
Tons burned at Incinerator	207,294	209,527	209,939	214,185	220,965	219,413	213,468	223,462	237,825	238,506
<b>Transportation</b>										
Roads miles maintained	891.00	705.50	710.20	709.20	710.40	712.67	714.79	711.25	712.72	712.07
<b>Economic Environment</b>										
Tourist Development Tax										
Registrants	210	225	264	298	344	394	500	632	843	1109
<b>Human Services</b>										
Baker Act admissions	333	271	236	302	279	279	328	377	348	372

\* 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)**

<b><u>Function/Program</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
<b>Public Safety</b>					
Correction facility capacities	662	662	662	662	662
Fire stations	13	13	13	13	13
<b>Culture &amp; Recreation</b>					
Parks	29	29	30	30	30
Park acreage	378	378	413	413	413
Boat ramps	19	19	19	19	19
<b>Transportation</b>					
Road miles	712.67	714.79	711.25	712.72	712.07
Bridges	14	14	14	14	14
Traffic signals	18	18	18	18	17
<b>Physical Environment</b>					
Water mains (miles)	*	*	*	105	108

\*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, 2007, and have issued our report thereon dated March 31, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, our Report on Compliance With Requirements Applicable to Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 31, 2008, 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, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

The Rules of the Auditor General (Section 10.554(1)(i)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 corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. All prior year findings have been corrected.

As required by the Rules of the Auditor General (Section 10.554(1)(i)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)(i)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)(i)4.) require that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)5.) requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we have the following finding:

#### Property Appraiser

07-1. Section 193.023(2), Florida Statutes states:

In making his or her assessment of the value of real property, the property appraiser is required to physically inspect the property at least once every 5 years, and may review image technology, as the property appraiser deems necessary, to ensure that the tax roll meets all the requirements of law. However, the property appraiser shall physically inspect any parcel of taxable real property upon the request of the taxpayer or owner.

Current year audit procedures determined that there are five parcels of real property that have not been inspected physically within the last five years. We recommend that the Property Appraiser take the necessary actions to become compliant with Florida Statutes. The financial statements were not materially misstated as a result of this instance of noncompliance.

#### Management's Response

Management has reviewed their procedures for assessing the value of property required by Florida Statutes, Section 193.023(2) and inspected the five parcels upon notification of the noncompliance. Management expects to be in compliance with this requirement in future years.

Bay County, Florida  
Page Three

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.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)7.b.), we determined that the annual financial report for Bay County, Florida for the fiscal year ended September 30, 2007, 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, 2007.

As required by the Rules of the Auditor General (Sections 10.554(h)7.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; 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.

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

Panama City, Florida  
March 31, 2008



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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, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 31, 2008. 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 effectiveness of internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with general accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the findings listed in section II of the accompanying Schedule of findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on 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*.

We have included the responses to the findings identified in our audit in the Schedule of findings and Questioned Costs. We did not audit the responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners; 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.

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

Panama City, Florida  
March 31, 2008



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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 (the County) 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 State of Florida's 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, 2007. 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 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of County Commissioners; 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.

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

Panama City, Florida  
March 31, 2008

Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Financial Assistance  
Year Ended September 30, 2007

Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified not considered to be  
material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

**Federal Awards and State Financial Assistance**

Internal control over major programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant Deficiencies identified not considered to be  
material weaknesses? ☐ Yes ☒ 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 ☒ No

Identification of major programs / state projects:

<u>CFDA Number</u>	<u>Name of Federal Agency/Program</u>
	U.S Department of Transportation
20.205	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, 2007

<u>CSFA Number</u>	<u>Name of State Agency/Projects</u>
45.020	Department of State and Secretary of State Public Library Construction
37.003	Florida Department of Environmental Protection Panama City Beach Renourishment Project
52.037	Department of Community Affairs Emergency Operations Center Building

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?   √   Yes           No

Section II - Financial Statement Findings

Tax Collector

- 07-1. Certain types of adjustments were required that reflect corrections of material misstatements not initially identified in the Tax Collector's internal controls.

Management's Response

Procedures are currently being implemented to identify and record these types of adjustments in the future.

Sheriff

- 07-1. There is no policy for approval of non-standard journal entries before they are entered into the general ledger.

(Continued)

Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Financial Assistance (Continued)  
Year Ended September 30, 2007

Recommendation

We recommend that the Comptroller indicate her approval of the non-standard journal entries that are prepared by her staff before they are entered into the general ledger by signing the journal entry form.

Management's Response

The comptroller will immediately begin approving all non-standard journal entries as recommended.

- 07-2. The Sheriff's Office policy for the disposal of capital assets requires a written authorization by the Sheriff or Major. We noticed that several of the dispositions didn't have the proper authorization.

Recommendation

We recommend that the policy be followed and proper written authorization be obtained prior to disposition.

Management's Response

The Sheriff has already begun complying with the policy by authorizing all dispositions.

- 07-3. Several capital assets were not included as additions during the year. Some of these assets were located in special revenue funds.

Recommendation

We recommend that the Comptroller and her staff review the additions reported in the general ledger with the additions as reported by the Property Specialist for completeness. This review should take place at least on a quarterly basis.

Management's Response

The Comptroller is implementing the review as recommended.

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, 2007

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

Bay County, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance  
Year Ended September 30, 2007

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSDA No.	Contract/ Grant No.	Expenditures
<b>U.S. Department of Justice</b>			
Passed through Florida Department of Law Enforcement			
School Resource Officer Program	16.738	2006-DJ-BX-0515	\$ 30,851
Courthouse Security Enhancement	16.738	2005-DJ-BX-1382	10,184
State Homeland Security Grant Program	97.004	2007-SHSP-BAY-2-Q5-001	25,000
State Homeland Security Grant Program	97.004	2007-SHSP-BAY-2-Q5-002	1,340
Passed through State of Florida Office of Attorney General			
Victims of Crime Act	16.575	V6045	26,398
<b>Total U.S. Department of Justice</b>			<u>93,773</u>
<b>Federal Election of Assistance Commission</b>			
Passed through Florida Department of State and Secretary of State			
Pollworker Recruitment 06	90.401	-----	2,917
Voter Education Grant 07	39.011	-----	17,193
<b>Total Federal Election of Assistance Commission</b>			<u>20,110</u>
<b>U.S. Department of Transportation</b>			
Passed through Florida Department of Transportation			
Grand Lagoon Bridge	20.205	AN013	382,208
CR 390 at Transmitter Rd Construction Project	20.205	AOJ81	590,802
C.R. 390 Widening	20.205	AOM66	162
<b>Total U.S. Department of Transportation</b>			<u>973,172</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Florida Department of Community Affairs			
Emergency Management Preparedness & Assistance	97.042	07-BG-04-02-41-01-239	35,604
State Homeland Security Grant Program	97.067	07DS-5N-01-13-01-465	13,000
Passed through Florida Department of Financial Services			
State Homeland Security Grant Program	97.073	FM223	57,220
<b>Total U.S. Department of Homeland Security</b>			<u>105,824</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Florida Department of Community Affairs			
Community Service Block Grant	93.569	07SB-5Z-12-00-01-001	170,976
<b>Total U.S. Department of Health and Human Services</b>			<u>170,976</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,363,855</u>

(Continued)

Bay County, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance  
Year Ended September 30, 2007

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSDA No.	Contract/ Grant No.	Expenditures
<b><u>STATE OF FLORIDA</u></b>			
<b>Department of Juvenile Justice</b>			
Drug Court	20.013	----	\$ 54,260
<b>Total Department of Juvenile Justice</b>			<u>54,260</u>
<b>Department of Corrections</b>			
Drug Court	20.013	----	28,162
<b>Total Department of Corrections</b>			<u>28,162</u>
<b>Department of Environmental Protection</b>			
Carillon Beach/Pinnacle Port Dune Restoration Project	97.004	H6BA1	385,699
Deer Point Lake Dirt Road Stabilization	37.022	-----	350,397
Groundwater and Aquifer Testing	37.022	07-067	200,000
Panama City Beach Renourishment Project	37.003	05BA2	227,560
<b>Total Department of Environmental Protection</b>			<u>1,163,656</u>
<b>Department of Health</b>			
Emergency Medical Services	52.008	-----	55,500
<b>Total Department of Health</b>			<u>55,500</u>
<b>Department of Agriculture and Consumer Services</b>			
Mosquito Control	42.003	----	18,500
<b>Total Department of Agriculture and Consumer Services</b>			<u>18,500</u>
<b>Department of Community Affairs</b>			
Haney Retrofit Project	52.024	07SR-4P-01-13-01-054	5,853
Emergency Management Preparedness Grant	52.008	07-BG-04-02-41-01-239	102,959
Emergency Operations Building	52.037	06-CP-4Y-01-13-01-210	470,503
<b>Total Department of Community Affairs</b>			<u>579,315</u>
<b>Department of State and Secretary of State</b>			
Public Library Construction	45.020	06-SP-01	1,091,799
<b>Total Department of State and Secretary of State</b>			<u>1,091,799</u>
<b>Department of Transportation</b>			
Bridge Street Project	55.008	AM039	328,000
Traffic Signals Grant	55.013	AOS05	76,231
<b>Total Department of Transportation</b>			<u>404,231</u>
<b>Department Law Enforcement</b>			
Violent Crime and Drug Control	71.005	----	8,095
Operation Butter and Onions	71.005	----	74,452
<b>Total Department of Law Enforcement</b>			<u>82,547</u>
<b>Florida Housing Finance Corporation</b>			
State Housing Initiatives Partnership Program	52.901	----	50,931
<b>Total Florida Housing Finance Corporation</b>			<u>50,931</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u>\$ 3,528,901</u>

**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.

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

**BAY COUNTY, FLORIDA**

**September 30, 2007**

**SUPERVISOR OF ELECTIONS**

Mark Andersen

**TAX COLLECTOR**

Peggy Brannon

**CLERK OF CIRCUIT COURT**

Harold Bazzel

**SHERIFF**

Frank McKeithen

**PROPERTY APPRAISER**

Zane Spitzer

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BAY COUNTY, FLORIDA  
September 30, 2007  
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**SUPERVISOR OF  
ELECTIONS**



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special-purpose financial statements of the Bay County Supervisor of Elections as of and for the year ended September 30, 2007, 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.

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, 2007, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2008 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, 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.

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

Panama City, Florida  
March 31, 2008

Bay County Supervisor of Elections  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2007

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 187,793
Total assets	<u>\$ 187,793</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 59,224
Due to other governments	32,205
Deferred revenue	<u>96,364</u>
Total liabilities	187,793
<b>FUND BALANCE</b>	
Unreserved	<u>-</u>
Total liabilities and fund balance	<u>\$ 187,793</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  
Changes in Fund Balance  
Governmental Fund  
Year Ended September 30, 2007

	<u>General Fund</u>
<b>REVENUES</b>	
Intergovernmental	\$ 15,684
Charges for services	1,678
Miscellaneous	8,337
Interest	<u>6,872</u>
Total revenues	<u>32,571</u>
<b>EXPENDITURES</b>	
Current	
General government	<u>1,040,419</u>
Total expenditures	<u>1,040,419</u>
Excess (deficit) of expenditures over (under) revenues	<u>(1,007,848)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget appropriations from Board of County Commissioners	1,039,974
Reversion to Board of County Commissioners	<u>(32,126)</u>
Total other financing sources (uses)	<u>1,007,848</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  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 49,948	\$ 49,948	\$ 15,684	\$ (34,264)
Charges for services	1,800	1,800	1,678	(122)
Miscellaneous	700	10,103	8,337	(1,766)
Interest	4,000	4,000	6,872	2,872
Total revenues	<u>56,448</u>	<u>65,851</u>	<u>32,571</u>	<u>(33,280)</u>
<b>EXPENDITURES</b>				
Current				
General government	<u>1,096,422</u>	<u>1,105,825</u>	<u>1,040,419</u>	<u>65,406</u>
Total expenditures	<u>1,096,422</u>	<u>1,105,825</u>	<u>1,040,419</u>	<u>65,406</u>
Excess (deficit) of expenditures over (under) revenues	<u>(1,039,974)</u>	<u>(1,039,974)</u>	<u>(1,007,848)</u>	<u>32,126</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	1,039,974	1,039,974	1,039,974	-
Reversion to Board of County Commissioners	<u>-</u>	<u>-</u>	<u>(32,126)</u>	<u>(32,126)</u>
Total other financing sources (uses)	<u>1,039,974</u>	<u>1,039,974</u>	<u>1,007,848</u>	<u>(32,126)</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, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Bay County Supervisor of Elections 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, 2007

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, 2007

NOTE 2 – DEPOSITS

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

NOTE 3 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Bay County Supervisor of Elections contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 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 for the fiscal year 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 10.91% effective for the fiscal year. The Supervisor of Elections' contributions for the years ended September 30, 2007, 2006 and 2005 were \$44,712, \$37,389, and \$31,286, respectively, and are equal to the required contributions for each year.

## 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, 2007, and have issued our report thereon dated March 31, 2008.

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 March 31, 2008, 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)(i)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 corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. 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)(i)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County Supervisor of Elections complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)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 Mark Andersen  
Bay County Supervisor of Elections  
Page Two

The Rules of the Auditor General (Section 10.554(1)(i)4.) require that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)5.) requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters pursuant to Section 10.554(1)(i)5., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(i)6.) 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.

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

Panama City, Florida  
March 31, 2008

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, 2007, and have issued our report thereon dated March 31, 2008. 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 but not for the purpose of expressing an opinion on the effectiveness of the Supervisor of Elections' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Supervisor of Elections' ability to initiate, authorize, record, process, or report financial data reliably in accordance with general accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Supervisor of Elections' financial statements that is more than inconsequential will not be prevented or detected by the Supervisor of Elections' internal control.

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Page Two

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Supervisor of Elections' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. As defined above, we noted no deficiencies involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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  
March 31, 2008

**CLERK OF CIRCUIT  
COURT**



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special-purpose financial statements of the Bay County Clerk of Circuit Court as of and for the year ended September 30, 2007, 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.

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, 2007, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2008 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, 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.

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

Panama City, Florida  
March 31, 2008

Bay County Clerk of Circuit Court  
Special-Purpose Balance Sheet  
Governmental Funds  
September 30, 2007

	<u>General Fund</u>	<u>Court Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 894,911	\$ 1,485,711	\$ 2,167,419	\$ 4,548,041
Accounts receivable, net	49,176	20,333	-	69,509
Prepaid expenses	-	-	22,000	22,000
Total assets	<u>\$ 944,087</u>	<u>\$ 1,506,044</u>	<u>\$ 2,189,419</u>	<u>\$ 4,639,550</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 150,364	\$ 263,185	\$ 39,590	\$ 453,139
Deferred revenue	10,114	-	-	10,114
Due to state-bond estreature	-	237,813	-	237,813
Due to other governments	783,609	1,005,046	-	1,788,655
Total liabilities	<u>944,087</u>	<u>1,506,044</u>	<u>39,590</u>	<u>2,489,721</u>
<b>FUND BALANCE</b>				
Unreserved	<u>-</u>	<u>-</u>	<u>2,149,829</u>	<u>2,149,829</u>
Total liabilities and fund balance	<u>\$ 944,087</u>	<u>\$ 1,506,044</u>	<u>\$ 2,189,419</u>	<u>\$ 4,639,550</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  
Changes in Fund Balance - Governmental Funds  
Year Ended September 30, 2007

	General Fund	Court Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental revenue	\$ 211,549	\$ -	\$ -	\$ 211,549
Charges for services	1,749,706	5,291,260	728,803	7,769,769
Miscellaneous	58,041	-	44,740	102,781
Total revenues	<u>2,019,296</u>	<u>5,291,260</u>	<u>773,543</u>	<u>8,084,099</u>
<b>EXPENDITURES</b>				
General government	<u>2,345,140</u>	<u>4,286,214</u>	<u>534,201</u>	<u>7,165,555</u>
Total expenditures	<u>2,345,140</u>	<u>4,286,214</u>	<u>534,201</u>	<u>7,165,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(325,844)</u>	<u>1,005,046</u>	<u>239,342</u>	<u>918,544</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	1,109,453	-	-	1,109,453
Reversion to Board of County Commissioners	(783,609)	-	-	(783,609)
Reversion to State of Florida	<u>-</u>	<u>(1,005,046)</u>	<u>-</u>	<u>(1,005,046)</u>
Total other financing sources (uses)	<u>325,844</u>	<u>(1,005,046)</u>	<u>-</u>	<u>(679,202)</u>
Net change in fund balance	-	-	239,342	239,342
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>1,910,487</u>	<u>1,910,487</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,149,829</u>	<u>\$ 2,149,829</u>

Bay County Clerk of Circuit Court  
Special-Purpose Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 211,000	\$ 211,000	\$ 211,549	\$ 549
Charges for services	1,830,915	1,830,840	1,749,706	(81,134)
Miscellaneous	35,600	35,600	58,041	22,441
Total revenues	<u>2,077,515</u>	<u>2,077,440</u>	<u>2,019,296</u>	<u>(58,144)</u>
<b>EXPENDITURES</b>				
General government	<u>3,153,206</u>	<u>3,153,131</u>	<u>2,345,140</u>	<u>807,991</u>
Total expenditures	<u>3,153,206</u>	<u>3,153,131</u>	<u>2,345,140</u>	<u>807,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,075,691)</u>	<u>(1,075,691)</u>	<u>(325,844)</u>	<u>749,847</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	1,075,691	1,075,691	1,109,453	33,762
Reversion to Board of County Commissioners	-	-	(783,609)	(783,609)
Total other financing sources (uses)	<u>1,075,691</u>	<u>1,075,691</u>	<u>325,844</u>	<u>(749,847)</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  
Changes in Fund Balance - Budget and Actual  
Court Fund  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 4,655,133	\$ 4,655,133	\$ 5,291,260	\$ 636,127
Total revenues	<u>4,655,133</u>	<u>4,655,133</u>	<u>5,291,260</u>	<u>636,127</u>
<b>EXPENDITURES</b>				
General government	<u>4,655,133</u>	<u>4,655,133</u>	<u>4,286,214</u>	<u>368,919</u>
Total expenditures	<u>4,655,133</u>	<u>4,655,133</u>	<u>4,286,214</u>	<u>368,919</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,005,046</u>	<u>1,005,046</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reversion to State of Florida	<u>-</u>	<u>-</u>	<u>(1,005,046)</u>	<u>(1,005,046)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,005,046)</u>	<u>(1,005,046)</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, 2007

**ASSETS**

Cash and cash equivalents	\$ 4,237,577
Total assets	<u>\$ 4,237,577</u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 1,477,892
Due to other governments	<u>2,759,685</u>
Total liabilities	<u>\$ 4,237,577</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, 2007

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, 2007

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'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 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.

Accounts Receivable – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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.

Bay County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund types accrue benefits in the period they are earned; however, only the current portion of the accrued benefits is recorded in the governmental fund types. The long-term portion is recorded in the long-term liabilities of the Board of County Commissioners.

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

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

Custodial Risk – 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, 2007, the Clerk has pooled funds in the amount of \$87,802 on deposit in a "2a-7" 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 "2a-7" 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.

Bay County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 3 – ACCOUNTS RECEIVABLE

At September 30, 2007, accounts receivable is summarized as follows:

Total accounts receivable	\$69,509
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$69,509</u>

The Clerk considers all amounts collectible, therefore there is no provision for doubtful accounts at September 30, 2007.

NOTE 4 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Clerk contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 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 for the fiscal year 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 10.91%. The Clerk's contributions for the years ended September 30, 2007, 2006 and 2005 were \$392,640, \$303,877 and \$250,700, respectively, and all are equal to the required contributions for each year.

Bay County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Clerk leased office and parking space for a one year period ended September 30, 2007, which represented the last year in the three year lease period. A new 36 month lease agreement was entered into on October 1, 2007. This lease includes an annual escalation clause with the increase based on the Bureau of Labor Statistic's Consumer Price Index for All Consumers. The future minimum rental payments, as determined by the base rental payment under this operating lease, are as follows:

Year Ending <u>September 30,</u>	
2008	\$ 40,944
2009	40,944
2010	<u>40,944</u>
Total	<u>\$ 122,832</u>

Rental and lease expense for the year ended September 30, 2007 totaled \$87,288.

NOTE 6 – SUBSEQUENT EVENT

As discussed in note 2, at September 30, 2007, the Clerk had \$87,802 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities in the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to subprime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of all assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current Pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 37% of their balance or \$4 million, whichever is greater without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Service assigned its "AAAM" principal stability fund rating to Pool A.

Bay County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 6 – SUBSEQUENT EVENT (Continued)

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool. However, cash holdings are being distributed to participants as they become available from maturities and sales as well as received income. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principal value of Pool B assets is not readily determinable. On December 5, 2007, the Clerk had \$75,531 and \$12,690 invested in Pool A and Pool B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

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## NONMAJOR GOVERNMENTAL FUNDS

Bay County Clerk of Circuit Court  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2007

	<u>10/6/3</u>	<u>Family Mediation</u>	<u>Records Modernization - Records</u>	<u>Records Modernization - Court</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 448,733	\$ 44,691	\$ 855,663	\$ 818,332	\$ 2,167,419
Prepaid expenses	-	-	22,000	-	22,000
Total assets	<u>\$ 448,733</u>	<u>\$ 44,691</u>	<u>\$ 877,663</u>	<u>\$ 818,332</u>	<u>\$ 2,189,419</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable and accrued liabilities	\$ 17,987	\$ 1,900	\$ 19,703	\$ -	\$ 39,590
Total liabilities	<u>17,987</u>	<u>1,900</u>	<u>19,703</u>	<u>-</u>	<u>39,590</u>
Fund balance					
Unreserved	430,746	42,791	857,960	818,332	2,149,829
Total fund balance	<u>430,746</u>	<u>42,791</u>	<u>857,960</u>	<u>818,332</u>	<u>2,149,829</u>
Total liabilities and fund balance	<u>\$ 448,733</u>	<u>\$ 44,691</u>	<u>\$ 877,663</u>	<u>\$ 818,332</u>	<u>\$ 2,189,419</u>



Bay County Clerk of Circuit Court  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2007

	<u>10/6/3</u>	<u>Family Mediation</u>	<u>Records Modernization - Records</u>	<u>Records Modernization - Court</u>	<u>Total</u>
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ 551,733	\$ 177,070	\$ 728,803
Miscellaneous	<u>21,455</u>	<u>471</u>	<u>13,809</u>	<u>9,005</u>	<u>44,740</u>
Total revenues	<u>21,455</u>	<u>471</u>	<u>565,542</u>	<u>186,075</u>	<u>773,543</u>
<b>EXPENDITURES</b>					
Current					
General government	<u>79,704</u>	<u>4,775</u>	<u>356,943</u>	<u>92,779</u>	<u>534,201</u>
Total expenditures	<u>79,704</u>	<u>4,775</u>	<u>356,943</u>	<u>92,779</u>	<u>534,201</u>
Excess (deficiency) of revenues over (under) expenditures	(58,249)	(4,304)	208,599	93,296	239,342
Fund balance - beginning	<u>488,995</u>	<u>47,095</u>	<u>649,361</u>	<u>725,036</u>	<u>1,910,487</u>
Fund balance - ending	<u>\$ 430,746</u>	<u>\$ 42,791</u>	<u>\$ 857,960</u>	<u>\$ 818,332</u>	<u>\$ 2,149,829</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, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>FINES AND FORFEITURES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,630,891	\$38,915,890	\$38,728,536	\$ 1,818,245
Total assets	<u>\$ 1,630,891</u>	<u>\$38,915,890</u>	<u>\$38,728,536</u>	<u>\$ 1,818,245</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,630,891	\$38,915,890	\$38,728,536	\$ 1,818,245
Total liabilities	<u>\$ 1,630,891</u>	<u>\$38,915,890</u>	<u>\$38,728,536</u>	<u>\$ 1,818,245</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,623	\$ 117,252	\$ 100,419	\$ 37,456
Total assets	<u>\$ 20,623</u>	<u>\$ 117,252</u>	<u>\$ 100,419</u>	<u>\$ 37,456</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 20,623	\$ 117,252	\$ 100,419	\$ 37,456
Total liabilities	<u>\$ 20,623</u>	<u>\$ 117,252</u>	<u>\$ 100,419</u>	<u>\$ 37,456</u>
<b>TAX DEED</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 90,846	\$ 186,553	\$ 176,696	\$ 100,703
Total assets	<u>\$ 90,846</u>	<u>\$ 186,553</u>	<u>\$ 176,696</u>	<u>\$ 100,703</u>
<b>LIABILITIES</b>				
Accounts payable and				
Accrued liabilities	\$ 90,846	\$ 186,553	\$ 176,696	\$ 100,703
Total liabilities	<u>\$ 90,846</u>	<u>\$ 186,553</u>	<u>\$ 176,696</u>	<u>\$ 100,703</u>

(Continued)

Bay County Clerk of Circuit Court  
Combining Statement of Changes  
in Assets and Liabilities  
All Agency Funds (Continued)  
Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,410	\$ 883,475	\$ 883,625	\$ 4,260
Total assets	<u>\$ 4,410</u>	<u>\$ 883,475</u>	<u>\$ 883,625</u>	<u>\$ 4,260</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 4,410	\$ 883,475	\$ 883,625	\$ 4,260
Total liabilities	<u>\$ 4,410</u>	<u>\$ 883,475</u>	<u>\$ 883,625</u>	<u>\$ 4,260</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,596,271	\$ 19,612,397	\$ 19,842,928	\$ 1,365,740
Total assets	<u>\$ 1,596,271</u>	<u>\$ 19,612,397</u>	<u>\$ 19,842,928</u>	<u>\$ 1,365,740</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,596,271	\$ 19,612,397	\$ 19,842,928	\$ 1,365,740
Total liabilities	<u>\$ 1,596,271</u>	<u>\$ 19,612,397</u>	<u>\$ 19,842,928</u>	<u>\$ 1,365,740</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 726,755	\$ 1,630,979	\$ 1,453,750	\$ 903,984
Total assets	<u>\$ 726,755</u>	<u>\$ 1,630,979</u>	<u>\$ 1,453,750</u>	<u>\$ 903,984</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 726,755	\$ 1,630,979	\$ 1,453,750	\$ 903,984
Total liabilities	<u>\$ 726,755</u>	<u>\$ 1,630,979</u>	<u>\$ 1,453,750</u>	<u>\$ 903,984</u>

(Continued)

Bay County Clerk of Circuit Court  
Combining Statement of Changes  
in Assets and Liabilities  
All Agency Funds (Continued)  
Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,592	\$ 252,229	\$ 248,632	\$ 7,189
Total assets	<u>\$ 3,592</u>	<u>\$ 252,229</u>	<u>\$ 248,632</u>	<u>\$ 7,189</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 3,592	\$ 252,229	\$ 248,632	\$ 7,189
Total liabilities	<u>\$ 3,592</u>	<u>\$ 252,229</u>	<u>\$ 248,632</u>	<u>\$ 7,189</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,073,388	\$ 61,598,774	\$ 61,434,585	\$ 4,237,577
Total assets	<u>\$ 4,073,388</u>	<u>\$ 61,598,774</u>	<u>\$ 61,434,585</u>	<u>\$ 4,237,577</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,695,119	\$ 20,934,653	\$ 21,151,880	\$ 1,477,892
Due to other governments	2,378,269	40,664,121	40,282,705	2,759,685
Total liabilities	<u>\$ 4,073,388</u>	<u>\$ 61,598,774</u>	<u>\$ 61,434,585</u>	<u>\$ 4,237,577</u>

## 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, 2007, and have issued our report thereon dated March 31, 2008.

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 March 31, 2008, 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)(i)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 corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. 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)(i)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County Clerk of Circuit Court complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)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 Harold Bazzel  
Bay County Clerk of Circuit Court  
Page Two

The Rules of the Auditor General (Section 10.554(1)(i)4.) require that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)5.) requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters pursuant to Section 10.554(1)(i)5., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(i)6.) 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 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.

Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the Clerk of Court complied with 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 Clerk 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.

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

Panama City, Florida  
March 31, 2008



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, 2007, and have issued our report thereon dated March 31, 2008. 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 but not for the purpose of expressing an opinion on the effectiveness of the Clerk of Circuit Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Circuit Court's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Clerk of Circuit Court's ability to initiate, authorize, record, process, or report financial data reliably in accordance with general accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Clerk of Circuit Court's financial statements that is more than inconsequential will not be prevented or detected by the Clerk of Circuit Court's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Clerk of Circuit Court's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. As defined above, we noted no deficiencies involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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  
March 31, 2008

**PROPERTY  
APPRAISER**



Carr, Riggs & Ingram, LLC  
14101 Panama City Beach Parkway  
Suite 200  
Panama City Beach, FL 32413

(850) 784-6733  
(850) 784-4866 (fax)  
[www.cricpa.com](http://www.cricpa.com)

## INDEPENDENT AUDITORS' REPORT

The Honorable Zane Spitzer  
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, 2007, 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.

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, 2007, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Zane Spitzer  
Bay County Property Appraiser  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2008 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, 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.

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

Panama City, Florida  
March 31, 2008

Bay County Property Appraiser  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2007

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$          7,731</u>
Total assets	<u><u>\$          7,731</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$          5,876
Due to other governments	<u>1,855</u>
Total liabilities	<u>7,731</u>
<b>FUND BALANCE</b>	
Unreserved	<u>-</u>
 Total liabilities and fund balance	 <u><u>\$          7,731</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  
Changes in Fund Balance  
Governmental Fund  
Year Ended September 30, 2007

	<u>General Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 36,020
Interest income	14,755
Total revenues	<u>50,775</u>
<b>EXPENDITURES</b>	
Current	
General government	2,359,958
Debt service	
Principal retirement	37,233
Interest and fiscal charges	7,483
Total expenditures	<u>2,404,674</u>
Excess (deficit) of expenditures over (under) revenues	<u>(2,353,899)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget appropriations from Board of County Commissioners	2,355,754
Reversion to Board of County Commissioners	(1,855)
Total other financing sources (uses)	<u>2,353,899</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  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2007

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 36,020	\$ 36,020
Interest income	-	-	14,755	14,755
Total revenues	-	-	50,775	50,775
<b>EXPENDITURES</b>				
Current				
General government	2,340,614	2,311,038	2,359,958	(48,920)
Debt service				
Principal retirement	37,233	37,233	37,233	-
Interest and fiscal charges	7,483	7,483	7,483	-
Total expenditures	2,385,330	2,355,754	2,404,674	(48,920)
Excess (deficit) of expenditures over (under) revenues	(2,385,330)	(2,355,754)	(2,353,899)	1,855
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	2,385,330	2,355,754	2,355,754	-
Reversion to Board of County Commissioners	-	-	(1,855)	(1,855)
Total other financing sources (uses)	2,385,330	2,355,754	2,353,899	(1,855)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -



Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Bay County 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, 2007

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 – Florida Statutes, Chapter 195.087 governs the preparation, adoption and administration of the annual budget of the Property Appraiser. The budget and subsequent budget amendments of the Property Appraiser are submitted to the Florida Department of Revenue for approval. A copy of the budget is also provided to the Board. 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

Custodial Risk – 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

Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 2 – DEPOSITS (Continued)

public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

NOTE 3 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2007:

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
Capital Leases Payable	\$ 139,557	\$ -	\$ 37,233	\$ 102,324

Capital leases payable consists of lease purchase agreements on vehicles and equipment. The leased vehicles and equipment are 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 vehicles and equipment purchased under lease purchases is \$264,080. Total principal maturities are as follows:

Year Ended September 30,	
2008	\$ 38,389
2009	39,726
2010	29,583
2011	3,606
Total	111,304
Less: amount representing interest	(8,980)
Total	\$ 102,324

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.

Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

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 requires 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 for the fiscal year were 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 10.91% for the fiscal year. The Property Appraiser's contributions for the years ended September 30, 2007, 2006 and 2005 were \$161,909, \$139,229 and \$117,418, respectively, and are equal to the required contributions for each year.

NOTE 5 – BUDGETARY DATA

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

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## INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Honorable Zane Spitzer  
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, 2007, and have issued our report thereon dated March 31, 2008.

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 March 31, 2008, 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)(i)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 corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. 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)(i)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)(i)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)(i)4.) require that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)5.) requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. During the current fiscal year, the Bay County Property Appraiser had the following instance of noncompliance which existed:

07-1. Section 193.023(2), Florida Statutes states:

In making his or her assessment of the value of real property, the property appraiser is required to physically inspect the property at least once every 5 years, and may review image technology, as the property appraiser deems necessary, to ensure that the tax roll meets all the requirements of law. However, the property appraiser shall physically inspect any parcel of taxable real property upon the request of the taxpayer or owner.

Current year audit procedures determined that there are five parcels of real property that have not been inspected physically within the last five years. We recommend that the Property Appraiser take the necessary actions to become compliant with Florida Statutes. The financial statements were not materially misstated as a result of this instance of noncompliance.

Management's Response

Management has reviewed their procedures for assessing the value of property required by Florida Statutes, Section 193.023(2) and inspected the five parcels upon notification of the noncompliance. Management expects to be in compliance with this requirement in future years.

The Rules of the Auditor General (Section 10.554(1)(i)6.) 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

The Honorable Zane Spitzer  
Bay County Property Appraiser  
Page Three

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 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  
March 31, 2008



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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 Zane Spitzer  
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, 2007, and have issued our report thereon dated March 31, 2008. 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 but not for the purpose of expressing an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Property Appraiser's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Property Appraiser's financial statements that is more than inconsequential will not be prevented or detected by the Property Appraiser's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Property Appraiser's internal control.

The Honorable Zane Spitzer  
Bay County Property Appraiser  
Page Two

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. As defined above, we noted no deficiencies involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 March 31, 2008.

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 awarding 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  
March 31, 2008

## **TAX COLLECTOR**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special-purpose financial statements of the Bay County Tax Collector as of and for the year ended September 30, 2007 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.

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, 2007, and the results of her operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2008 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, 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 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  
March 31, 2008

Bay County Tax Collector  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2007

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$    3,297,477</u>
Total assets	<u><u>\$    3,297,477</u></u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$    3,297,477</u>
Total liabilities	<u>3,297,477</u>
<b>FUND BALANCE</b>	
Unreserved	<u>-</u>
Total liabilities and fund balance	<u><u>\$    3,297,477</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  
Changes in Fund Balance  
Governmental Fund  
Year Ended September 30, 2007

	<u>General Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 1,832,483
Total revenues	<u>1,832,483</u>
<b>EXPENDITURES</b>	
Current	
General government	2,463,364
Total expenditures	<u>2,463,364</u>
Excess (deficit) of expenditures over (under) revenues	<u>(630,881)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget appropriations from Board of County Commissioners	3,881,718
Reversion to Board of County Commissioners	<u>(3,250,837)</u>
Total other financing sources (uses)	<u>630,881</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  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 1,832,483	\$ 1,832,483
Total revenues	-	-	1,832,483	1,832,483
<b>EXPENDITURES</b>				
Current				
General government	2,505,360	2,505,360	2,463,364	41,996
Total expenditures	2,505,360	2,505,360	2,463,364	41,996
Excess (deficit) of expenditures over (under) revenues	(2,505,360)	(2,505,360)	(630,881)	1,874,479
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	2,505,360	2,505,360	3,881,718	1,376,358
Reversion to Board of County Commissioners	-	-	(3,250,837)	(3,250,837)
Total other financing sources (uses)	2,505,360	2,505,360	630,881	(1,874,479)
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, 2007

**ASSETS**

Cash and cash equivalents	\$ 1,926,903
Accounts receivable, net	<u>13,430</u>
Total assets	<u><u>\$ 1,940,333</u></u>

**LIABILITIES**

Bank overdraft	\$ 13,430
Due to other governments	1,924,189
Due to others	<u>2,714</u>
Total liabilities	<u><u>\$ 1,940,333</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, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Bay County 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, 2007

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.

Accounts Receivable – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Custodial Risk – 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.

The Tax Collector is authorized to invest surplus funds in the investments allowed by Florida Statutes, Section 218.415. At September 30, 2007, the Tax Collector had pooled funds in the amount of \$3,151,983 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 Tax Collector'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.

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 3 – ACCOUNTS RECEIVABLE

At September 30, 2007, accounts receivable in the agency funds is summarized as follows:

Total accounts receivable	\$13,430
Less: allowance for doubtful accounts	-
Accounts receivable, net	<u>\$13,430</u>

The Tax Collector considers all amounts collectible, therefore there is no provision for doubtful accounts at September 30, 2007.

NOTE 4 – PROPERTY TAXES

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

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

NOTE 5 – BANK OVERDRAFT

On September 30, 2007 the Tax Collector had a negative cash balance in an agency fund. This overdraft was due to returned 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 returned 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.

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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 during the fiscal year were 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 10.91% throughout the fiscal year. The tax collector contributions for the years ended September 30, 2007, 2006 and 2005 were \$154,200, \$123,979 and \$106,403, respectively, and are equal to the required contributions for each year.

NOTE 7 – SUBSEQUENT EVENT

As discussed in Note 2, at September 30, 2007, the Tax Collector had \$3,151,983 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities in the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to subprime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of all assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current Pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 37% of their balance or \$4 million, whichever is greater without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 7 – SUBSEQUENT EVENT (Continued)

withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Service assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool. However, cash holdings are being distributed to participants as they become available from maturities and sales as well as received income. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principal value of Pool B assets is not readily determinable. On December 5, 2007, the Tax Collector had \$2,283,576 and \$383,665 invested in Pool A and Pool B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.



## AGENCY FUNDS

Bay County Tax Collector  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>PROPERTY TAX FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,646,899	\$ 414,310,929	\$ 414,033,639	\$ 1,924,189
Total assets	<u>\$ 1,646,899</u>	<u>\$ 414,310,929</u>	<u>\$ 414,033,639</u>	<u>\$ 1,924,189</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,646,899	\$ 414,310,929	\$ 414,033,639	\$ 1,924,189
Total liabilities	<u>\$ 1,646,899</u>	<u>\$ 414,310,929</u>	<u>\$ 414,033,639</u>	<u>\$ 1,924,189</u>
<b>TAX CERTIFICATE FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 128	\$ 7,582,514	\$ 7,579,928	\$ 2,714
Total assets	<u>\$ 128</u>	<u>\$ 7,582,514</u>	<u>\$ 7,579,928</u>	<u>\$ 2,714</u>
<b>LIABILITIES</b>				
Due to others	\$ 128	\$ 7,582,514	\$ 7,579,928	\$ 2,714
Total liabilities	<u>\$ 128</u>	<u>\$ 7,582,514</u>	<u>\$ 7,579,928</u>	<u>\$ 2,714</u>
<b>TAG FUND</b>				
<b>ASSETS</b>				
Accounts receivable, net	\$ 14,530	\$ 10,015	\$ 11,115	\$ 13,430
Total assets	<u>\$ 14,530</u>	<u>\$ 10,015</u>	<u>\$ 11,115</u>	<u>\$ 13,430</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ 14,530	\$ (17,850,071)	\$ (17,848,971)	\$ 13,430
Due to other governments	-	17,860,086	17,860,086	-
Total liabilities	<u>\$ 14,530</u>	<u>\$ 10,015</u>	<u>\$ 11,115</u>	<u>\$ 13,430</u>

Bay County Tax Collector  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>TOTAL-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,647,027	\$ 421,893,443	\$ 421,613,567	\$ 1,926,903
Accounts receivable, net	14,530	10,015	11,115	13,430
Total assets	<u>\$ 1,661,557</u>	<u>\$ 421,903,458</u>	<u>\$ 421,624,682</u>	<u>\$ 1,940,333</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ 14,530	\$ (17,850,071)	\$ (17,848,971)	\$ 13,430
Due to other governments	1,646,899	432,171,015	431,893,725	1,924,189
Due to others	128	7,582,514	7,579,928	2,714
Total liabilities	<u>\$ 1,661,557</u>	<u>\$ 421,903,458</u>	<u>\$ 421,624,682</u>	<u>\$ 1,940,333</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, 2007, and have issued our report thereon dated March 31, 2008.

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 March 31, 2008, 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)(i)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 corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. 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)(i)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County Tax Collector complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)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 Peggy Brannon  
Bay County Tax Collector  
Page Two

The Rules of the Auditor General (Section 10.554(1)(i)4.) require that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)5.) requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters pursuant to Section 10.554(1)(i)5., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(i)6.) 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.

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

Panama City, Florida  
March 31, 2008

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, 2007, and have issued our report thereon dated March 31, 2008. 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 but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Tax Collector's ability to initiate, authorize, record, process, or report financial data reliably in accordance with general accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Tax Collector's financial statements that is more than inconsequential will not be prevented or detected by the Tax Collector's internal control. We consider the following deficiency to be a significant deficiency in

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Two

internal control over financial reporting:

- 07-1. Certain types of adjustments were required that reflect corrections of material misstatements not initially identified in the Tax Collector's internal controls.

Management's Response

Procedures are currently being implemented to identify and record these types of adjustments in the future.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Tax Collector's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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*.

We have included the Tax Collector's response to the finding identified in our audit above. We did not audit the Tax Collector's response and accordingly, we express no opinion on it.

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 awarding 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  
March 31, 2008



**SHERIFF**



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Suite 200  
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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, 2007, 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.

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, 2007, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Frank McKeithen  
Bay County Sheriff  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2008 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, 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.

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

Panama City, Florida  
March 31, 2008

Bay County Sheriff  
Special-Purpose Balance Sheet  
Governmental Funds  
September 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 177,548	\$ 520,218	\$ 697,766
Accounts receivable, net	25,861	-	25,861
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 203,409</u>	<u>\$ 520,218</u>	<u>\$ 723,627</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 87,324	\$ -	\$ 87,324
Due to other governments	116,085	-	116,085
Total liabilities	<u>203,409</u>	<u>-</u>	<u>203,409</u>
<b>FUND BALANCE</b>			
Unreserved	<u>-</u>	<u>520,218</u>	<u>520,218</u>
Total liabilities and fund balance	<u>\$ 203,409</u>	<u>\$ 520,218</u>	<u>\$ 723,627</u>

Bay County Sheriff  
Special-Purpose Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Funds  
Year Ended September 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenue	\$ 222,193	\$ 710,990	\$ 933,183
Interest income	102,224	-	102,224
Miscellaneous	43,153	259	43,412
Total revenues	<u>367,570</u>	<u>711,249</u>	<u>1,078,819</u>
<b>EXPENDITURES</b>			
Current			
Public safety	19,847,831	248,798	20,096,629
Debt service			
Principal retirement	711,973	-	711,973
Interest	47,674	-	47,674
Total expenditures	<u>20,607,478</u>	<u>248,798</u>	<u>20,856,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,239,908)</u>	<u>462,451</u>	<u>(19,777,457)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Budget appropriations from			
Board of County Commissioners	19,672,617	-	19,672,617
Debt issuance	683,376	-	683,376
Reversion to Board of County Commissioners	<u>(116,085)</u>	<u>-</u>	<u>(116,085)</u>
Total other financing sources (uses)	<u>20,239,908</u>	<u>-</u>	<u>20,239,908</u>
Net change in fund balance	-	462,451	462,451
Fund balance - beginning	<u>-</u>	<u>57,767</u>	<u>57,767</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 520,218</u>	<u>\$ 520,218</u>

Bay County Sheriff  
Special-Purpose Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2007

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Intergovernmental revenue	\$ 139,471	\$ 139,471	\$ 222,193	\$ 82,722
Interest income	-	-	102,224	102,224
Miscellaneous	-	-	43,153	43,153
Total revenues	<u>139,471</u>	<u>139,471</u>	<u>367,570</u>	<u>228,099</u>
<b>EXPENDITURES</b>				
Current				
Public safety	19,052,441	19,052,441	19,164,455	(112,014)
Debt service				
Principal retirement	711,973	711,973	711,973	-
Interest and fiscal charges	47,674	47,674	47,674	-
Total expenditures	<u>19,812,088</u>	<u>19,812,088</u>	<u>19,924,102</u>	<u>(112,014)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,672,617)</u>	<u>(19,672,617)</u>	<u>(19,556,532)</u>	<u>116,085</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	19,672,617	19,672,617	19,672,617	-
Reversion to Board of County Commissioners	-	-	(116,085)	(116,085)
Total other financing sources (uses)	<u>19,672,617</u>	<u>19,672,617</u>	<u>19,556,532</u>	<u>(116,085)</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 \$683,376 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, 2007

**ASSETS**

Cash and cash equivalents	\$ 1,274
Total assets	<u>\$ 1,274</u>

**LIABILITIES**

Accounts payable	\$ 1,274
Total liabilities	<u>\$ 1,274</u>

**Bay County Sheriff**  
Notes to Special-Purpose Financial Statements  
September 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity – The Bay County 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 State 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, 2007

**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. A limited amount of accumulated sick leave is paid upon termination of employment with the Sheriff to those employees that are retiring after at least six years of employment or have been employed a minimum of ten years and meet certain criteria. 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.

Bay County Sheriff  
Notes to Special-Purpose Financial Statements  
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets of the Sheriff used in governmental fund type operations are reported in the governmental activities column in the Bay County, Florida's government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$750 or more and an estimated useful life in excess of one year. Donated fixed assets are recorded at estimated fair market value on the date received.

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

Accounts Receivable – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

Custodial Risk– 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.

NOTE 3 – ACCOUNTS RECEIVABLE

At September 30, 2007, accounts receivable is summarized as follows:

Total accounts receivable	\$25,861
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$25,861</u>

The Sheriff considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2007.

**Bay County Sheriff**  
Notes to Special-Purpose Financial Statements  
September 30, 2007

**NOTE 4 – CAPITAL ASSETS**

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2007 are summarized as follows:

	Balance September 30, 2006	Transfers	Increases	Decreases	Balance September 30, 2007
Vehicles, furniture and equipment	\$ 7,458,265	\$ 1,831,823	\$ 520,332	\$ 363,408	\$ 9,447,012
Property held under capital leases	2,370,839	(1,831,823)	683,376	-	1,222,392
Total	<u>\$ 9,829,104</u>	<u>\$ -</u>	<u>\$ 1,203,708</u>	<u>\$ 363,408</u>	<u>\$ 10,669,404</u>

Transfers include \$1,831,823 of property that is no longer held under capital lease and has been reclassified under vehicles, furniture and equipment.

**NOTE 5 – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2007:

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
Capital leases payable	\$ 872,039	\$ 683,376	\$ 711,973	\$ 843,442
Compensated absences	691,462	41,082	-	732,544
Total	<u>\$ 1,563,501</u>	<u>\$ 724,458</u>	<u>\$ 711,973</u>	<u>\$ 1,575,986</u>

Capital leases payable consist of lease purchase agreements on automobiles and office equipment. The leased automobiles are accounted for at the present value of the minimum lease payments. Future minimum lease payments at September 30, 2007, are summarized as follows:

Year Ending <u>September 30,</u>	
2008	\$ 409,746
2009	344,918
2010	<u>129,840</u>
Total	884,504
Less: amount representing interest	<u>(41,062)</u>
Balance	<u>\$ 843,442</u>

**Bay County Sheriff**  
Notes to Special-Purpose Financial Statements  
September 30, 2007

**NOTE 6 – DEFINED BENEFIT PENSION PLAN**

Plan Description – The Bay County Sheriff contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 or by calling 850-414-6346.

Funding Policy – The System provides vesting of benefits after six years of creditable service. Regular employees are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Special risk employees are eligible for normal retirement after six years of service and attaining age fifty-five, or twenty-five years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. Rates effective for the fiscal year 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 10.91% for the fiscal year. Contributions for the years ended September 30, 2007, 2006 and 2005 were \$2,009,377, \$1,731,691 and \$1,648,559, respectively, and are equal to the required contributions for each year.

**NOTE 7 – BUDGETARY DATA**

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

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## NONMAJOR GOVERNMENTAL FUNDS

Bay County Sheriff  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2007

	Special Revenue		
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,918	\$ 2,763	\$ 409
Total assets	<u>\$ 3,918</u>	<u>\$ 2,763</u>	<u>\$ 409</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance			
Unreserved	<u>3,918</u>	<u>2,763</u>	<u>409</u>
Total fund balance	<u>3,918</u>	<u>2,763</u>	<u>409</u>
Total liabilities and fund balance	<u>\$ 3,918</u>	<u>\$ 2,763</u>	<u>\$ 409</u>

Special Revenue

Crime Prevention	Federal Seizure Account	Seizure Trust	Total
\$ 426,097	\$ 66,036	\$ 20,995	\$ 520,218
\$ 426,097	\$ 66,036	\$ 20,995	\$ 520,218
\$ -	\$ -	\$ -	\$ -
426,097	66,036	20,995	520,218
426,097	66,036	20,995	520,218
\$ 426,097	\$ 66,036	\$ 20,995	\$ 520,218



Bay County Sheriff  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2007

	Special Revenue		
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
<b>REVENUES</b>			
Intergovernmental	\$ 65,683	\$ 37,345	\$ 5,156
Miscellaneous	-	-	-
Total revenues	<u>65,683</u>	<u>37,345</u>	<u>5,156</u>
<b>EXPENDITURES</b>			
Current			
Public safety	<u>63,232</u>	<u>46,536</u>	<u>9,508</u>
Total expenditures	<u>63,232</u>	<u>46,536</u>	<u>9,508</u>
Net change in fund balance	2,451	(9,191)	(4,352)
Fund balance - beginning	<u>1,467</u>	<u>11,954</u>	<u>4,761</u>
Fund balance - ending	<u>\$ 3,918</u>	<u>\$ 2,763</u>	<u>\$ 409</u>

Special Revenue

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Crime Prevention	Federal Seizure Account	Seizure Trust	Total
\$ 461,641	\$ 111,603	\$ 29,562	\$ 710,990
-	208	51	259
<u>461,641</u>	<u>111,811</u>	<u>29,613</u>	<u>711,249</u>
<u>35,544</u>	<u>48,842</u>	<u>45,136</u>	<u>248,798</u>
<u>35,544</u>	<u>48,842</u>	<u>45,136</u>	<u>248,798</u>
426,097	62,969	(15,523)	462,451
-	3,067	36,518	57,767
<u>\$ 426,097</u>	<u>\$ 66,036</u>	<u>\$ 20,995</u>	<u>\$ 520,218</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, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,999	\$ 124,000	\$ 125,999	\$ -
Total assets	<u>\$ 1,999</u>	<u>\$ 124,000</u>	<u>\$ 125,999</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,999	\$ 124,000	\$ 125,999	\$ -
Total liabilities	<u>\$ 1,999</u>	<u>\$ 124,000</u>	<u>\$ 125,999</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,545	\$ 245,032	\$ 263,303	\$ 1,274
Total assets	<u>\$ 19,545</u>	<u>\$ 245,032</u>	<u>\$ 263,303</u>	<u>\$ 1,274</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 19,545	\$ 245,032	\$ 263,303	\$ 1,274
Total liabilities	<u>\$ 19,545</u>	<u>\$ 245,032</u>	<u>\$ 263,303</u>	<u>\$ 1,274</u>

**Bay County Sheriff**  
 Combining Statement of Changes in Assets and Liabilities  
 All Agency Funds  
 Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,544	\$ 369,032	\$ 389,302	\$ 1,274
Total assets	<u>\$ 21,544</u>	<u>\$ 369,032</u>	<u>\$ 389,302</u>	<u>\$ 1,274</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 19,545	\$ 245,032	\$ 263,303	\$ 1,274
Due to other governments	1,999	124,000	125,999	-
Total liabilities	<u>\$ 21,544</u>	<u>\$ 369,032</u>	<u>\$ 389,302</u>	<u>\$ 1,274</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, 2007, and have issued our report thereon dated March 31, 2008.

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 March 31, 2008, 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)(i)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 corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. All prior year findings have been corrected.

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

The Rules of the Auditor General (Section 10.554(1)(i)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 Frank McKeithen  
Bay County Sheriff  
Page Two

The Rules of the Auditor General (Section 10.554(1)(i)4.) require that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)5.) requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters pursuant to Section 10.554(1)(i)5., Rules of the Auditor General.

The Rules of the Auditor General (Section 10.554(1)(i)6.) 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 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.

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

Panama City, Florida  
March 31, 2008

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, 2007, and have issued our report thereon dated March 31, 2008. 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 but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sheriff's ability to initiate, authorize, record, process, or report financial data reliably in accordance with general accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sheriff's financial statements that is more than inconsequential will not be prevented or detected by the Sheriff's internal control.

The Honorable Frank McKeithen  
Bay County Sheriff  
Page Two

We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

- 07-1. The Sheriff's Office has no policy for approval of non-standard journal entries before they are entered into the general ledger.

Recommendation

We recommend that the Comptroller indicate her approval of the non-standard journal entries that are prepared by her staff before they are entered into the general ledger by signing the journal entry form.

Management's Response

The comptroller will immediately begin approving all non-standard journal entries as recommended.

- 07-2. The Sheriff's Office policy for the disposal of capital assets requires a written authorization by the Sheriff or Major. We noticed that several of the dispositions didn't have the proper authorization.

Recommendation

We recommend that the policy be followed and proper written authorization be obtained prior to disposition.

Management's Response

The Sheriff has already begun complying with the policy by authorizing all dispositions.

- 07-3. Several capital assets were not included as additions during the year. Some of these assets were located in special revenue funds.

Recommendation

We recommend that the Comptroller and her staff review the additions reported in the general ledger with the additions as reported by the Property Specialist for completeness. This review should take place at least on a quarterly basis.

Management's Response

The Comptroller is implementing the review as recommended.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sheriff's internal control.

The Honorable Frank McKeithen  
Bay County Sheriff  
Page Three

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### 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*.

We have included the Sheriff's response to the findings identified in our audit above. We did not audit the Sheriff's response and accordingly, we express no opinion on it.

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.

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

Panama City, Florida  
March 31, 2008