

Bay County

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COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

For Fiscal Year ended
September 30, 2008



Our front cover, “Hatching Turtles” was created by local artist, Paul Brent.
Mr. Brent is an internationally recognized artist who is best known for
his watercolors of coastal scenes and nature.

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
BAY COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

PREPARED BY THE OFFICE
OF
HAROLD BAZZEL
CLERK OF CIRCUIT COURT

JOSEPH ROGERS
FINANCE OFFICER

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**BAY COUNTY, FLORIDA
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008
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INTRODUCTORY SECTION

HAROLD BAZZEL

CLERK OF THE CIRCUIT COURT, BAY COUNTY



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March 25, 2009

Honorable Jerry Girvin, 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, 2008. 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, 2007, to September 30, 2008, 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 \$350,000 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 stable, considering the current status of the national and state economies.

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 2008 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 was completed on a new jail facility that will house approximately 680 prisoners. This facility will replace the County's current facility which will be demolished in the upcoming fiscal year. The County began construction of a new 122,000 square foot administration complex. The new administrative building will contain three stories of office space and will provide a central point of access for the various County functions to the citizens of Bay County.

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 purchased Gulf Coast Electric Cooperative's utilities, along with their customer base at a cost of approximately \$14 million in fiscal year 2008. This purchase will enable the County to meet the future predicted demands for water and sewer services in northern Bay County.

Panama City Beach and its pristine beaches continue to attract the attention of individuals from all over the United States, as well as, other countries across the globe. Many of the older hotels/motels have been demolished making way for the construction of new residential and resort facilities.

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

For the Future - Bay County, along with its municipalities and school district, continues in its endeavors to develop and enhance the area's infrastructure. Stormwater management, transportation and facility enhancements have been identified as critical future needs of Bay County.

Renovations are being planned for many of the County's more traveled bridges. The engineering phase for the new County pier at M.B. Miller Park was completed in 2008. It is anticipated that the construction of the new pier will be completed in fiscal year 2010. 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 got under way in fiscal year 2008, with completion targeted for 2009. This facility will house personnel and equipment for day-to-day operations as well as support continuous emergency operations for up to 72 hours when needed. The Emergency Operations Center will meet hurricane safety criteria and will be located outside of the Category 5 Hurricane Storm Surge Zone.

The 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. 2008 saw the opening of Simon Property Groups, Inc. 300 acre park, Pier Park, featuring shops, food, and entertainment on the western end of Bay County. Additional phases of Pier Park are scheduled for development in upcoming years. 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, 2007. 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.

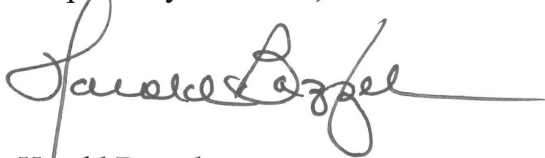
A Certificate of Achievement is valid for a period of one year only. Bay County has been awarded the Certificate of Achievement for nineteen consecutive years (fiscal years ended September 30, 1989 through 2007). We believe our current report continues to conform to the Certificate of Achievement program 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 Dianne Raffield – 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,

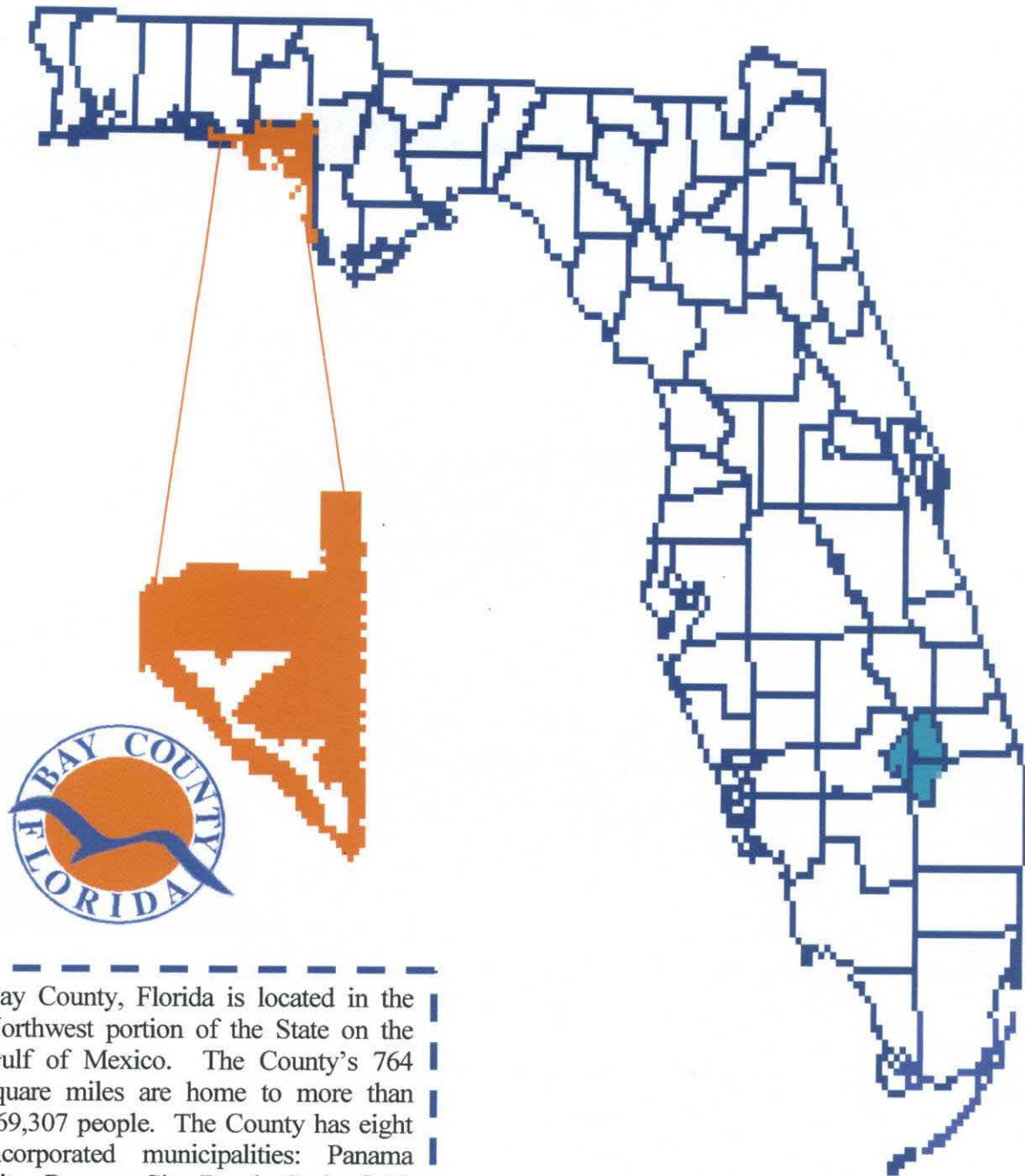
A handwritten signature in black ink, appearing to read "Harold Bazzel", with a long horizontal flourish extending to the right.

Harold Bazzel
Clerk of Circuit Court

A handwritten signature in blue ink, appearing to read "Joseph D. Rogers", with a stylized, looped design.

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 169,307 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*

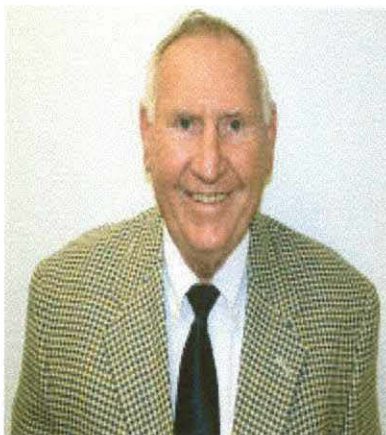
County Officials Bay County, Florida



*Mark Andersen
Supervisor of Elections*



*Harold Bazzel
Clerk of Circuit Court*



*Zane Spitzer
Property Appraiser*



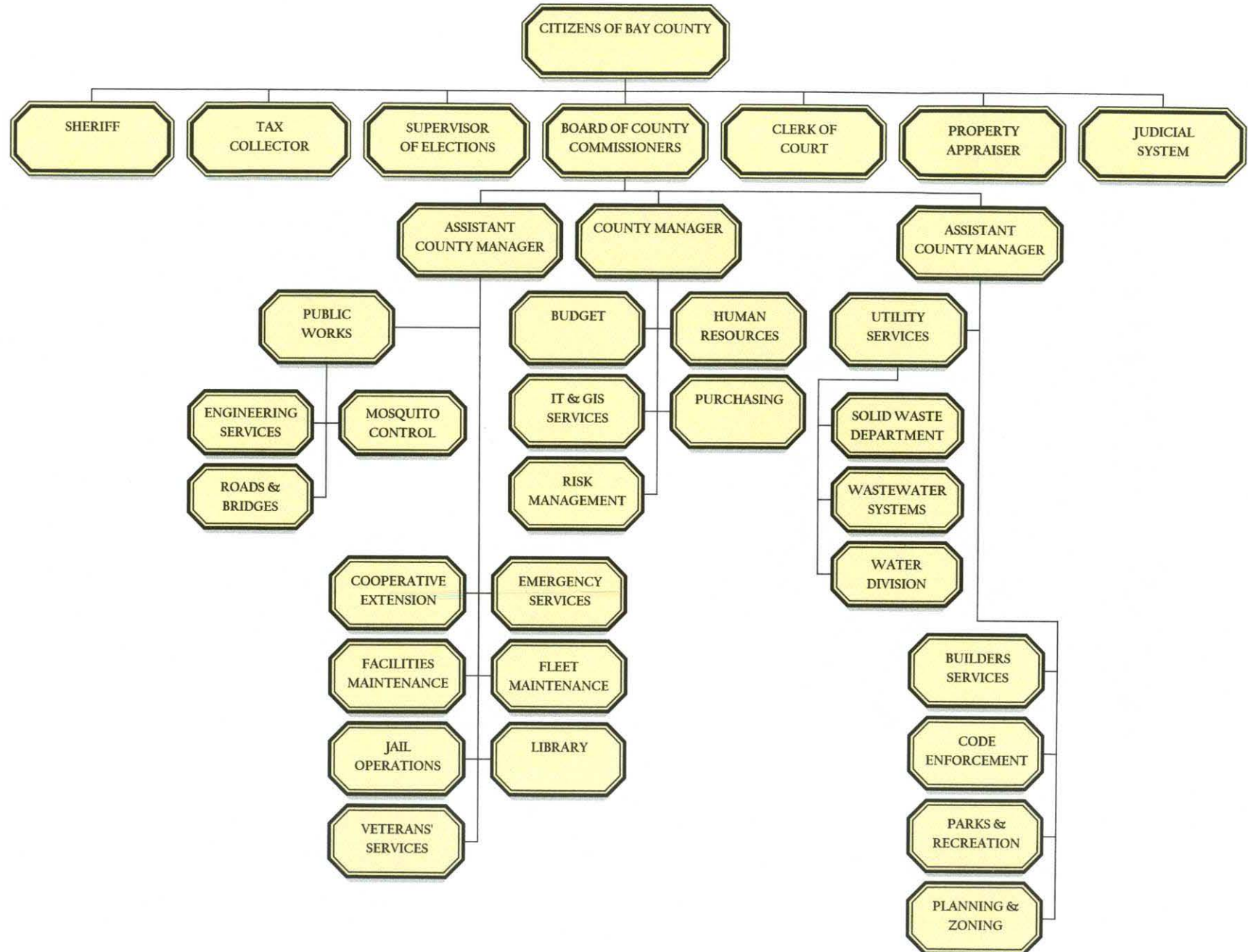
*Peggy Brannon
Tax Collector*



*Frank McKeithen
Sheriff*

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**BAY COUNTY
ORGANIZATIONAL CHART**
Fiscal Year 2008



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, 2007

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, 2007

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



President

Executive Director

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FINANCIAL SECTION

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, 2008, 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, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general, tourist development, and transportation funds 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 25, 2009 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, the schedule of funding progress and schedule of employer contributions for the Retiree's Health Insurance Other Postemployment Benefits Plan on page B-78 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 introductory section, statistical section, combining and individual nonmajor fund financial 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. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance have 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 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.

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

Panama City, Florida
March 25, 2009

Bay County, Florida
MANAGEMENT'S DISCUSSION and ANALYSIS
For the Year Ended September 30, 2008

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 \$309,682,288 (net assets). Of this amount, \$65,061,054 is unrestricted net assets for governmental activities and \$26,183,800 is unrestricted net assets for business-type activities, while \$18,091,072 is restricted net assets for governmental activities and \$3,066,336 is restricted net assets for business-type activities.
- Total net assets increased by \$21,160,841. Of this amount, an increase of \$17,292,542 is attributable to governmental activities and an increase of \$3,868,299 is attributable to business-type activities.
- As of September 30, 2008, general fund's unreserved fund balance was \$30,700,762 or 25 percent of total general fund expenditures.
- Governmental activities revenues decreased to \$143,745,523 or approximately 1 percent, while governmental activities expenses increased 7 percent to \$126,422,187. Business-type activities revenues increased to \$46,930,924 or 39 percent, while business-type activities expenses increased 9 percent to \$43,093,419.
- The County's outstanding bonded debt increased by \$27,183,369 or 18 percent during fiscal year 2008. The key factor contributing to the increase in bonded debt was the issuance of bonds to purchase Gulf Coast Electric Cooperative's water and sewer plants and the issuance of bonds to fund the construction of a new administration complex and new county pier.

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, charges for services, 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 2008, 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 141,234,514	\$ 129,790,781	\$ 77,654,690	\$ 68,315,336	\$ 218,889,204	\$ 198,106,117
Capital assets	206,668,747	164,413,210	147,901,463	132,115,432	354,570,210	296,528,642
Total assets	347,903,261	294,203,991	225,556,153	200,430,768	573,459,414	494,634,759
Current and other liabilities	22,353,432	14,883,831	13,552,317	9,684,478	35,905,749	24,568,309
Long-term liabilities	96,248,008	67,310,881	131,623,369	111,765,076	227,871,377	179,075,957
Total liabilities	118,601,440	82,194,712	145,175,686	121,449,554	263,777,126	203,644,266
Net assets invested in capital						
Assets, net of related debt	146,149,695	130,031,134	51,130,331	46,446,330	197,280,026	176,477,464
Net assets-restricted	18,091,072	19,924,887	3,066,336	2,999,324	21,157,408	22,924,211
Net assets-unrestricted	65,061,054	62,053,258	26,183,800	29,535,560	91,244,854	91,588,818
Total net assets	\$ 229,301,821	\$ 212,009,279	\$ 80,380,467	\$ 78,981,214	\$ 309,682,288	\$ 290,990,493

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 (64 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net assets*, representing 7 percent of the County's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net assets* (\$91,244,854) may be used to help meet the government's ongoing obligations to citizens and creditors.

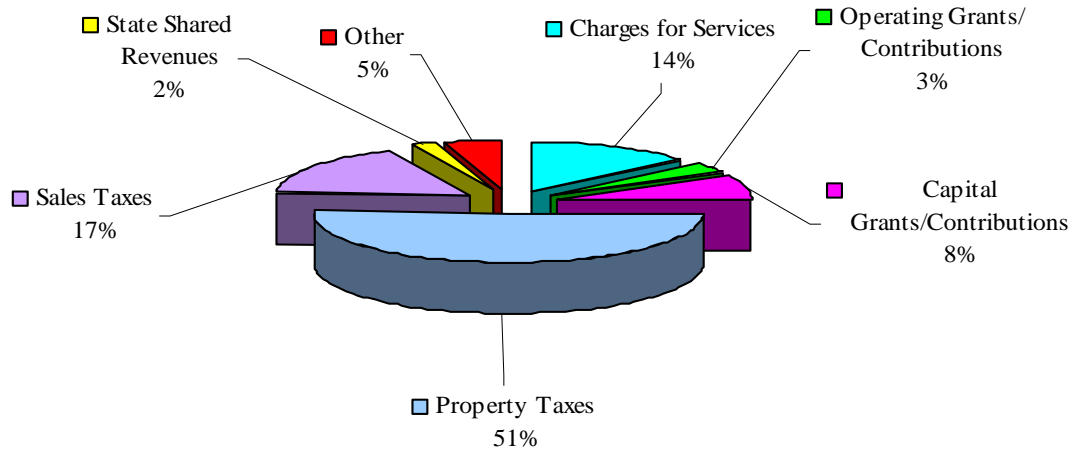
Governmental activities long-term liabilities, increased by \$28,937,127 during 2008, while business-type activities long-term liabilities increased by \$19,858,293. The key factor contributing to the increase during fiscal year 2008 was debt entered into for the purchase of Gulf Coast Electric Cooperative's water and sewer utilities and the issuance of bonds to construct a new administration complex and county pier.

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

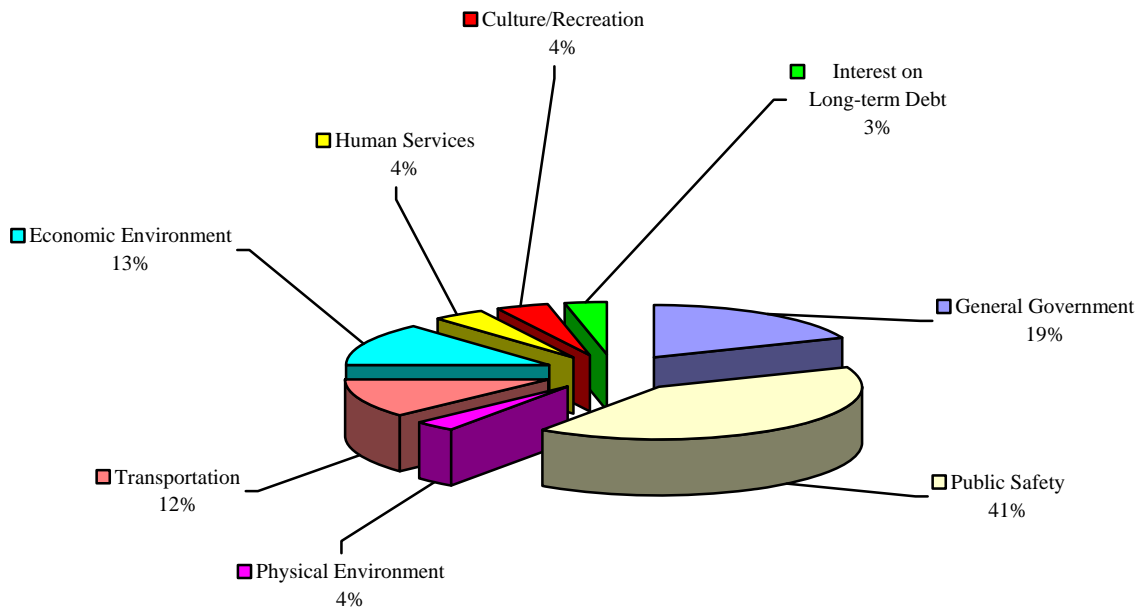
Bay County, Florida Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenues:						
Charges for services	\$ 20,143,182	\$ 22,488,551	\$ 36,942,803	\$ 28,405,159	\$ 57,085,985	\$ 50,893,709
Operating grants/contributions	4,722,856	3,076,826	535,000	202,351	5,257,856	3,279,177
Capital grants/contributions	11,085,254	5,880,132	824,906	18,603	11,910,160	5,898,735
General revenues:						
Property taxes	73,436,473	77,146,885	-	-	73,436,473	77,146,885
Sales taxes	24,569,697	24,982,006	1,100	1,500	24,570,797	24,983,506
State shared revenues	3,136,583	3,379,522	-	-	3,136,583	3,379,522
Other	6,651,478	8,717,682	8,627,115	5,020,417	15,278,593	13,738,099
Total revenues	<u>143,745,523</u>	<u>145,671,604</u>	<u>46,930,924</u>	<u>33,648,030</u>	<u>190,676,447</u>	<u>179,319,633</u>
Expenses:						
General government	23,769,102	22,123,284	-	-	23,769,102	22,123,284
Public safety	51,587,681	47,595,636	-	-	51,587,681	47,595,636
Physical environment	4,504,251	4,411,573	-	-	4,504,251	4,411,573
Transportation	15,122,222	14,053,021	-	-	15,122,222	14,053,021
Economic environment	16,862,278	16,957,645	-	-	16,862,278	16,957,645
Human services	5,042,410	5,594,624	-	-	5,042,410	5,594,624
Culture and recreation	5,349,023	4,473,399	-	-	5,349,023	4,473,399
Interest on long-term debt	4,185,220	2,974,935	-	-	4,185,220	2,974,935
Wholesale water system	-	-	13,131,437	12,060,032	13,131,437	12,060,032
Retail water and wastewater	-	-	5,700,378	5,808,833	5,700,378	5,808,833
Industrial wastewater	-	-	6,643,917	2,218,595	6,643,917	2,218,595
Solid waste	-	-	15,477,882	17,209,523	15,477,882	17,209,523
Building services	-	-	2,139,805	2,126,578	2,139,805	2,126,578
Total expenses	<u>126,422,187</u>	<u>118,184,117</u>	<u>43,093,419</u>	<u>39,423,561</u>	<u>169,515,606</u>	<u>157,607,678</u>
Increase (decrease) in net assets before transfers	17,323,336	27,487,487	3,837,505	(5,775,532)	21,160,841	21,711,955
Transfers	(30,794)	-	30,794	-	-	-
Increase (decrease) in net assets	<u>17,292,542</u>	<u>27,487,487</u>	<u>3,868,299</u>	<u>(5,775,532)</u>	<u>21,160,841</u>	<u>21,711,955</u>
Net assets - beginning	212,009,279	184,163,013	78,981,214	84,756,746	290,990,493	268,919,759
Prior period adjustments	-	358,779	(2,469,046)	-	(2,469,046)	358,779
Net assets – beginning (restated)	<u>212,009,279</u>	<u>184,521,792</u>	<u>76,512,168</u>	<u>84,756,746</u>	<u>288,521,447</u>	<u>269,278,538</u>
Net assets - ending	<u>\$ 229,301,821</u>	<u>\$ 212,009,279</u>	<u>\$ 80,380,467</u>	<u>\$ 78,981,214</u>	<u>\$ 309,682,288</u>	<u>\$ 290,990,493</u>

Revenues - Governmental Activities **Fiscal Year Ended September 30, 2008**



Expenses-Governmental Activities **Fiscal Year Ended September 30, 2008**



Bay County's overall financial position improved in 2008. As reflected in the changes in net assets, the County's net assets increased by \$21,160,841. One of the more significant factors contributing to the County's improved financial position was the purchase of Gulf Coast Electric Cooperative's water and sewer utilities, which greatly increased charges for services revenue for wholesale water. The receipt of over five million dollars in insurance proceeds also contributed to the increase in net assets. Total revenues increased \$11,356,814 from the previous year. Governmental activities revenues exceeded expenses by \$17,292,542, while business-type activities revenues exceeded expenses by \$3,868,299. Increased federal and state funding through grants for transportation projects contributed greatly to the increase in net assets in governmental activities. Total expenses increased \$11,907,928 from the previous year. Increased spending for public safety (emergency management and fire services), along with an increase in spending for transportation (road, bridge and storm water projects) were primarily responsible for the increase in expenses.

51% of the revenues for governmental activities are generated by property taxes, while most of the governmental resources are expended for public safety (41%), general government (19%), economic environment (13%), and transportation (12%) activities. Charges for services provided 80% 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, 2008, total assets were \$86,922,720 and total liabilities were \$16,255,958. At the end of fiscal year 2008, unreserved fund balance of the general fund was \$30,700,762 while total fund balance equaled \$70,666,762.

The general fund's budget was amended during the year to reflect adjustments to construction projects, increased costs associated with park and recreation improvements, increased grant funding and contributions, as well as, increased costs associated with the transition of the operations of the jail facility to the Sheriff. Revenues from ad valorem taxes fell slightly below the amount budgeted due to the economic slowdown being experienced throughout the country. State revenue sharing proceeds and the local government half cent sales tax also came in slightly below the budgeted amounts due to the economic slowdown. Interest earnings exceeded the budget due to the greater amount of funds available for investment. Actual expenditures for general government services proved to be significantly less than the final budget due to various infrastructure projects budgeted for, but not yet implemented or completed. Actual expenditures for public safety were also less than the final budget due to the termination of the contract with Corrections Corporation of America (CCA) who provided jail services for Bay County, as well as, a slight decrease in funding for juvenile detention. Excess fees returned to the County from the Clerk of Court fell below the budgeted amount, while the Tax Collector's excess fees were substantially above the amount budgeted.

Transportation Fund

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 increased \$962,090 in fiscal year 2008 due to the fact that monies collected in gas taxes, along with a transfer from the general fund, provided the necessary funds for maintenance and improvements to the County's roads and bridges.

Tourist Development Fund

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 2008 due to a slight increase in the collection of tourist development taxes, which were up 1% over fiscal year 2007.

Other Governmental Funds

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 90% of its revenues. MSTU's fund balance increased in 2008 due to the sale of surplus property, increased interest income and the delay of the budgeted land purchase.

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:

FUND	2008 Unrestricted Net Assets	2007 Unrestricted Net Assets
Wholesale water system	\$ 3,023,642	\$ 3,632,766
Retail water and wastewater	5,924,797	5,930,574
Industrial wastewater	2,243,504	2,021,934
Solid waste fund	7,694,928	10,556,534
Building services	7,296,929	7,393,752
Total	\$ 26,183,800	\$ 29,535,560

The *wholesale water system fund* is used to account for the operations of the County's wholesale water system. The slowdown in development contributed to the decrease in the collection of wholesale water impact fees, which decreased \$372,220 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 increased by \$4,567,366 over fiscal year 2007. This was due to increases the purchase of the Gulf Coast Electric Cooperative's water plant and its customer base.

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 2008, \$6,961,701 was generated by tip fees; this represents an increase of \$387,900 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 \$2,939,942 for the long-term care and closure of its landfill. To date, the County has accrued a total liability for care of \$9,661,267. As of September 30, 2008, total assets were \$79,202,748; total liabilities were \$48,708,984 and net assets were \$30,493,764.

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, 2008, was \$354,570,210 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in process.

Major capital asset events during the current fiscal year included the following:

- Construction was completed in 2008 on a new 680 bed jail facility. \$26,697,092 of the total project cost of \$39,772,732 was expensed in the current fiscal year.
- The engineering phase for the construction of the new County pier began in fiscal year 2008, at a cost of \$860,776. It is anticipated that construction of the new pier will be completed some time in 2010.
- Bay County and Gulf Coast Community College have entered into a joint agreement to construct a new \$7,000,000 Emergency Operations Center of which \$3,029,497 was expended in fiscal year 2008.
- Construction continued in 2008 on a new administration complex. Of the total project cost of \$22,959,647, \$7,259,534 was expensed in fiscal year 2008.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 13,412,553	\$ 12,855,446	\$ 2,851,391	\$ 1,017,143	\$ 16,263,944	\$ 13,872,589
Construction in progress	20,307,835	25,363,946	16,137,617	-	36,445,452	25,363,946
Books	1,020,844	1,120,688	-	-	1,020,844	1,120,688
Buildings and improvements	84,740,800	36,998,301	1,303,102	1,388,583	86,043,902	38,386,884
Equipment	15,909,087	16,336,730	2,898,622	2,514,935	18,807,709	18,851,665
Infrastructure	71,277,628	71,738,100	124,710,731	127,194,770	195,988,359	198,932,870
Total	<u>\$206,668,747</u>	<u>\$164,413,211</u>	<u>\$147,901,463</u>	<u>\$132,115,431</u>	<u>\$ 354,570,210</u>	<u>\$ 296,528,642</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 \$181,068,516.. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
	<u>\$91,070,662</u>	<u>\$64,215,420</u>	<u>\$89,997,854</u>	<u>\$89,669,727</u>	<u>\$181,068,516</u>	<u>\$153,885,147</u>
Revenue Bonds						

The County's total bonded debt outstanding increased by \$27,183,369 during the fiscal year ended September 30, 2008. The key factor contributing to the increase during fiscal year 2008 was debt entered into for the purchase of Gulf Coast Electric Cooperative's water and sewer utilities and the issuance of bonds to construct a new administration complex and pier.

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 was still feeling the effects of the economic slowdown during the fiscal year ended September 30, 2008. Construction continued a downward turn in 2008 with building permits issued on new single and multi-family residential units down 46% from the previous year. Only 231 residential permits were issued in 2008, compared to 426 permits issued in 2007. Once again an active hurricane season was predicted and gas prices continued to increase, however, tourism remained strong. The County's unemployment rate increased in 2008, to 5.5%, slightly lower than the State's average unemployment rate of 6.2%. The County will continue to focus on the construction of a new administration complex in fiscal year 2009. 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. The County will also move forward with various transportation projects, including the replacement of Grand Lagoon Bridge and the widening of Baldwin Road and CR 390.

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, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
ASSETS					
Cash and cash equivalents	\$ 7,072,926	\$ 46,063	\$ 7,118,989	\$ 47,407	\$ 21,248
Investments	74,426,764	34,129,830	108,556,594	-	-
Accounts receivable, net	1,289,474	7,551,018	8,840,492	576,074	-
Special assessments receivable	799,701	-	799,701	-	-
Accrued interest receivable	-	64,217	64,217	5,855	-
Due from other governments	10,379,268	501,624	10,880,892	-	-
Prepaid expenses	789,317	-	789,317	-	374
Inventory	-	273,510	273,510	100,000	-
Notes receivable	-	18,738,562	18,738,562	-	-
Investment in joint venture	-	1,081,521	1,081,521	-	-
Restricted assets					
Cash and cash equivalents	75,603	8,980	84,583	-	-
Investments	45,003,391	13,765,746	58,769,137	-	-
Capital assets					
Nondepreciable	33,720,388	18,989,008	52,709,396	-	-
Depreciable, net	172,948,359	128,912,455	301,860,814	-	-
Unamortized bond costs	1,398,070	1,493,619	2,891,689	-	-
Total assets	<u>347,903,261</u>	<u>225,556,153</u>	<u>573,459,414</u>	<u>729,336</u>	<u>21,622</u>
LIABILITIES					
Accounts payable and accrued expenses	20,179,659	6,350,273	26,529,932	116,650	23,314
Internal balances	(3,789,915)	3,789,915	-	-	-
Due to other governments	1,306,109	356,444	1,662,553	-	-
Deferred revenues	4,278,682	1,645,814	5,924,496	-	-
Accrued interest payable	336,457	1,006,339	1,342,796	-	-
Customer deposits	42,440	403,532	445,972	-	-
Long-term liabilities					
Due within one year					
Accrued compensated absences	654,659	128,416	783,075	-	-
Notes payable	-	889,905	889,905	-	-
Capital leases	328,474	-	328,474	-	-
Bonds payable	3,375,771	3,259,500	6,635,271	-	-
Due in more than one year					
Accrued compensated absences	1,705,552	169,245	1,874,797	-	-
Net OPEB obligation	1,949,465	80,272	2,029,737	-	-
Notes payable	-	30,696,410	30,696,410	-	-
Capital leases	539,196	-	539,196	-	-
Bonds payable	87,694,891	86,738,354	174,433,245	-	-
Landfill postclosure liability	-	9,661,267	9,661,267	-	-
Total liabilities	<u>118,601,440</u>	<u>145,175,686</u>	<u>263,777,126</u>	<u>116,650</u>	<u>23,314</u>
NET ASSETS					
Invested in capital assets, net of related debt	146,149,695	51,130,331	197,280,026	-	-
Restricted for					
Debt service	320,541	495,256	815,797	-	-
Other purposes	1,589,371	-	1,589,371	-	-
Impact fees	4,721,853	2,571,080	7,292,933	-	-
Capital projects	11,459,307	-	11,459,307	-	-
Unrestricted	65,061,054	26,183,800	91,244,854	612,686	(1,692)
Total net assets	<u>\$ 229,301,821</u>	<u>\$ 80,380,467</u>	<u>\$ 309,682,288</u>	<u>\$ 612,686</u>	<u>\$ (1,692)</u>

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

Bay County, Florida
Statement of Activities
Year Ended September 30, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental activities				
General government	\$ 23,769,102	\$ 15,239,392	\$ 1,445,280	\$ 3,031,426
Public safety	51,587,681	1,739,995	383,901	159,330
Physical environment	4,504,251	1,597,427	-	352,496
Transportation	15,122,222	1,045,906	1,900,000	5,576,296
Economic environment	16,862,278	-	898,945	97,556
Human services	5,042,410	1,040	18,829	-
Culture and recreation	5,349,023	519,422	75,901	1,868,150
Interest on long-term debt	4,185,220	-	-	-
Total governmental activities	<u>126,422,187</u>	<u>20,143,182</u>	<u>4,722,856</u>	<u>11,085,254</u>
Business-type activities				
Wholesale water system	13,131,437	13,876,827	150,000	679,406
Retail water and wastewater	5,700,378	3,987,039	-	145,500
Industrial wastewater	6,643,917	6,695,497	-	-
Solid waste	15,477,882	10,726,249	385,000	-
Building services	2,139,805	1,657,191	-	-
Total business-type activities	<u>43,093,419</u>	<u>36,942,803</u>	<u>535,000</u>	<u>824,906</u>
Total primary government	<u>\$ 169,515,606</u>	<u>\$ 57,085,985</u>	<u>\$ 5,257,856</u>	<u>\$ 11,910,160</u>
Component Units				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 3,573,748	\$ 3,842,274	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	197,958	171,071	-	-
Total component units	<u>\$ 3,771,706</u>	<u>\$ 4,013,345</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Taxes				
Property taxes, levied for general purposes				
Sales taxes				
State shared revenues				
Investment earnings				
Miscellaneous				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior period adjustment				
Net assets - beginning, as restated				
Net assets - ending				

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
\$ (4,053,004)	\$ -	\$ (4,053,004)	\$ -	\$ -
(49,304,455)	-	(49,304,455)	-	-
(2,554,328)	-	(2,554,328)	-	-
(6,600,020)	-	(6,600,020)	-	-
(15,865,777)	-	(15,865,777)	-	-
(5,022,541)	-	(5,022,541)	-	-
(2,885,550)	-	(2,885,550)	-	-
(4,185,220)	-	(4,185,220)	-	-
<u>(90,470,895)</u>	<u>-</u>	<u>(90,470,895)</u>	<u>-</u>	<u>-</u>
-	1,574,796	1,574,796	-	-
-	(1,567,839)	(1,567,839)	-	-
-	51,580	51,580	-	-
-	(4,366,633)	(4,366,633)	-	-
-	(482,614)	(482,614)	-	-
<u>-</u>	<u>(4,790,710)</u>	<u>(4,790,710)</u>	<u>-</u>	<u>-</u>
<u>(90,470,895)</u>	<u>(4,790,710)</u>	<u>(95,261,605)</u>	<u>-</u>	<u>-</u>
-	-	-	268,526	-
-	-	-	-	(26,887)
<u>-</u>	<u>-</u>	<u>-</u>	<u>268,526</u>	<u>(26,887)</u>
73,436,473	-	73,436,473	-	-
24,569,697	1,100	24,570,797	-	-
3,136,583	-	3,136,583	-	-
4,855,754	2,612,599	7,468,353	6,373	838
1,795,724	6,014,516	7,810,240	-	2,106
107,794,231	8,628,215	116,422,446	6,373	2,944
(30,794)	30,794	-	-	-
107,763,437	8,659,009	116,422,446	6,373	2,944
17,292,542	3,868,299	21,160,841	274,899	(23,943)
212,009,279	78,981,214	290,990,493	337,787	22,251
-	(2,469,046)	(2,469,046)	-	-
212,009,279	76,512,168	288,521,447	337,787	22,251
<u>\$ 229,301,821</u>	<u>\$ 80,380,467</u>	<u>\$ 309,682,288</u>	<u>\$ 612,686</u>	<u>\$ (1,692)</u>

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

Bay County, Florida
Balance Sheet
Governmental Funds
September 30, 2008

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,349,593	\$ 16,395	\$ 7,837	\$ 2,690,020	\$ 7,063,845
Accounts receivable (net)	609,056	386,618	3,257	15,039	1,013,970
Special assessments receivable	-	-	507,921	291,780	799,701
Investments	31,235,159	16,669,678	6,353,462	13,495,913	67,754,212
Due from other funds	105,917	-	14,750	24,311	144,978
Due from other governments	5,808,193	443,685	3,774,377	352,583	10,378,838
Advance to other funds	3,770,607	-	-	-	3,770,607
Prepaid items	144,023	-	-	-	144,023
Restricted assets					
Cash and cash equivalents	71,732	-	2,290	1,581	75,603
Investments	40,828,440	1,056,993	1,844,519	1,273,439	45,003,391
Total assets	<u>\$ 86,922,720</u>	<u>\$ 18,573,369</u>	<u>\$ 12,508,413</u>	<u>\$ 18,144,666</u>	<u>\$ 136,149,168</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 12,106,203	\$ 725,489	\$ 1,605,589	\$ 901,161	\$ 15,338,442
Deferred revenues	3,355,822	-	424,000	498,860	4,278,682
Due to other funds	285,935	1,870	86,166	82,947	456,918
Due to other governments	507,998	-	-	798,111	1,306,109
Total liabilities	<u>16,255,958</u>	<u>727,359</u>	<u>2,115,755</u>	<u>2,281,079</u>	<u>21,380,151</u>
Fund balance					
Reserved for					
Debt service	1,205,444	-	81,769	471,521	1,758,734
Capital projects	31,042,534	-	858,827	-	31,901,361
Advances to other funds	3,770,607	-	-	-	3,770,607
Other purposes	3,947,415	13,628,997	-	799,733	18,376,145
Unreserved, reported in					
General fund	25,789,703	-	-	-	25,789,703
General fund - designated	4,911,059	-	-	-	4,911,059
Special revenue funds	-	4,217,013	9,452,062	14,592,333	28,261,408
Total fund balance	<u>70,666,762</u>	<u>17,846,010</u>	<u>10,392,658</u>	<u>15,863,587</u>	<u>114,769,017</u>
Total liabilities and fund balance	<u>\$ 86,922,720</u>	<u>\$ 18,573,369</u>	<u>\$ 12,508,413</u>	<u>\$ 18,144,666</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.					205,242,344
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.					4,281,751
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(94,991,291)
Net assets of governmental activities					<u>\$ 229,301,821</u>

Bay County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2008

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 66,525,439	\$ 6,497,699	\$ 5,288,028	\$ 8,470,341	\$ 86,781,507
Licenses and permits	2,412	-	-	-	2,412
Intergovernmental	19,661,556	202,741	7,776,355	1,322,247	28,962,899
Charges for services	8,377,979	-	699,323	8,367,570	17,444,872
Fines and forfeitures	139,198	-	-	-	139,198
Special assessments	-	-	346,583	-	346,583
Investment earnings	3,671,465	503,372	265,774	491,143	4,931,754
Contributions and donations	-	-	-	75,901	75,901
Miscellaneous	829,230	49,561	60,418	360,890	1,300,099
Total revenues	<u>99,207,279</u>	<u>7,253,373</u>	<u>14,436,481</u>	<u>19,088,092</u>	<u>139,985,225</u>
EXPENDITURES					
Current					
General government	30,270,959	-	-	6,509,464	36,780,423
Public safety	68,529,778	-	-	6,709,265	75,239,043
Physical environment	204,751	-	-	4,880,574	5,085,325
Transportation	-	-	14,723,223	-	14,723,223
Economic environment	11,037,541	5,299,731	-	-	16,337,272
Human services	4,112,229	-	-	938,081	5,050,310
Culture and recreation	2,142,760	-	-	2,912,179	5,054,939
Debt service					
Principal	1,872,628	-	870,000	1,084,657	3,827,285
Interest and fiscal charges	3,553,125	-	114,801	365,561	4,033,487
Bond issuance costs	120,628	-	-	-	120,628
Total expenditures	<u>121,844,399</u>	<u>5,299,731</u>	<u>15,708,024</u>	<u>23,399,781</u>	<u>166,251,935</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,637,120)</u>	<u>1,953,642</u>	<u>(1,271,543)</u>	<u>(4,311,689)</u>	<u>(26,266,710)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	3,233,633	5,545,445	8,779,078
Transfers out	(7,816,092)	-	(1,000,000)	-	(8,816,092)
Transfer out/return of excess fees to State of Florida	-	-	-	(532,196)	(532,196)
Issuance of debt	30,572,236	-	-	-	30,572,236
Total other financing sources (uses)	<u>22,756,144</u>	<u>-</u>	<u>2,233,633</u>	<u>5,013,249</u>	<u>30,003,026</u>
Net change in fund balance	119,024	1,953,642	962,090	701,560	3,736,316
Fund balance - beginning	<u>70,547,738</u>	<u>15,892,368</u>	<u>9,430,568</u>	<u>15,162,027</u>	<u>111,032,701</u>
Fund balance - ending	<u>\$ 70,666,762</u>	<u>\$ 17,846,010</u>	<u>\$ 10,392,658</u>	<u>\$ 15,863,587</u>	<u>\$ 114,769,017</u>

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, 2008

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)	\$ 3,736,316
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.	39,819,484
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to increase net assets.	2,512,254
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.	(2,101,171)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
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.	28,181
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(26,702,522)</u>
Change in net assets of governmental activities (page B-17)	<u><u>\$ 17,292,542</u></u>

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 67,782,171	\$ 67,782,171	\$ 66,525,439	\$ (1,256,732)
Licenses and permits	3,778	3,778	2,412	(1,366)
Intergovernmental	20,998,572	21,935,752	19,661,556	(2,274,196)
Charges for services	9,550,773	9,649,527	8,377,979	(1,271,548)
Fines and forfeitures	131,500	131,500	139,198	7,698
Investment earnings	2,250,000	2,697,000	3,671,465	974,465
Miscellaneous	349,740	545,863	829,230	283,367
Total revenues	<u>101,066,534</u>	<u>102,745,591</u>	<u>99,207,279</u>	<u>(3,538,312)</u>
EXPENDITURES				
Current				
General government	45,947,465	67,559,593	30,270,959	37,288,634
Public safety	90,635,269	93,916,230	68,529,778	25,386,452
Physical environment	215,004	215,004	204,751	10,253
Economic environment	12,119,548	12,319,548	11,037,541	1,282,007
Human services	4,147,705	4,328,412	4,112,229	216,183
Culture and recreation	2,387,556	3,012,500	2,142,760	869,740
Debt service				
Principal	1,965,936	1,965,936	1,872,628	93,308
Interest and fiscal charges	3,733,939	3,733,939	3,553,125	180,814
Bond issuance costs	-	-	120,628	(120,628)
Total expenditures	<u>161,152,422</u>	<u>187,051,162</u>	<u>121,844,399</u>	<u>65,206,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,085,888)</u>	<u>(84,305,571)</u>	<u>(22,637,120)</u>	<u>61,668,451</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,857,104)	(8,508,732)	(7,816,092)	692,640
Issuance of debt	10,000,000	30,000,000	30,572,236	572,236
Total other financing sources (uses)	<u>2,142,896</u>	<u>21,491,268</u>	<u>22,756,144</u>	<u>1,264,876</u>
Net change in fund balance	(57,942,992)	(62,814,303)	119,024	62,933,327
Fund balance - beginning	<u>70,547,738</u>	<u>70,547,738</u>	<u>70,547,738</u>	<u>-</u>
Fund balance - ending	<u>\$ 12,604,746</u>	<u>\$ 7,733,435</u>	<u>\$ 70,666,762</u>	<u>\$ 62,933,327</u>

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Tourist Development Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 5,671,208	\$ 5,671,208	\$ 6,497,699	\$ 826,491
Intergovernmental	-	-	202,741	202,741
Investment earnings	314,825	314,825	503,372	188,547
Miscellaneous	22,710	22,710	49,561	26,851
Total revenues	<u>6,008,743</u>	<u>6,008,743</u>	<u>7,253,373</u>	<u>1,244,630</u>
EXPENDITURES				
Current				
Economic environment	<u>4,893,024</u>	<u>5,866,872</u>	<u>5,299,731</u>	<u>567,141</u>
Total expenditures	<u>4,893,024</u>	<u>5,866,872</u>	<u>5,299,731</u>	<u>567,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,115,719</u>	<u>141,871</u>	<u>1,953,642</u>	<u>1,811,771</u>
Net change in fund balance	1,115,719	141,871	1,953,642	1,811,771
Fund balance - beginning	<u>15,892,368</u>	<u>15,892,368</u>	<u>15,892,368</u>	<u>-</u>
Fund balance - ending	<u>\$ 17,008,087</u>	<u>\$ 16,034,239</u>	<u>\$ 17,846,010</u>	<u>\$ 1,811,771</u>

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Transportation Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 4,927,073	\$ 4,927,073	\$ 5,288,028	\$ 360,955
Intergovernmental	4,728,298	10,344,813	7,776,355	(2,568,458)
Charges for services	1,445,717	582,017	699,323	117,306
Special assessments	110,442	110,442	346,583	236,141
Investment earnings	303,832	303,832	265,774	(38,058)
Miscellaneous	1,585,978	5,153,069	60,418	(5,092,651)
Total revenues	13,101,340	21,421,246	14,436,481	(6,984,765)
EXPENDITURES				
Current				
Transportation	15,246,301	28,119,634	14,723,223	13,396,411
Debt service				
Principal	870,000	870,000	870,000	-
Interest	115,500	115,500	114,801	699
Total expenditures	16,231,801	29,105,134	15,708,024	13,397,110
Excess (deficiency) of revenues over (under) expenditures	(3,130,461)	(7,683,888)	(1,271,543)	6,412,345
OTHER FINANCING SOURCES (USES)				
Transfers in	3,200,000	3,233,633	3,233,633	-
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	2,200,000	2,233,633	2,233,633	-
Net change in fund balance	(930,461)	(5,450,255)	962,090	6,412,345
Fund balance - beginning	9,430,568	9,430,568	9,430,568	-
Fund balance - ending	\$ 8,500,107	\$ 3,980,313	\$ 10,392,658	\$ 6,412,345

Bay County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2008

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
ASSETS							
Current assets							
Cash and cash equivalents	\$ 2,811	\$ 6,792	\$ 1,415	\$ 25,131	\$ 9,914	\$ 46,063	\$ 9,082
Accounts receivable, net	2,353,208	398,335	1,527,346	3,255,055	17,074	7,551,018	275,935
Accrued interest receivable	-	64,217	-	-	-	64,217	-
Prepaid expenses	-	-	-	-	-	-	645,294
Investments	2,264,674	5,150,027	1,140,273	18,071,072	7,503,784	34,129,830	6,672,552
Inventory	229,981	43,529	-	-	-	273,510	-
Due from other funds	132,141	-	-	50	-	132,191	504,293
Due from other governments	8,134	482,058	-	130	11,302	501,624	-
Total current assets	4,990,949	6,144,958	2,669,034	21,351,438	7,542,074	42,698,453	8,107,156
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	3,315	1,680	-	3,985	-	8,980	-
Investments	2,670,158	7,885,345	-	3,210,243	-	13,765,746	-
Notes receivable	1,452,247	17,286,315	-	-	-	18,738,562	-
Investment in joint venture	-	1,081,521	-	-	-	1,081,521	-
Unamortized bond costs	761,659	103,638	-	628,322	-	1,493,619	-
	4,887,379	26,358,499	-	3,842,550	-	35,088,428	-
Capital assets							
Land	261,192	1,837,748	-	752,451	-	2,851,391	-
Construction in progress	-	10,283,431	-	5,854,186	-	16,137,617	-
Buildings	2,373,739	-	134,702	898,720	246,080	3,653,241	1,312,472
Improvements	90,985	-	-	41,250	-	132,235	96,850
Furniture and equipment	1,213,684	333,633	143,796	3,972,823	707,830	6,371,766	1,015,583
Infrastructure	103,368,778	6,800,705	10,577,333	73,449,373	-	194,196,189	-
Less: accumulated depreciation	(32,972,085)	(741,832)	(9,997,666)	(30,960,043)	(769,350)	(75,440,976)	(998,502)
Total capital assets, net	74,336,293	18,513,685	858,165	54,008,760	184,560	147,901,463	1,426,403
Total noncurrent assets	79,223,672	44,872,184	858,165	57,851,310	184,560	182,989,891	1,426,403
Total assets	84,214,621	51,017,142	3,527,199	79,202,748	7,726,634	225,688,344	9,533,559
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	353,041	540,010	282,898	5,124,026	50,298	6,350,273	4,883,660
Deferred revenue	-	-	-	1,645,814	-	1,645,814	-
Due to other funds	45,593	29,841	42,632	29,211	4,222	151,499	173,044
Due to other governments	-	351,947	-	-	4,497	356,444	-
Accrued interest payable	194,938	681,665	-	129,736	-	1,006,339	-
Accrued compensated absences, current	33,981	25,822	-	23,559	45,054	128,416	77,642
Notes payable, current	-	889,905	-	-	-	889,905	-
Bonds payable, current	1,335,000	289,500	-	1,635,000	-	3,259,500	-
Total current liabilities	1,962,553	2,808,690	325,530	8,587,346	104,071	13,788,190	5,134,346
Noncurrent liabilities							
Customer deposits	-	210,390	100,000	45,976	47,166	403,532	-
Accrued compensated absences	25,692	35,716	-	41,923	65,914	169,245	91,581
Net OPEB obligation	9,484	18,118	-	24,676	27,994	80,272	25,881
Advance from other funds	3,770,607	-	-	-	-	3,770,607	-
Notes payable	-	30,696,410	-	-	-	30,696,410	-
Bonds payable, net	47,549,324	8,841,234	-	30,347,796	-	86,738,354	-
Landfill postclosure liability	-	-	-	9,661,267	-	9,661,267	-
Total noncurrent liabilities	51,355,107	39,801,868	100,000	40,121,638	141,074	131,519,687	117,462
Total liabilities	53,317,660	42,610,558	425,530	48,708,984	245,145	145,307,877	5,251,808
NET ASSETS							
Invested in capital assets, net of related debt	26,213,628	1,219,692	858,165	22,654,286	184,560	51,130,331	-
Restricted for							
Debt service	178,971	171,735	-	144,550	-	495,256	-
Impact fee requirements	1,480,720	1,090,360	-	-	-	2,571,080	-
Unrestricted	3,023,642	5,924,797	2,243,504	7,694,928	7,296,929	26,183,800	4,281,751
Total net assets	\$ 30,896,961	\$ 8,406,584	\$ 3,101,669	\$ 30,493,764	\$ 7,481,489	\$ 80,380,467	\$ 4,281,751

Bay County, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2008

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
OPERATING REVENUES							
Charges for services	\$ 13,876,827	\$ 3,987,039	\$ 6,695,497	\$ 10,726,249	\$ 1,657,191	\$ 36,942,803	\$ 8,719,091
Miscellaneous	1,428	25,114	-	109,641	24,150	160,333	6,274
Total operating revenues	<u>13,878,255</u>	<u>4,012,153</u>	<u>6,695,497</u>	<u>10,835,890</u>	<u>1,681,341</u>	<u>37,103,136</u>	<u>8,725,365</u>
OPERATING EXPENSES							
Personal services	1,435,996	1,293,485	177,281	874,861	1,644,227	5,425,850	2,555,761
Contracted services	1,325,004	539,156	4,631,977	5,820,943	176,261	12,493,341	269,009
Repairs and maintenance	557,784	77,317	160,096	2,119,544	25,026	2,939,767	99,861
Utilities	1,374,940	70,422	1,247,091	978,731	7,613	3,678,797	38,750
Depreciation	2,868,650	148,624	138,013	3,016,410	115,498	6,287,195	131,002
Amortization	52,061	34,546	-	42,122	-	128,729	-
Materials	-	-	-	-	-	-	3,562,632
Insurance claims	-	-	-	-	-	-	1,681,842
Other operating expenses	2,235,246	2,241,220	289,459	658,278	171,180	5,595,383	564,440
Total operating expenses	<u>9,849,681</u>	<u>4,404,770</u>	<u>6,643,917</u>	<u>13,510,889</u>	<u>2,139,805</u>	<u>36,549,062</u>	<u>8,903,297</u>
Operating income (loss)	<u>4,028,574</u>	<u>(392,617)</u>	<u>51,580</u>	<u>(2,674,999)</u>	<u>(458,464)</u>	<u>554,074</u>	<u>(177,932)</u>
NONOPERATING REVENUES (EXPENSES)							
Investment earnings	253,913	1,469,913	48,037	592,427	248,308	2,612,598	199,893
Interest and fiscal charges	(3,281,756)	(1,295,613)	-	(1,966,990)	-	(6,544,359)	-
Taxes	-	-	-	1,100	-	1,100	-
Grants	150,000	-	-	-	-	150,000	-
Contributions	-	-	-	385,000	-	385,000	-
Insurance proceeds (incinerator fire)	-	-	-	5,854,186	-	5,854,186	-
Total nonoperating revenues (expenses)	<u>(2,877,843)</u>	<u>174,300</u>	<u>48,037</u>	<u>4,865,723</u>	<u>248,308</u>	<u>2,458,525</u>	<u>199,893</u>
Income (loss) before contributions and transfers	<u>1,150,731</u>	<u>(218,317)</u>	<u>99,617</u>	<u>2,190,724</u>	<u>(210,156)</u>	<u>3,012,599</u>	<u>21,961</u>
Capital contributions	679,406	145,500	-	-	-	824,906	-
Transfers in	-	30,794	-	-	-	30,794	6,220
Change in net assets	<u>1,830,137</u>	<u>(42,023)</u>	<u>99,617</u>	<u>2,190,724</u>	<u>(210,156)</u>	<u>3,868,299</u>	<u>28,181</u>
Total net assets - beginning	29,066,824	7,982,670	3,002,052	31,238,023	7,691,645	78,981,214	2,751,265
Prior period adjustment	-	465,937	-	(2,934,983)	-	(2,469,046)	1,502,305
Total net assets - beginning, as restated	<u>29,066,824</u>	<u>8,448,607</u>	<u>3,002,052</u>	<u>28,303,040</u>	<u>7,691,645</u>	<u>76,512,168</u>	<u>4,253,570</u>
Total net assets - ending	<u>\$ 30,896,961</u>	<u>\$ 8,406,584</u>	<u>\$ 3,101,669</u>	<u>\$ 30,493,764</u>	<u>\$ 7,481,489</u>	<u>\$ 80,380,467</u>	<u>\$ 4,281,751</u>

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2008

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 13,370,864	\$ 4,013,554	\$ 5,746,288	\$ 10,515,562	\$ 1,691,424	\$ 35,337,692	\$ 8,872,201
Cash received from miscellaneous operating activities	1,428	25,113	-	109,641	24,150	160,332	6,274
Cash paid to suppliers for goods and services	(8,918,649)	(2,784,001)	(6,235,545)	(5,707,710)	(846,665)	(24,492,570)	(6,296,864)
Cash paid to employees for services	(1,433,624)	(1,273,076)	(150,619)	(844,917)	(1,126,403)	(4,828,639)	(2,360,657)
Net cash provided by (used in) operating activities	<u>3,020,019</u>	<u>(18,410)</u>	<u>(639,876)</u>	<u>4,072,576</u>	<u>(257,494)</u>	<u>6,176,815</u>	<u>220,954</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	30,794	-	-	-	30,794	6,220
Taxes	-	-	-	1,100	-	1,100	-
Contributions	150,000	-	-	385,000	-	535,000	-
Net cash provided by noncapital financing activities	<u>150,000</u>	<u>30,794</u>	<u>-</u>	<u>386,100</u>	<u>-</u>	<u>566,894</u>	<u>6,220</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest paid on long-term debt	(2,651,964)	(682,248)	-	(1,619,636)	-	(4,953,848)	-
Principal paid on long-term debt	(1,275,000)	(1,172,955)	-	(1,570,000)	-	(4,017,955)	-
Proceeds from long-term debt	-	23,526,734	-	-	-	23,526,734	-
Capital contributions	679,406	145,500	-	-	-	824,906	-
Bond issue costs	-	(138,185)	-	-	-	(138,185)	-
Purchase of capital assets	(1,059,885)	(17,708,991)	(16,060)	(6,221,107)	(2,166)	(25,008,209)	(55,101)
Proceeds from insurance	-	-	-	7,500,000	-	7,500,000	-
Net cash provided by (used in) capital and related financing activities	<u>(4,307,443)</u>	<u>3,969,855</u>	<u>(16,060)</u>	<u>(1,910,743)</u>	<u>(2,166)</u>	<u>(2,266,557)</u>	<u>(55,101)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale and maturities of investment securities	364,283	1,134,313	522,223	656,209	64,283	2,741,311	122,839
Purchase of investments	(110,657)	(8,174,743)	(84,910)	(5,606,886)	(791,353)	(14,768,549)	(1,108,632)
Return of investment	-	152,216	-	-	-	152,216	-
Interest and dividends on investments	312,102	1,219,667	57,730	743,787	298,006	2,631,292	236,733
Collections on loans	41,325	1,076,955	-	-	-	1,118,280	-
Net cash provided by (used in) investing activities	<u>607,053</u>	<u>(4,591,592)</u>	<u>495,043</u>	<u>(4,206,890)</u>	<u>(429,064)</u>	<u>(8,125,450)</u>	<u>(749,060)</u>
Net increase (decrease) in cash and cash equivalents	(530,371)	(609,353)	(160,893)	(1,658,957)	(688,724)	(3,648,298)	(576,987)
Cash and cash equivalents - beginning	536,497	617,825	162,308	1,688,073	698,638	3,703,341	586,069
Cash and cash equivalents - ending	<u>\$ 6,126</u>	<u>\$ 8,472</u>	<u>\$ 1,415</u>	<u>\$ 29,116</u>	<u>\$ 9,914</u>	<u>\$ 55,043</u>	<u>\$ 9,082</u>
Classified as							
Current assets	\$ 2,811	\$ 6,792	\$ 1,415	\$ 25,131	\$ 9,914	\$ 46,063	\$ 9,082
Restricted assets	3,315	1,680	-	3,985	-	8,980	-
Total	<u>\$ 6,126</u>	<u>\$ 8,472</u>	<u>\$ 1,415</u>	<u>\$ 29,116</u>	<u>\$ 9,914</u>	<u>\$ 55,043</u>	<u>\$ 9,082</u>

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2008

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	<u>\$ 4,028,574</u>	<u>\$ (392,617)</u>	<u>\$ 51,580</u>	<u>\$ (2,674,999)</u>	<u>\$ (458,464)</u>	<u>\$ 554,074</u>	<u>\$ (177,932)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	2,868,650	148,624	138,013	3,016,410	115,498	6,287,195	131,002
Amortization	52,061	34,546	-	42,122	-	128,729	-
(Increase) decrease in assets							
Accounts receivable	(380,887)	50,926	(949,209)	(215,249)	61,274	(1,433,145)	(107,858)
Prepaid expenses	-	-	-	-	-	-	(524,423)
Inventory	(229,981)	(43,529)	-	-	-	(273,510)	-
Due from other funds	(116,842)	-	-	(50)	(11,302)	(128,194)	260,968
Due from other governments	(8,134)	(47,989)	-	(130)	-	(56,253)	-
Increase (decrease) in liabilities							
Accounts payable	(1,733,178)	199,422	88,363	4,565,178	10,215	3,130,000	284,011
Due to other funds	(1,462,516)	9,580	41,319	21,044	747	(1,389,826)	160,082
Due to other governments	-	(21,360)	-	-	4,502	(16,858)	-
Customer deposits	(100)	23,578	-	4,742	(15,739)	12,481	-
Accrued compensated absences	(7,112)	2,291	(9,942)	5,268	7,781	(1,714)	169,223
Net OPEB obligation	9,484	18,118	-	24,676	27,994	80,272	25,881
Landfill postclosure liability	-	-	-	(716,436)	-	(716,436)	-
Total adjustments	<u>(1,008,555)</u>	<u>374,207</u>	<u>(691,456)</u>	<u>6,747,575</u>	<u>200,970</u>	<u>5,622,741</u>	<u>398,886</u>
Net cash provided by (used in) operating activities	<u>\$ 3,020,019</u>	<u>\$ (18,410)</u>	<u>\$ (639,876)</u>	<u>\$ 4,072,576</u>	<u>\$ (257,494)</u>	<u>\$ 6,176,815</u>	<u>\$ 220,954</u>

Bay County, Florida
Statement of Fiduciary Net Assets
Agency Funds
September 30, 2008

ASSETS

Cash and cash equivalents	\$ 6,761,887
Investments	381,673
Accounts receivable, net	<u>20,375</u>
Total assets	<u><u>\$ 7,163,935</u></u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,033,505
Due to other governments	<u>6,130,181</u>
Total liabilities	<u><u>\$ 7,163,686</u></u>

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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 Law Library is accounted for within the general fund.

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 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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*.

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 proprietary 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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

wastewater funds which the County elected to report as major funds 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.

Tourist Development Fund– 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 and maintain and protect the beaches of the County. Financing is provided principally by local option tourist development taxes.

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

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

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

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

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

Building Services Fund – This fund is used to account for the operations of the building department which is financed by fees from permits, licenses and inspections.

Other Fund Types

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the County on a cost-reimbursement basis. The services provided by these funds are fleet maintenance, facilities, lab, purchasing, workers' compensation, insurance and utilities administration.

Fiduciary Funds – Fiduciary 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. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Fiduciary funds are accounted for using the accrual basis of accounting.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncurrent Governmental Assets/Liabilities

GASB Statement 34 requires noncurrent governmental assets, such as land, buildings and equipment and noncurrent governmental liabilities, such as general obligation bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net assets.

Budgets

Annual budgets are legally adopted for all governmental funds, except those indicated in Note 3, and all proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles, except as described in Note 3. All annual appropriations lapse at fiscal year end.

The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the Board.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Therefore, the fund level is the legal level of control for budget considerations. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Pursuant to Chapter 129, only the Board of County Commissioners can approve budget amendments that change the total approved budget appropriation of an individual fund. Department managers can transfer appropriations within the budget, but cannot change the total appropriation of an individual fund without the approval of the Board of County Commissioners.

If during the fiscal year additional revenue becomes available for appropriations in excess of those estimated in the budget, the Board by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various supplemental appropriations were approved by the Board in accordance with Florida Statutes.

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

Encumbrances

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

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

Investments

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

External Investment Pools

Local Government Surplus Funds Trust Fund (pool) – The County maintains deposits in the Local Government Surplus Funds Trust Fund. This external investment pool, which is administered by the State of Florida State Board of Administration (LGIP), has adopted operating procedures consistent with the requirements for a “2a-7 like” pool and the fair value of the position in the pool is equal to the value of the pool shares. Pursuant to the provisions of GASB Statement 31, such investments are stated at cost. In addition, the County invests funds in Fund B Surplus Trust Fund, which is also administered by the Florida State Board of Administration. The Fund B is accounted for as a fluctuating Net Asset Value (NAV) pool.

The County maintained investments as disclosed in Note 5 in the Florida Local Governments Investment Trust Fund (FLGIT). This external investment pool, which is administered by the Florida Association of Court Clerks Service Corporation, has adopted operating procedures consistent with the requirements for external investment pools that are not registered with the Securities and Exchange Commission. The fair value of the position in the FLGIT is equal to the value of the pool shares. Pursuant to the provisions of GASB Statement 31, such investments are reported at fair value, which is determined on a monthly basis based on quoted market prices.

Complete financial statements for the FLGIT may be obtained from the Florida Association of Court Clerks (FACC) Service Corporation, at 3544 Maclay Boulevard, Tallahassee, Florida 32312.

Derivatives and Similar Debt and Investment Items

The County has not directly or indirectly used or written any derivatives or similar debt and investment items during the current year. However, the County did have indirect exposure to similar debt and investment items through the investments held in the Florida Local Governments Investment Trust (FLGIT) and the State of Florida State Board of Administration. The FLGIT invested in various Collateralized Mortgage Obligations (CMOs) in the current year. The FLGIT has been assigned a “S1” Bond Fund Risk Rating, which is the lowest volatility rating listed by Standard and Poor’s and a “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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2008 and 2007 are not significant and have not been recorded. Special assessments due from property owners are recorded as receivables when the final assessment role is approved.

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

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

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

Prepaid Items

Certain payments to vendors for services that will benefit periods beyond September 30, 2008 are recorded as prepaid items or expenses depending on the statement and fund type.

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.

Advances to Other Funds

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventory

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, beach renourishment, water and sewer distribution systems and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Infrastructure is capitalized when it exceeds \$100,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The Board holds legal title to the capital assets used in the operations of the Board, Clerk of the Circuit Court, Property Appraiser, Supervisor of Elections and Tax Collector, and is accountable for them by Florida Law.

The Sheriff is accountable for and maintains capital asset records pertaining only to equipment used in his operations. These assets have been combined with the Board's governmental activities capital assets in the statement of net assets.

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

Buildings	20-50 Years
Improvements	20-50 Years
Utility Plants	35-50 Years
Furniture and Equipment	3-15 Years
Infrastructure	10-50 Years
Books	5 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, 2008, the County had no interest that was capitalized.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unamortized Bond Costs

Bond issuance costs and legal fees associated with the issuance of proprietary fund revenue bonds are amortized over the life of the bonds using the straight-line method.

Unamortized Bond Discounts

Bond discounts associated with the issuance of proprietary fund revenue bonds are amortized using the straight-line method. For financial reporting, unamortized bond discounts are netted against the applicable long-term debt.

Deferred Revenues

Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

Landfill Closure Costs

Under the terms of current state and federal regulations, the County is required to place a final cover on closed landfill areas, and to perform certain monitoring and maintenance functions for a period of up to thirty years after closure. The County recognizes these costs of closure and postclosure maintenance over the active life of each landfill area, based on landfill capacity used during the period. Required obligations for closure and postclosure costs are recognized in the solid waste fund. See Note 19 for further information on this contingency.

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 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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 6.67 and eight hours of vacation leave each month, depending upon the length of employment, for a maximum of 96 hours per calendar year. Vacation time earned but not used is accrued by the Bureau up to 240 hours per employee.

The Bureau's sick leave policy provides for all full-time employees to earn eight hours of sick leave each month. All unused sick leave is forfeited at termination of employment. Earned but unpaid sick leave is not accrued as a liability since the amount does not vest to employees.

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

Estimates

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

Reclassifications

Certain reclassifications have been made to the 2007 financial statement presentation to conform to the 2008 presentation.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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 \$94,991,291 difference are as follows:

Bonds payable	\$ 90,810,190
Less: Deferred charge on refunding (to be amortized as interest expense)	(566,002)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(1,398,070)
Plus: Issuance premium (to be amortized as interest expense)	826,474
Accrued interest payable	336,457
Capital leases payable	867,670
Net OPEB obligation	1,923,584
Compensated absences	<u>2,190,988</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 94,991,291</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 \$205,242,344 difference are as follows:

Cost of capital assets	\$ 365,625,488
Less: Accumulated depreciation	<u>(160,383,144)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 205,242,344</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balance - total governmental fund* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds 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 \$39,819,484 difference are as follows:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

Capital outlay	\$ 51,324,006
Depreciation expense	<u>(11,504,522)</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>\$ 39,819,484</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 \$2,512,254 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.	\$ (1,456,657)
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>3,968,911</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>\$ 2,512,254</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 \$(26,702,522) difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (572,236)
Issuance of bonds	(30,000,000)
Less issuance cost	120,628
Principal repayments:	
Bonds	3,139,810
Capital leases	687,476
Amortization of deferred charge on refunding	(36,804)
Amortization of issuance costs	(83,148)
Amortization of bond premium	<u>41,752</u>
Net adjustment to increase <i>net change in fund balance -</i>	<u>\$ (26,702,522)</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(2,101,171) difference are as follows:

OPEB Expense	\$ (1,923,884)
Compensated absences	(78,437)
Accrued interest	<u>(98,850)</u>
Net adjustment to decrease <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u><u>\$ (2,101,171)</u></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

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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 75,603	\$ 8,980	\$ 84,583
Investments	<u>45,003,391</u>	<u>13,765,746</u>	<u>58,769,137</u>
	<u>\$ 45,078,994</u>	<u>\$ 13,774,726</u>	<u>\$ 58,853,720</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 4 – RESTRICTED ASSETS (Continued)

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Total
Accrued interest payable	\$ 336,457	\$ 194,938	\$ 617,448	\$ 129,736	\$ 1,278,579
Current maturities of bonds	446,378	3,083	111,250	136,250	696,961
Payable from restricted assets	\$ 782,835	\$ 198,021	\$ 728,698	\$ 265,986	\$ 1,975,540

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposit Policies

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.

Custodial Credit Risk of Deposits

There is a risk that in the event of failure of the depository financial institution, the government will not be able to recover the deposits. All cash resources of the County are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that the County's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

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 Florida Statutes, Section 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 Florida Statutes, Section 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

Overnight repos (repurchase agreement) and term repos with maturities of less than 30 days.

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

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

Auction Rate Securities 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.

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 objective.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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 Fund B is not rated by statistical rating organizations.

As of September 30, 2008, the County had the following investments as rated by Standard and Poors, Moody's and/or Fitch Investor Services:

Investment Type	Carrying Value	Fair Value	Weighted Average Maturity	Credit Rating (if applicable)
U.S. Government Securities	\$ 17,215,149	\$ 17,215,149	Demand	N/A
Ohio Electric Energy Acquisition Corporate Bond	4,011,321	4,011,321	4.6	AA,Baa1*
Asset-back Securities	24,616,450	24,616,450	6.25	N/A
Florida Local Government Investment Trust	10,024,068	10,024,068	Demand	AAAf
Mutual Funds	6,531,604	6,531,604	Demand	AAA, Aaa
Local Government Surplus Trust Fund Investment Pool Fund A	7,196,780	7,196,780	Demand	AAAm
Local Government Investment Pool Fund B	1,314,097	1,314,097		** AAAm, Aaa, AAA
Federated Money Market	75,135,373	75,135,373	Demand	
Certificates of Deposit	21,280,889	21,280,889	Time Deposit	N/A
Total investments	\$ 167,325,731	\$ 167,325,731		

* The bond was rated AAA, Aaa and AAA by S&P, Moody's and Fitch, respectively, at purchase date of 11/5/07. Subsequently, Moody's downgraded the bond to Baa1, S&P issued a negative watch outlook and Fitch withdrew its rating. The investment matured on February 15, 2009.

** Fund B is not rated by any nationally recognized statistical rating agency.

As of September 30, 2008, the County had investments for general and agency funds in the amount of \$8,510,877 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.

Investments are stated at fair value in accordance with GASB 31. GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value ("NAV"). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940."

Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1 per share, provided that such funds meet certain conditions. The LGIP

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

is considered to be a SEC 2a-7 like fund and therefore shown at share value. In addition, the County invests funds in Fund B Surplus Trust Fund, which is also administered by the Florida State Board of Administration. The Fund B is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2008 was 0.798385. The Fund B is annually certified for compliance with the requirements of Florida law by the Board of Trustees of the SBA. The Board of Trustees of the SBA consists of the Governor, the Chief Financial Officer, and the Attorney General.

Custodial Risk of Investments

For an investment, there is a risk that in the event of failure of the counterparty to a transaction, the government will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The County's investments are excluded from the definition of custodial credit risk

Concentration of Credit Risk

The County limits investments in commercial paper to 25% of the total investment portfolio. The County's commercial paper investments for the year ended September 30, 2008 included one investment in Ohio Electric Energy Acquisition Corporate Bonds that was 6% 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

NOTE 7 – NOTES RECEIVABLE

Notes receivable recorded by the County at September 30, 2008 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%. \$ 17,286,315

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. 1,252,563

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 7 – NOTES RECEIVABLE (Continued)

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

	199,684
Total notes receivable – enterprise funds	<u>\$ 18,738,562</u>

NOTE 8 – CAPITAL ASSETS

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

	September 30, 2007	Increases	Decreases	September 30, 2008
Capital assets, not being depreciated				
Land	\$ 12,855,446	\$ 557,107	\$ -	\$ 13,412,553
Construction in progress	25,363,946	85,313,974	(90,370,085)	20,307,835
Total capital assets, not being depreciated	<u>38,219,392</u>	<u>85,871,081</u>	<u>(90,370,085)</u>	<u>33,720,388</u>
Capital assets, being depreciated				
Books	1,289,223	218,579	-	1,507,802
Buildings and improvements	54,094,858	50,295,423	-	104,390,281
Furniture and equipment	40,284,291	4,381,992	(2,122,571)	42,543,712
Infrastructure	182,123,694	4,950,727	(1,186,211)	185,888,210
Total capital assets, being depreciated	<u>277,792,066</u>	<u>59,846,721</u>	<u>(3,308,782)</u>	<u>334,330,005</u>
Less accumulated depreciation				
Books	(168,535)	(318,423)	-	(486,958)
Buildings and improvements	(17,096,559)	(2,552,922)	-	(19,649,481)
Furniture and equipment	(23,947,559)	(4,530,904)	1,843,838	(26,634,625)
Infrastructure	(110,385,594)	(4,233,275)	8,287	(114,610,582)
Total accumulated depreciation	<u>(151,598,247)</u>	<u>(11,635,524)</u>	<u>1,852,125</u>	<u>(161,381,646)</u>
Total capital assets, being depreciated, net	<u>126,193,819</u>	<u>48,211,197</u>	<u>(1,456,657)</u>	<u>172,948,359</u>
Total governmental-type activities capital assets, net	<u>\$ 164,413,211</u>	<u>\$ 134,082,278</u>	<u>\$ (91,826,742)</u>	<u>\$ 206,668,747</u>

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2008:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 8 – CAPITAL ASSETS (Continued)

	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total
Land	\$ 261,192	\$ 1,837,748	\$ -	\$ 752,451	\$ -	\$ 2,851,391
Buildings	2,373,739	-	134,702	898,720	246,080	3,653,241
Improvements	90,985	-	-	41,250	-	132,235
Furniture and equipment	1,213,684	333,633	143,796	3,972,823	707,830	6,371,766
Infrastructure	103,368,778	6,800,705	10,577,333	73,449,373	-	194,196,189
Construction in progress	-	10,283,431	-	5,854,186	-	16,137,617
Total	107,308,378	19,255,517	10,855,831	84,968,803	953,910	223,342,439
Less: accumulated depreciation						
Buildings	(1,810,114)	-	(80,205)	(228,201)	(246,080)	(2,364,600)
Improvements	(76,798)	-	-	(40,976)	-	(117,774)
Furniture and equipment	(818,783)	(36,371)	(85,616)	(2,009,104)	(523,270)	(3,473,144)
Infrastructure	(30,266,390)	(705,461)	(9,831,845)	(28,681,762)	-	(69,485,458)
Total accumulated depreciation	(32,972,085)	(741,832)	(9,997,666)	(30,960,043)	(769,350)	(75,440,976)
Business-type activities capital assets, net	\$74,336,293	\$ 18,513,685	\$ 858,165	\$ 54,008,760	\$ 184,560	\$ 147,901,463

	September 30, 2007	Increases	Decreases	September 30, 2008
Capital assets, not being depreciated				
Land	\$ 1,017,143	\$ 1,834,248	\$ -	\$ 2,851,391
Construction in progress	-	16,461,126	(323,509)	16,137,617
Total capital assets, not being depreciated	1,017,143	18,295,374	(323,509)	18,989,008
Capital assets, being depreciated				
Buildings	3,653,241	-	-	3,653,241
Improvements	132,235	-	-	132,235
Furniture and equipment	5,786,466	921,695	(336,395)	6,371,766
Infrastructure	190,216,267	6,114,651	(2,134,729)	194,196,189
Total capital assets, being depreciated	199,788,209	7,036,346	(2,471,124)	204,353,431
Less accumulated depreciation				
Buildings	(2,281,062)	(83,538)	-	(2,364,600)
Improvements	(115,831)	(1,943)	-	(117,774)
Furniture and equipment	(3,271,530)	(538,009)	336,395	(3,473,144)
Infrastructure	(63,021,498)	(6,463,960)	-	(69,485,458)
Total accumulated depreciation	(68,689,921)	(7,087,450)	336,395	(75,440,976)
Total capital assets, being depreciated, net	131,098,288	(51,104)	(2,134,729)	128,912,455
Total business-type activities Capital assets, net	\$ 132,115,431	\$ 18,244,270	\$ (2,458,238)	\$ 147,901,463

The \$2,471,124 decrease in capital assets for business activities includes a \$2,134,729 decrease of infrastructure related to prior period deletions not recorded. The \$7,087,450 increase in accumulated depreciation includes an increase of \$800,254 for related prior period depreciation expense not recorded. These adjustments are discussed further at Note 26.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 8 – CAPITAL ASSETS (Continued)

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

Governmental activities	
General government	\$ 1,541,230
Public safety	3,885,720
Physical environment	461,859
Transportation	3,901,821
Economic environment	559,084
Human services	66,469
Culture and recreation	1,088,339
Internal service funds	131,002
Total depreciation expense - governmental activities	<u>\$ 11,635,524</u>
Business-type activities	
Wholesale water system	\$ 2,868,650
Retail water and wastewater	148,624
Industrial wastewater	138,013
Solid waste	3,016,410
Building services	115,498
Total depreciation expense - business-type activities	<u>\$ 6,287,195</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	\$ 1,230,537
Equipment	121,616
Total	<u>1,352,153</u>
Less: accumulated depreciation	<u>(294,564)</u>
Net	<u>\$ 1,057,589</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008 were as follows:

<u>Year Ending September 30,</u>	
2009	\$ 351,701
2010	321,530
2011	149,966
2012	85,233
Total minimum lease payments	<u>908,420</u>
Less amount representing interest	<u>(40,760)</u>
Present value of minimum lease payments	<u>\$ 867,670</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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, 2008, 2007, and 2006 were \$ 4,886,382, \$4,593,291 and \$3,801,294 respectively, and are equal to the required contributions for each year.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Effective for the 2007 – 2008 fiscal year, the County has implemented Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for retiree health insurance. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$22,213,701 at transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of implementation. Two actuarial studies were performed, one for the Sheriff's employees (Sheriff) and one for all other County employees (County). Unless noted otherwise, the information in both studies have been combined.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

Plan Description

The County has established the Retiree's Health Insurance Other Post Employment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the County and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain employees (Sheriff) receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The explicit subsidy is based on years of service and date of retirement. The County currently has approximately 900 total active and retired employees eligible to receive these benefits. No stand alone report is issued for this plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the Florida Retirement System plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the Bay County Board of County Commissioners. Currently, members receiving benefits pay the full cost (total premium) for medical coverage.

The Sheriff's office has made amendments to the plan, providing different benefits depending on the date of retirement. The Sheriff's office pays a portion of the retiree premium for the coverage elected by retirees who retired on or before April 24, 2007. The retiree pays the rest of the premium. For retirements following this date, the Sheriff's office has frozen the dollar amount upon which the benefit paid on behalf of the retiree at the October 1, 2008 amount. Furthermore, the Sheriff's office will only pay for retiree coverage until the retiree becomes eligible for Medicare; any elections for family or spouse will be paid by the participant. The contribution rates effective for eligible Sheriff plan members during the year are shown below:

	Blue Options 3559	Blue Options 3359	Blue Options HSA 3160/61	Current Retirees Blended Premium	Future Retirees Blended Premium
Coverage					
Retiree	\$ 339.69	\$ 311.22	\$ 237.88	\$ 339.69	\$ 334.51
Retiree and Spouse or					
Retiree/Child(ren)	\$ 875.00	\$ 803.00	\$ 613.77	\$ 851.00	\$ 834.69
Retiree Family	\$1,168.78	\$1,052.19	\$ 834.90	\$1,168.78	\$1,109.78

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

The contribution rates effective for other eligible County plan members during the year are shown below:

Coverage	Blue Options Family 1350	Blue Options Family 1358
Retiree	\$ 320.75	\$ 302.01
Retiree and Spouse	\$ 718.70	\$ 676.70

The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the County provided contributions of \$477,309 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Description	Total
Normal cost (service cost for one year)	\$ 1,225,389
Amortization of unfunded actuarial accrued liability	1,250,434
Interest on normal cost and amortization	31,223
Annual required contribution	2,507,046
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	2,507,046
Contribution toward the OPEB cost	(477,309)
Increase in net OPEB obligation	2,029,737
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 2,029,737</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2008 was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	\$ 2,507,046	19.0%	\$ 2,029,737

Funding Status and Funding Progress

The funding status and funding progress information can be found in the Schedule of Funding Progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

Actuarial Methods and Assumptions

The County had an actuarial valuation completed for the fiscal year ended September 30, 2008. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB actuarial valuation method used for the County was the unit credit actuarial cost method and the entry age actuarial cost method for the Sheriff. These methods are used to estimate the actuarial liabilities and costs. These methods were selected because it produced the best estimate of the OPEB liability and annual cost for each group of County employees. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 3% inflation rate for both and a 4% and 4.5% rate of return on investments for the County and Sheriff, respectively. The actuarial assumptions also include an annual healthcare cost trend rate. For the County, this rate begins with an initial rate for 2007-08 fiscal year of 9.21%. It is reduced by .5% per year reaching a future years rate of 4%. For the Sheriff, this rate begins with an initial rate of 7.5%, decreasing to 6.9% in 2009-10 fiscal year, and gradually decreasing to a future years rate of 4.4%. For both evaluations, the unfunded actuarial accrued liability is being amortized with a level dollar method. The remaining open amortization period at September 30, 2008 is 29 years.

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

Notes payable, in the enterprise funds at September 30, 2008, 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.

\$ 8,032,755

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

State Revolving Fund Program (SRF #2) consists of approved loans in the original amount of \$4,411,200 payable to the State of Florida Department of Environmental Protection State Revolving Fund Program. The interest rate is 3.03% per annum. The semi-annual loan payment is \$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.

\$ 2,553,560

Authorized and issued \$21,000,000 Bond Revenue Anticipation Note, Series 2007, matures and is payable on December 10, 2010. Interest accrues at annual rate of 3.61%. This note is anticipated to be refinanced from the issuance and sale of Utility System Revenue Bonds.

21,000,000

Total notes payable-enterprise funds

31,586,315

Less: current portion

(889,905)

Long-term portion of enterprise funds notes payable

\$ 30,696,410

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

Year ending September 30,	Principal	Interest	Total
2009	\$ 889,905	\$ 264,088	\$ 1,153,993
2010	21,876,131	2,528,999	24,405,130
2011	901,980	252,014	1,153,994
2012	928,593	225,401	1,153,994
2013	955,991	198,003	1,153,994
2014-2018	5,220,082	549,888	5,769,970
2019-2020	813,633	16,725	830,358
Total	<u>\$ 31,586,315</u>	<u>\$ 4,035,118</u>	<u>\$ 35,621,433</u>

Enterprise Funds Bonds Payable:

	Wholesale Water System Series 1997	Wholesale Water System Series 2000	Wholesale Water System Series 2005	North Bay Water Revenue Series 2008	Wastewater System Series 2004	Solid Waste Series 1998	Total
Current portion	\$ 450,000	\$ 770,000	\$ 115,000	\$ 37,000	\$ 252,500	\$ 1,635,000	\$ 3,259,500
Long-term portion	125,000	1,120,000	46,405,000	2,393,734	6,447,500	32,180,000	88,671,234
	<u>575,000</u>	<u>1,890,000</u>	<u>46,520,000</u>	<u>2,430,734</u>	<u>6,700,000</u>	<u>33,815,000</u>	<u>91,930,734</u>
Deferred amounts on:							
Issuance (discounts)							
and premiums	(15,489)	(31,540)	2,001,074	-	-	(681,265)	1,272,780
Refunding	-	-	(2,054,721)	-	-	(1,150,939)	(3,205,660)
Total bonds payable	<u>\$ 559,511</u>	<u>\$ 1,858,460</u>	<u>\$ 46,466,353</u>	<u>\$ 2,430,734</u>	<u>\$ 6,700,000</u>	<u>\$ 31,982,796</u>	<u>\$ 89,997,854</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

Water System Refunding Revenue Bonds – Series 1997

Authorized and issued \$18,885,000, interest from 3.75% to 5.125%, principal payable annually on September 1, commencing September 1, 1998. Interest payable semiannually on March 1 and September 1. The principal and interest are payable solely from and secured by a junior, subordinate and inferior lien upon the net revenue derived from the operation of the County's water system. \$14,275,000 was refunded on April 28, 2005 by the Water System Revenue Refunding Bonds – Series 2005. Average remaining annual debt service is \$202,950.

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.

\$ 559,511

Wastewater System Revenue Refunding Bonds – Series 2004

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

Principal is payable annually on September 1, commencing on September 1, 2005. Interest is payable semiannually on March 1 and September 1. The bonds are collateralized by the net revenues of the joint venture (Military Point Advanced Wastewater Treatment Facility). Average annual debt service is \$1,056,534. Bay County is liable for one half of the total obligation.

6,700,000

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 \$2,990,565.

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.

31,982,796

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

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 \$514,500.

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.

\$ 1,858,460

North Bay Water System Revenue Bonds – Series 2008

Authorized and issued \$2,526,734, interest from 4.375%, principal and interest payable annually on September 1, commencing September 1, 2008. The principal and interest are payable solely from and secured by a lien on the net revenues derived from the Southport Water System and until applied in accordance with the provisions of the resolution, all cash, including investments thereof, in the accounts and subaccounts established under the resolution with certain exceptions. Average remaining annual debt service is \$155,956. These bonds were issued in connection with certain indebtedness previously incurred by Gulf Coast Electric Cooperative as authorized by Resolution 2861.

2,430,734

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

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. Average remaining annual debt service is \$3,722,351.

	\$ 46,466,353
Total bonds payable – business-type activities	89,997,854
Less: current portion	<u>(3,259,500)</u>
Long-term portion of business-type activities bonds payable	<u>\$ 86,738,354</u>

The annual debt service requirements to maturity for bonds payable at September 30, 2008 are as follows:

Year ending September 30,	Principal	Interest	Total
2009	\$ 3,259,500	\$ 4,306,892	\$ 7,566,392
2010	3,399,000	4,167,113	7,566,113
2011	3,546,000	4,020,935	7,566,935
2012	3,689,500	3,877,165	7,566,665
2013	3,831,500	3,733,158	7,564,658
2014-2018	21,891,000	15,930,243	37,821,243
2019-2023	27,708,000	10,110,433	37,818,433
2024-2028	16,441,500	4,318,192	20,759,692
2029-2033	7,364,000	718,043	8,082,043
2034-3039	800,734	138,071	938,805
Total	<u>\$ 91,930,734</u>	<u>\$ 51,320,245</u>	<u>\$ 143,250,979</u>

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Bonds payable	\$ 92,590,000	\$ 2,526,734	\$(3,186,000)	\$ 91,930,734	\$3,259,500
Adjusted for deferred amounts on:					
Issuance discounts/premiums	1,296,779	-	(23,999)	1,272,780	-
Refunding	(4,217,052)	-	1,011,392	(3,205,660)	-
Total bonds payable	89,669,727	2,526,734	(2,198,607)	89,997,854	3,259,500
Notes payable	11,418,270	21,000,000	(831,955)	31,586,315	889,905
Other post employment benefits	-	80,272	-	80,272	-
Accrued compensated absences	299,375	135,324	(137,038)	297,661	169,245
Landfill closure and postclosure liability	10,377,703	-	(716,436)	9,661,267	-
Business-type activity- long-term liabilities	<u>\$111,765,075</u>	<u>\$23,742,330</u>	<u>\$(3,884,036)</u>	<u>\$ 131,623,369</u>	<u>\$4,318,650</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, 2008 there was no arbitrage liability for business activities.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 13 – LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES

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

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Bonds payable	\$ 63,950,000	\$ 30,000,000	\$ (3,139,810)	\$ 90,810,190	\$ 3,375,771
Adjusted for deferred amounts on:					
Issuance discounts/premiums	868,226	-	(41,752)	826,474	-
Refunding	(602,806)	-	36,804	(566,002)	-
Total bonds payable	64,215,420	30,000,000	(3,144,758)	91,070,662	3,375,771
Capital leases payable	982,910	572,236	(687,476)	867,670	328,474
Other post employment benefits	-	1,949,465	-	1,949,465	-
Accrued compensated absences	2,112,551	843,144	(595,484)	2,360,211	654,659
Governmental activity long-term liabilities	\$ 67,310,881	\$ 33,364,845	\$ (4,427,718)	\$ 96,248,008	\$ 4,358,904

Accrued compensated absences for governmental activities are generally liquidated by the fund that reports the liability and pays the related payroll costs. Therefore, the general and transportation funds liquidate a majority of the accrued compensated absences liability.

Governmental activity revenue bonds consist of the following at September 30, 2008:

Sales Tax Revenue Bonds – Series 2002

Authorized and issued \$18,140,000, interest varying from 3.00% to 5.125%, principal is payable annually on September 1 beginning in 2003, interest payable semi-annually on March 1 and September 1 beginning September 1, 2002. The bonds are special obligations of the County and are payable solely from and secured on a parity equally and ratably with the Bay County, Florida Sales Tax Revenue Bonds, Series 1998 by a prior lien and pledge of a) the proceeds of the local government half-cent sales tax distributed to the County pursuant to Chapter 218, Part VI, Florida Statutes, and b) until applied in accordance with the provisions of the resolution, all cash, including investments thereof, in certain funds and accounts established under the resolution.

The Series 2002 Bonds were issued to; a) acquire, construct and equip a new State Attorney and Public Defender office, a new Juvenile Justice Courthouse and three new fire stations within the County; b) fully fund the reserve account; and c) pay costs of issuance of the Series 2002 Bonds, including a municipal bond insurance premium.

\$ 1,600,000

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

Transportation Improvement Revenue Refunding Bonds - Series 2003

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

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

The bonds are issued on 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.

\$ 2,774,984

Capital Improvement Revenue Bonds, Series 2003A

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

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

3,620,000

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

Taxable Capital Improvement Revenue Bonds, Series 2003B

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

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

\$ 300,000

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.

38,940,107

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 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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

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.

\$ 14,690,380

Capital Improvement Revenue Bonds, Series 2007

On October 16, 2007, the County issued \$30,000,000 of Capital Improvement Revenue Bonds, Series 2007. The proceeds are being used to pay and reimburse the County for the cost of the acquisition and construction of certain capital improvements within the County, including a new administration building and a public pier .

The bonds are secured by a pledge to budget and appropriate legally available non-ad valorem revenues in amounts sufficient to pay the principal and interest of the bonds.

The interest rate is 4.3% with principal and interest payable biannually on March 1 and September 1, commencing March 1, 2008.

	29,145,191
Total bonds payable – governmental activities	91,070,662
Less: current portion	(3,375,771)
Long-term portion governmental activities bonds payable	<u>\$ 87,694,891</u>

The annual debt service requirements to maturity for the governmental activities revenue bonds payable at September 30, 2008 are as follows:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

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

Year ending September 30,	Principal	Interest	Total
2009	\$ 3,375,771	\$ 4,019,761	\$ 7,395,532
2010	3,505,156	3,901,233	7,406,389
2011	3,631,481	3,776,426	7,407,907
2012	2,659,830	3,647,737	6,307,567
2013	1,790,292	3,554,571	5,344,863
2014-2018	10,169,019	16,559,165	26,728,184
2019-2023	12,535,588	14,173,640	26,709,228
2024-2028	30,843,053	9,560,504	40,403,557
2029-2032	22,300,000	2,700,720	25,000,720
Total	\$ 90,810,190	\$ 61,893,757	\$ 152,703,947

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, 2008 there was an arbitrage liability of \$15,200 for governmental activities.

NOTE 14 – PLEDGED REVENUE - BUSINESS-TYPE ACTIVITIES

The \$18,885,000 Water System Refunding Revenue Bonds – Series 1997 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. The bonds are secured by a junior, subordinate and inferior lien upon the net revenue derived from the operation of the County's water system until extinguishment or maturity of the debt in 2010, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2008 totaled \$608,850. Annual principal and interest payments on the bond required 6.6% of wholesale water system net revenue. Principal and interest payments paid for the current year and wholesale water system net revenue, were \$483,170 and \$7,353,198, respectively.

The \$47,700,000 Solid Waste Sales Tax Revenue Bonds – Series 1998 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. The bonds 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 until extinguishment or maturity of the debt in 2023, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2008 totaled \$47,849,034. Annual principal and interest payments required 30.4% of the total of half cent sales tax and solid waste net revenue. Principal and interest payments paid for the current year and the total of half cent sales tax and solid waste net revenue, were \$3,189,635 and \$10,480,919, respectively.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 14 – PLEDGED REVENUE - BUSINESS-TYPE ACTIVITIES (Continued)

The \$38,120,000 Water System Revenue Bonds – Series 2000 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. The bonds are 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 until extinguishment or maturity of the debt in 2011, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2008 totaled \$2,058,000. Annual principal and interest payments on the bond required 10.7% of the total of impact fees revenue and wholesale water system net revenue. Principal and interest payments paid for the current year and the total of impact fees revenue and wholesale water system net revenue, were \$856,468 and \$8,032,604, respectively.

The \$46,985,000 Water System Revenue Refunding Bonds – Series 2005 were issued to provide funds which 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 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. This pledge remains in effect until extinguishment or maturity of the debt in 2030, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2008 totaled \$78,169,363. Annual principal and interest payments on the bond required 29.1% of the total of impact fees revenue and wholesale water system net revenue. Principal and interest payments paid for the current year and the total of impact fees revenue and wholesale water system net revenue, were \$2,334,760 and \$8,032,604, respectively.

The \$21,000,000 Utility System Bond Revenue Anticipation Notes, Series 2007, were issued to provide interim financing for the construction of water and wastewater production and facilities and in connection with the assumption of certain indebtedness previously incurred by Gulf Coast Electric Cooperative as authorized by Resolutions No. 2833, and amended by No. 2841 and No. 2843. The bonds are secured by a pledge of and lien on the first proceeds to be derived from the issuance and sale of Utility System Revenue Bonds, Series 2008. If such amounts are insufficient or unavailable, a senior lien on net revenues and connection fees derived from the portion of the County's combined water and wastewater system known as the "Southport System" and a junior lien on the water, wastewater and stormwater utility system net revenues, connections fees, and until applied in accordance with the provisions of the resolution, all cash and investments held in funds and accounts established by the resolution except those excluded by the resolution. This pledge remains in effect until extinguishment or maturity of the debt in 2010, whichever occurs first. The remaining principal

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 14 – PLEDGED REVENUE - BUSINESS-TYPE ACTIVITIES (Continued)

and interest payments on this debt as of September 30, 2008 totaled \$23,251,136. No principal or interest payments were made during the current year. The total Southport Water System net revenue pledged was \$310,503.

The \$2,526,734 Water System Revenue Bonds – Series 2008 were issued in connection with the assumption of certain indebtedness previously incurred by Gulf Coast Electric Cooperative as authorized by Resolution No. 2861. The bonds are secured by the net revenues derived from the Southport Water System and until applied in accordance with the provisions of the resolution, all cash, including investments thereof, in the accounts and subaccounts established under the resolution with certain exceptions. This pledge remains in effect until extinguishment or maturity of the debt in 2040, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2008 totaled \$4,528,664. Annual principal and interest payments on the bond required 45.9% of the total of the Southport Water System net revenue. Principal and interest payments paid for the current year and the total of the Southport Water System net revenue, were \$142,641 and \$310,503, respectively.

NOTE 15 – PLEDGED REVENUES - GOVERNMENTAL ACTIVITIES

The \$18,140,000 Sales Tax Revenue Bonds – Series 2002 were issued to acquire, construct and equip a new State Attorney's and Public Defender's 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. The bonds are special obligations of the County and are payable solely from and secured on a parity equally and ratably with the Bay County, Florida Sales Tax Revenue Bonds, Series 1998 by a prior lien and pledge of a) the proceeds of the local government half-cent sales tax distributed to the County pursuant to Chapter 218, Part VI, Florida Statutes, and b) until applied in accordance with the provisions of the resolution, all cash, including investments thereof, in certain funds and accounts established under the resolution. This pledge remains in effect until extinguishment or maturity of the debt in 2012, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2008 totaled \$1,771,935. Annual principal and interest payments paid on the bond required 4.6% of local government half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$440,983 and \$9,503,862, respectively.

The \$6,290,000 Transportation Improvement Revenue Refunding Bonds – Series 2003 were issued to refund the outstanding Transportation Improvement Revenue Bonds, Series 1994, and to pay the cost of issuing the bonds. The bonds are special obligation bonds of the County payable solely from and secured by a) a prior lien and pledge of the first, second, third and fourth cents of the Local Option Gas Tax levied and received by the County pursuant to the provisions of Ordinance No.90-10 and b) the Constitutional Gas Tax distributed to the County pursuant to Chapter 206, Part I, Florida Statutes. This pledge remains in effect until extinguishment or maturity of the debt in 2011, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2008 totaled

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 15 – PLEDGED REVENUES- GOVERNMENTAL ACTIVITIES (Continued)

\$2,970,913. Annual principal and interest payments paid on the bond required 22.7% of total pledged revenues. Principal and interest payments paid for the current year and total pledged revenues on this bond issue for the current year were \$984,500 and \$4,333,986, respectively.

The \$38,215,000 Sales Tax Revenue Bonds – Series 2006 were issued primarily to provide funds to construct an addition to the County’s criminal justice facility. 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. This pledge remains in effect until extinguishment or maturity of the debt in 2032, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2008 totaled \$75,226,025. Annual principal and interest payments paid on the bond in FY 2008 required 20.5% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$1,945,585 and \$9,503,862, respectively.

The \$15,420,000 Sales Tax Revenue Refunding Bonds – Series 2007 were issued in order 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. 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 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. This pledge remains in effect until extinguishment or maturity of the debt in 2032, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2008 totaled \$25,539,024. Annual principal and interest payments paid on the bond in FY 2008 required 7.3% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$694,064 and \$9,503,862, respectively.

NOTE 16 – COMPENSATED ABSENCES

The County’s compensated absences at September 30, 2008 are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 654,659	\$ 128,416	\$ 783,075
Long-term	1,705,552	169,245	1,874,797
Total	<u>\$ 2,360,211</u>	<u>\$ 297,661</u>	<u>\$ 2,657,872</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 17 – INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

Interfund receivables and payables result primarily from the normal operations of the internal service funds. At September 30, 2008, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund	
General	Other nonmajor governmental funds	\$ 74,758
	Solid waste fund	3,128
	Retail water and wastewater	4,691
	Wholesale water system	6,397
	Internal service funds	16,943
		\$ 105,917
Transportation	Other nonmajor governmental funds	881
	Solid waste fund	239
	Internal service funds	13,630
		14,750
Other nonmajor governmental funds	Internal service funds	24,311
Wholesale water system	Retail water and wastewater	15,568
	Internal service funds	116,573
		132,141
Solid waste	Internal service funds	50
Internal service funds	General fund	222,503
	Transportation	86,166
	Other nonmajor governmental funds	72,610
	Retail water and wastewater	9,582
	Wholesale water system	39,196
	Solid waste fund	25,845
	Industrial wastewater	42,632
	Building services	4,222
	Other internal service funds	1,537
		504,293
Total		\$ 781,462

An interfund advance was made to the wholesale water system from the general fund in 2007 to provide funds for construction at the water plant. At September 30, 2008, this advance was expected to be repaid by the wholesale water system within five years. The balance of the advance as of September 30, 2008 was \$3,770,607.

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. Interfund transfers during the year ended September 30, 2008 were as follows:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 17 – INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS
(Continued)

Transfer out	Transfer in				Total
	Transportation Fund	Nonmajor Governmental Funds	Retail Water & Wastewater	Internal Service Funds	
General fund	\$ 2,233,633	\$ 5,545,445	\$ 30,794	\$ 6,220	\$7,816,092
Transportation fund	1,000,000	-	-	-	1,000,000
Total	\$ 3,233,633	\$ 5,545,445	\$ 30,794	\$ 6,220	\$8,816,092

NOTE 18 – 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, 2008, consisted of the following:

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Total Enterprise Funds
Restricted for debt service	\$ 178,971	\$ 171,735	\$ 144,550	\$ 495,256
Restricted for impact fee requirements	1,480,720	1,090,360	-	2,571,080
Total	\$ 1,659,691	\$1,262,095	\$ 144,550	\$ 3,066,336

Reserved Fund Balances

The County has established certain reserves within the fund equity section of the governmental funds. Reserved fund balances at September 30, 2008, consist of the following:

General fund:

Reserved for debt service	\$ 1,205,444
Reserved for capital projects	\$ 31,042,534
Reserved for advances	\$ 3,770,607
Reserved for other purposes	
Reserved for drug court	210,386
Reserved for boating improvement	182,946
Reserved for law enforcement	139,046
Reserved for innovative court programs	420,095
Reserved for legal aid	21,331
Reserved for law library	14,579
Reserved for teen court	2,553
Reserved for public records	652,697
Reserved for crime prevention	257,892
Reserved for library impact	498,832
Reserved for park impact	1,547,058
Total reserved for other purposes	\$ 3,947,415

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 18 – EQUITY (Continued)

Special revenue funds:

Reserved for debt service	\$ 553,290
Reserved for capital projects	\$ 858,827
Reserved for other purposes	
Reserved for fire impact	799,733
Reserved for beach nourishment	12,572,004
Reserved for tourism promotion	1,056,993
Total reserved for other purposes	\$ 14,428,730

Invested in Capital Assets, Net of Related Debt

The retail water and wastewater fund's investment in capital assets, net of related debt amount does not include debt totaling \$6,033,103. This amount represents unspent proceeds of debt issued.

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, 2008 consists of the following:

General fund:

Designated for insurance claims and emergency contingency	\$ 4,911,059
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NOTE 19 – COMMITMENTS AND CONTINGENCIES

Landfill Costs and Liabilities

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 \$2,862,616 and the postclosure costs to maintain and monitor the Steelfield and Majette landfills will be approximately \$517,728 per year. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Included in the liabilities of the enterprise funds is a \$9,661,267 landfill closure and postclosure care liability at September 30, 2008, which represents the cumulative amount reported to date based on 100% usage (filled) capacity of the landfill. At year end, the Steelfield landfill was at 85% of its capacity. See Note 12 for disclosure of the changes in this estimated liability. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. 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, 2008

NOTE 19 – 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, 2008, \$2,939,942 was held for these purposes in a separate general ledger account on deposit in the County's pooled cash and investments. These are reported as restricted cash and investment assets on the solid waste fund 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, 2008, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway's portion of note payable	\$ 8,032,754
Related interest expense	1,334,480
Wastewater System Revenue Refunding Bonds Series 2004 (see Note 12)	6,700,000
Related interest expense	3,337,069
Total contingent liability – joint venture	<u>\$19,404,303</u>

Construction Commitments

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

Project	Contract Amount	Expended to Date	Remaining Commitment
Grand Lagoon Bridge Replacement	\$ 1,913,142	\$ 1,855,789	\$ 57,353
County Pier	8,124,857	860,776	7,264,081
Thomas Dr. Pedestrian/Bike Ln	1,949,370	1,038,387	910,983
Emergency Operations Center	7,000,000	3,500,000	3,500,000
Administration Building	22,744,142	8,116,500	14,627,642
CR 390 Widening	862,290	603,603	258,687
Baldwin Road Widening	3,194,450	1,991,601	1,202,849
Total contract commitments	<u>\$ 45,788,251</u>	<u>\$ 17,966,656</u>	<u>\$ 27,821,595</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 20 – 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, 2008 are summarized as follows:

Issue	Date of Issue	Amount Outstanding at September 30, 2008
Bay County, Florida Variable/Fixed Rate Revenue Bonds, Series 2000 (Methodist Homes for the Aging Project)	October 1, 2001	\$ 6,945,000
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	\$ 11,190,000

NOTE 21 – 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 \$350,000 for each workers' compensation claim through September 30, 2008. The County purchases commercial insurance for claims in excess of coverage provided by the workers' compensation fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds, except those which include certain volunteer fire department personnel of the County, participate in the program and make payments to the workers' compensation fund based on estimates of the amounts needed to pay prior and current year claims. The claims liability of \$4,327,211 reported in the workers' compensation fund at September 30, 2008 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 2007 and 2008 were as follows:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 21 – WORKERS’ COMPENSATION – SELF INSURANCE (Continued)

	<u>Beginning of Fiscal-Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
October 1, 2006 - September 30, 2007	<u>\$ 3,862,879</u>	<u>\$ 524,359</u>	<u>\$ (191,731)</u>	<u>\$ 4,195,507</u>
October 1, 2007 - September 30, 2008	<u>\$ 4,195,507</u>	<u>\$ 372,248</u>	<u>\$ (240,544)</u>	<u>\$ 4,327,211</u>

NOTE 22 – 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 21. 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 2007 and 2008 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, 2006 - September 30, 2007	<u>\$ 250,000</u>	<u>\$ 2,057,436</u>	<u>\$ (2,057,436)</u>	<u>\$ 250,000</u>
October 1, 2007 - September 30, 2008	<u>\$ 250,000</u>	<u>\$ 1,582,937</u>	<u>\$ (1,582,937)</u>	<u>\$ 250,000</u>

The County also purchases commercial insurance for other risks of loss, such as automobile liability. Settled claims have not exceeded this commercial coverage during the past three fiscal years.

NOTE 23 – 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 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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 23 – JOINT VENTURE (Continued)

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, 2008, the County's investment in the joint venture was \$1,081,521. Complete financial statements for the joint venture may be obtained from the Operator at P.O. Box 2269, Panama City, Florida 32402.

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

Statement of Net Assets
September 30, 2008

Assets	<u>\$ 40,038,570</u>
Liabilities	<u>31,675,558</u>
Net assets	
Invested in capital assets, net of related debt	3,937,928
Restricted for debt service	4,254,077
Unrestricted	<u>171,007</u>
Total net assets	<u>8,363,012</u>
Total liabilities and net assets	<u>\$ 40,038,570</u>

Statement of Activities
Year Ended September 30, 2008

Revenues	\$ 5,950,322
Expenses	<u>(3,949,343)</u>
Operating income	2,000,979
Nonoperating revenues (expenses), net	<u>(956,285)</u>
Income before distributions	1,044,694
Distribution to owners	<u>(660,588)</u>
Change in net assets	384,106
Net assets, beginning of year	<u>7,978,906</u>
Net assets, end of year	<u>\$ 8,363,012</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 23 – JOINT VENTURE (Continued)

As of September 30, 2008 the County's portion of contributions and net assets in the joint venture is as follows:

County investment, beginning of year	\$ 470,361
Add: Prior period Adjustment	465,937
Add: 2008 County share of net income	297,439
Less: 2007 distributions to owners	<u>(152,216)</u>
County investment in joint venture at September 30, 2008	<u>\$ 1,081,521</u>

NOTE 24 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2008 the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2008, billings for these services totaled \$2,232,448.

As described in Note 23, Bay County is an owner of the Military Point Advanced Wastewater Treatment Facility. Bay County, Florida incurs operational expenses on behalf of the joint venture. Reimbursement for these expenses amounted to \$1,674,726 for the year ended September 30, 2008. In addition, during the current year the County recognized \$631,524 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$631,524, related to the State Revolving Fund Loan Program as discussed in Note 12.

NOTE 25 – ASSET IMPAIRMENT

On June 12, 2008, the County's incinerator facility sustained significant damage due to a fire and has been impaired. The cost to restore the facility includes repairs, replacements and a provision for building code upgrades. The repairs are not expected to be complete until June 2009. As such, both the final insurance proceeds and the costs to repair, replace and upgrade are not known at the time of issuance of these financial statements. Therefore, the impairment gain or loss can not be computed. There is also a claim for a business interruption loss that has been requested. The business interruption loss amount has not been determined at the time of issuance. As of September 30, 2008, total insurance proceeds received were \$7,500,000 and total amounts expended were \$5,854,186. The unspent proceeds of \$1,645,814 have been reported as deferred revenue in the Solid Waste Fund. Management estimates the cost of repairs to total from \$18,000,000 to \$25,000,000.

NOTE 26 – PRIOR PERIOD ADJUSTMENTS

Internal Service Fund Capital Assets

In prior years, the assets of the internal service funds have been recorded in the general fund, these assets should have been recorded in the internal service funds. As a result, an increase of \$742,754, \$608, \$7,215, and \$751,728 has been made to the capital assets and net assets of the other internal service fund, workers' compensation fund, insurance fund, and utilities fund, respectively.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2008

NOTE 26 – PRIOR PERIOD ADJUSTMENTS (Continued)

Investment in Joint Venture

During the year ended September 30, 2008, the County became aware that the reported equity by owner in the Joint Venture financial statements for the year ended September 30, 2007 were incorrectly allocated to the various owners. The effect of the error was an understatement of the investment in joint venture and net assets in the retail water and wastewater fund for the year ended September 30, 2007 in the amount of \$465,937. As a result, an increase of that amount has been made to the investment in joint venture and net assets in the retail water and wastewater fund.

Landfill Closure

During the year ended September 30, 2008, the County determined that assets related to a specific landfill that had been closed previously were still being depreciated. As a result, a decrease of \$2,934,983 has been made to the beginning net assets and capital assets of the solid waste fund.

NOTE 27 – SUBSEQUENT EVENTS

Tourist Development Tax Increase

The Bay County Board of County Commissioners voted on January 20, 2009 and February 17, 2009 to increase the tourist development tax by 1% for each vote to 4% and 5% respectively. The first 1% increase will go into effect on March 1, 2009 and the second 1% will go into effect on April 1, 2009.

Dissolution of Cedar Grove

On September 30, 2008, a voter referendum approved the dissolution of the Town of Cedar Grove. On October 3, 2008, the election was certified by Mark Andersen, Supervisor of Elections, and the Town of Cedar Grove was officially dissolved. The County absorbed the former Town and assumed not only financial responsibility but also the responsibility to provide services to its citizens.

Joint Venture Debt

As provided in the 2004 Refunding Bonds indenture, a surety bond was purchased rather than depositing cash in a debt service reserve fund. At the time of issuance, the issuer of the surety bond was rated “AAA” by Standard & Poors and “Aaa” by Moody. The surety bond issuer was downgraded to AA on November 7, 2008. As a result, the City of Callaway and Bay County will be required to deposit in the Reserve Account an amount sufficient to equal the Reserve Account Requirement or purchase a surety bond from an issuer with the required ratings.

Bay County Jail Operations

The contract with Corrections Corporation of America, operator of the Jail, was not renewed in the fiscal year 2007-2008. Jail operations were transferred to the Bay County Sheriff's Office as of October 8, 2008.

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REQUIRED SUPPLEMENTARY INFORMATION

Bay County, Florida
Required Supplementary Information
September 30, 2008

Schedule of Funding Progress for the Retiree's Health Insurance Other Post Employment Benefits Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
September 30, 2006	N/A	N/A	N/A	N/A	N/A	N/A
September 30, 2007	N/A	N/A	N/A	N/A	N/A	N/A
September 30, 2008	-	\$ 22,213,701	\$ 22,213,701	0.0%	\$ 30,834,351	25.26%

Schedule of Employer Contributions for the Retiree's Health Insurance Other Post Employment Benefits Plan:

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	\$ 477,309	\$ 2,507,046	19.0%

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.

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, 2008

	Special Revenue				
	Stormwater Management	Public Library	Public Safety	Intergovernmental Radio Communications	District Mosquito Control
ASSETS					
Cash and cash equivalents	\$ 3,689	\$ 1,230	\$ 1,234	\$ 1,430	\$ 2,177
Accounts receivable, net	-	305	620	-	43
Special assessments receivable	-	-	-	-	-
Investments	2,972,248	660,611	994,195	1,151,771	1,753,983
Due from other funds	-	-	-	-	-
Due from other governments	5,303	7,134	288,873	16,662	9,147
Restricted assets					
Cash and cash equivalents	-	-	-	83	-
Investments	-	-	-	66,756	-
Total assets	<u>\$ 2,981,240</u>	<u>\$ 669,280</u>	<u>\$ 1,284,922</u>	<u>\$ 1,236,702</u>	<u>\$ 1,765,350</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 206,335	\$ 68,093	\$ 21,765	\$ 2,255	\$ 67,419
Deferred revenue	-	207,079	-	-	-
Due to other funds	48,395	2,196	12,751	-	6,860
Due to other governments	-	-	-	-	-
Total liabilities	<u>254,730</u>	<u>277,368</u>	<u>34,516</u>	<u>2,255</u>	<u>74,279</u>
Fund balance					
Reserved for					
Debt service	-	-	-	65,548	-
Other purposes	-	-	-	-	-
Unreserved	<u>2,726,510</u>	<u>391,912</u>	<u>1,250,406</u>	<u>1,168,899</u>	<u>1,691,071</u>
Total fund balance	<u>2,726,510</u>	<u>391,912</u>	<u>1,250,406</u>	<u>1,234,447</u>	<u>1,691,071</u>
Total liabilities and fund balance	<u>\$ 2,981,240</u>	<u>\$ 669,280</u>	<u>\$ 1,284,922</u>	<u>\$ 1,236,702</u>	<u>\$ 1,765,350</u>

Continued

Special Revenue				
MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority	Court Fund	10/6/3 Fund
\$ 6,696	\$ 634	\$ 72	\$ 990,801	\$ 92,877
26	191	-	13,854	-
-	291,780	-	-	-
5,394,571	510,753	57,781	-	-
24,311	-	-	-	-
25,464	-	-	-	-
1,498	-	-	-	-
1,206,683	-	-	-	-
<u>\$ 6,659,249</u>	<u>\$ 803,358</u>	<u>\$ 57,853</u>	<u>\$ 1,004,655</u>	<u>\$ 92,877</u>
\$ 178,997	\$ 1,913	\$ -	\$ 206,544	\$ 351
-	291,781	-	-	-
12,745	-	-	-	-
-	-	-	798,111	-
<u>191,742</u>	<u>293,694</u>	<u>-</u>	<u>1,004,655</u>	<u>351</u>
405,973	-	-	-	-
799,733	-	-	-	-
5,261,801	509,664	57,853	-	92,526
6,467,507	509,664	57,853	-	92,526
<u>\$ 6,659,249</u>	<u>\$ 803,358</u>	<u>\$ 57,853</u>	<u>\$ 1,004,655</u>	<u>\$ 92,877</u>

Continued

Bay County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

	Special Revenue				
	Family Mediation	Records Modernization - Court	Records Modernization - Records	Law Enforcement Training	Special Law Enforcement Trust
ASSETS					
Cash and cash equivalents	\$ 26,726	\$ 448,852	\$ 630,623	\$ 10,282	\$ 416
Accounts receivable, net	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Restricted assets					
Cash and cash equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Total Assets	<u>\$ 26,726</u>	<u>\$ 448,852</u>	<u>\$ 630,623</u>	<u>\$ 10,282</u>	<u>\$ 416</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 2,950	\$ 134,359	\$ 10,180	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	<u>2,950</u>	<u>134,359</u>	<u>10,180</u>	<u>-</u>	<u>-</u>
Fund balance					
Reserved for					
Debt service	-	-	-	-	-
Other purposes	-	-	-	-	-
Unreserved	<u>23,776</u>	<u>314,493</u>	<u>620,443</u>	<u>10,282</u>	<u>416</u>
Total fund balance	<u>23,776</u>	<u>314,493</u>	<u>620,443</u>	<u>10,282</u>	<u>416</u>
Total liabilities and fund balance	<u>\$ 26,726</u>	<u>\$ 448,852</u>	<u>\$ 630,623</u>	<u>\$ 10,282</u>	<u>\$ 416</u>

Special Revenue

Special Contribution	Crime Prevention	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ 11,040	\$ 254,474	\$ 185,515	\$ 21,252	\$ 2,690,020
-	-	-	-	15,039
-	-	-	-	291,780
-	-	-	-	13,495,913
-	-	-	-	24,311
-	-	-	-	352,583
-	-	-	-	1,581
-	-	-	-	1,273,439
<u>\$ 11,040</u>	<u>\$ 254,474</u>	<u>\$ 185,515</u>	<u>\$ 21,252</u>	<u>\$ 18,144,666</u>
\$ -	\$ -	\$ -	\$ -	\$ 901,161
-	-	-	-	498,860
-	-	-	-	82,947
-	-	-	-	798,111
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,281,079</u>
-	-	-	-	471,521
-	-	-	-	799,733
<u>11,040</u>	<u>254,474</u>	<u>185,515</u>	<u>21,252</u>	<u>14,592,333</u>
<u>11,040</u>	<u>254,474</u>	<u>185,515</u>	<u>21,252</u>	<u>15,863,587</u>
<u>\$ 11,040</u>	<u>\$ 254,474</u>	<u>\$ 185,515</u>	<u>\$ 21,252</u>	<u>\$ 18,144,666</u>

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2008

	Special Revenue				
	Stormwater Management	Public Library	Public Safety	Intergovernmental Radio Communications	District Mosquito Control
REVENUES					
Taxes	\$ 1,559,307	\$ -	\$ -	\$ -	\$ 1,070,336
Intergovernmental	352,496	392,900	-	-	18,829
Charges for services	-	420,863	929,059	721,988	1,040
Investment earnings	64,521	7,495	27,637	42,033	61,998
Contributions and donations	-	75,901	-	-	-
Miscellaneous	-	11,963	-	233,139	12,043
Total revenues	<u>1,976,324</u>	<u>909,122</u>	<u>956,696</u>	<u>997,160</u>	<u>1,164,246</u>
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	611,465	563,716	-
Physical environment	4,871,126	-	-	-	-
Culture and recreation	-	2,912,179	-	-	-
Human services	-	-	-	-	938,081
Debt service					
Principal	-	24,640	-	686,850	-
Interest	-	5,512	-	93,294	-
Total expenditures	<u>4,871,126</u>	<u>2,942,331</u>	<u>611,465</u>	<u>1,343,860</u>	<u>938,081</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,894,802)</u>	<u>(2,033,209)</u>	<u>345,231</u>	<u>(346,700)</u>	<u>226,165</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,000,000	2,031,170	-	438,175	-
Transfer out/return of excess fees -State of Florida	-	-	-	-	-
Total other financing sources (uses)	<u>3,000,000</u>	<u>2,031,170</u>	<u>-</u>	<u>438,175</u>	<u>-</u>
Net change in fund balance	105,198	(2,039)	345,231	91,475	226,165
Fund balance - beginning	<u>2,621,312</u>	<u>393,951</u>	<u>905,175</u>	<u>1,142,972</u>	<u>1,464,906</u>
Fund balance - ending	<u>\$ 2,726,510</u>	<u>\$ 391,912</u>	<u>\$ 1,250,406</u>	<u>\$ 1,234,447</u>	<u>\$ 1,691,071</u>

Continued

Special Revenue				
MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority	Court Fund	10/6/3 Fund
\$ 5,840,698	\$ -	\$ -	\$ -	\$ -
5,857	-	-	-	-
330,575	38,120	-	5,397,056	-
247,786	39,426	247	-	-
-	-	-	-	-
83,373	-	-	-	11,364
<u>6,508,289</u>	<u>77,546</u>	<u>247</u>	<u>5,397,056</u>	<u>11,364</u>
-	-	-	4,864,860	349,584
4,941,452	-	-	-	-
-	7,912	1,536	-	-
-	-	-	-	-
-	-	-	-	-
373,167	-	-	-	-
266,755	-	-	-	-
<u>5,581,374</u>	<u>7,912</u>	<u>1,536</u>	<u>4,864,860</u>	<u>349,584</u>
<u>926,915</u>	<u>69,634</u>	<u>(1,289)</u>	<u>532,196</u>	<u>(338,220)</u>
-	-	76,100	-	-
-	-	-	(532,196)	-
-	-	<u>76,100</u>	<u>(532,196)</u>	-
926,915	69,634	74,811	-	(338,220)
<u>5,540,592</u>	<u>440,030</u>	<u>(16,958)</u>	<u>-</u>	<u>430,746</u>
<u>\$ 6,467,507</u>	<u>\$ 509,664</u>	<u>\$ 57,853</u>	<u>\$ -</u>	<u>\$ 92,526</u>

Continued

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2008

	Special Revenue				
	Family Mediation	Records Modernization - Court	Records Modernization - Records	Law Enforcement Training	Special Law Enforcement Trust
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	41,290	48,567
Charges for services	-	132,533	396,336	-	-
Investment earnings	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous	285	1,060	4,435	-	-
Total revenues	<u>285</u>	<u>133,593</u>	<u>400,771</u>	<u>41,290</u>	<u>48,567</u>
EXPENDITURES					
Current					
General government	19,300	637,432	638,288	-	-
Public safety	-	-	-	34,926	50,914
Physical environment	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Human services	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>19,300</u>	<u>637,432</u>	<u>638,288</u>	<u>34,926</u>	<u>50,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,015)</u>	<u>(503,839)</u>	<u>(237,517)</u>	<u>6,364</u>	<u>(2,347)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfer out/return of excess fees -State of Florida	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(19,015)	(503,839)	(237,517)	6,364	(2,347)
Fund balance - beginning	<u>42,791</u>	<u>818,332</u>	<u>857,960</u>	<u>3,918</u>	<u>2,763</u>
Fund balance - ending	<u>\$ 23,776</u>	<u>\$ 314,493</u>	<u>\$ 620,443</u>	<u>\$ 10,282</u>	<u>\$ 416</u>

Special Contribution	Crime Prevention	Federal Seizure Account	Seizure Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 8,470,341
14,300	8,808	396,023	43,177	1,322,247
-	-	-	-	8,367,570
-	-	-	-	491,143
-	-	-	-	75,901
-	2,258	959	11	360,890
<u>14,300</u>	<u>11,066</u>	<u>396,982</u>	<u>43,188</u>	<u>19,088,092</u>
-	-	-	-	6,509,464
3,669	182,689	277,503	42,931	6,709,265
-	-	-	-	4,880,574
-	-	-	-	2,912,179
-	-	-	-	938,081
-	-	-	-	1,084,657
-	-	-	-	365,561
<u>3,669</u>	<u>182,689</u>	<u>277,503</u>	<u>42,931</u>	<u>23,399,781</u>
<u>10,631</u>	<u>(171,623)</u>	<u>119,479</u>	<u>257</u>	<u>(4,311,689)</u>
-	-	-	-	5,545,445
-	-	-	-	(532,196)
-	-	-	-	5,013,249
10,631	(171,623)	119,479	257	701,560
<u>409</u>	<u>426,097</u>	<u>66,036</u>	<u>20,995</u>	<u>15,162,027</u>
<u>\$ 11,040</u>	<u>\$ 254,474</u>	<u>\$ 185,515</u>	<u>\$ 21,252</u>	<u>\$ 15,863,587</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Stormwater Management
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,559,307	\$ 159,307
Intergovernmental	-	355,648	352,496	(3,152)
Investment earnings	34,542	34,542	64,521	29,979
Total revenues	<u>1,434,542</u>	<u>1,790,190</u>	<u>1,976,324</u>	<u>186,134</u>
EXPENDITURES				
Physical environment	5,044,604	6,308,405	4,871,126	1,437,279
Total expenditures	<u>5,044,604</u>	<u>6,308,405</u>	<u>4,871,126</u>	<u>1,437,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,610,062)</u>	<u>(4,518,215)</u>	<u>(2,894,802)</u>	<u>1,623,413</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000,000	3,000,000	3,000,000	-
Total other financing sources (uses)	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
Net change in fund balance	(610,062)	(1,518,215)	105,198	1,623,413
Fund balance - beginning	<u>2,621,312</u>	<u>2,621,312</u>	<u>2,621,312</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,011,250</u>	<u>\$ 1,103,097</u>	<u>\$ 2,726,510</u>	<u>\$ 1,623,413</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Public Library
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 406,962	\$ 410,382	\$ 392,900	\$ (17,482)
Charges for services	540,076	607,322	420,863	(186,459)
Investment earnings	-	-	7,495	7,495
Contributions and donations	-	61,578	75,901	14,323
Miscellaneous	-	10,300	11,963	1,663
Total revenues	<u>947,038</u>	<u>1,089,582</u>	<u>909,122</u>	<u>(180,460)</u>
EXPENDITURES				
Culture and recreation	2,737,989	2,990,189	2,912,179	78,010
Debt service				
Principal	-	-	24,640	(24,640)
Interest	-	-	5,512	(5,512)
Total expenditures	<u>2,737,989</u>	<u>2,990,189</u>	<u>2,942,331</u>	<u>47,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,790,951)</u>	<u>(1,900,607)</u>	<u>(2,033,209)</u>	<u>(132,602)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,031,170</u>	<u>2,031,170</u>	<u>2,031,170</u>	<u>-</u>
Total other financing sources (uses)	<u>2,031,170</u>	<u>2,031,170</u>	<u>2,031,170</u>	<u>-</u>
Net change in fund balance	240,219	130,563	(2,039)	(132,602)
Fund balance - beginning	<u>393,951</u>	<u>393,951</u>	<u>393,951</u>	<u>-</u>
Fund balance - ending	<u>\$ 634,170</u>	<u>\$ 524,514</u>	<u>\$ 391,912</u>	<u>\$ (132,602)</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Public Safety
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 911,755	\$ 911,755	\$ 929,059	\$ 17,304
Investment earnings	13,433	13,433	27,637	14,204
Total revenues	<u>925,188</u>	<u>925,188</u>	<u>956,696</u>	<u>31,508</u>
EXPENDITURES				
Public safety	711,026	711,026	611,465	99,561
Total expenditures	<u>711,026</u>	<u>711,026</u>	<u>611,465</u>	<u>99,561</u>
Excess (deficiency) of revenues over (under) expenditures	214,162	214,162	345,231	131,069
Fund balance - beginning	<u>905,175</u>	<u>905,175</u>	<u>905,175</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,119,337</u>	<u>\$ 1,119,337</u>	<u>\$ 1,250,406</u>	<u>\$ 131,069</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Intergovernmental Radio Communications
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 658,953	\$ 658,953	\$ 721,988	\$ 63,035
Investment earnings	38,760	38,760	42,033	3,273
Miscellaneous	234,486	234,486	233,139	(1,347)
Total revenues	<u>932,199</u>	<u>932,199</u>	<u>997,160</u>	<u>64,961</u>
EXPENDITURES				
Public safety	551,777	569,277	563,716	5,561
Debt service				
Principal	603,753	689,436	686,850	2,586
Interest	83,431	95,272	93,294	1,978
Total expenditures	<u>1,238,961</u>	<u>1,353,985</u>	<u>1,343,860</u>	<u>10,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(306,762)</u>	<u>(421,786)</u>	<u>(346,700)</u>	<u>75,086</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	438,175	438,175	438,175	-
Total other financing sources (uses)	<u>438,175</u>	<u>438,175</u>	<u>438,175</u>	<u>-</u>
Net change in fund balance	131,413	16,389	91,475	75,086
Fund balance - beginning	<u>1,142,972</u>	<u>1,142,972</u>	<u>1,142,972</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,274,385</u>	<u>\$ 1,159,361</u>	<u>\$ 1,234,447</u>	<u>\$ 75,086</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
District Mosquito Control
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,088,083	\$ 1,088,083	\$ 1,070,336	\$ (17,747)
Intergovernmental	18,513	18,513	18,829	316
Charges for services	3,380	3,380	1,040	(2,340)
Investment earnings	39,140	39,140	61,998	22,858
Miscellaneous	-	-	12,043	12,043
Total revenues	<u>1,149,116</u>	<u>1,149,116</u>	<u>1,164,246</u>	<u>15,130</u>
EXPENDITURES				
Human services	<u>1,617,248</u>	<u>1,622,259</u>	<u>938,081</u>	<u>684,178</u>
Total expenditures	<u>1,617,248</u>	<u>1,622,259</u>	<u>938,081</u>	<u>684,178</u>
Excess of revenues over expenditures	(468,132)	(473,143)	226,165	699,308
Fund balance - beginning	<u>1,464,906</u>	<u>1,464,906</u>	<u>1,464,906</u>	<u>-</u>
Fund balance - ending	<u>\$ 996,774</u>	<u>\$ 991,763</u>	<u>\$ 1,691,071</u>	<u>\$ 699,308</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
MSTU Fire Protection
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 5,950,712	\$ 5,950,712	\$ 5,840,698	\$ (110,014)
Intergovernmental	3,871	13,871	5,857	(8,014)
Charges for services	444,653	528,775	330,575	(198,200)
Investment earnings	191,900	191,900	247,786	55,886
Miscellaneous	-	43,508	83,373	39,865
Total revenues	<u>6,591,136</u>	<u>6,728,766</u>	<u>6,508,289</u>	<u>(220,477)</u>
EXPENDITURES				
Public safety	4,847,402	5,408,210	4,941,452	466,758
Debt service				
Principal	356,661	356,661	373,167	(16,506)
Interest	287,696	288,646	266,755	21,891
Total expenditures	<u>5,491,759</u>	<u>6,053,517</u>	<u>5,581,374</u>	<u>472,143</u>
Excess (deficiency) of revenues over (under) expenditures	1,099,377	675,249	926,915	251,666
Fund balance - beginning	<u>5,540,592</u>	<u>5,540,592</u>	<u>5,540,592</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,639,969</u>	<u>\$ 6,215,841</u>	<u>\$ 6,467,507</u>	<u>\$ 251,666</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
MSBU Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 32,834	\$ 32,834	\$ 38,120	\$ 5,286
Investment earnings	57,130	57,130	39,426	(17,704)
Total revenues	89,964	89,964	77,546	(12,418)
EXPENDITURES				
Physical environment	6,490	6,490	7,912	(1,422)
Total expenditures	6,490	6,490	7,912	(1,422)
Excess of revenues over expenditures	83,474	83,474	69,634	(13,840)
Fund balance - beginning	440,030	440,030	440,030	-
Fund balance - ending	\$ 523,504	\$ 523,504	\$ 509,664	\$ (13,840)

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Utility Regulatory Authority Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 8,400	\$ 8,400	\$ -	\$ (8,400)
Investment earnings	500	500	247	(253)
Total revenues	<u>8,900</u>	<u>8,900</u>	<u>247</u>	<u>(8,653)</u>
EXPENDITURES				
Physical environment	<u>85,000</u>	<u>85,000</u>	<u>1,536</u>	<u>83,464</u>
Total expenditures	<u>85,000</u>	<u>85,000</u>	<u>1,536</u>	<u>83,464</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,100)</u>	<u>(76,100)</u>	<u>(1,289)</u>	<u>74,811</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>76,100</u>	<u>76,100</u>	<u>76,100</u>	<u>-</u>
Total other financing sources (uses)	<u>76,100</u>	<u>76,100</u>	<u>76,100</u>	<u>-</u>
Net change in fund balance	-	-	74,811	74,811
Fund balance - beginning	<u>(16,958)</u>	<u>(16,958)</u>	<u>(16,958)</u>	<u>-</u>
Fund balance - ending	<u>\$ (16,958)</u>	<u>\$ (16,958)</u>	<u>\$ 57,853</u>	<u>\$ 74,811</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Court Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Charges for services	\$ 5,224,650	\$ 5,224,650	\$ 5,397,056	\$ 172,406
Total revenues	<u>5,224,650</u>	<u>5,224,650</u>	<u>5,397,056</u>	<u>172,406</u>
EXPENDITURES				
General government	<u>5,224,650</u>	<u>5,224,650</u>	<u>4,864,860</u>	<u>359,790</u>
Total expenditures	<u>5,224,650</u>	<u>5,224,650</u>	<u>4,864,860</u>	<u>359,790</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>532,196</u>	<u>532,196</u>
OTHER FINANCING SOURCES (USES)				
Transfer out/return of excess fees to State of Florida	<u>-</u>	<u>-</u>	<u>(532,196)</u>	<u>(532,196)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(532,196)</u>	<u>(532,196)</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>

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.

Utilities Administration Fund – to account for the costs of providing utility services used by other departments.

Bay County, Florida
Combining Statement of Net Assets
Internal Service Funds
September 30, 2008

	Other Internal Services	Workers' Compensation	Insurance	Utilities	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,301	\$ 6,336	\$ 395	\$ 50	\$ 9,082
Accounts receivable (net)	265,836	-	-	10,099	275,935
Prepaid expenses	-	50,000	595,294	-	645,294
Investments	1,209,273	5,104,832	318,512	39,935	6,672,552
Due from other funds	397,086	-	-	107,207	504,293
Total current assets	<u>1,874,496</u>	<u>5,161,168</u>	<u>914,201</u>	<u>157,291</u>	<u>8,107,156</u>
Capital assets					
Buildings	693,830	-	-	618,642	1,312,472
Improvements	96,850	-	-	-	96,850
Furniture and equipment	629,567	5,345	68,305	312,366	1,015,583
Less: accumulated depreciation	<u>(726,425)</u>	<u>(4,720)</u>	<u>(66,230)</u>	<u>(201,127)</u>	<u>(998,502)</u>
Total capital assets, net	<u>693,822</u>	<u>625</u>	<u>2,075</u>	<u>729,881</u>	<u>1,426,403</u>
Total assets	<u>2,568,318</u>	<u>5,161,793</u>	<u>916,276</u>	<u>887,172</u>	<u>9,533,559</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	206,824	4,354,665	281,312	40,859	4,883,660
Accrued compensated absences	64,140	7,527	5,379	596	77,642
Due to other funds	13,630	6	82,961	76,447	173,044
Total current liabilities	<u>284,594</u>	<u>4,362,198</u>	<u>369,652</u>	<u>117,902</u>	<u>5,134,346</u>
Noncurrent liabilities					
Accrued compensated absences	45,453	10,470	15,517	20,141	91,581
Net OPEB obligation	22,365	237	-	3,279	25,881
Total noncurrent liabilities	<u>67,818</u>	<u>10,707</u>	<u>15,517</u>	<u>23,420</u>	<u>117,462</u>
Total liabilities	<u>352,412</u>	<u>4,372,905</u>	<u>385,169</u>	<u>141,322</u>	<u>5,251,808</u>
NET ASSETS					
Unrestricted	2,215,906	788,888	531,107	745,850	4,281,751
Total net assets	<u>\$ 2,215,906</u>	<u>\$ 788,888</u>	<u>\$ 531,107</u>	<u>\$ 745,850</u>	<u>\$ 4,281,751</u>

Bay County, Florida
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
Year Ended September 30, 2008

	Other Internal Services	Workers' Compensation	Insurance	Utilities	Total
OPERATING REVENUES					
Charges for services	\$ 5,252,017	\$ 614,322	\$ 1,746,454	\$ 1,106,298	\$ 8,719,091
Miscellaneous	169	-	1,129	4,976	6,274
Total operating revenues	<u>5,252,186</u>	<u>614,322</u>	<u>1,747,583</u>	<u>1,111,274</u>	<u>8,725,365</u>
OPERATING EXPENSES					
Personal services	1,458,276	179,888	160,467	757,130	2,555,761
Contracted services	79,015	20,574	1,868	167,552	269,009
Repairs and maintenance	49,754	21,832	6,393	21,882	99,861
Utilities	19,343	1,561	1,561	16,285	38,750
Depreciation	78,539	1,483	5,139	45,841	131,002
Materials	3,562,632	-	-	-	3,562,632
Insurance claims	-	98,905	1,582,937	-	1,681,842
Other operating expenses	129,791	307,265	18,757	108,627	564,440
Total operating expenses	<u>5,377,350</u>	<u>631,508</u>	<u>1,777,122</u>	<u>1,117,317</u>	<u>8,903,297</u>
Operating income (loss)	<u>(125,164)</u>	<u>(17,186)</u>	<u>(29,539)</u>	<u>(6,043)</u>	<u>(177,932)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	35,637	161,322	2,769	165	199,893
Total nonoperating revenues	<u>35,637</u>	<u>161,322</u>	<u>2,769</u>	<u>165</u>	<u>199,893</u>
Income (loss) before transfers	<u>(89,527)</u>	<u>144,136</u>	<u>(26,770)</u>	<u>(5,878)</u>	<u>21,961</u>
TRANSFERS					
Transfers in	-	6,220	-	-	6,220
Net transfers	<u>-</u>	<u>6,220</u>	<u>-</u>	<u>-</u>	<u>6,220</u>
Change in net assets	<u>(89,527)</u>	<u>150,356</u>	<u>(26,770)</u>	<u>(5,878)</u>	<u>28,181</u>
Total net assets - beginning	1,562,679	637,924	550,662	-	2,751,265
Prior period adjustment	<u>742,754</u>	<u>608</u>	<u>7,215</u>	<u>751,728</u>	<u>1,502,305</u>
Total net assets - beginning (restated)	<u>2,305,433</u>	<u>638,532</u>	<u>557,877</u>	<u>751,728</u>	<u>4,253,570</u>
Total net assets - ending	<u>\$ 2,215,906</u>	<u>\$ 788,888</u>	<u>\$ 531,107</u>	<u>\$ 745,850</u>	<u>\$ 4,281,751</u>

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2008

	Other Internal Services	Workers' Compensation	Insurance	Utilities	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and others	\$ 5,058,698	\$ 614,382	\$ 2,210,129	\$ 988,992	\$ 8,872,201
Cash received from miscellaneous operating activities	169	-	1,129	4,976	6,274
Cash paid to suppliers for goods and services	(3,769,532)	(300,721)	(2,029,571)	(197,040)	(6,296,864)
Cash paid to employees for services	(1,326,318)	(161,654)	(139,571)	(733,114)	(2,360,657)
Net cash provided by (used in) operating activities	(36,983)	152,007	42,116	63,814	220,954
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	6,220	-	-	6,220
Net cash provided by noncapital financing activities	-	6,220	-	-	6,220
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(29,607)	(1,500)	-	(23,994)	(55,101)
Net cash (used in) capital and related financing activities	(29,607)	(1,500)	-	(23,994)	(55,101)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturities of investment securities	6,297	95,123	14,534	6,885	122,839
Purchase of investments	(96,662)	(883,639)	(81,676)	(46,655)	(1,108,632)
Interest and dividends on investments	43,262	193,471	-	-	236,733
Net cash provided by (used in) investing activities	(47,103)	(595,045)	(67,142)	(39,770)	(749,060)
Net increase (decrease) in cash and cash equivalents	(113,693)	(438,318)	(25,026)	50	(576,987)
Cash and cash equivalents - beginning	115,994	444,654	25,421	-	586,069
Cash and cash equivalents - ending	<u>\$ 2,301</u>	<u>\$ 6,336</u>	<u>\$ 395</u>	<u>\$ 50</u>	<u>\$ 9,082</u>
Prior period adjustment for capital assets transferred from the general fund	<u>\$ 742,754</u>	<u>\$ 608</u>	<u>\$ 7,215</u>	<u>\$ 751,728</u>	<u>\$ 1,502,305</u>

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2008

	Other Internal Services	Workers' Compensation	Insurance	Utilities	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ (125,164)	\$ (17,186)	\$ (29,539)	\$ (6,043)	\$ (177,932)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	78,539	1,483	5,139	45,841	131,002
(Increase) decrease in assets					
Accounts receivable	(98,072)	60	253	(10,099)	(107,858)
Prepaid expenses	-	-	(524,423)	-	(524,423)
Due from other funds	(95,247)	-	463,422	(107,207)	260,968
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	70,185	149,485	23,482	40,859	284,011
Accrued compensated absences	109,593	17,997	20,896	20,737	169,223
Due to other funds	818	(69)	82,886	76,447	160,082
Net OPEB obligation	22,365	237	-	3,279	25,881
Total adjustments	88,181	169,193	71,655	69,857	398,886
Net cash provided by (used in) operating activities	<u>\$ (36,983)</u>	<u>\$ 152,007</u>	<u>\$ 42,116</u>	<u>\$ 63,814</u>	<u>\$ 220,954</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.

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

	<u>Fines, Forfeitures and Other Fees</u>	<u>Jury and Witness</u>	<u>Tax Deed Assets</u>	<u>Support</u>
ASSETS				
Cash and cash equivalents	\$ 1,565,474	\$ 18,928	\$ 205,900	\$ 14,788
Investments	-	-	-	-
Accounts receivable, net	-	-	-	-
Total assets	<u>\$ 1,565,474</u>	<u>\$ 18,928</u>	<u>\$ 205,900</u>	<u>\$ 14,788</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 205,900	\$ 14,788
Due to others	-	-	-	-
Due to other governments	1,565,474	18,928	-	-
Total liabilities	<u>\$ 1,565,474</u>	<u>\$ 18,928</u>	<u>\$ 205,900</u>	<u>\$ 14,788</u>

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

	<u>Court Registry</u>	<u>Cash Bond</u>	<u>Restitution</u>
ASSETS			
Cash and cash equivalents	\$ 793,667	\$ 2,616,902	\$ 17,950
Investments	-	-	-
Accounts receivable, net	-	-	-
Total assets	<u>\$ 793,667</u>	<u>\$ 2,616,902</u>	<u>\$ 17,950</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 793,667	\$ -	\$ 17,950
Due to others	-	-	-
Due to other governments	-	2,616,902	-
Total liabilities	<u>\$ 793,667</u>	<u>\$ 2,616,902</u>	<u>\$ 17,950</u>

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

	<u>Property Tax</u>	<u>Tax Certificate</u>	<u>Tag</u>
ASSETS			
Cash and cash equivalents	\$ 1,511,508	\$ 249	\$ 15,321
Investments	381,673	-	-
Accounts receivable, net	-	-	20,375
Total assets	<u>\$ 1,893,181</u>	<u>\$ 249</u>	<u>\$ 35,696</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to others	-	249	-
Due to other governments	1,893,181	-	35,696
Total liabilities	<u>\$ 1,893,181</u>	<u>\$ 249</u>	<u>\$ 35,696</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

	<u>Other Suspense</u>	<u>Individual Depositors</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,200	\$ 6,761,887
Investments	-	-	381,673
Accounts receivable, net	-	-	20,375
Total assets	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 7,163,935</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 1,200	\$ 1,033,505
Due to others	-	-	249
Due to other governments	-	-	6,130,181
Total liabilities	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 7,163,935</u>

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
FINES, FORFEITURES, and OTHER FEES				
ASSETS*				
Cash and cash equivalents	\$ 1,818,245	\$ 30,012,373	\$ 30,265,144	\$ 1,565,474
Total assets	<u>\$ 1,818,245</u>	<u>\$ 30,012,373</u>	<u>\$ 30,265,144</u>	<u>\$ 1,565,474</u>
LIABILITIES				
Due to other governments	\$ 1,818,245	\$ 30,012,373	\$ 30,265,144	\$ 1,565,474
Total liabilities	<u>\$ 1,818,245</u>	<u>\$ 30,012,373</u>	<u>\$ 30,265,144</u>	<u>\$ 1,565,474</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 37,456	\$ 93,134	\$ 111,662	\$ 18,928
Total assets	<u>\$ 37,456</u>	<u>\$ 93,134</u>	<u>\$ 111,662</u>	<u>\$ 18,928</u>
LIABILITIES				
Due to other governments	\$ 37,456	\$ 93,134	\$ 111,662	\$ 18,928
Total liabilities	<u>\$ 37,456</u>	<u>\$ 93,134</u>	<u>\$ 111,662</u>	<u>\$ 18,928</u>
TAX DEED ASSETS				
ASSETS				
Cash and cash equivalents	\$ 100,703	\$ 559,229	\$ 454,032	\$ 205,900
Total assets	<u>\$ 100,703</u>	<u>\$ 559,229</u>	<u>\$ 454,032</u>	<u>\$ 205,900</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 100,703	\$ 559,229	\$ 454,032	\$ 205,900
Total liabilities	<u>\$ 100,703</u>	<u>\$ 559,229</u>	<u>\$ 454,032</u>	<u>\$ 205,900</u>

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

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 4,260	\$ 1,048,831	\$ 1,038,303	\$ 14,788
Total assets	<u>\$ 4,260</u>	<u>\$ 1,048,831</u>	<u>\$ 1,038,303</u>	<u>\$ 14,788</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,260	\$ 1,048,831	\$ 1,038,303	\$ 14,788
Total liabilities	<u>\$ 4,260</u>	<u>\$ 1,048,831</u>	<u>\$ 1,038,303</u>	<u>\$ 14,788</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,365,740	\$ 5,274,865	\$ 5,846,938	\$ 793,667
Total assets	<u>\$ 1,365,740</u>	<u>\$ 5,274,865</u>	<u>\$ 5,846,938</u>	<u>\$ 793,667</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,365,740	\$ 5,274,865	\$ 5,846,938	\$ 793,667
Total liabilities	<u>\$ 1,365,740</u>	<u>\$ 5,274,865</u>	<u>\$ 5,846,938</u>	<u>\$ 793,667</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 903,984	\$ 4,202,534	\$ 2,489,616	\$ 2,616,902
Total assets	<u>\$ 903,984</u>	<u>\$ 4,202,534</u>	<u>\$ 2,489,616</u>	<u>\$ 2,616,902</u>
LIABILITIES				
Due to other governments	\$ 903,984	\$ 4,202,534	\$ 2,489,616	\$ 2,616,902
Total liabilities	<u>\$ 903,984</u>	<u>\$ 4,202,534</u>	<u>\$ 2,489,616</u>	<u>\$ 2,616,902</u>

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 7,189	\$ 259,897	\$ 249,136	\$ 17,950
Total assets	<u>\$ 7,189</u>	<u>\$ 259,897</u>	<u>\$ 249,136</u>	<u>\$ 17,950</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 7,189	\$ 259,897	\$ 249,136	\$ 17,950
Total liabilities	<u>\$ 7,189</u>	<u>\$ 259,897</u>	<u>\$ 249,136</u>	<u>\$ 17,950</u>
PROPERTY TAX				
ASSETS				
Cash and cash equivalents	\$ 385,702	\$ 393,723,893	\$ 392,598,087	\$ 1,511,508
Investments	1,538,487	-	1,156,814	381,673
Total assets	<u>\$ 1,924,189</u>	<u>\$ 393,723,893</u>	<u>\$ 393,754,901</u>	<u>\$ 1,893,181</u>
LIABILITIES				
Due to other governments	\$ 1,924,189	\$ 393,723,893	\$ 393,754,901	\$ 1,893,181
Total liabilities	<u>\$ 1,924,189</u>	<u>\$ 393,723,893</u>	<u>\$ 393,754,901</u>	<u>\$ 1,893,181</u>
TAX CERTIFICATE				
ASSETS				
Cash and cash equivalents	\$ 2,714	\$ 12,982,041	\$ 12,984,506	\$ 249
Total assets	<u>\$ 2,714</u>	<u>\$ 12,982,041</u>	<u>\$ 12,984,506</u>	<u>\$ 249</u>
LIABILITIES				
Due to others	\$ 2,714	\$ 12,982,041	\$ 12,984,506	\$ 249
Total liabilities	<u>\$ 2,714</u>	<u>\$ 12,982,041</u>	<u>\$ 12,984,506</u>	<u>\$ 249</u>
TAG				
ASSETS				
Cash and cash equivalents	\$ -	\$ 17,046,965	\$ 17,031,644	\$ 15,321
Accounts receivable, net	13,430	10,550	3,605	20,375
Total assets	<u>\$ 13,430</u>	<u>\$ 17,057,515</u>	<u>\$ 17,035,249</u>	<u>\$ 35,696</u>
LIABILITIES				
Bank overdraft	\$ 13,430	-	\$ 13,430	-
Due to other governments	-	17,057,515	17,021,819	35,696
Total liabilities	<u>\$ 13,430</u>	<u>\$ 17,057,515</u>	<u>\$ 17,035,249</u>	<u>\$ 35,696</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 99,806	\$ 99,806	\$ -
Total assets	<u>\$ -</u>	<u>\$ 99,806</u>	<u>\$ 99,806</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ -	\$ 99,806	\$ 99,806	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 99,806</u>	<u>\$ 99,806</u>	<u>\$ -</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 1,274	\$ 284,823	\$ 284,897	\$ 1,200
Total assets	<u>\$ 1,274</u>	<u>\$ 284,823</u>	<u>\$ 284,897</u>	<u>\$ 1,200</u>
LIABILITIES				
Accounts payable	\$ 1,274	\$ 284,823	\$ 284,897	\$ 1,200
Total liabilities	<u>\$ 1,274</u>	<u>\$ 284,823</u>	<u>\$ 284,897</u>	<u>\$ 1,200</u>
COMBINED TOTALS				
ASSETS				
Cash and cash equivalents	\$ 4,627,267	\$ 465,588,391	\$ 463,453,771	\$ 6,761,887
Investments	1,538,487	-	1,156,814	381,673
Accounts receivable, net	13,430	10,550	3,605	20,375
Total assets	<u>\$ 6,179,184</u>	<u>\$ 465,598,941</u>	<u>\$ 464,614,190</u>	<u>\$ 7,163,935</u>
LIABILITIES				
Bank overdraft	\$ 13,430	\$ -	\$ 13,430	\$ -
Accounts payable and accrued liabilities	1,479,166	7,427,645	7,873,306	1,033,505
Due to other governments	4,683,874	445,189,255	443,742,948	6,130,181
Due to others	2,714	12,982,041	12,984,506	249
Total liabilities	<u>\$ 6,179,184</u>	<u>\$ 465,598,941</u>	<u>\$ 464,614,190</u>	<u>\$ 7,163,935</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.

<u>Contents</u>	<u>Page</u>
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Financial Trends	C-2
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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.

Revenue Capacity.....	C-10
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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.

Debt Capacity	C-16
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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.

Demographic and Economic Information	C-24
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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.

Operating Information	C-26
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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.*

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

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

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

Schedule 1

Fiscal Year		
<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 109,592,599	\$ 130,031,134	\$ 146,149,695
18,043,292	19,924,887	18,091,072
<u>56,527,122</u>	<u>62,053,258</u>	<u>65,061,054</u>
<u>\$ 184,163,013</u>	<u>\$ 212,009,279</u>	<u>\$ 229,301,821</u>
\$ 37,518,571	\$ 46,446,331	\$ 51,130,331
7,862,907	2,999,323	3,066,336
<u>39,375,268</u>	<u>29,535,560</u>	<u>26,183,800</u>
<u>\$ 84,756,746</u>	<u>\$ 78,981,214</u>	<u>\$ 80,380,467</u>
\$ 147,111,170	\$ 176,477,465	\$ 197,280,026
25,906,199	22,924,210	21,157,408
<u>95,902,390</u>	<u>91,588,818</u>	<u>91,244,854</u>
<u>\$ 268,919,759</u>	<u>\$ 290,990,493</u>	<u>\$ 309,682,288</u>

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

	Fiscal Year						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses							
Governmental activities:							
General government	\$ 20,763,406	\$ 21,005,446	\$ 22,435,565	\$ 22,524,334	\$ 21,899,647	\$ 22,123,284	\$ 23,769,102
Public safety	30,860,048	35,938,773	39,270,923	41,633,533	45,667,025	47,595,636	51,587,681
Physical environment	4,988,009	544,977	4,700,201	5,095,942	4,846,055	4,411,573	4,504,251
Transportation	7,497,618	17,638,208	14,833,934	14,988,586	13,023,819	14,053,021	15,122,222
Economic environment	6,812,824	8,244,138	15,321,819	9,736,560	14,186,061	16,957,645	16,862,278
Human services	3,211,624	3,575,234	4,052,299	3,866,283	4,591,809	5,594,624	5,042,410
Culture/recreation	2,918,689	3,214,651	3,323,501	3,589,770	3,943,961	4,473,399	5,349,023
Interest on long-term debt	1,363,414	1,881,976	1,734,120	1,343,382	1,691,167	2,974,935	4,185,220
Total governmental activities expenses	<u>78,415,632</u>	<u>92,043,403</u>	<u>105,672,362</u>	<u>102,778,390</u>	<u>109,849,544</u>	<u>118,184,117</u>	<u>126,422,187</u>
Business-type activities:							
Wholesale water system	9,621,645	9,645,198	10,072,475	10,600,450	10,871,172	12,060,032	13,131,437
Retail water and wastewater	4,321,601	3,863,782	4,232,074	4,034,030	4,135,864	5,808,833	5,700,378
Industrial wastewater	4,226,933	3,836,251	4,335,269	4,043,172	3,902,819	2,218,595	6,643,917
Solid waste fund	15,454,499	14,720,170	14,690,237	16,688,055	17,574,763	17,209,523	15,477,882
Building services	1,299,282	1,243,934	1,413,981	1,800,906	2,011,650	2,126,578	2,139,805
Total business-type activities expenses	<u>34,923,960</u>	<u>33,309,335</u>	<u>34,744,036</u>	<u>37,166,613</u>	<u>38,496,268</u>	<u>39,423,561</u>	<u>43,093,419</u>
Total primary government expenses	<u>\$ 113,339,592</u>	<u>\$ 125,352,738</u>	<u>\$ 140,416,398</u>	<u>\$ 139,945,003</u>	<u>\$ 148,345,812</u>	<u>\$ 157,607,678</u>	<u>\$ 169,515,606</u>
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 11,140,486	\$ 12,652,133	\$ 13,390,686	\$ 16,923,030	\$ 16,455,481	\$ 16,819,772	\$ 15,239,392
Public safety	1,429,998	1,421,733	1,464,439	1,585,880	2,041,634	1,953,947	1,739,995
Physical environment	39,344	73,015	-	134,478	1,602,888	1,523,655	1,597,427
Transportation	565,010	171,945	479,848	779,026	764,439	1,541,359	1,045,906
Human services	-	520	-	3,250	3,640	3,900	1,040
Culture and recreation	-	-	-	641,744	824,209	645,918	519,422
Operating grants and contributions	4,583,491	2,932,602	4,722,923	3,720,822	3,590,815	3,076,826	4,722,856
Capital grants and contributions	8,135,524	3,308,285	6,176,365	8,764,930	5,602,631	5,880,132	11,085,254
Total governmental activities program revenue	<u>25,893,853</u>	<u>20,560,233</u>	<u>26,234,261</u>	<u>32,553,160</u>	<u>30,885,737</u>	<u>31,445,509</u>	<u>35,951,292</u>
Business-type activities:							
Charges for services:							
Water system revenue	8,563,778	7,428,648	8,691,509	11,298,515	11,461,915	10,361,087	13,876,827
Retail water and wastewater	3,137,829	3,413,244	3,630,909	3,808,241	3,863,260	4,189,192	3,987,039
Industrial wastewater	4,169,987	3,826,186	4,259,480	3,939,556	3,826,936	2,280,293	6,695,497
Solid waste fund	8,995,003	9,029,767	10,306,832	11,481,814	12,217,568	9,475,368	10,726,249
Building services	1,244,582	1,566,572	2,593,891	3,595,984	3,335,953	2,099,218	1,657,191
Operating grants and contributions	40,250	78,648	-	-	7,505	202,351	535,000
Capital grants and contributions	881,294	372,770	-	-	-	18,603	824,906
Total business-type activities program revenue	<u>27,032,723</u>	<u>25,715,835</u>	<u>29,482,621</u>	<u>34,124,110</u>	<u>34,713,137</u>	<u>28,626,112</u>	<u>38,302,709</u>
Total primary government program revenues	<u>\$ 52,926,576</u>	<u>\$ 46,276,068</u>	<u>\$ 55,716,882</u>	<u>\$ 66,677,270</u>	<u>\$ 65,598,874</u>	<u>\$ 60,071,621</u>	<u>\$ 74,254,001</u>

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Net (Expense) Revenue							
Governmental activities	\$ (52,521,779)	\$ (71,483,170)	\$ (79,438,101)	\$ (70,225,230)	\$ (78,963,807)	\$ (86,738,608)	\$ (90,470,895)
Business-type activities	(7,891,237)	(7,593,500)	(5,261,415)	(3,042,503)	(3,783,131)	(10,797,449)	(4,790,710)
Total primary government net expenses	<u>(60,413,016)</u>	<u>(79,076,670)</u>	<u>(84,699,516)</u>	<u>(73,267,733)</u>	<u>(82,746,938)</u>	<u>(97,536,057)</u>	<u>(95,261,605)</u>
General Revenue and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	39,571,968	42,615,587	47,569,663	53,349,589	73,729,204	77,146,885	73,436,473
Sales taxes	13,348,068	21,094,586	22,032,957	23,223,423	24,215,778	24,982,006	24,569,697
State shared revenues	10,170,007	2,831,535	3,120,133	3,290,582	3,491,084	3,379,522	3,136,583
Investment earnings	1,222,344	1,117,194	870,213	1,543,058	3,262,306	7,007,059	4,855,754
Other contributions	-	2,534,775	-	-	-	-	-
Miscellaneous	1,476,303	1,262,098	1,986,499	990,038	2,681,029	1,710,623	1,795,724
Transfers	2,675,863	(123,129)	150,000	(52,333)	8,143	-	-
Total governmental activities	<u>68,464,553</u>	<u>71,332,646</u>	<u>75,729,465</u>	<u>82,344,357</u>	<u>107,387,544</u>	<u>114,226,095</u>	<u>107,794,231</u>
Business-type activities:							
Sales tax	-	7,525,384	3,700	2,200	1,900	1,500	1,100
State shared revenues	11,416,279	-	-	-	-	-	-
Investment earnings	2,238,960	2,452,356	2,154,632	2,609,228	3,366,297	3,629,698	2,612,599
Miscellaneous	1,086,355	689,419	1,304,638	2,042,417	1,081,040	1,390,719	6,014,516
Transfers	2,081,562	123,129	(150,000)	52,333	(8,143)	-	-
Total business-type activities	<u>16,823,156</u>	<u>10,790,288</u>	<u>3,312,970</u>	<u>4,706,178</u>	<u>4,441,094</u>	<u>5,021,917</u>	<u>8,628,215</u>
Total primary government	<u>\$ 85,287,709</u>	<u>\$ 82,122,934</u>	<u>\$ 79,042,435</u>	<u>\$ 87,050,535</u>	<u>\$ 111,828,638</u>	<u>\$ 119,248,012</u>	<u>\$ 116,422,446</u>
Change in Net Assets							
Governmental activities	\$ 15,942,774	\$ (150,524)	\$ (3,708,636)	\$ 12,119,127	\$ 28,423,737	\$ 27,487,487	\$ 17,292,542
Business-type activities	8,931,919	3,196,788	(1,948,445)	1,663,675	657,963	(5,775,532)	3,868,299
Total primary government	<u>\$ 24,874,693</u>	<u>\$ 3,046,264</u>	<u>\$ (5,657,081)</u>	<u>\$ 13,782,802</u>	<u>\$ 29,081,700</u>	<u>\$ 21,711,955</u>	<u>\$ 21,160,841</u>

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

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

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

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

Schedule 3

Fiscal Year		
<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 44,351,137	\$ 36,949,309	\$ 39,966,000
<u>31,933,944</u>	<u>33,598,429</u>	<u>30,700,762</u>
<u>\$ 76,285,081</u>	<u>\$ 70,547,738</u>	<u>\$ 70,666,762</u>
\$ 17,404,849	\$ 13,524,528	\$ 15,840,847
<u>18,100,472</u>	<u>26,960,435</u>	<u>28,261,408</u>
<u>\$ 35,505,321</u>	<u>\$ 40,484,963</u>	<u>\$ 44,102,255</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Taxes	\$ 48,969,611	\$ 51,921,256	\$ 57,136,660	\$ 63,186,101
Licenses and permits	3,617,158	3,965	2,840	2,390
Intergovernmental revenue	22,285,905	21,614,035	25,922,701	25,365,652
Charges for services	10,278,906	12,469,323	14,287,418	19,689,697
Fines and forfeitures	927,851	892,312	790,062	157,495
Special assessments	684,320	378,649	170,651	367,096
Investment earnings	3,023,424	1,027,868	863,064	1,445,604
Contributions and donations	-	-	-	-
Miscellaneous	1,880,670	1,919,556	3,443,934	1,568,016
Total revenues	<u>91,667,845</u>	<u>90,226,964</u>	<u>102,617,330</u>	<u>111,782,051</u>
Expenditures				
General government	18,481,999	18,494,302	22,531,969	21,472,908
Public safety	29,516,458	35,492,011	37,281,629	39,787,836
Physical environment	4,724,728	3,922,018	4,322,124	4,662,334
Transportation	7,026,131	9,968,297	11,285,504	10,759,085
Economic environment	6,231,736	7,671,623	8,023,780	9,169,691
Human services	2,892,219	3,530,404	4,005,771	3,808,169
Culture and recreation	2,918,689	2,898,414	3,001,093	3,247,079
Capital Outlay	11,825,861	19,975,254	8,826,066	11,349,510
Debt service				
Principal retirement	2,428,799	3,096,446	9,070,909	3,224,333
Interest and fiscal charges	1,667,378	1,911,428	1,910,439	1,339,802
Bond issuance costs	-	63,673	-	-
Total expenditures	<u>87,713,998</u>	<u>107,023,870</u>	<u>110,259,284</u>	<u>108,820,747</u>
Excess of revenues over (under) expenditures	<u>3,953,847</u>	<u>(16,796,906)</u>	<u>(7,641,954)</u>	<u>2,961,304</u>
Other Financing Sources (Uses)				
Operating transfers in	9,540,558	8,056,538	7,615,705	7,837,156
Operating transfers out	(6,864,694)	(8,108,487)	(7,764,251)	(8,425,713)
Debt issuance	19,397,691	16,149,931	452,859	-
Premium on bonds issued	-	65,470	-	-
Payment to refunded bond escrow agent	-	(6,298,195)	-	-
Reversion to State of Florida	-	-	-	(608,687)
Total other financing sources (uses)	<u>22,073,555</u>	<u>9,865,257</u>	<u>304,313</u>	<u>(1,197,244)</u>
Net change in fund balance	<u>\$ 26,027,402</u>	<u>\$ (6,931,649)</u>	<u>\$ (7,337,641)</u>	<u>\$ 1,764,060</u>
Debt service as a percentage of noncapital expenditures	5.71%	6.11%	12.14%	4.91%

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

Schedule 4

<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 85,896,879	\$ 90,307,436	\$ 86,781,507
2,230	1,899	2,412
24,673,396	23,889,913	28,962,899
19,781,978	19,801,852	17,444,872
137,019	63,081	139,198
254,505	359,198	346,583
3,079,818	6,725,924	4,931,754
-	190,797	75,901
3,078,727	1,946,036	1,300,099
<u>136,904,552</u>	<u>143,286,136</u>	<u>139,985,225</u>
20,262,747	6,967,890	20,108,027
43,970,630	57,386,591	47,521,961
4,363,508	3,967,883	4,024,785
8,686,780	9,306,583	10,989,649
13,618,153	16,404,349	16,300,499
4,516,240	5,538,168	4,970,430
3,604,503	3,843,006	4,449,189
17,619,434	32,780,705	49,905,995
3,601,370	3,883,937	3,827,285
1,532,684	2,963,339	4,033,487
-	(344,945)	120,628
<u>121,776,049</u>	<u>142,697,506</u>	<u>166,251,935</u>
<u>15,128,503</u>	<u>588,630</u>	<u>(26,266,710)</u>
9,247,671	7,911,020	8,779,078
(9,820,775)	(8,856,914)	(8,816,092)
39,666,217	16,103,376	30,572,236
951,964	(71,732)	-
-	(15,095,929)	-
(796,010)	(1,005,046)	(532,196)
<u>39,249,067</u>	<u>(1,015,225)</u>	<u>30,003,026</u>
<u>\$ 54,377,570</u>	<u>\$ (426,595)</u>	<u>\$ 3,736,316</u>
5.18%	6.62%	7.25%

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

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>	<u>Industrial Property</u>	<u>Agricultural Property</u>	<u>Centrally Assessed Property</u>	<u>Other Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
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%
2008	15,352,723	2,995,960	1,776,771	306,564	51,899	27,347	2,564,398	(5,106,164)	17,969,498	4.5263	27,007,984	66.53%

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>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>	<u>2008</u>
County Direct Rates:										
General	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620	4.1620	3.7915	3.6500
Mosquito Control	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1525	0.1525
MSTU	<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>	<u>0.7238</u>
Total Direct Rate	6.8472	6.8472	6.8472	6.8472	6.8472	6.8472	6.8472	5.0972	4.6678	4.5263
Municipalities:										
City of Panama City	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	4.7122	3.7610	3.8493
Panama City Downtown Improvement Board	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	2.4700	2.6832
City of Lynn Haven	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.2500	2.8266	3.0887
City of Mexico Beach	4.3100	4.9100	4.8500	4.6000	4.5500	4.5000	4.3500	3.7900	3.7200	3.7000
City of Callaway	--	--	--	--	--	2.0000	2.0000	2.0000	2.0000	2.2500
Town of Cedar Grove	--	--	--	--	--	--	1.5000	1.5000	1.5000	1.5000
School Districts	8.9180	8.6690	8.5300	8.6550	8.5690	8.1480	7.9350	6.8080	6.4710	6.7630
Northwest Florida Water Management District	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0450	0.0450
Special District:										
Beach Mosquito Control	0.3930	0.3544	0.2675	0.2990	0.2990	0.2590	0.2365	0.1410	0.1438	0.1438

Source: Bay County Property Appraiser

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

	Fiscal Year 2008			Fiscal Year 1999		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Gulf Power Company	\$ 367,122,541	1	2.04%	\$ 135,569,544	1	2.42%
St. Joe Land & Development	253,011,840	2	1.41%	\$ 52,960,595	4	0.95%
Peoples First/Resort Hospitality	123,254,420	3	0.69%	-	-	-
Hilton Companies	86,975,477	4	0.48%	-	-	-
BellSouth Telecommunications	69,107,384	5	0.38%	77,979,179	3	1.39%
Charles Faircloth	57,275,091	6	0.32%	-	-	-
Smurfit-Stone Container	56,113,543	7	0.31%	79,195,940	2	1.42%
Wal-Mart Stores	44,500,720	8	0.25%	22,845,731	7	0.41%
Arizona Chemical Company	42,215,018	9	0.23%	44,075,577	5	0.79%
Gulf Coast Electric Co-Op	40,669,936	10	0.23%	17,569,527	9	0.31%
Hospital Corp. of America	-	-	-	23,430,309	6	0.42%
Berg Pipe	-	-	-	22,428,887	8	0.40%
Bay Point Hotel Associates	-	-	-	16,450,239	10	0.29%
Total	\$ 1,140,245,970		6.35%	\$ 492,505,528		8.81%

Total Taxable Assessed Value 2008 17,969,498,000
Total Taxable Assessed Value 1999 5,591,436,000

Source: Bay County Property Appraiser

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
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%
2008	76,459,225	161,515	76,620,740	73,174,864	96%	379,860	73,554,724	96%

Source: Tax Collector's Office

State of Florida and Bay County
Total Historical Half-Cent Sales Tax Distributions
For Ten Year Period 1999-2008
(Unaudited)

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

Fiscal Year Ending	Total Distributions To Cities and Counties	Percentage Change	Total Distributions Bay County	Percentage Change
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%
2008	\$ 1,652,434,955	-6.65%	\$ 9,578,374	-4.70%

Source: Florida Department of Revenue

**Distribution of Half-Cent
Sales Tax in Bay County, Florida
For Ten Year Period 1999 - 2008
(Amounts in Thousands)
(Unaudited)**

Fiscal Year 1999 - 2008 distribution of Sales Tax Revenues is represented in the following chart.

Fiscal Year Ending	Distributions To The County	Percentage Of County to Total	Distributions To The Cities	Percentage Of Cities to Total
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%
2008	\$ 9,578,374	57%	\$ 7,283,820	43%

Source: Florida Department of Revenue

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Governmental Activities				
Revenue bonds	\$ 16,190,000	\$ 14,770,000	\$ 13,290,000	\$ 29,880,000
Capital leases	694,257	554,369	534,467	643,076
Notes payable	910,427	807,819	6,591,931	6,862,216
Total Governmental Activities	<u>17,794,684</u>	<u>16,132,188</u>	<u>20,416,398</u>	<u>37,385,292</u>
Business-type Activities				
Revenue bonds	\$ 75,207,959	\$ 105,262,005	\$ 103,674,310	\$ 99,764,967
Notes payable	13,505,181	16,128,833	16,053,027	15,522,266
Total Business-type Activities	<u>88,713,140</u>	<u>121,390,838</u>	<u>119,727,337</u>	<u>115,287,233</u>
Total Primary Government	<u>\$ 106,507,824</u>	<u>\$ 137,523,026</u>	<u>\$ 140,143,735</u>	<u>\$ 152,672,525</u>
Debt as a Percentage of Personal Income	3.1%	2.6%	2.6%	2.5%
Amount of Debt per Capita	\$ 713	\$ 608	\$ 643	\$ 645

*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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 36,100,000	\$ 33,610,000	\$ 30,835,000	\$ 66,190,000	\$ 63,950,000	\$ 90,810,191
750,190	757,759	301,748	1,011,596	982,910	867,670
<u>7,585,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>91,677,861</u>
\$ 97,801,087	\$ 95,744,707	\$ 93,512,439	\$ 91,652,333	\$ 89,669,727	\$ 91,930,734
<u>14,701,885</u>	<u>13,885,513</u>	<u>13,012,811</u>	<u>12,359,204</u>	<u>11,418,271</u>	<u>31,586,315</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>	<u>123,517,049</u>
<u>\$ 156,938,421</u>	<u>\$ 143,997,979</u>	<u>\$ 137,661,998</u>	<u>\$ 171,213,133</u>	<u>\$ 166,020,908</u>	<u>\$ 215,194,910</u>
2.6%	3.1%	3.6%	3.7%	*	*
\$ 699	\$ 900	\$ 1,083	\$ 1,173	*	*

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Water System Revenue Refunding Bonds				
Series 1997				
Revenue - sale of goods and services	\$ 7,147,504	\$ 9,199,931	\$ 9,600,588	\$ 9,384,080
Less: Operating expenses	<u>(3,010,926)</u>	<u>(3,104,938)</u>	<u>(3,346,549)</u>	<u>(4,431,741)</u>
Net available revenue	<u>\$ 4,136,578</u>	<u>\$ 6,094,993</u>	<u>\$ 6,254,039</u>	<u>\$ 4,952,339</u>
Debt service				
Principal	\$ 295,000	\$ 300,000	\$ 475,000	\$ 340,000
Interest	\$ 917,008	\$ 905,503	\$ 893,603	\$ 874,028
Coverage*	3.4	5.1	4.6	4.1
Water System Revenue Bonds				
Series 2000				
Revenue - sale of goods and services	\$ 7,147,504	\$ 9,199,931	\$ 9,600,588	\$ 9,384,080
Less: Operating expenses	<u>(3,010,926)</u>	<u>(3,104,938)</u>	<u>(3,346,549)</u>	<u>(4,431,741)</u>
Net available revenue	<u>\$ 4,136,578</u>	<u>\$ 6,094,993</u>	<u>\$ 6,254,039</u>	<u>\$ 4,952,339</u>
Debt service				
Principal	\$ -	\$ 240,000	\$ 90,000	\$ 500,000
Interest	\$ -	\$ 970,249	\$ 2,094,315	\$ 2,090,535
Coverage*	N/A	5.0	2.9	1.9
Water System Revenue Bonds				
Series 2005				
Revenue - sale of goods and services	\$ 7,147,504	\$ 9,199,931	\$ 9,600,588	\$ 9,384,080
Less: Operating expenses	<u>(3,010,926)</u>	<u>(3,104,938)</u>	<u>(3,346,549)</u>	<u>(4,431,741)</u>
Net available revenue	<u>\$ 4,136,578</u>	<u>\$ 6,094,993</u>	<u>\$ 6,254,039</u>	<u>\$ 4,952,339</u>
Debt service				
Principal	\$ -			
Interest	\$ -			
Coverage*	N/A	N/A	N/A	N/A
Water System Revenue Bonds				
Series 2008 (Southport Water System)				
Revenue - sale of goods and services	\$ -	\$ -	\$ -	\$ -
Less: Operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net available revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
Utility System Bond Revenue Anticipation Notes				
Series 2007				
Revenue - sale of goods and services	\$ -	\$ -	\$ -	\$ -
Less: Operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net available revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A

Schedule 12
Continued

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 9,056,785	\$ 10,120,295	\$ 9,592,412	\$ 10,523,423	\$ 10,269,736	\$ 14,282,168
(4,362,444)	(4,746,910)	(4,995,463)	(5,232,544)	(6,643,470)	(6,928,970)
\$ 4,694,341	\$ 5,373,385	\$ 4,596,949	\$ 5,290,879	\$ 3,626,266	\$ 7,353,198
\$ 350,000	\$ 365,000	\$ 380,000	\$ 400,000	\$ 415,000	\$ 435,000
\$ 859,748	\$ 844,598	\$ 51,180	\$ 85,260	\$ 67,260	\$ 48,170
3.9	4.4	10.7	10.9	7.5	15.2
\$ 9,056,785	\$ 10,120,295	\$ 12,075,741	\$ 12,433,674	\$ 11,321,362	\$ 14,961,574
(4,362,444)	(4,746,910)	(4,995,463)	(5,232,544)	(6,643,470)	(6,928,970)
\$ 4,694,341	\$ 5,373,385	\$ 7,080,278	\$ 7,201,130	\$ 4,677,892	\$ 8,032,604
\$ 575,000	\$ 600,000	\$ 630,000	\$ 655,000	\$ 695,000	\$ 725,000
\$ 2,067,785	\$ 2,041,048	\$ 114,260	\$ 197,965	\$ 165,870	\$ 131,468
1.8	2.0	9.5	8.4	5.4	9.4
\$ 9,056,785	\$ 10,120,295	\$ 12,075,741	\$ 12,433,674	\$ 11,321,362	\$ 14,961,574
(4,362,444)	(4,746,910)	(4,995,463)	(5,232,544)	(6,643,470)	(6,928,970)
\$ 4,694,341	\$ 5,373,385	\$ 7,080,278	\$ 7,201,130	\$ 4,677,892	\$ 8,032,604
		\$ 135,000	\$ 105,000	\$ 110,000	\$ 115,000
		\$ 631,907	\$ 2,226,210	\$ 2,223,060	\$ 2,219,760
N/A	N/A	9.2	3.1	2.0	3.4
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,362
-	-	-	-	-	(238,859)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,503
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,641
N/A	N/A	N/A	N/A	N/A	2.2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,362
-	-	-	-	-	(238,859)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,503
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A	N/A	N/A	N/A

Continued

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Solid Waste Sales Tax Revenue Bonds				
Series 1998				
Revenue - sale of goods and services	\$ 7,147,504	\$ 9,199,931	\$ 9,600,558	\$ 17,444,288
Less: Operating expenses	(3,010,926)	(3,104,938)	(3,346,549)	(4,431,741)
Net available revenue	\$ 4,136,578	\$ 6,094,993	\$ 6,254,009	\$ 13,012,547
Debt service				
Principal	\$ 1,640,000	\$ 1,180,000	\$ 1,215,000	\$ 1,260,000
Interest	\$ 1,546,547	\$ 2,012,863	\$ 1,973,923	\$ 1,931,398
Coverage*	1.3	1.9	2.0	4.1
Transportation Improvement Revenue				
Refunding Bonds, Series 2003				
Revenue - proceeds for the Local Option Gas Tax; First Second, Third and Fourth cents & Constitutional Gas Tax	\$ -	\$ -	\$ -	\$ 4,466,181
Less: Operating expenses	-	-	-	-
Net available revenue	\$ -	\$ -	\$ -	\$ 4,466,181
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
Sales Tax Revenue Refunding Bonds				
Series 2007				
Revenue - proceeds of the Local Government Half-cent Sales Tax	\$ -	\$ -	\$ -	\$ 8,060,208
Less: Operating expenses	-	-	-	-
Net available revenue	\$ -	\$ -	\$ -	\$ 8,060,208
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
Sales Tax Revenue Bonds				
Series 2002				
Revenue - proceeds of the Local Government Half-cent Sales Tax	\$ -	\$ -	\$ -	\$ 8,060,208
Less: Operating expenses	-	-	-	-
Net available revenue	\$ -	\$ -	\$ -	\$ 8,060,208
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ 289,230
Coverage*	N/A	N/A	N/A	27.9
Sales Tax Revenue Bonds				
Series 2006				
Revenue - proceeds of the Local Government Half-cent Sales Tax	\$ -	\$ -	\$ -	\$ 8,060,208
Less: Operating expenses	-	-	-	-
Net available revenue	\$ -	\$ -	\$ -	\$ 8,060,208
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
	N/A	N/A	N/A	N/A

*Coverage equals net available revenue divided by debt service.

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 17,480,753	\$ 19,088,969	\$ 21,765,199	\$ 22,500,461	\$ 21,207,527	\$ 20,933,279
(4,362,444)	(4,746,910)	(4,995,463)	(5,232,544)	(6,643,470)	(10,452,360)
<u>\$ 13,118,309</u>	<u>\$ 14,342,059</u>	<u>\$ 16,769,736</u>	<u>\$ 17,267,917</u>	<u>\$ 14,564,057</u>	<u>\$ 10,480,919</u>
\$ 1,305,000	\$ 1,350,000	\$ 1,400,000	\$ 1,455,000	\$ 1,510,000	\$ 1,570,000
\$ 1,886,038	\$ 1,838,731	\$ 1,788,106	\$ 1,734,906	\$ 1,678,525	\$ 1,619,635
4.1	4.5	5.3	5.4	4.6	3.3
\$ 4,381,910	\$ 4,621,314	\$ 4,775,518	\$ 4,514,177	\$ 4,493,927	\$ 4,333,986
-	-	-	-	-	-
<u>\$ 4,381,910</u>	<u>\$ 4,621,314</u>	<u>\$ 4,775,518</u>	<u>\$ 4,514,177</u>	<u>\$ 4,493,927</u>	<u>\$ 4,333,986</u>
\$ -	\$ 100,000	\$ 830,000	\$ 840,000	\$ 855,000	\$ 870,000
\$ 27,833	\$ 167,000	\$ 165,000	\$ 148,400	\$ 131,600	\$ 114,500
157.4	17.3	4.8	4.6	4.6	4.4
\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862
-	-	-	-	-	-
<u>\$ 8,423,968</u>	<u>\$ 8,968,674</u>	<u>\$ 9,689,458</u>	<u>\$ 10,066,787</u>	<u>\$ 9,886,165</u>	<u>\$ 9,503,862</u>
\$ -	\$ -	\$ -	\$ -	\$ 95,000	\$ 45,000
\$ -	\$ -	\$ -	\$ -	\$ 255,556	\$ 649,064
N/A	N/A	N/A	N/A	28.2	13.7
\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862
-	-	-	-	-	-
<u>\$ 8,423,968</u>	<u>\$ 8,968,674</u>	<u>\$ 9,689,458</u>	<u>\$ 10,066,787</u>	<u>\$ 9,886,165</u>	<u>\$ 9,503,862</u>
\$ 310,000	\$ 320,000	\$ 325,000	\$ 335,000	\$ 350,000	\$ 360,000
\$ 867,689	\$ 858,389	\$ 848,789	\$ 839,039	\$ 94,108	\$ 80,983
7.2	7.6	8.3	8.6	22.3	21.6
\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862
-	-	-	-	-	-
<u>\$ 8,423,968</u>	<u>\$ 8,968,674</u>	<u>\$ 9,689,458</u>	<u>\$ 10,066,787</u>	<u>\$ 9,886,165</u>	<u>\$ 9,503,862</u>
\$ -	\$ -	\$ -	\$ -	\$ 70,000	\$ 75,000
\$ -	\$ -	\$ -	\$ 260,241	\$ 1,873,735	\$ 1,870,585
N/A	N/A	N/A	38.7	5.1	4.9

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating Revenues	\$ 9,661,749	\$ 11,312,823	\$ 11,517,885	\$ 10,367,239	\$ 13,878,255
Interest	458,546	762,918	915,789	754,123	253,913
Other Revenue	-	-	-	200,000	150,000
Gross Revenues	\$ 10,120,295	\$ 12,075,741	\$ 12,433,674	\$ 11,321,362	\$ 14,282,168
Operating Expenses	\$ 4,746,910	\$ 4,995,463	\$ 5,232,544	\$ 6,643,470	\$ 6,928,970
Net Revenue	\$ 5,373,385	\$ 7,080,278	\$ 7,201,130	\$ 4,677,892	\$ 7,353,198
Debt Service 1997 Issue	1,209,697	1,027,068	485,260	482,260	483,170
Debt Service 2000 Issue	2,641,048	2,196,541	852,965	860,870	856,468
Debt Service 2005 Issue	-	759,375	2,331,210	2,333,060	2,334,760
Advance from General Fund	-	-	-	-	252,566
Total Debt Service	\$ 3,850,745	\$ 3,982,984	\$ 3,669,435	\$ 3,676,190	\$ 3,926,964
Coverage Factor	1.395	1.778	1.962	1.272	1.872

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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Half-Cent Sales Tax Receipts (1)	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862
Series 1998 Bond (2)	\$ 3,194,875	\$ 3,194,875	\$ 3,194,875	\$ 3,194,875	\$ 3,194,875
Series 2002 Bond (3)	1,178,701	1,178,701	1,178,701	445,495	445,495
Series 2006 Bond (4)	-	-	5,134,488	5,134,488	5,134,488
Series 2007 Bond (5)	-	-	-	1,141,450	1,141,450
Total Maximum Annual Debt Service	\$ 4,373,576	\$ 4,373,576	\$ 9,508,064	\$ 9,916,308	\$ 9,916,308
Coverage of Maximum Annual Debt Service by Sales Tax Revenues	2.05	2.22	1.06	1.00	0.96

(1) **Source:** Bay County Finance Department.

(2) Maximum debt service is in year 2023

(3) Maximum debt service is in year 2011. Partially refunded by Series 2007 Bond.

(4) Maximum debt service is in year 2030

(5) Maximum debt service is in year 2018

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

Year	Estimated Population	Personal Income (1)	Per Capita Personal Income (2)	Unemployment Rate (3)
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	25,425	5.9%
2003	154,827	4,119,403	26,624	5.4%
2004	158,437	4,523,549	28,656	4.5%
2005	161,721	4,909,000	30,378	3.6%
2006	165,515	5,267,111	32,081	3.2%
2007	167,631	*	*	3.7%
2008	169,307	*	*	*

* Information not yet available

(1) In thousands of dollars. 2004-2005 data revised.

(2) 2002-2005 data revised.

(3) 2006 data revised.

Source: *Florida Statistical Abstract 2008*

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

<u>Employer</u>	2008			1999		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Tyndall Air Force Base	5,191	1	5.94%	6,461	1	9.88%
Naval Support Activity	3,816	2	4.37%	2,081	3	3.18%
Bay District Schools	3,370	3	3.86%	4,886	2	7.47%
Bay Medical Center	1,991	4	2.28%	1,947	4	2.98%
Wal-Mart	1,240	5	1.42%	-	-	-
Eastern Shipbuilding	793	6	0.91%	-	-	-
Sallie Mae	700	7	0.80%	737	6	1.13%
Gulf Coast Medical Center	621	8	0.71%	750	7	1.15%
Trane Manufacturing Corp.	506	9	0.58%	-	-	-
Smurfit-Stone Container	400	10	0.46%	600	8	0.92%
Paradise Found Resort & Hotel	-	-	-	800	5	1.22%
Gulf Coast Community College	-	-	-	370	9	0.57%
BellSouth	-	-	-	295	10	0.45%
	<u>18,628</u>		<u>21.32%</u>	<u>18,262</u>		<u>27.93%</u>
Total Bay County Labor Force	<u><u>87,388</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)

<u>Function/Program</u>	Full-time Equivalent Employees as of December 31									
	<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>	<u>2008</u>
General Government	56	53	61	67	64	62	59	63	74	71
Public Safety	51	62	71	77	86	92	99	109	123	122
Physical Environment	86	93	99	101	114	112	109	111	118	126
Transportation	115	122	122	125	120	118	121	124	128	118
Economic Environment	1	3	3	3	2	2	2	3	2	2
Human Services	7	7	9	10	10	10	9	10	9	12
Culture/Recreation	20	19	17	18	18	18	18	20	81	81
Judicial System	11	11	11	11	11	9	10	9	9	9
Total	<u>347</u>	<u>370</u>	<u>393</u>	<u>412</u>	<u>425</u>	<u>423</u>	<u>427</u>	<u>449</u>	<u>544</u>	<u>541</u>

Source: County personnel department

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

<u>Function/Program</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>	<u>2008</u>
General Government										
Assessed properties	89,131	90,617	92,173	93,478	95,709	98,044	103,104	107,007	110,279	112,624
Court cases:										
Circuit Criminal	3,147	3,753	3,886	4,719	5,230	4,718	4,461	4,449	4,846	4,510
County Criminal	10,118	10,760	11,547	12,554	12,522	12,153	9,824	8,882	11,882	9,971
Public Safety										
E-911 calls	88,031	112,108	100,000	105,000	108,846	115,000	113,548	118,000	124,977	116,149
Building permits issued**										
Commercial	*	139	293	352	393	345	435	274	256	231
Residential	*	479	1,263	1,576	1,421	2,192	2,213	1,424	1,018	820
Physical Environment										
Landfill and Incinerator Collections	209,527	209,939	214,185	220,965	219,413	213,468	223,462	237,825	238,506	248,820
Transportation										
Roads miles maintained	705.50	710.20	709.20	710.40	712.67	714.79	711.25	712.72	712.07	712.87
Economic Environment										
Tourist Development Tax Registrants	225	264	298	344	394	500	632	843	1109	1,582
Human Services										
Baker Act admissions	271	236	302	279	279	328	377	348	372	455

* Information not available

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

Sources: County finance office and individual county departments

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

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public Safety					
Correction facility capacities	662	662	662	662	1,098
Fire stations	13	13	13	13	13
Culture & Recreation					
Parks	29	30	30	30	26
Park acreage	378	413	413	413	302
Boat ramps	19	19	19	19	19
Transportation					
Road miles	714.79	711.25	712.72	712.07	712.87
Bridges	14	14	14	14	14
Traffic signals	18	18	18	17	16
Physical Environment					
Water mains (miles)	*	*	105	108	147

*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, 2008, and have issued our report thereon dated March 25, 2009.

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 25, 2009, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1.), Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. All but the following prior year findings were corrected:

Property Appraiser

- 07-01. The Bay County Property Appraiser was not in compliance with Section 193.023(2), Florida Statutes, which requires the property appraiser 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. Current year audit procedures determined that there are still several parcels of real property that have not been inspected physically within the last five fiscal years.

Tax Collector

- 07-01. Certain types of adjustments were required that reflect corrections of material misstatements not initially identified in the Tax Collector's internal controls. Current year audit procedures also required adjustments that reflect corrections of material misstatements.

Sheriff

- 07-03. Several capital assets were not included as additions during the year. Some of these assets were located in special revenue funds. Current year audit procedures also located assets that were not included as additions.

Section 10.554(1)(i)2., Rules of the Auditor General requires our audit to include 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.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations to improve financial management. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, contracts or grant agreements, or abuse that have occurred, or were likely to have occurred, (2) 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 annual financial statements); (b) failures to properly record financial transactions; and (c) 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

- 08-01. (Prior Year 7-01) 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.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement 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.

Section 10.554(1)(h)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Bay County, Florida for the fiscal year ended September 30, 2008, 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, 2008. In connection with our audit, we determined that these reports were in agreement.

Pursuant to Sections 10.554(h)7.c. and 10.556(7), Rules of the Auditor General, 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the management of Bay County, 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 25, 2009

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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, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 25, 2009. 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 opinion on the basic financial statements and not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's 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 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 in the Schedule of Findings and Questioned Costs to be 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.

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

Panama City, Florida
March 25, 2009

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, 2008. The County's major federal programs and state projects are identified in the summary of auditor's 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, 2008.

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.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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 25, 2009

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2008

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:

CFDA Number

Name of Federal Agency/Program

20.205

U.S Department of Transportation

Florida Department of Transportation

10.760

U. S Department of Agriculture

U.S. Department of Health and Human Services

93.563

Florida Department of Revenue

U.S. Department of Justice

16.738

Florida Department of Law Enforcement

Federal Emergency Management Administration

97.036

Florida Department of Community Affairs

(Continued)

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2008

<u>CSFA Number</u>	<u>Name of State Agency/Projects</u>
	Florida Department of Transportation
55.026	Transportation Regional Incentive Program
55.013	Transit Corridor Program
	Northwest Florida Water Management District
37.022	Water Management Districts-Land Acquisitions
37.066	Water Protection and Sustainability Program
	Florida Department of State
45.030	State Aid Library Grant
	Department of Community Affairs
52.037	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

Clerk of the Circuit Court

08-01. Certain bank accounts were not reconciled in a timely manner.

Management's Response

Procedures are currently being implemented to assure that all bank accounts will be reconciled in a timely manner.

Tax Collector

08-01. (Prior Year 07-01) 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.

(Continued)

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2008

Sheriff

- 08-01. (Prior Year 07-03) 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 and her staff are implementing the review as recommended.

- 08-02. Adjustments are being made to the fixed asset listing amounts after year end closing, causing differences between fiscal years.

Recommendation

The property specialist must discontinue making changes to prior year information.

Management's Response

The property specialist will discontinue adjusting prior year asset information.

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, 2008

There were no prior year audit findings.

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2008

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSDA No.	Contract/ Grant No.	Expenditures
U.S. Department of Justice			
Passed through Florida Department of Law Enforcement			
School Resource Officer Program	16.738	2008-JAGC-BAY-3-Q9-029	\$ 65,825
Technical and Emergency Communications Upgrade	16.738	2007-DJ-BX-1228	17,651
Internet Crimes Against Children	16.738	ICAC/3	1,200
Emergency Notification System	16.738	2008-JAGC-BAY-10-M8-269	4,550
Radio System-Bay Schools	16.738	2008-JAGC-BAY-4-Q9-040	3,000
Repeat Offender ang Unit Enforcement	16.738	2008-JAGC-11-M8-272	25,000
Passed through State of Florida Office of Attorney General			
Victims of Crime Act	16.575	V7080	26,398
Total U.S. Department of Justice			<u>143,624</u>
Federal Election of Assistance Commission			
Passed through Florida Department of State and Secretary of State			
Pollworker Recruitment 06	90.401	----	1,400
Ballot on Demand	90.401	----	72,832
Federal Elections Activities	90.401	----	16,042
Voter Education Grant 07	39.011	----	5,428
Total Federal Election of Assistance Commission			<u>95,702</u>
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
Grand Lagoon Bridge	20.205	AN013	1,047,034
CR 390 at Transmitter Rd Construction Project	20.205	AOJ81	22,409
Blue Springs Road Bridge	20.205	AP089	303
CR 2331 Kingswood Road	20.205	AOP19	385,774
Merritt Brown Middle School Sidewalk Design	20.205	AOU69	23,556
Merritt Brown Middle School Sidewalk Construction	20.205	AP143	68,916
CR 2331 Drive Sidewalk Project Phase I	20.205	AOU86	995,740
Thomas Drive Sidewalk Project Phase II	20.205	AP310	47,386
CR 390 Widening	20.205	AOM66	603,603
Advance Warning Program	21.600	AP284	51,756
Aggressive Driving Reduction Program	21.600	AOY97	39,604
Total U.S. Department of Transportation			<u>3,286,081</u>
U.S. Department of Agriculture			
Water and Waste Disposal Systems Loans for Rural Communities	10.760	----	<u>2,526,734</u>
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs			
State Homeland Security Grant Program	97.067	07-DS-5N-01-1-301-465	18,487
State Homeland Security Grant Program	97.067	06-DS-3W-01-13-01-348	42,153
Disaster Relief Funding	97.036	06-DN-@G-01-13-02-553	73,063
Disaster Relief Funding	97.036	05-PA-G-01-13-01-623	103,395
Emergency Management Performance Grant	97.042	08-BG-24-01-13-01-257	35,595
Passed through Florida Department of Law Enforcement			
Sustainment of Specialty Teams	97.004	2007-SHSP-BAY-2-Q5-002	1,340
Passed through Florida Department of Financial Services			
State Homeland Security Grant Program	97.073	07-DS-5N-13-00-16-217	38,412
Total U.S. Department of Homeland Security			<u>312,445</u>
U.S. Department of Health and Human Services			
Passed through Florida Department of Community Affairs			
Community Service Block Grant	93.569	08SB-5I-12-00-01-001	173,353
Passed through Florida Department of Revenue			
Child Support Enforcement	93.563	CC303	183,305
Child Support Enforcement	93.563	CD303	19,986
Total U.S. Department of Health and Human Services			<u>376,644</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,741,230</u>

(Continued)

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2008

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSDA No.	Contract/ Grant No.	Expenditures
<u>STATE OF FLORIDA</u>			
Department of Juvenile Justice			
Drug Court	20.013	----	\$ 31,620
Total Department of Juvenile Justice			<u>31,620</u>
Department of Corrections			
Drug Court	20.013	----	<u>18,913</u>
Total Department of Corrections			<u>18,913</u>
Department of Environmental Protection			
Panama City Beach Renourishment Project	37.003	05BA2	23,029
Panama City Beach Renourishment Project	37.003	07BA2	<u>69,968</u>
Total Department of Environmental Protection			<u>92,997</u>
Department of Health			
Emergency Medical Services	52.008	-----	<u>58,938</u>
Total Department of Health			<u>58,938</u>
Department of Agriculture and Consumer Services			
Mosquito Control	42.003	----	<u>18,829</u>
Total Department of Agriculture and Consumer Services			<u>18,829</u>
Department of Community Affairs			
County Emergency Management Enhancements	52.008	08-BG-24-01-13-01-257	102,959
Emergency Operations Building	52.037	06-CP-4Y-01-13-01-210	3,029,497
Disaster Relief Funding	52.600	05-PA-G=01-13-01-623	<u>6,348</u>
Total Department of Community Affairs			<u>3,138,804</u>
Department of State and Secretary of State			
Public Library Construction	45.020	06-SP-01	975,250
Public Library Construction	45.020	08-PLC-03	500,000
State Aid to Library Grant	45.030	08-ST-45	23,823
State Aid to Library Grant	45.030	08-ST-46	66,504
State Aid to Library Grant	45.030	08-ST-47	32,567
State Aid to Library Grant	45.030	08-ST-44	<u>270,005</u>
Total Department of State and Secretary of State			<u>1,868,149</u>
Department of Transportation			
Baldwin Road CR 2312 Design Build	55.026	AOM95	1,000,000
Traffic Operations and Maintenance	55.013	AP707	38,080
Traffic Signals Grant	55.013	AOS05	<u>221,292</u>
Total Department of Transportation			<u>1,259,372</u>
Department Law Enforcement			
Violent Crime and Drug Control	71.005	-----	<u>10,896</u>
Total Department of Law Enforcement			<u>10,896</u>
Northwest Florida Water Management District			
Groundwater and Aquifer Testing	37.066	08-033	150,000
Deer Point Lake Dirt Road Stabilization	37.022	-----	149,603
Lake Powell Stormwater	37.022	06-045	<u>214,755</u>
Total Northwest Florida Water Management District			<u>514,358</u>
Florida Housing Finance Corporation			
State Housing Initiatives Partnership Program	52.901	-----	<u>725,592</u>
Total Florida Housing Finance Corporation			<u>725,592</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 7,738,468</u>

Notes to Schedule

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

FINANCIAL STATEMENTS AND COMPLIANCE REPORTS
BAY COUNTY CONSTITUTIONAL OFFICERS

BAY COUNTY, FLORIDA

September 30, 2008

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, 2008
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**SUPERVISOR OF
ELECTIONS**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special-purpose financial statements of the Bay County Supervisor of Elections as of and for the year ended September 30, 2008, 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, 2008, 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 25, 2009 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.

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

Panama City, Florida
March 25, 2009

Bay County Supervisor of Elections
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2008

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 101,447
Prepays	<u> 1,512</u>
Total assets	<u><u>\$ 102,959</u></u>
 LIABILITIES	
Accounts payable and accrued liabilities	\$ 71,206
Due to other governments	5,944
Deferred revenue	<u> 25,809</u>
Total liabilities	<u> 102,959</u>
 FUND BALANCE	
Unreserved	<u> -</u>
 Total liabilities and fund balance	<u><u>\$ 102,959</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
Governmental Fund
Year Ended September 30, 2008

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 90,212
Charges for services	119,329
Interest	<u>10,780</u>
Total revenues	<u>220,321</u>
EXPENDITURES	
Current	
General government	<u>1,541,068</u>
Total expenditures	<u>1,541,068</u>
Excess (deficit) of expenditures over (under) revenues	<u>(1,320,747)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	1,326,130
Transfer out/return of excess fees	<u>(5,383)</u>
Total other financing sources (uses)	<u>1,320,747</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 121,466	\$ 90,212	\$ (31,254)
Charges for services	2,500	117,353	119,329	1,976
Interest	-	-	10,780	10,780
Total revenues	<u>2,500</u>	<u>238,819</u>	<u>220,321</u>	<u>(18,498)</u>
EXPENDITURES				
Current				
General government	<u>1,328,630</u>	<u>1,564,949</u>	<u>1,541,068</u>	<u>23,881</u>
Total expenditures	<u>1,328,630</u>	<u>1,564,949</u>	<u>1,541,068</u>	<u>23,881</u>
Excess (deficit) of expenditures over (under) revenues	<u>(1,326,130)</u>	<u>(1,326,130)</u>	<u>(1,320,747)</u>	<u>5,383</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,326,130	1,326,130	1,326,130	-
Transfer out/return of excess fees	-	-	(5,383)	(5,383)
Total other financing sources (uses)	<u>1,326,130</u>	<u>1,326,130</u>	<u>1,320,747</u>	<u>(5,383)</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, 2008

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, 2008

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, 2008

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, 2008, 2007 and 2006 were \$49,425, \$44,712, and \$37,389, 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, 2008, and have issued our report thereon dated March 25, 2009.

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 25, 2009, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports:

The Rules of the Auditor General (Section 10.554(1)(i)1.) require that we determine whether or not corrective actions have been taken to address 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.

The Rules of the Auditor General (Section 10.554(1)(i)2.) requires our audit to include 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. 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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. 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)5.) provides, that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, (2) 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) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any findings.

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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of 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 25, 2009

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, 2008, and have issued our report thereon dated March 25, 2009. 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.

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

Panama City, Florida
March 25, 2009

**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, 2008, 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, 2008, 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 25, 2009 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.

Carly Riggs & Ingram, L.L.C.

Panama City, Florida
March 25, 2009

Bay County Clerk of Circuit Court
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Court Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 820,065	\$ 990,801	\$ 1,199,078	\$ 3,009,944
Investments	12,080	-	-	12,080
Accounts receivable, net	59,263	13,854	-	73,117
Total assets	<u>\$ 891,408</u>	<u>\$ 1,004,655</u>	<u>\$ 1,199,078</u>	<u>\$ 3,095,141</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 115,000	\$ 206,544	\$ 147,840	\$ 469,384
Deferred revenue	8,863	-	-	8,863
Due to state-bond estreature	-	265,915	-	265,915
Due to other governments	767,545	532,196	-	1,299,741
Total liabilities	<u>891,408</u>	<u>1,004,655</u>	<u>147,840</u>	<u>2,043,903</u>
FUND BALANCE				
Unreserved	<u>-</u>	<u>-</u>	<u>1,051,238</u>	<u>1,051,238</u>
Total liabilities and fund balance	<u>\$ 891,408</u>	<u>\$ 1,004,655</u>	<u>\$ 1,199,078</u>	<u>\$ 3,095,141</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, 2008

	General Fund	Court Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 203,291	\$ -	\$ -	\$ 203,291
Charges for services	1,305,559	5,397,056	528,869	7,231,484
Miscellaneous	85,445	-	17,144	102,589
Total revenues	<u>1,594,295</u>	<u>5,397,056</u>	<u>546,013</u>	<u>7,537,364</u>
EXPENDITURES				
General government	<u>2,324,307</u>	<u>4,864,860</u>	<u>1,644,604</u>	<u>8,833,771</u>
Total expenditures	<u>2,324,307</u>	<u>4,864,860</u>	<u>1,644,604</u>	<u>8,833,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(730,012)</u>	<u>532,196</u>	<u>(1,098,591)</u>	<u>(1,296,407)</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,112,565	-	-	1,112,565
Transfer out/return of excess fees	(382,553)	-	-	(382,553)
Transfer out/return of excess fees to State of Florida	-	(532,196)	-	(532,196)
Total other financing sources (uses)	<u>730,012</u>	<u>(532,196)</u>	<u>-</u>	<u>197,816</u>
Net change in fund balance	-	-	(1,098,591)	(1,098,591)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>2,149,829</u>	<u>2,149,829</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,051,238</u>	<u>\$ 1,051,238</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
General Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 225,000	\$ 225,000	\$ 203,291	\$ (21,709)
Charges for services	1,761,870	1,761,870	1,305,559	(456,311)
Miscellaneous	50,200	50,200	85,445	35,245
Total revenues	<u>2,037,070</u>	<u>2,037,070</u>	<u>1,594,295</u>	<u>(442,775)</u>
EXPENDITURES				
General government	<u>3,137,761</u>	<u>3,137,761</u>	<u>2,324,307</u>	<u>813,454</u>
Total expenditures	<u>3,137,761</u>	<u>3,137,761</u>	<u>2,324,307</u>	<u>813,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,100,691)</u>	<u>(1,100,691)</u>	<u>(730,012)</u>	<u>370,679</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,100,691	1,100,691	1,112,565	11,874
Transfer out/return of excess fees	-	-	(382,553)	(382,553)
Total other financing sources (uses)	<u>1,100,691</u>	<u>1,100,691</u>	<u>730,012</u>	<u>(370,679)</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, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 5,224,650	\$ 5,224,650	\$ 5,397,056	\$ 172,406
Total revenues	<u>5,224,650</u>	<u>5,224,650</u>	<u>5,397,056</u>	<u>172,406</u>
EXPENDITURES				
General government	<u>5,224,650</u>	<u>5,224,650</u>	<u>4,864,860</u>	<u>359,790</u>
Total expenditures	<u>5,224,650</u>	<u>5,224,650</u>	<u>4,864,860</u>	<u>359,790</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>532,196</u>	<u>532,196</u>
OTHER FINANCING SOURCES (USES)				
Transfer out/return of excess fees to State of Florida	<u>-</u>	<u>-</u>	<u>(532,196)</u>	<u>(532,196)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(532,196)</u>	<u>(532,196)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Clerk of Circuit Court
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2008

ASSETS

Cash and cash equivalents	\$ 5,233,609
Total assets	<u>\$ 5,233,609</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,032,305
Due to other governments	<u>4,201,304</u>
Total liabilities	<u>\$ 5,233,609</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, 2008

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, 2008

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

Bay County Clerk of Circuit Court
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

their accrued sick leave balance up to a maximum of 240 hours. Governmental fund types accrue benefits in the period they are earned; however, only the current portion of the accrued benefits is recorded in the governmental fund types. The long-term portion is recorded in the long-term liabilities of the Board of County Commissioners.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposit Policies – The Clerk considers all highly liquid investments with an original maturity of three month or less to be cash equivalents.

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

Investment Policies – Florida Statutes, Section 218.415, authorizes the Clerk 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.

Bay County Clerk of Circuit Court
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

At September 30, 2008, the Clerk had investments for general and agency funds in the amount of \$12,080 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.

Investments are stated at fair value in accordance with GASB 31. GASB 31 outlines the two options for accounting and reporting for money market investment pools as either “2a-7 like” or fluctuating net asset value (“NAV”). GASB 31 describes a “2a-7 like” pool as an “external investment pool that is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1 per share, provided that such funds meet certain conditions. The LGIP is considered to be a SEC 2a-7 like fund and therefore shown at share value. In addition, the Clerk invests funds in Fund B Surplus Trust Fund, which is also administered by the Florida State Board of Administration. The Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2008 was 0.798385. The Fund B is annually certified for compliance with the requirements of Florida law by the Board of Trustees of the SBA. The Board of Trustees of the SBA consists of the Governor, the Chief Financial Officer, and the Attorney General.

Custodial Credit Risk of Investments – Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Clerk will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The Clerk’s investments are excluded from the definition of custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average days to maturity of the LGIP at September 30, 2008 was 8.5 days. The weighted average life of Fund B at September 30, 2008 was 9.36 years.

Concentration of Credit Risk – At September 30, 2008, the Clerk did not hold any investments that were considered to be a concentration of credit risk.

Bay County Clerk of Circuit Court
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2008, the Clerk's investments consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Credit Rating*</u>
State Board of Administration Investments:			
Local government surplus funds trust fund (LGIP)	\$ 8,911	\$ 8,911	AAAm
Fund B	<u>3,169</u>	<u>3,169</u>	*
Total investments	<u>\$ 12,080</u>	<u>\$ 12,080</u>	

* Fund B is not rated by any nationally recognized statistical rating agency.

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2008, accounts receivable, net is summarized as follows:

Total accounts receivable	\$73,117
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$73,117</u>

The Clerk considers all amounts collectible, therefore there is no provision for doubtful accounts at September 30, 2008.

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.

Bay County Clerk of Circuit Court
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2008, 2007 and 2006 were \$413,675, \$392,640, and \$303,877, respectively, and all are equal to the required contributions for each year.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Clerk leased office, parking space, and storage facilities during the year ended September 30, 2008. The first lease for office and parking space includes a thirty six month lease ending September 30, 2010 that includes an annual escalation clause based on the Bureau of Labor Statistic's Consumer Price Index for All Consumers. A second lease for parking space is a one year lease with two one year renewal options.

The future minimum rental payments, as determined by the base rental payments under these operating leases, are as follows:

Year Ending	
<u>September 30,</u>	
2009	\$ 58,944
2010	<u>58,944</u>
Total	<u>\$117,888</u>

Total rental and lease expense for the year ended September 30, 2008 totaled \$89,045.

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NONMAJOR GOVERNMENTAL FUNDS

Bay County Clerk of Circuit Court
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

	<u>10/6/3</u>	<u>Family Mediation</u>	<u>Records Modernization - Records</u>	<u>Records Modernization - Court</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 92,877	\$ 26,726	\$ 630,623	\$ 448,852	\$ 1,199,078
Total assets	<u>\$ 92,877</u>	<u>\$ 26,726</u>	<u>\$ 630,623</u>	<u>\$ 448,852</u>	<u>\$ 1,199,078</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued liabilities	\$ 351	\$ 2,950	\$ 10,180	\$ 134,359	\$ 147,840
Total liabilities	<u>351</u>	<u>2,950</u>	<u>10,180</u>	<u>134,359</u>	<u>147,840</u>
Fund balance					
Unreserved	92,526	23,776	620,443	314,493	1,051,238
Total fund balance	<u>92,526</u>	<u>23,776</u>	<u>620,443</u>	<u>314,493</u>	<u>1,051,238</u>
Total liabilities and fund balance	<u>\$ 92,877</u>	<u>\$ 26,726</u>	<u>\$ 630,623</u>	<u>\$ 448,852</u>	<u>\$ 1,199,078</u>

Bay County Clerk of Circuit Court
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2008

	<u>10/6/3</u>	<u>Family Mediation</u>	<u>Records Modernization - Records</u>	<u>Records Modernization - Court</u>	<u>Total</u>
REVENUES					
Charges for services	\$ -	\$ -	\$ 396,336	\$ 132,533	\$ 528,869
Miscellaneous	<u>11,364</u>	<u>285</u>	<u>4,435</u>	<u>1,060</u>	<u>17,144</u>
Total revenues	<u>11,364</u>	<u>285</u>	<u>400,771</u>	<u>133,593</u>	<u>546,013</u>
EXPENDITURES					
Current					
General government	<u>349,584</u>	<u>19,300</u>	<u>638,288</u>	<u>637,432</u>	<u>1,644,604</u>
Total expenditures	<u>349,584</u>	<u>19,300</u>	<u>638,288</u>	<u>637,432</u>	<u>1,644,604</u>
Deficiency of revenues under expenditures	(338,220)	(19,015)	(237,517)	(503,839)	(1,098,591)
Fund balance - beginning	<u>430,746</u>	<u>42,791</u>	<u>857,960</u>	<u>818,332</u>	<u>2,149,829</u>
Fund balance - ending	<u>\$ 92,526</u>	<u>\$ 23,776</u>	<u>\$ 620,443</u>	<u>\$ 314,493</u>	<u>\$ 1,051,238</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, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 1,818,245	\$30,012,373	\$30,265,144	\$ 1,565,474
Total assets	<u>\$ 1,818,245</u>	<u>\$30,012,373</u>	<u>\$30,265,144</u>	<u>\$ 1,565,474</u>
LIABILITIES				
Due to other governments	\$ 1,818,245	\$30,012,373	\$30,265,144	\$ 1,565,474
Total liabilities	<u>\$ 1,818,245</u>	<u>\$30,012,373</u>	<u>\$30,265,144</u>	<u>\$ 1,565,474</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 37,456	\$ 93,134	\$ 111,662	\$ 18,928
Total assets	<u>\$ 37,456</u>	<u>\$ 93,134</u>	<u>\$ 111,662</u>	<u>\$ 18,928</u>
LIABILITIES				
Due to other governments	\$ 37,456	\$ 93,134	\$ 111,662	\$ 18,928
Total liabilities	<u>\$ 37,456</u>	<u>\$ 93,134</u>	<u>\$ 111,662</u>	<u>\$ 18,928</u>
TAX DEED				
ASSETS				
Cash and cash equivalents	\$ 100,703	\$ 559,229	\$ 454,032	\$ 205,900
Total assets	<u>\$ 100,703</u>	<u>\$ 559,229</u>	<u>\$ 454,032</u>	<u>\$ 205,900</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	\$ 100,703	\$ 559,229	\$ 454,032	\$ 205,900
Total liabilities	<u>\$ 100,703</u>	<u>\$ 559,229</u>	<u>\$ 454,032</u>	<u>\$ 205,900</u>

(Continued)

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds (Continued)
Year Ended September 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 4,260	\$ 1,048,831	\$ 1,038,303	\$ 14,788
Total assets	<u>\$ 4,260</u>	<u>\$ 1,048,831</u>	<u>\$ 1,038,303</u>	<u>\$ 14,788</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,260	\$ 1,048,831	\$ 1,038,303	\$ 14,788
Total liabilities	<u>\$ 4,260</u>	<u>\$ 1,048,831</u>	<u>\$ 1,038,303</u>	<u>\$ 14,788</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,365,740	\$ 5,274,865	\$ 5,846,938	\$ 793,667
Total assets	<u>\$ 1,365,740</u>	<u>\$ 5,274,865</u>	<u>\$ 5,846,938</u>	<u>\$ 793,667</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,365,740	\$ 5,274,865	\$ 5,846,938	\$ 793,667
Total liabilities	<u>\$ 1,365,740</u>	<u>\$ 5,274,865</u>	<u>\$ 5,846,938</u>	<u>\$ 793,667</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 903,984	\$ 4,202,534	\$ 2,489,616	\$ 2,616,902
Total assets	<u>\$ 903,984</u>	<u>\$ 4,202,534</u>	<u>\$ 2,489,616</u>	<u>\$ 2,616,902</u>
LIABILITIES				
Due to other governments	\$ 903,984	\$ 4,202,534	\$ 2,489,616	\$ 2,616,902
Total liabilities	<u>\$ 903,984</u>	<u>\$ 4,202,534</u>	<u>\$ 2,489,616</u>	<u>\$ 2,616,902</u>

(Continued)

Bay County Clerk of Circuit Court
Combining Statement of Changes
in Assets and Liabilities
All Agency Funds (Continued)
Year Ended September 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 7,189	\$ 259,897	\$ 249,136	\$ 17,950
Total assets	<u>\$ 7,189</u>	<u>\$ 259,897</u>	<u>\$ 249,136</u>	<u>\$ 17,950</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 7,189	\$ 259,897	\$ 249,136	\$ 17,950
Total liabilities	<u>\$ 7,189</u>	<u>\$ 259,897</u>	<u>\$ 249,136</u>	<u>\$ 17,950</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 4,237,577	\$ 41,450,863	\$ 40,454,831	\$ 5,233,609
Total assets	<u>\$ 4,237,577</u>	<u>\$ 41,450,863</u>	<u>\$ 40,454,831</u>	<u>\$ 5,233,609</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,477,892	\$ 7,142,822	\$ 7,588,409	\$ 1,032,305
Due to other governments	2,759,685	34,308,041	32,866,422	4,201,304
Total liabilities	<u>\$ 4,237,577</u>	<u>\$ 41,450,863</u>	<u>\$ 40,454,831</u>	<u>\$ 5,233,609</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, 2008, and have issued our report thereon dated March 25, 2009.

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 25, 2009, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports:

The Rules of the Auditor General (Section 10.554(1)(i)1.) require that we determine whether or not corrective actions have been taken to address 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.

The Rules of the Auditor General (Section 10.554(1)(i)2.) requires our audit to include 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 recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or likely to have occurred, that have an effect on the determination of financial statement amounts 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.) provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, (2) 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 did not have any such findings.

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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of 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 25, 2009

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, 2008, and have issued our report thereon dated March 25, 2009. 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.

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 Clerk's abilities 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's financial statements that is more than inconsequential will not be prevented or detected by the Clerk's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

08-01 Certain bank accounts were not reconciled in a timely manner.

Management's Response

Procedures are currently being implemented to assure that all bank accounts will be reconciled in a timely manner.

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'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 deficiencies described above are not 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*.

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

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

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 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 25, 2009

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**PROPERTY
APPRAISER**

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, 2008, 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, 2008, 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 25, 2009 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.

Carri Riggs & Ingram, L.L.C.

Panama City, Florida
March 25, 2009

Bay County Property Appraiser
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2008

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 3,987</u>
Total assets	<u><u>\$ 3,987</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 1,924
Due to other governments	<u>2,063</u>
Total liabilities	3,987
FUND BALANCE	
Unreserved	<u>-</u>
 Total liabilities and fund balance	 <u><u>\$ 3,987</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, 2008

	<u>General Fund</u>
REVENUES	
Charges for services	\$ 31,359
Interest income	9,453
Total revenues	<u>40,812</u>
EXPENDITURES	
Current	
General government	2,598,066
Debt service	
Principal retirement	35,622
Interest and fiscal charges	4,992
Total expenditures	<u>2,638,680</u>
Excess (deficit) of expenditures over (under) revenues	<u>(2,597,868)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	2,591,186
Transfer out/return of excess fees	(287)
Debt issued	6,969
Total other financing sources (uses)	<u>2,597,868</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, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 28,693	\$ 30,095	\$ 31,359	\$ 1,264
Interest income	-	-	9,453	9,453
Total revenues	<u>28,693</u>	<u>30,095</u>	<u>40,812</u>	<u>10,717</u>
EXPENDITURES				
Current				
General government	2,459,528	2,581,664	2,598,066	(16,402)
Debt service				
Principal retirement	34,808	34,808	35,622	(814)
Interest and fiscal charges	4,809	4,809	4,992	(183)
Total expenditures	<u>2,499,145</u>	<u>2,621,281</u>	<u>2,638,680</u>	<u>(17,399)</u>
Excess (deficit) of expenditures over (under) revenues	<u>(2,470,452)</u>	<u>(2,591,186)</u>	<u>(2,597,868)</u>	<u>(6,682)</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,470,452	2,591,186	2,591,186	-
Transfer out/return of excess fees	-	-	(287)	(287)
Debt issued	-	-	6,969	6,969
Total other financing sources (uses)	<u>2,470,452</u>	<u>2,591,186</u>	<u>2,597,868</u>	<u>6,682</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2008

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, 2008

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

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 2 – DEPOSITS (Continued)

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

NOTE 3 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2008:

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
Capital Leases Payable	\$ 102,324	\$ 6,969	\$ 35,622	\$ 73,671

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 \$169,795. The accumulated depreciation of these assets is 76,914. Total principal maturities are as follows:

Years Ended September 30,	
2009	\$ 40,294
2010	31,447
2011	5,470
2012	932
Total	78,143
Less: amount representing interest	(4,472)
Total	\$ 73,671

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, 2008

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, 2008, 2007 and 2006 were \$178,915, \$161,909, and \$139,229 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, 2008, and have issued our report thereon dated March 25, 2009.

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 25, 2009, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports:

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. In the preceding annual financial audit report we disclosed in finding 07-1, that the Bay County Property Appraiser was not in compliance with Section 193.023(2), Florida Statutes, which requires the property appraiser 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. Current year audit procedures determined that there are still several parcels of real property that have not been inspected physically within the last five fiscal years.

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 managements. 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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or likely to have occurred, that have an effect on the determination of financial statement amounts 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.) provides, that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, (2) 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) 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:

08-01. (Prior Year 07-01) Section 193.023(2), Florida Statutes states:

In making his 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 several 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 is in the process of inspecting the parcels. Management expects to be in compliance with this requirement in future years.

The Honorable Zane Spitzer
Bay County Property Appraiser
Page Three

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 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of 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 25, 2009

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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, 2008, and have issued our report thereon dated March 25, 2009. 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.

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 25, 2009.

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.

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

Panama City, Florida
March 25, 2009

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, 2008 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, 2008, and the results of her operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2009 on our consideration of the Bay County Tax Collector's internal control over financial

The Honorable Peggy Brannon
Bay County Tax Collector
Page Two

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.

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

Panama City, Florida
March 25, 2009

Bay County Tax Collector
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2008

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,166,940
Investments	4,477
Accounts receivable, net	<u>5,185</u>
Total assets	<u><u>\$ 3,176,602</u></u>
 LIABILITIES	
Due to other governments	<u>\$ 3,176,602</u>
Total liabilities	<u>3,176,602</u>
 FUND BALANCE	
Unreserved	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 3,176,602</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, 2008

	<u>General Fund</u>
REVENUES	
Charges for services	\$ 1,886,475
Total revenues	<u>1,886,475</u>
EXPENDITURES	
Current	
General government	2,531,074
Total expenditures	<u>2,531,074</u>
Excess (deficit) of expenditures over (under) revenues	<u>(644,599)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	3,776,217
Transfer out/ return of excess fees	<u>(3,131,618)</u>
Total other financing sources (uses)	<u>644,599</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,886,475	\$ 1,886,475
Total revenues	-	-	1,886,475	1,886,475
EXPENDITURES				
Current				
General government	2,630,105	3,776,217	2,531,074	1,245,143
Total expenditures	2,630,105	3,776,217	2,531,074	1,245,143
Excess (deficit) of expenditures over (under) revenues	(2,630,105)	(3,776,217)	(644,599)	3,131,618
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,630,105	3,776,217	3,776,217	-
Transfer out/ return of excess fees	-	-	(3,131,618)	(3,131,618)
Total other financing sources (uses)	2,630,105	3,776,217	644,599	(3,131,618)
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, 2008

ASSETS

Cash and cash equivalents	\$ 1,527,078
Investments	381,673
Accounts receivable, net	<u>20,375</u>
Total assets	<u><u>\$ 1,929,126</u></u>

LIABILITIES

Due to other governments	\$ 1,928,877
Due to others	<u>249</u>
Total liabilities	<u><u>\$ 1,929,126</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, 2008

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, 2008

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.

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 Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposit Policies – The Tax Collector considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

Investment Policies – Florida Statutes, Section 218.415, authorizes the Tax Collector 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.

At September 30, 2008, the Tax Collector had investments for general and agency funds in the amount of \$386,150 on deposit in a 2a-7 like pool, with the Florida State Board of Administration Local Government Surplus Funds Trust Fund (LGIP) which are stated at amortized cost.

Investments are stated at fair value in accordance with GASB 31. GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value ("NAV"). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1 per share, provided that such funds meet certain conditions. The LGIP is considered to be a SEC 2a-7 like fund and therefore shown at share value. In addition, the Tax Collector invests funds in Fund B Surplus Trust Fund, which is also administered by the Florida State Board of Administration. The Fund B is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2008 was 0.798385. The Fund B is annually certified for compliance with the requirements of Florida law by the Board of Trustees of the SBA. The Board of Trustees of the SBA consists of the Governor, the Chief Financial Officer, and the Attorney General.

Custodial Credit Risk of Investments – Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Tax Collector will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The Tax Collector's investments are excluded from the definition of custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average days to maturity of the LGIP at September 30, 2008 was 8.5 days. The weighted average life of Fund B at September 30, 2008 was 9.36 years.

Concentration of Credit Risk – At September 30, 2008, the Tax Collector did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2008, the Tax Collector's investments consisted of the following:

	Carrying Amount	Fair Value	Credit Rating*
State Board of Administration Investments:			
Local government surplus funds			
trust fund (LGIP)	\$ 290,304	\$ 290,304	AAAm
Fund B	95,846	95,846	*
Total investments	\$ 386,150	\$ 386,150	

* Fund B is not rated by any nationally recognized statistical rating agency.

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2008, accounts receivable, net, in the agency funds is summarized as follows:

Total accounts receivable	\$20,375
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$20,375</u>

The Tax Collector considers all amounts collectible, therefore there is no provision for doubtful accounts at September 30, 2008.

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 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Bay County Tax Collector contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 or by calling 850-414-6346.

Funding Policy – The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2008, 2007 and 2006 were \$158,935, \$154,200, and \$123,979, respectively, and are equal to the required contributions for each year.

AGENCY FUNDS

Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 385,702	\$ 393,723,893	\$ 392,598,087	\$ 1,511,508
Investments	1,538,487	-	1,156,814	381,673
Total assets	<u>\$ 1,924,189</u>	<u>\$ 393,723,893</u>	<u>\$ 393,754,901</u>	<u>\$ 1,893,181</u>
LIABILITIES				
Due to other governments	\$ 1,924,189	\$ 393,723,893	\$ 393,754,901	\$ 1,893,181
Total liabilities	<u>\$ 1,924,189</u>	<u>\$ 393,723,893</u>	<u>\$ 393,754,901</u>	<u>\$ 1,893,181</u>
TAX CERTIFICATE FUND				
ASSETS				
Cash and cash equivalents	\$ 2,714	\$ 12,982,041	\$ 12,984,506	\$ 249
Total assets	<u>\$ 2,714</u>	<u>\$ 12,982,041</u>	<u>\$ 12,984,506</u>	<u>\$ 249</u>
LIABILITIES				
Due to others	\$ 2,714	\$ 12,982,041	\$ 12,984,506	\$ 249
Total liabilities	<u>\$ 2,714</u>	<u>\$ 12,982,041</u>	<u>\$ 12,984,506</u>	<u>\$ 249</u>
TAG FUND				
ASSETS				
Cash and cash equivalents	\$ -	\$ 17,046,965	\$ 17,031,644	\$ 15,321
Accounts receivable, net	13,430	10,550	3,605	20,375
Total assets	<u>\$ 13,430</u>	<u>\$ 17,057,515</u>	<u>\$ 17,035,249</u>	<u>\$ 35,696</u>
LIABILITIES				
Bank overdraft	\$ 13,430	\$ -	\$ 13,430	\$ -
Due to other governments	-	17,057,515	17,021,819	35,696
Total liabilities	<u>\$ 13,430</u>	<u>\$ 17,057,515</u>	<u>\$ 17,035,249</u>	<u>\$ 35,696</u>

Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended September 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
TOTAL-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 388,416	\$ 423,752,899	\$ 422,614,237	\$ 1,527,078
Investments	1,538,487	-	1,156,814	381,673
Accounts receivable, net	13,430	10,550	3,605	20,375
Total assets	<u>\$ 1,940,333</u>	<u>\$ 423,763,449</u>	<u>\$ 423,774,656</u>	<u>\$ 1,929,126</u>
LIABILITIES				
Bank overdraft	\$ 13,430	\$ -	\$ 13,430	\$ -
Due to other governments	1,924,189	410,781,408	410,776,720	1,928,877
Due to others	2,714	12,982,041	12,984,506	249
Total liabilities	<u>\$ 1,940,333</u>	<u>\$ 423,763,449</u>	<u>\$ 423,774,656</u>	<u>\$ 1,929,126</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, 2008, and have issued our report thereon dated March 25, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's 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 25, 2009, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports:

The Rules of the Auditor General (Section 10.554(1)(i)1.) require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as follows. In the preceding annual financial audit report we disclosed in finding 07-1, that the Bay County Tax Collector's audit required certain types of adjustments that reflected corrections of material misstatements not initially identified in the Tax Collector's internal controls. While current year audit procedures found improvements, adjustments were still required to correct material misstatements.

The Rules of the Auditor General (Section 10.554(1)(i)2.) requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County Tax Collector complied with Section 218.415, Florida Statutes.

The Honorable Peggy Brannon
Bay County Tax Collector
Page Two

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

The Rules of the Auditor General (Section 10.554(1)(i)4.) require that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or likely to have occurred, that have an effect on the determination of financial statement amounts 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.) provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, (2) 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 did not have any findings 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of 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 25, 2009

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, 2008, and have issued our report thereon dated March 25, 2009. 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 internal control over financial reporting:

- 08-01. (Prior Year 07-01) 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

The Honorable Peggy Brannon
Bay County Tax Collector
Page Three

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 25, 2009

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SHERIFF

INDEPENDENT AUDITORS' REPORT

The Honorable Frank McKeithen
Bay County Sheriff
Bay County, Florida

We have audited the accompanying special-purpose financial statements of the Bay County Sheriff as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose 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 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 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, 2008, 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 25, 2009 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 25, 2009

Bay County Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 250,772	\$ 482,979	\$ 733,751
Accounts receivable, net	68,536	-	68,536
Prepays	137,433	-	137,433
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 456,741</u>	<u>\$ 482,979</u>	<u>\$ 939,720</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 107,681	\$ -	\$ 107,681
Due to other governments	155,239	-	155,239
Deferred revenue	193,821	-	193,821
Total liabilities	<u>456,741</u>	<u>-</u>	<u>456,741</u>
FUND BALANCE			
Unreserved	<u>-</u>	<u>482,979</u>	<u>482,979</u>
Total liabilities and fund balance	<u>\$ 456,741</u>	<u>\$ 482,979</u>	<u>\$ 939,720</u>

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

Bay County Sheriff
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental revenue	\$ 219,065	\$ 552,165	\$ 771,230
Interest income	70,909	3,228	74,137
Miscellaneous	40,183	-	40,183
Total revenues	<u>330,157</u>	<u>555,393</u>	<u>885,550</u>
EXPENDITURES			
Current			
Public safety	20,531,120	592,632	21,123,752
Debt service			
Principal retirement	627,224	-	627,224
Interest	45,832	-	45,832
Total expenditures	<u>21,204,176</u>	<u>592,632</u>	<u>21,796,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,874,019)</u>	<u>(37,239)</u>	<u>(20,911,258)</u>
OTHER FINANCING SOURCES (USES)			
Budget appropriations from			
Board of County Commissioners	20,382,705	-	20,382,705
Debt issuance	565,267	-	565,267
Proceeds from the sale of surplus assets	81,286	-	81,286
Transfer out/ return of excess fees	(155,239)	-	(155,239)
Total other financing sources (uses)	<u>20,874,019</u>	<u>-</u>	<u>20,874,019</u>
Net change in fund balance	-	(37,239)	(37,239)
Fund balance - beginning	<u>-</u>	<u>520,218</u>	<u>520,218</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 482,979</u>	<u>\$ 482,979</u>

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

Bay County Sheriff
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 92,223	\$ 207,743	\$ 219,065	\$ 11,322
Interest income	-	-	70,909	70,909
Miscellaneous	32,086	53,356	40,183	(13,173)
Total revenues	<u>124,309</u>	<u>261,099</u>	<u>330,157</u>	<u>69,058</u>
EXPENDITURES				
Current				
Public safety	19,746,001	19,970,748	19,965,853	4,895
Debt service				
Principal retirement	627,224	627,224	627,224	-
Interest and fiscal charges	45,832	45,832	45,832	-
Total expenditures	<u>20,419,057</u>	<u>20,643,804</u>	<u>20,638,909</u>	<u>4,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,294,748)</u>	<u>(20,382,705)</u>	<u>(20,308,752)</u>	<u>73,953</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	20,294,748	20,382,705	20,382,705	-
Proceeds from the sale of surplus assets	-	-	81,286	81,286
Transfer out/ return of excess fees	-	-	(155,239)	(155,239)
Total other financing sources (uses)	<u>20,294,748</u>	<u>20,382,705</u>	<u>20,308,752</u>	<u>(73,953)</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>

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 \$565,267 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, 2008

ASSETS

Cash and cash equivalents	\$ 1,200
Total assets	<u>\$ 1,200</u>

LIABILITIES

Accounts payable	\$ 1,200
Total liabilities	<u>\$ 1,200</u>

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

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2008

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.

Jail Fund – The Jail Fund is a new operating fund created to account for operations associated with the jail. The Sheriff did not officially take possession of the jail until after fiscal year end. However, the Bay County Board of County Commissioners made appropriations at the end of the fiscal year to allow the Sheriff to prepare for the turnover.

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.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 all firearms, regardless of cost, and assets with an initial, individual cost of \$750 or more and an estimated useful life in excess of one year. This policy was amended on August 25, 2008 to include all firearms, regardless of cost, and assets with an initial individual cost of \$1,000 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.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2008

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, NET

At September 30, 2008, accounts receivable, net is summarized as follows:

Total accounts receivable	\$68,536
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u><u>\$68,536</u></u>

The Sheriff considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2008.

NOTE 4 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2008 are summarized as follows:

	Balance September 30, 2007	Transfers	Increases	Decreases	Balance September 30, 2008
Vehicles, furniture and equipment	\$ 9,447,012	\$ 539,016	\$ 433,406	\$ 822,748	\$ 9,596,686
Property held under capital leases	<u>1,222,392</u>	<u>(539,016)</u>	<u>479,558</u>	<u>-</u>	<u>1,162,934</u>
Total	<u>\$ 10,669,404</u>	<u>\$ -</u>	<u>\$ 912,964</u>	<u>\$ 822,748</u>	<u>\$ 10,759,620</u>

Transfers include \$539,016 of property that is no longer held under capital lease and has been reclassified under vehicles, furniture and equipment.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2008:

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
Capital leases payable	\$ 843,442	\$ 565,267	\$ 627,224	\$ 781,485
Compensated absences	732,544	59,291	-	791,835
Total	<u>\$ 1,575,986</u>	<u>\$ 624,558</u>	<u>\$ 627,224</u>	<u>\$ 1,573,320</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 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 1,162,934. The accumulated depreciation of these assets is 209,881. Future minimum lease payments at September 30, 2008, are summarized as follows:

<u>Years Ending September 30,</u>	
2009	\$ 302,527
2010	281,942
2011	144,496
2012	<u>84,290</u>
Total	813,255
Less: amount representing interest	<u>(31,770)</u>
Principal balance	<u>\$ 781,485</u>

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

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2008

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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 anytime 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 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, 2008, 2007 and 2006 were \$2,108,306, \$2,009,377 and \$1,731,691, respectively, and are equal to the required contributions for each year.

NOTE 7 – SUBSEQUENT EVENTS

Bay County Jail Operations

The contract with Corrections Corporation of America, operator of the Jail, was not renewed in the fiscal year 2007-2008. Jail operations were transferred to the Bay County Sheriff's Office as of October 8, 2008.

NONMAJOR GOVERNMENTAL FUNDS

Bay County Sheriff
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

	Special Revenue		
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
ASSETS			
Cash and cash equivalents	\$ 10,282	\$ 416	\$ 11,040
Total Assets	<u>\$ 10,282</u>	<u>\$ 416</u>	<u>\$ 11,040</u>
LIABILITIES AND FUND BALANCE			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance			
Unreserved	<u>10,282</u>	<u>416</u>	<u>11,040</u>
Total fund balance	<u>10,282</u>	<u>416</u>	<u>11,040</u>
Total liabilities and fund balance	<u>\$ 10,282</u>	<u>\$ 416</u>	<u>\$ 11,040</u>

Special Revenue

Crime Prevention	Federal Seizure Account	Seizure Trust	Total
\$ 254,474	\$ 185,515	\$ 21,252	\$ 482,979
\$ 254,474	\$ 185,515	\$ 21,252	\$ 482,979
\$ -	\$ -	\$ -	\$ -
254,474	185,515	21,252	482,979
254,474	185,515	21,252	482,979
\$ 254,474	\$ 185,515	\$ 21,252	\$ 482,979

Bay County Sheriff
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2008

	Special Revenue		
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
REVENUES			
Intergovernmental	\$ 41,290	\$ 48,567	\$ 14,300
Miscellaneous	-	-	-
Total revenues	<u>41,290</u>	<u>48,567</u>	<u>14,300</u>
EXPENDITURES			
Current			
Public safety	<u>34,926</u>	<u>50,914</u>	<u>3,669</u>
Total expenditures	<u>34,926</u>	<u>50,914</u>	<u>3,669</u>
Net change in fund balance	6,364	(2,347)	10,631
Fund balance - beginning	<u>3,918</u>	<u>2,763</u>	<u>409</u>
Fund balance - ending	<u>\$ 10,282</u>	<u>\$ 416</u>	<u>\$ 11,040</u>

Special Revenue

Crime Prevention	Federal Seizure Account	Seizure Trust	Total
\$ 8,808	\$ 396,023	\$ 43,177	\$ 552,165
2,258	959	11	3,228
<u>11,066</u>	<u>396,982</u>	<u>43,188</u>	<u>555,393</u>
182,689	277,503	42,931	592,632
<u>182,689</u>	<u>277,503</u>	<u>42,931</u>	<u>592,632</u>
(171,623)	119,479	257	(37,239)
426,097	66,036	20,995	520,218
<u>\$ 254,474</u>	<u>\$ 185,515</u>	<u>\$ 21,252</u>	<u>\$ 482,979</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, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 99,806	\$ 99,806	\$ -
Total assets	<u>\$ -</u>	<u>\$ 99,806</u>	<u>\$ 99,806</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ -	\$ 99,806	\$ 99,806	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 99,806</u>	<u>\$ 99,806</u>	<u>\$ -</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 1,274	\$ 284,823	\$ 284,897	\$ 1,200
Total assets	<u>\$ 1,274</u>	<u>\$ 284,823</u>	<u>\$ 284,897</u>	<u>\$ 1,200</u>
LIABILITIES				
Accounts payable	\$ 1,274	\$ 284,823	\$ 284,897	\$ 1,200
Total liabilities	<u>\$ 1,274</u>	<u>\$ 284,823</u>	<u>\$ 284,897</u>	<u>\$ 1,200</u>

Bay County Sheriff
 Combining Statement of Changes in Assets and Liabilities
 All Agency Funds
 Year Ended September 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,274	\$ 384,629	\$ 384,703	\$ 1,200
Total assets	<u>\$ 1,274</u>	<u>\$ 384,629</u>	<u>\$ 384,703</u>	<u>\$ 1,200</u>
LIABILITIES				
Accounts payable	\$ 1,274	\$ 284,823	\$ 284,897	\$ 1,200
Due to other governments	-	99,806	99,806	-
Total liabilities	<u>\$ 1,274</u>	<u>\$ 384,629</u>	<u>\$ 384,703</u>	<u>\$ 1,200</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, 2008, and have issued our report thereon dated March 25, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's 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 25, 2009, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports:

The Rules of the Auditor General (Section 10.554(1)(i)1.) require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as follows. In the preceding annual financial audit report we disclosed in finding 07-3, that the Bay County Sheriff was not including all capital asset purchases in its property record additions during the year. While current year audit procedures found improvements in this area, there were still a significant number of purchases of capital assets not included as additions.

The Rules of the Auditor General (Section 10.554(1)(i)2.) requires our audit to include 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 Honorable Frank McKeithen
Bay County Sheriff
Page Two

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. 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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or likely to have occurred, that have an effect on the determination of financial statement amounts 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.) provides, that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, (2) 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) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any findings.

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.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the management, Bay County Sheriff, the Bay County Board of County Commissioners, the State of Florida Office of the Auditor General, and appropriate federal and state awarding agencies and 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 25, 2009

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, 2008, and have issued our report thereon dated March 25, 2009. 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:

- 08-01. (Prior Year 07-3) Several capital assets were not included as additions during the year. 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 and her staff is implementing the review as recommended.

- 08-02. Adjustments are being made to the fixed asset listing amounts after year end closing, causing differences between fiscal years.

Recommendation

The property specialist must discontinue making changes to prior year information.

Management's Response

The property specialist will discontinue adjusting prior year asset informations.

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.

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

The Honorable Frank McKeithen
Bay County Sheriff
Page Three

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.

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

Panama City, Florida
March 25, 2009

