

# Bay County FLORIDA

## *Comprehensive Annual Financial Report*

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**OF**  
**BAY COUNTY, FLORIDA**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**PREPARED BY THE OFFICE**  
**OF**  
**BILL KINSAUL**  
**CLERK OF COURT AND COMPTROLLER**

**JOSEPH ROGERS**  
**FINANCE OFFICER**

**BAY COUNTY, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009  
TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b>Page</b>
Letter of Transmittal	A-1
Location of Government	A-8
Listing of County Officials	A-10
Organizational Chart	A-13
Certificate of Achievement for Excellence in Financial Reporting	A-14
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report	B-1
Management's Discussion and Analysis	B-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	B-15
Statement of Activities	B-16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	B-18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	B-19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	B-20
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	B-21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Tourist Development Fund	B-22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Transportation Fund	B-23
Statement of Net Assets – Proprietary Funds	B-24
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	B-25
Statement of Cash Flows – Proprietary Funds	B-26

**BAY COUNTY, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009  
TABLE OF CONTENTS  
(Continued)**

	Page
Statement of Fiduciary Net Assets – Agency Funds	B-28
Notes to Basic Financial Statements	B-29
Required Supplementary Information:	
Schedule of Funding Progress for the Retiree’s Health Insurance Other Post Employment Benefits Plan	B-80
Schedule of Employer Contributions for the Retiree’s Health Insurance Other Post Employment Benefits Plan	B-80
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	B-84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	B-88
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Stormwater Management	B-92
Public Library	B-93
Public Safety	B-94
Intergovernmental Radio Communications	B-95
District Mosquito Control	B-96
MSTU Fire Protection	B-97
MSBU Fund	B-98
Utility Regulatory Authority	B-99
Court Fund	B-100
Combining Statement of Net Assets – Internal Service Funds	B-102
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	B-103
Combining Statement of Cash Flows – Internal Service Funds	B-104
Combining Statement of Fiduciary Net Assets – Fiduciary Funds	B-108
Combining Statement of Changes in Assets and Liabilities – Fiduciary Funds	B-112

**BAY COUNTY, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009  
TABLE OF CONTENTS  
(Continued)**

STATISTICAL SECTION	Page
Statistical Section Descriptions	C-1
Schedule 1 – Net Assets By Component – Last Eight Fiscal Years	C-2
Schedule 2 – Changes in Net Assets – Last Eight Fiscal Years	C-4
Schedule 3 – Fund Balance, Governmental Funds – Last Eight Fiscal Years	C-8
Schedule 4 – Changes in Fund Balance, Governmental Funds – Last Eight Fiscal Years	C-10
Schedule 5 – Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	C-12
Schedule 6 – Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	C-13
Schedule 7 – Principal Property Taxpayers – Current Year and Nine Years Ago	C-14
Schedule 8 – Property Tax Levies and Collections – Last Ten Fiscal Years	C-15
Schedule 9 – State of Florida and Bay County Total Historical Half Cent Sales Tax Distributions – For Ten Year Period 2000-2009	C-16
Schedule 10 – Distribution of Half-Cent Sales Tax in Bay County Florida – For Ten Year Period 2000-2009	C-17
Schedule 11 – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	C-18
Schedule 12 – Pledged Revenue Coverage – Last Ten Fiscal Years	C-20
Schedule 13 – Wholesale Water System Historical Revenues, Expenses and Debt Service Coverage – Last Seven Fiscal Years	C-24
Schedule 14 – Historical Coverage of Projected Maximum Annual Debt Service By Sales Tax Revenues – Last Seven Fiscal Years	C-26
Schedule 15 – Demographic and Economic Statistics – Last Ten Fiscal Years	C-27
Schedule 16 – Principal Employers – Current Year and Nine Years Ago	C-28
Schedule 17 – Full-time Equivalent County Employees by Function – Last Ten Fiscal Years	C-29
Schedule 18 – Operating Indicators by Function – Last Ten Fiscal Years	C-30
Schedule 19 – Capital Asset Statistics by Function – Last Eight Fiscal Years	C-31

**BAY COUNTY, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009  
TABLE OF CONTENTS  
(Continued)**

COMPLIANCE SECTION	Page
Independent Auditor's Management Letter	D-1
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	D-5
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	D-7
Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance	D-9
Summary of Schedule of Prior Year Audit Findings	D-12
Schedule of Expenditures of Federal Awards and State Financial Assistance	D-13

# **INTRODUCTORY SECTION**



March 26, 2010

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 Dan Sowell, 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, 2009. This report was prepared by the Division of Board Finance within the Office of the Clerk of Court & Comptroller. 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 and Comptroller 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's financial statements have been prepared 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, 2008, to September 30, 2009, 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 Court & Comptroller, 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 Court & Comptroller 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.

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 2009 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 122,000 square foot administration complex. The new administrative building has three stories of office space and will provide a central point of access for the various County functions to the citizens of Bay County.

Construction of a new 30,000 square foot Emergency Operations Center was also completed in the fall of 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 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 Utility Services department is in the process of conducting groundwater modeling to determine an alternate water supply in the West Bay Area of Bay County. 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.

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. The tourist development tax increased from 3 cents to 5 cents to help enhance promotion and attract a low cost carrier for the new airport that is scheduled to open in the spring of 2010.

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. Bay County has received Federal funds including American Recovery and Reinvestment Act funds to replace the Grand Lagoon Bridge with a four lane bridge. Construction should be complete in fiscal year 2010.

Construction of the new county 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.

With the completion of the new airport and the continued efforts of various organizations and governmental entities, 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. Pier Park, a 300 acre park featuring shops, food, and entertainment which is located on the western end of Bay County continues to add additional shops and entertainment venues for the pleasure of the citizens and visitors of Bay County. Efforts are continuing through the Chamber's Economic Development Council to attract diversified industries to the community. Bay County is encouraging citizen participation in determining its future through development of informative web sights and access to elected officials through e-mail.

### **Independent Audit**

In compliance with the laws of the State of Florida, Bay County was audited by independent certified public accountants. The opinion of Carr, Riggs & Ingram, LLC may be found on Page B-1 of this report. The reports relating specifically to the single audit are included in the section entitled "Compliance."

### **Reporting Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bay County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2008. 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 twenty consecutive years (fiscal years ended September 30, 1989 through 2008). 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**

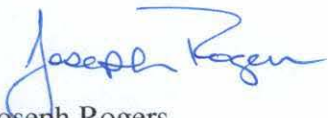
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Clerk's Division of Board Finance, the County Manager, Ed Smith, the County's Legal Staff, the Office of Management and Budget, and the various directors of the County departments, as well as, staff of the County Constitutional offices.

We would also like to thank the Constitutional Officers; Frank McKeithen, Dan Sowell, Mark Andersen, Peggy Brannon; County Commissioners: Mike Nelson, George B. Gainer, William T. Dozier, Jerry L. Girvin and Mike Thomas 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 blue ink, appearing to read "Bill Kinsaul".

Bill Kinsaul  
Clerk of Court & Comptroller

A handwritten signature in blue ink, appearing to read "Joseph Rogers".

Joseph Rogers  
Finance Officer



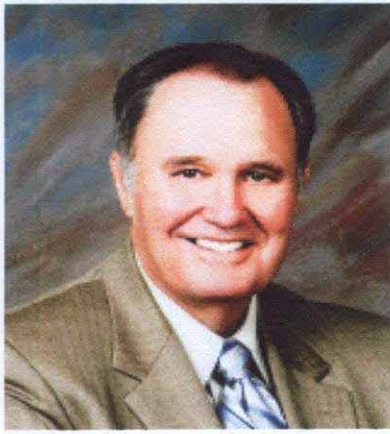
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Bay County, Florida is located in the Northwest portion of the State on the Gulf of Mexico. The County's 764 square miles are home to more than 169,307 people. The County has seven incorporated municipalities: Panama City, Panama City Beach, Springfield, Callaway, Lynn Haven, Parker and Mexico Beach.

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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*



*Bill Kinsaul  
Clerk of Circuit Court*



*Dan Sowell  
Property Appraiser*



*Peggy Brannon  
Tax Collector*

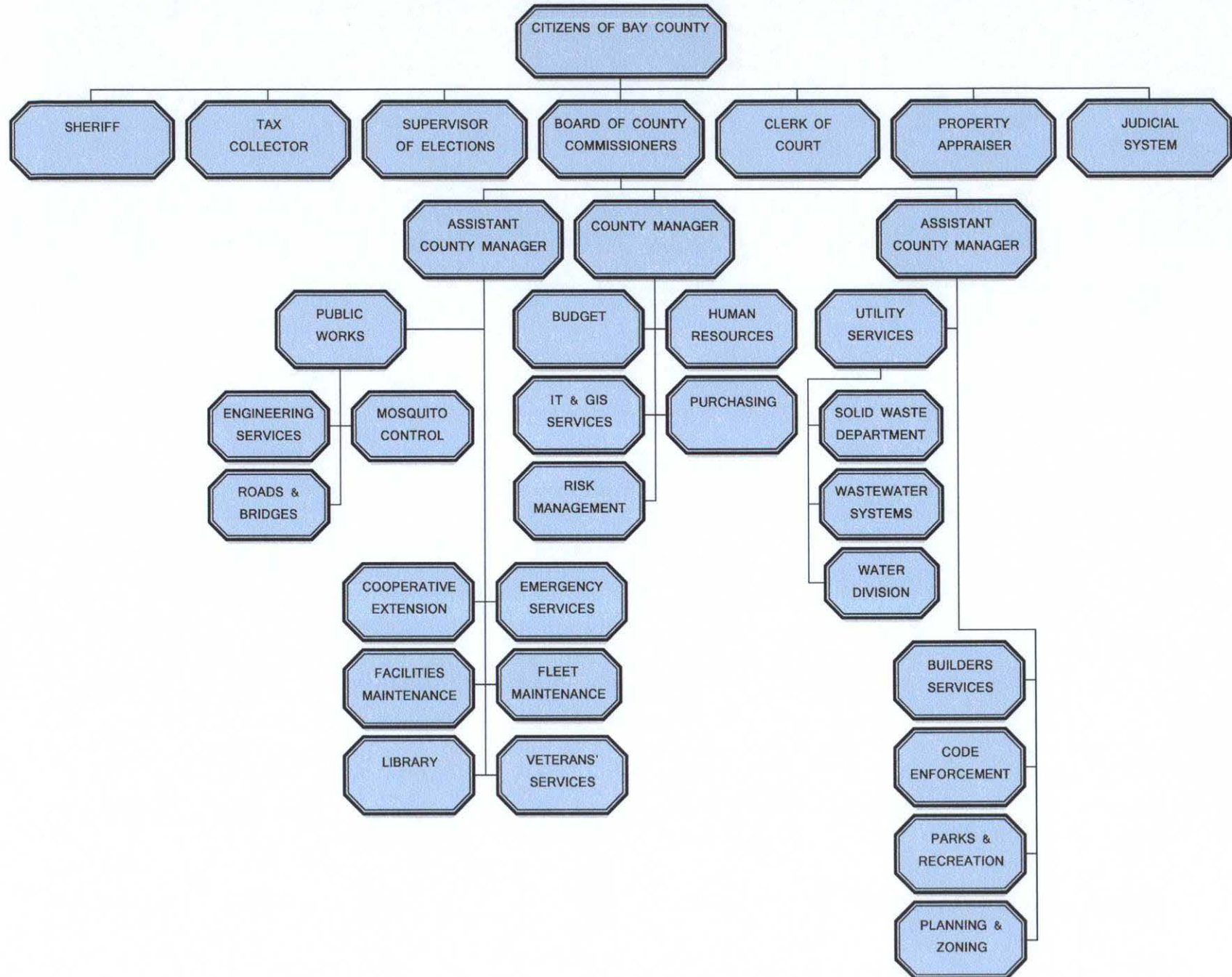


*Frank McKeithen  
Sheriff*



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**BAY COUNTY  
ORGANIZATIONAL CHART**  
Fiscal Year 2009



## ***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, 2008*

*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, 2008

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 AUDITOR'S 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, 2009, 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, 2009, 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 26, 2010 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 on 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 schedules of funding progress and of employer contributions for the Retiree's Health Insurance Other Postemployment Benefits Plan on page B-80 are not a required part of the basic financial statements but are 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 governmental, internal service, and fiduciary 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 governmental, internal service, and fiduciary 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, are 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.

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

Panama City, Florida  
March 26, 2010

**Bay County, Florida**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Year Ended September 30, 2009**

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 \$325,558,437 (net assets). Of this amount, \$70,278,219 is unrestricted net assets for governmental activities and \$21,522,496 is unrestricted net assets for business-type activities, while \$12,256,875 is restricted net assets for governmental activities and \$6,271,620 is restricted net assets for business-type activities.
- Total net assets increased by \$17,127,834. Of this amount, an increase of \$15,496,872 is attributable to governmental activities and an increase of \$1,630,962 is attributable to business-type activities.
- As of September 30, 2009, general fund's unreserved fund balance was \$35,025,941 or 33 percent of total general fund expenditures.
- Governmental activities revenues increased to \$151,869,301 or approximately 6 percent, while governmental activities expenses increased 8 percent to \$136,138,648. Business-type activities revenues decreased to \$46,699,971 or 0.5 percent, while business-type activities expenses increased 5 percent to \$45,302,790.
- The County's outstanding bonded debt decreased by \$3,697,821 or 2 percent during fiscal year 2009. The key factors contributing to the decrease in bonded debt was the principal reduction of the outstanding issues through semi-annual and annual debt service payments and the defeasance of \$1.5 million of the 1998 Sales Tax Revenue Bonds' debt.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

## ***Government-wide Financial Statements***

The *government-wide financial statements* include the ***statement of net assets*** and ***statement of activities***. These statements are designed to provide readers with a broad overview of the County's financial position in a manner similar to that of private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities, as well as the change in net assets. Governmental activities are primarily supported by property taxes, sales taxes, federal and state grants, 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 2009, 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**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 115,872,975	\$ 141,234,514	\$ 69,457,265	\$ 77,654,690	\$ 185,330,240	\$ 218,889,204
Capital assets	240,941,782	206,668,747	176,855,694	147,901,463	417,797,476	354,570,210
<b>Total assets</b>	<u>356,814,757</u>	<u>347,903,261</u>	<u>246,312,959</u>	<u>225,556,153</u>	<u>603,127,716</u>	<u>573,459,414</u>
Current and other liabilities	18,439,041	22,353,432	34,659,785	13,552,317	53,098,826	35,905,749
Long-term liabilities	94,064,663	96,248,008	130,405,790	131,623,369	224,470,453	227,871,377
<b>Total liabilities</b>	<u>112,503,704</u>	<u>118,601,440</u>	<u>165,065,575</u>	<u>145,175,686</u>	<u>277,569,279</u>	<u>263,777,126</u>
Net assets invested in capital assets, net of related debt	161,775,959	146,149,695	53,453,268	51,130,331	215,229,227	197,280,026
Net assets-restricted	12,256,875	18,091,072	6,271,620	3,066,336	18,528,495	21,157,408
Net assets-unrestricted	70,278,219	65,061,054	21,522,496	26,183,800	91,800,715	91,244,854
<b>Total net assets</b>	<u>\$ 244,311,053</u>	<u>\$ 229,301,821</u>	<u>\$ 81,247,384</u>	<u>\$ 80,380,467</u>	<u>\$ 325,558,437</u>	<u>\$ 309,682,288</u>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the County's largest portion of net assets (66 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net assets*, representing 6 percent of the County's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of unrestricted net assets (\$91,800,715) may be used to help meet the government's ongoing obligations to citizens and creditors.

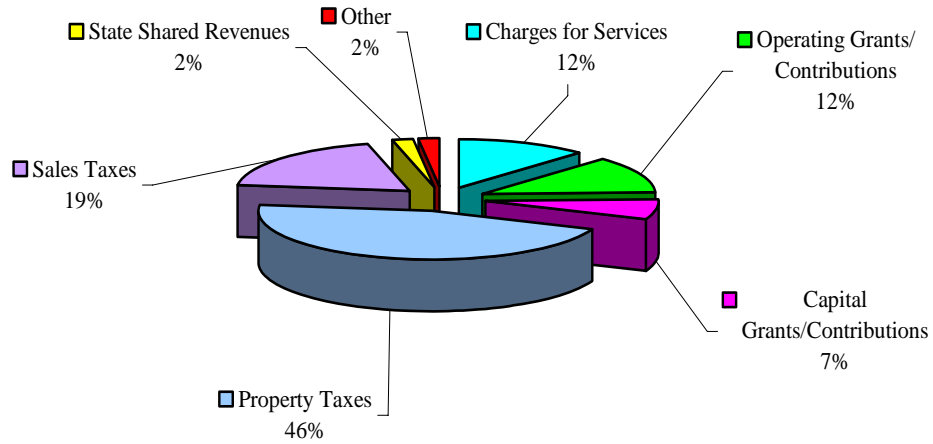
Governmental activities long-term liabilities, decreased by \$2,183,345 during 2009, while business-type activities long-term liabilities decreased by \$1,217,579. The key factors contributing to these decreases during fiscal year 2009 were the repayment of principal through semi-annual and annual debt service payments and the defeasance of \$1.5 million of the 1998 Sales Tax Revenue Bonds' debt.

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

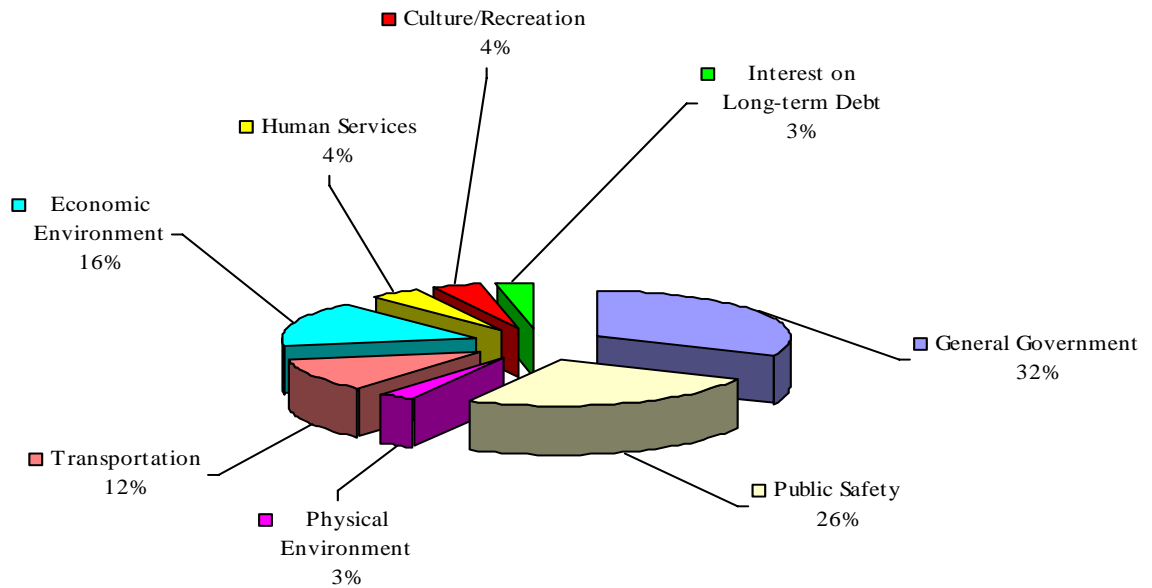
**Bay County, Florida**  
**Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2009	2008	2009	2008	2009	2008
<b>Program revenues</b>						
Charges for services	\$ 18,388,429	\$ 20,143,182	\$ 37,793,921	\$ 36,942,803	\$ 56,182,350	\$ 57,085,985
Operating grants/contributions	18,887,680	4,722,856	985,000	535,000	19,872,680	5,257,856
Capital grants/contributions	9,955,607	11,085,254	5,900,163	824,906	15,855,770	11,910,160
<b>General revenues</b>						
Property taxes	69,757,473	73,436,473	-	-	69,757,473	73,436,473
Sales taxes	28,794,256	24,569,697	2,200	1,100	28,796,456	24,570,797
State shared revenues	2,921,458	3,136,583	-	-	2,921,458	3,136,583
Other	3,164,398	6,651,478	2,018,687	8,627,115	5,183,085	15,278,593
<b>Total revenues</b>	<u>151,869,301</u>	<u>143,745,523</u>	<u>46,699,971</u>	<u>46,930,924</u>	<u>198,569,272</u>	<u>190,676,447</u>
<b>Expenses</b>						
General government	43,306,782	23,769,102	-	-	43,306,782	23,769,102
Public safety	35,244,894	51,587,681	-	-	35,244,894	51,587,681
Physical environment	4,492,133	4,504,251	-	-	4,492,133	4,504,251
Transportation	16,091,014	15,122,222	-	-	16,091,014	15,122,222
Economic environment	21,343,831	16,862,278	-	-	21,343,831	16,862,278
Human services	5,680,622	5,042,410	-	-	5,680,622	5,042,410
Culture and recreation	5,882,640	5,349,023	-	-	5,882,640	5,349,023
Interest on long-term debt	4,096,732	4,185,220	-	-	4,096,732	4,185,220
Wholesale water system	-	-	13,753,543	13,131,437	13,753,543	13,131,437
Retail water and wastewater	-	-	8,460,073	5,700,378	8,460,073	5,700,378
Industrial wastewater	-	-	6,047,598	6,643,917	6,047,598	6,643,917
Solid waste	-	-	15,107,160	15,477,882	15,107,160	15,477,882
Building services	-	-	1,934,416	2,139,805	1,934,416	2,139,805
<b>Total expenses</b>	<u>136,138,648</u>	<u>126,422,187</u>	<u>45,302,790</u>	<u>43,093,419</u>	<u>181,441,438</u>	<u>169,515,606</u>
Increase in net assets before transfers	15,730,653	17,323,336	1,397,181	3,837,505	17,127,834	21,160,841
Transfers	(233,781)	(30,794)	233,781	30,794	-	-
<b>Increase in net assets</b>	<u>15,496,872</u>	<u>17,292,542</u>	<u>1,630,962</u>	<u>3,868,299</u>	<u>17,127,834</u>	<u>21,160,841</u>
<b>Net assets - beginning</b>	229,301,821	212,009,279	80,380,467	78,981,214	309,682,288	290,990,493
<b>Prior period adjustments</b>	<u>(487,640)</u>	<u>-</u>	<u>(764,045)</u>	<u>(2,469,046)</u>	<u>(1,251,685)</u>	<u>(2,469,046)</u>
<b>Net assets - beginning (restated)</b>	228,814,181	212,009,279	79,616,422	76,512,168	308,430,603	288,521,447
<b>Net assets - ending</b>	<u>\$ 244,311,053</u>	<u>\$ 229,301,821</u>	<u>\$ 81,247,384</u>	<u>\$ 80,380,467</u>	<u>\$ 325,558,437</u>	<u>\$ 309,682,288</u>

### Revenues - Governmental Activities Fiscal Year Ended September 30, 2009



### Expenses - Governmental Activities Fiscal Year Ended September 30, 2009





As reflected in the changes in net assets, the County's net assets increased by \$17,127,834. The most significant factor contributing to the County's increase in net assets was the assumption of assets and liabilities from the dissolution of the Town of Cedar Grove. Revenue received from operating grants/contributions and capital grants/contributions also contributed to the increase in net assets, as well as, the increase from 3 to 5 cent for the Tourist Development Tax. Total revenues increased \$7,892,825 from the previous year. Governmental activities revenues exceeded expenses by \$15,730,653, while business-type activities revenues exceeded expenses by \$1,397,181. Increased federal and state funding through grants for transportation projects contributed greatly to the increase in net assets in governmental activities, along with a receivable for federal funding in the amount of \$3.5 million for the reconstruction of the County pier. Total expenses increased \$11,925,832 from the previous year. Increased spending for general government activities and the County's economic environment, along with an increase in spending for retail water and wastewater services, were primarily responsible for the increase in expenses.

46% of the revenues for governmental activities are generated by property taxes, while most of the governmental resources are expended for general government (32%), public safety (26%), economic environment (16%), and transportation (12%) activities. Charges for services provided 81% 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, 2009, total assets were \$58,098,462 and total liabilities were \$10,960,525. At the end of fiscal year 2009, unreserved fund balance of the general fund was \$35,025,941 while total fund balance equaled \$47,137,937.

The general fund's budget was amended during the year to reflect adjustments to the Tax Collector's fees, equipment purchases for information technology division, increased grant funding and contributions, and increased costs for renovations to the courthouse, as well as, increased costs associated with Medicaid expenses. Revenues collected from ad valorem taxes were less than 1% below the amount budgeted. State revenue sharing proceeds also came in slightly below the budgeted amount, while the local government half cent sales tax revenue came in slightly above the amount budgeted. Interest earnings fell well below the budgeted amount due to extremely low interest rates experienced during the year. Actual expenditures for general government services proved to be less than the final budget due to differences in budgeted and actual CRA expenditures and various contracted services budgeted for but not utilized in 2009. Actual expenditures for public safety were also less than the final budget due in part to the budgeting of \$1.2 million for FEMA flood expenditures which were not incurred during the year, as well as, a decrease in expenditures for juvenile detention. Excess fees returned to the County from the Clerk of Court fell below the budgeted amount, while the Tax Collector's and Sheriff's excess fees were substantially above the amounts 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 \$1,269,163 in fiscal year 2009 due to monies collected in gas taxes and intergovernmental revenue (grants and aid), along with a transfer from the general fund. These funds provided the needed funding 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 sales and use tourism tax, which is utilized to promote tourism in Bay County. In fiscal year 2009 the local option sales and use tourism tax was increased from three to five cent, with the fourth cent designated for tourism promotion and the fifth cent designated for the use of attracting a low cost air carrier to the County's new airport. These funds are also used to maintain and protect the beaches of the County. Fund balance increased 11% in 2009 due to the increase in taxes assessed and enhancement of the tax collection program.

### ***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 97% of its revenues. MSTU's fund balance decreased in 2009 due mainly to an increase in personal services expenditures for the year. The increase in personal services costs can be attributed to salary increases implemented at the end of fiscal year 2008.

### ***Proprietary Funds***

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

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

	<b>2009</b>	<b>2008</b>
<b>FUND</b>	<b>Unrestricted Net Assets</b>	<b>Unrestricted Net Assets</b>
Wholesale water system	\$ 1,781,079	\$ 3,023,642
Retail water and wastewater	4,337,660	5,924,797
Industrial wastewater	2,190,150	2,243,504
Solid waste fund	6,467,985	7,694,928
Building services	6,745,622	7,296,929
<b>Total</b>	<b>\$ 21,522,496</b>	<b>\$ 26,183,800</b>

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 \$408,534 from the previous year. Impact fees charged to and paid by new customers must be used to expand and enhance the water system

which provides service to those individuals. Charges for services decreased by \$559,615 from fiscal year 2008. This was due in part to a slight decrease in gallons demanded, along with the continuation of sluggish economy.

The County's *solid waste fund* accounts for the operations and maintenance of the County's landfill and incinerator. In fiscal year 2009, \$6,728,240 was generated by tip fees; this represents a decrease of \$233,461 from 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 \$3,259,156 for the long-term care and closure of its landfill. To date, the County has accrued a total liability for landfill postclosure care of \$9,505,528. As of September 30, 2009, total assets were \$92,263,619; total liabilities were \$65,098,762 and net assets were \$27,164,857.

### ***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, 2009, was \$417,797,476 (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 2009 on a 122,000 square foot administration complex. \$15,796,355 of the total project cost of \$24,613,410 was expensed in the current fiscal year.
- Construction continued in 2009 on the new County pier. \$3,924,035 was expensed in fiscal year 2009 on the pier project. It is anticipated that construction of the new pier will be completed during the third quarter of fiscal year 2010.
- The joint participation project between Bay County and Gulf Coast Community College to construct a new Emergency Operations Center was completed in fiscal year 2009 at a cost of \$7,500,000 with Bay County contributing some \$3,500,000.
- Construction continued in 2009 on a new four lane replacement bridge over Grand Lagoon. Only \$111,982 of the total project cost of \$14,833,746 was expensed in 2009. The bridge is expected to be completed in 2010.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 14,607,831	\$ 13,412,553	\$ 3,027,643	\$ 2,851,391	\$ 17,635,474	\$ 16,263,944
Construction in progress	15,711,000	20,307,835	32,372,361	16,137,617	48,083,361	36,445,452
Books	535,850	1,020,844	-	-	535,850	1,020,844
Buildings and improvements	108,815,704	84,740,800	1,198,666	1,303,102	110,014,370	86,043,902
Equipment	14,982,482	15,909,087	2,621,444	2,898,622	17,603,926	18,807,709
Infrastructure	86,288,915	71,277,628	137,635,580	124,710,731	223,924,495	195,988,359
Total	<u>\$240,941,782</u>	<u>\$ 206,668,747</u>	<u>\$ 176,855,694</u>	<u>\$ 147,901,463</u>	<u>\$ 417,797,476</u>	<u>\$ 354,570,210</u>

Additional information on the County's capital assets can be found in Note 8 – Capital Assets, of the notes to basic financial statements of this report.

## ***DEBT MANAGEMENT***

At the end of the current fiscal year, the County had total bonded debt outstanding of \$177,370,695. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

### **Outstanding Bonded Debt**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
	<u>\$87,689,946</u>	<u>\$91,070,662</u>	<u>\$89,680,749</u>	<u>\$89,997,854</u>	<u>\$177,370,695</u>	<u>\$181,068,516</u>
Revenue Bonds						

The County's total bonded debt outstanding decreased by \$3,697,821 during the fiscal year ended September 30, 2009. The key factors contributing to the decrease during fiscal year 2009 were the repayment of principal through semi-annual and annual debt service payments and the defeasance of \$1.5 million of the 1998 Sales Tax Revenue Bonds' debt.

All of the County's insured debt maintains an "AAA" rating from Standard & Poor's, an "Aaa" rating from Moody's Investors Service, and/or an "AAA" rating from Fitch. Most 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 basic 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, 2009. Construction continued a downward turn in 2009 with building permits issued on new single and multi-family residential units down 20% from the previous year. Only 653 residential permits were issued in 2009, compared to 820 permits issued in 2008. Commercial building permits, however, only dropped by 4, from 231 permits issued in 2008 to 227 permits issued in 2009. Despite the economic downturn tourism remained strong in 2009. While surrounding counties experienced a decrease in tourist development tax collections, Bay County saw a slight increase in its collections. The County's unemployment rate increased in 2009 to 10.8%, slightly lower than the State's average unemployment rate of 11.2%. During 2009 Bay County assumed the assets and the liabilities of the Town of Cedar Grove, which was dissolved by referendum of its citizens. The County will continue to focus on various transportation projects in 2010, including the replacement of Grand Lagoon Bridge, the resurfacing of 11<sup>th</sup> Street, and the completion of the Thomas Drive pedestrian/bike lane project. The County will also continue its work on expanding and enhancing the County's water treatment and distribution capabilities through the completion of the alternate water supply project.

This report was prepared by Board Finance under the direction of the Clerk of Court and Comptroller. 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, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,708,111	\$ 175,409	\$ 7,883,520	\$ 61,117	\$ 17,501
Investments	66,279,306	26,858,084	93,137,390	-	-
Accounts receivable, net	1,559,830	5,484,951	7,044,781	1,719,580	-
Special assessments receivable	735,379	-	735,379	-	-
Accrued interest receivable	-	60,629	60,629	10,022	-
Due from other governments	10,573,758	1,307,358	11,881,116	-	-
Prepaid expenses	1,158,681	14,117	1,172,798	23,445	54,700
Inventory	-	282,597	282,597	-	-
Notes receivable	-	17,587,335	17,587,335	100,000	-
Investment in joint venture	-	1,002,226	1,002,226	-	-
Restricted assets					
Cash and cash equivalents	140,985	365,500	506,485	-	-
Investments	26,402,003	14,965,684	41,367,687	-	-
Capital assets					
Nondepreciable	30,318,831	35,400,004	65,718,835	-	-
Depreciable, net	210,622,951	141,455,690	352,078,641	-	-
Unamortized bond costs	1,314,922	1,353,375	2,668,297	-	-
Total assets	<u>356,814,757</u>	<u>246,312,959</u>	<u>603,127,716</u>	<u>1,914,164</u>	<u>72,201</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	16,766,567	3,223,969	19,990,536	552,905	4,672
Internal balances	(3,265,284)	3,265,284	-	-	-
Due to other governments	34,942	863,583	898,525	-	-
Deferred revenues	4,573,626	24,932,682	29,506,308	-	-
Accrued interest payable	326,637	1,754,715	2,081,352	-	-
Customer deposits	2,553	619,552	622,105	-	-
Long-term liabilities					
Due within one year					
Accrued compensated absences	768,265	149,891	918,156	-	-
Notes payable	-	913,083	913,083	-	-
Capital leases	145,772	-	145,772	-	-
Bonds payable	3,505,157	3,377,000	6,882,157	-	-
Due in more than one year					
Accrued compensated absences	2,130,419	175,073	2,305,492	-	-
Net OPEB obligation	3,273,654	164,210	3,437,864	-	-
Notes payable	-	29,817,256	29,817,256	-	-
Capital leases	56,607	-	56,607	-	-
Bonds payable	84,184,789	86,303,749	170,488,538	-	-
Landfill postclosure liability	-	9,505,528	9,505,528	-	-
Total liabilities	<u>112,503,704</u>	<u>165,065,575</u>	<u>277,569,279</u>	<u>552,905</u>	<u>4,672</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	161,775,959	53,453,268	215,229,227	-	-
Restricted for					
Debt service	6,239,505	2,926,832	9,166,337	-	-
Other purposes	1,995,830	-	1,995,830	-	-
Impact fees	4,021,540	3,344,788	7,366,328	-	-
Unrestricted	70,278,219	21,522,496	91,800,715	1,361,259	67,529
Total net assets	<u>\$ 244,311,053</u>	<u>\$ 81,247,384</u>	<u>\$ 325,558,437</u>	<u>\$ 1,361,259</u>	<u>\$ 67,529</u>

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

Bay County, Florida  
Statement of Activities  
Year Ended September 30, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
<b>Primary Government</b>				
Governmental activities				
General government	\$ 43,306,782	\$ 14,480,938	\$ 1,731,088	\$ 1,940,613
Public safety	35,244,894	1,413,940	294,190	351,398
Physical environment	4,492,133	1,656,563	118,408	726,176
Transportation	16,091,014	271,986	12,143,684	6,021,197
Economic environment	21,343,831	-	1,307,995	429,870
Human services	5,680,622	780	18,512	-
Culture and recreation	5,882,640	564,222	3,273,803	486,353
Interest on long-term debt	4,096,732	-	-	-
Total governmental activities	<u>136,138,648</u>	<u>18,388,429</u>	<u>18,887,680</u>	<u>9,955,607</u>
Business-type activities				
Wholesale water system	13,753,543	13,317,211	600,000	323,954
Retail water and wastewater	8,460,073	5,677,074	-	5,576,209
Industrial wastewater	6,047,598	5,928,887	-	-
Solid waste	15,107,160	11,744,325	385,000	-
Building services	1,934,416	1,126,424	-	-
Total business-type activities	<u>45,302,790</u>	<u>37,793,921</u>	<u>985,000</u>	<u>5,900,163</u>
Total primary government	<u>\$ 181,441,438</u>	<u>\$ 56,182,350</u>	<u>\$ 19,872,680</u>	<u>\$ 15,855,770</u>
<b>Component Units</b>				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 5,956,409	\$ 6,700,245	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	227,220	293,896	-	-
Total component units	<u>\$ 6,183,629</u>	<u>\$ 6,994,141</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 (as previously stated)				
Prior period adjustment				
Net assets - beginning (as restated)				
Net assets - ending				

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



Net (Expenses) Revenues 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.
\$ (25,154,143)	\$ -	\$ (25,154,143)	\$ -	\$ -
(33,185,366)	-	(33,185,366)	-	-
(1,990,986)	-	(1,990,986)	-	-
2,345,853	-	2,345,853	-	-
(19,605,966)	-	(19,605,966)	-	-
(5,661,330)	-	(5,661,330)	-	-
(1,558,262)	-	(1,558,262)	-	-
(4,096,732)	-	(4,096,732)	-	-
(88,906,932)	-	(88,906,932)	-	-
-	487,622	487,622	-	-
-	2,793,210	2,793,210	-	-
-	(118,711)	(118,711)	-	-
-	(2,977,835)	(2,977,835)	-	-
-	(807,992)	(807,992)	-	-
-	(623,706)	(623,706)	-	-
(88,906,932)	(623,706)	(89,530,638)	-	-
-	-	-	743,836	-
-	-	-	-	66,676
-	-	-	743,836	66,676
69,757,473	-	69,757,473	-	-
28,794,256	2,200	28,796,456	-	-
2,921,458	-	2,921,458	-	-
1,604,764	1,658,856	3,263,620	4,737	584
1,559,634	359,831	1,919,465	-	1,961
104,637,585	2,020,887	106,658,472	4,737	2,545
(233,781)	233,781	-	-	-
104,403,804	2,254,668	106,658,472	4,737	2,545
15,496,872	1,630,962	17,127,834	748,573	69,221
229,301,821	80,380,467	309,682,288	612,686	(1,692)
(487,640)	(764,045)	(1,251,685)	-	-
228,814,181	79,616,422	308,430,603	612,686	(1,692)
\$ 244,311,053	\$ 81,247,384	\$ 325,558,437	\$ 1,361,259	\$ 67,529

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

Bay County, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2009

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,164,026	\$ 93,713	\$ 52,258	\$ 1,359,236	\$ 7,669,233
Accounts receivable, net	520,103	814,852	2,400	55,558	1,392,913
Special assessments receivable	-	-	500,241	235,138	735,379
Investments	19,617,330	19,168,060	8,685,276	12,479,896	59,950,562
Due from other funds	203,514	131,650	31,683	54,125	420,972
Due from other governments	5,572,117	584,032	3,801,285	388,964	10,346,398
Advance to other funds	3,176,428	-	-	-	3,176,428
Prepaid items	135,466	-	-	30,871	166,337
Restricted assets					
Cash and cash equivalents	124,619	-	8,523	7,843	140,985
Investments	22,584,859	1,097,220	1,416,387	1,303,537	26,402,003
Total assets	<u>\$ 58,098,462</u>	<u>\$ 21,889,527</u>	<u>\$ 14,498,053</u>	<u>\$ 15,915,168</u>	<u>\$ 110,401,210</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable	\$ 7,112,132	\$ 1,901,299	\$ 1,938,437	\$ 848,167	\$ 11,800,035
Deferred revenues	3,514,192	-	630,486	428,948	4,573,626
Escrow liabilities	78,985	-	-	-	78,985
Due to other funds	236,198	555	46,020	35,394	318,167
Due to other governments	19,018	-	-	15,924	34,942
Total liabilities	<u>10,960,525</u>	<u>1,901,854</u>	<u>2,614,943</u>	<u>1,328,433</u>	<u>16,805,755</u>
Fund balance					
Reserved for					
Debt service	4,685,043	-	1,082,761	471,701	6,239,505
Capital projects	-	14,437,306	-	-	14,437,306
Advances to other funds	3,176,428	-	-	-	3,176,428
Impact fees	2,119,229	-	1,061,668	840,643	4,021,540
Other purposes	2,131,296	1,097,220	-	30,871	3,259,387
Unreserved, reported in					
General fund	30,152,879	-	-	-	30,152,879
General fund - designated	4,873,062	-	-	-	4,873,062
Special revenue funds	-	4,453,147	9,738,681	11,817,252	26,009,080
Special revenue funds-designated	-	-	-	1,426,268	1,426,268
Total fund balance	<u>47,137,937</u>	<u>19,987,673</u>	<u>11,883,110</u>	<u>14,586,735</u>	<u>93,595,455</u>
Total liabilities and fund balance	<u>\$ 58,098,462</u>	<u>\$ 21,889,527</u>	<u>\$ 14,498,053</u>	<u>\$ 15,915,168</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.					239,609,673
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.					3,962,075
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(92,856,150)
Net assets of governmental activities					<u>\$ 244,311,053</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Year Ended September 30, 2009

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 63,868,856	\$ 10,290,179	\$ 5,912,710	\$ 7,779,745	\$ 87,851,490
Licenses and permits	8,454	-	-	-	8,454
Intergovernmental	18,870,321	442,008	7,580,546	2,056,326	28,949,201
Charges for services	8,255,303	-	186,556	7,167,980	15,609,839
Fines and forfeitures	137,711	-	-	-	137,711
Special assessments	-	-	81,722	-	81,722
Investment earnings	1,239,775	331,394	118,615	213,772	1,903,556
Contributions and donations	1,245,764	-	-	99,537	1,345,301
Miscellaneous	518,472	100,182	182,849	272,602	1,074,105
Total revenues	<u>94,144,656</u>	<u>11,163,763</u>	<u>14,062,998</u>	<u>17,589,962</u>	<u>136,961,379</u>
<b>EXPENDITURES</b>					
Current					
General government	36,022,856	-	-	5,538,365	41,561,221
Public safety	43,202,304	-	-	8,108,554	51,310,858
Physical environment	209,680	-	-	5,695,016	5,904,696
Transportation	-	-	18,814,635	-	18,814,635
Economic environment	13,178,800	9,022,100	-	-	22,200,900
Human services	4,629,609	-	-	994,820	5,624,429
Culture and recreation	1,800,158	-	-	2,810,586	4,610,744
Debt service					
Principal	2,136,434	-	895,000	1,101,709	4,133,143
Interest and fiscal charges	3,634,892	-	85,493	333,533	4,053,918
Total expenditures	<u>104,814,733</u>	<u>9,022,100</u>	<u>19,795,128</u>	<u>24,582,583</u>	<u>158,214,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,670,077)</u>	<u>2,141,663</u>	<u>(5,732,130)</u>	<u>(6,992,621)</u>	<u>(21,253,165)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	7,001,293	5,715,769	12,717,062
Transfers out	(12,950,843)	-	-	-	(12,950,843)
Issuance of debt	92,095	-	-	-	92,095
Total other financing sources (uses)	<u>(12,858,748)</u>	<u>-</u>	<u>7,001,293</u>	<u>5,715,769</u>	<u>(141,686)</u>
Net change in fund balance	<u>(23,528,825)</u>	<u>2,141,663</u>	<u>1,269,163</u>	<u>(1,276,852)</u>	<u>(21,394,851)</u>
Fund balance - beginning (as previously stated)	70,666,762	17,846,010	10,392,658	15,863,587	114,769,017
Prior period adjustment	-	-	221,289	-	221,289
Fund balance - beginning (as restated)	<u>70,666,762</u>	<u>17,846,010</u>	<u>10,613,947</u>	<u>15,863,587</u>	<u>114,990,306</u>
Fund balance - ending	<u>\$ 47,137,937</u>	<u>\$ 19,987,673</u>	<u>\$ 11,883,110</u>	<u>\$ 14,586,735</u>	<u>\$ 93,595,455</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, 2009

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)	\$ (21,394,851)
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.	19,866,544
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to increase net assets.	15,209,725
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.	(1,827,716)
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.	(319,676)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>3,962,846</u>
Change in net assets of governmental activities (page B-17)	<u><u>\$ 15,496,872</u></u>

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 63,631,177	\$ 63,631,177	\$ 63,868,856	\$ 237,679
Licenses and permits	2,000	2,000	8,454	6,454
Intergovernmental	15,457,532	18,072,915	18,870,321	797,406
Charges for services	7,931,143	8,135,762	8,255,303	119,541
Fines and forfeitures	45,400	45,400	137,711	92,311
Investment earnings	1,831,109	1,833,582	1,239,775	(593,807)
Contributions and donations	-	20,000	1,245,764	1,225,764
Miscellaneous	344,230	359,629	518,472	158,843
Total revenues	<u>89,242,591</u>	<u>92,100,465</u>	<u>94,144,656</u>	<u>2,044,191</u>
<b>EXPENDITURES</b>				
Current				
General government	35,296,799	38,803,827	36,022,856	2,780,971
Public safety	44,143,324	47,470,875	43,202,304	4,268,571
Physical environment	212,439	214,620	209,680	4,940
Economic environment	13,278,688	13,838,930	13,178,800	660,130
Human services	4,274,603	4,937,913	4,629,609	308,304
Culture and recreation	2,353,527	2,386,813	1,800,158	586,655
Debt service				
Principal	2,097,582	2,097,582	2,136,434	(38,852)
Interest and fiscal charges	3,695,433	3,695,433	3,634,892	60,541
Total expenditures	<u>105,352,395</u>	<u>113,445,993</u>	<u>104,814,733</u>	<u>8,631,260</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,109,804)</u>	<u>(21,345,528)</u>	<u>(10,670,077)</u>	<u>10,675,451</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(12,610,390)	(13,078,019)	(12,950,843)	127,176
Issuance of debt	-	-	92,095	92,095
Total other financing sources (uses)	<u>(12,610,390)</u>	<u>(13,078,019)</u>	<u>(12,858,748)</u>	<u>219,271</u>
Net change in fund balance	(28,720,194)	(34,423,547)	(23,528,825)	10,894,722
Fund balance - beginning	<u>70,666,762</u>	<u>70,666,762</u>	<u>70,666,762</u>	<u>-</u>
Fund balance - ending	<u>\$ 41,946,568</u>	<u>\$ 36,243,215</u>	<u>\$ 47,137,937</u>	<u>\$ 10,894,722</u>



Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Tourist Development Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,890,000	\$ 8,962,725	\$ 10,290,179	\$ 1,327,454
Intergovernmental	-	-	442,008	442,008
Investment earnings	443,935	443,935	331,394	(112,541)
Miscellaneous	25,185	25,185	100,182	74,997
Total revenues	<u>6,359,120</u>	<u>9,431,845</u>	<u>11,163,763</u>	<u>1,731,918</u>
<b>EXPENDITURES</b>				
Current				
Economic environment	<u>5,107,716</u>	<u>9,108,660</u>	<u>9,022,100</u>	<u>86,560</u>
Total expenditures	<u>5,107,716</u>	<u>9,108,660</u>	<u>9,022,100</u>	<u>86,560</u>
Excess of revenues over expenditures	<u>1,251,404</u>	<u>323,185</u>	<u>2,141,663</u>	<u>1,818,478</u>
Fund balance - beginning	<u>17,846,010</u>	<u>17,846,010</u>	<u>17,846,010</u>	<u>-</u>
Fund balance - ending	<u>\$ 19,097,414</u>	<u>\$ 18,169,195</u>	<u>\$ 19,987,673</u>	<u>\$ 1,818,478</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Transportation Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,901,921	\$ 4,901,921	\$ 5,912,710	\$ 1,010,789
Intergovernmental	4,241,320	8,992,399	7,580,546	(1,411,853)
Charges for services	275,000	275,000	186,556	(88,444)
Special assessments	101,000	101,000	81,722	(19,278)
Investment earnings	337,000	337,000	118,615	(218,385)
Miscellaneous	3,200,500	3,483,954	182,849	(3,301,105)
Total revenues	<u>13,056,741</u>	<u>18,091,274</u>	<u>14,062,998</u>	<u>(4,028,276)</u>
<b>EXPENDITURES</b>				
Current				
Transportation	21,916,274	30,444,785	18,814,635	11,630,150
Debt service				
Principal	895,000	895,000	895,000	-
Interest	<u>87,225</u>	<u>87,225</u>	<u>85,493</u>	<u>1,732</u>
Total expenditures	<u>22,898,499</u>	<u>31,427,010</u>	<u>19,795,128</u>	<u>11,631,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,841,758)</u>	<u>(13,335,736)</u>	<u>(5,732,130)</u>	<u>7,603,606</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>7,001,293</u>	<u>7,001,293</u>	<u>7,001,293</u>	<u>-</u>
Total other financing sources (uses)	<u>7,001,293</u>	<u>7,001,293</u>	<u>7,001,293</u>	<u>-</u>
Net change in fund balance	<u>(2,840,465)</u>	<u>(6,334,443)</u>	<u>1,269,163</u>	<u>7,603,606</u>
Fund balance - beginning (as previously stated)	10,392,658	10,392,658	10,392,658	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>221,289</u>	<u>221,289</u>
Fund balance - beginning (as restated)	<u>10,392,658</u>	<u>10,392,658</u>	<u>10,613,947</u>	<u>221,289</u>
Fund balance - ending	<u>\$ 7,552,193</u>	<u>\$ 4,058,215</u>	<u>\$ 11,883,110</u>	<u>\$ 7,824,895</u>

Bay County, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2009

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 9,598	\$ 42,595	\$ 4,155	\$ 76,625	\$ 42,436	\$ 175,409	\$ 38,879
Accounts receivable, net	1,863,115	259,719	2,210,875	1,145,567	5,675	5,484,951	166,917
Accrued interest receivable	-	60,629	-	-	-	60,629	-
Prepaid expenses	14,117	-	-	-	-	14,117	992,344
Investments	1,595,254	5,332,858	690,613	12,286,267	6,953,092	26,858,084	6,328,744
Inventory	239,068	43,529	-	-	-	282,597	-
Due from other funds	96,261	139,571	-	57,337	-	293,169	251,352
Due from other governments	267,196	1,029,256	-	85	10,821	1,307,358	227,361
Total current assets	4,084,609	6,908,157	2,905,643	13,565,881	7,012,024	34,476,314	8,005,597
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	20,963	319,584	-	24,953	-	365,500	-
Investments	3,484,258	7,334,440	-	4,146,986	-	14,965,684	-
Notes receivable	1,409,497	16,177,838	-	-	-	17,587,335	-
Investment in joint venture	-	1,002,226	-	-	-	1,002,226	-
Unamortized bond costs	709,598	57,577	-	586,200	-	1,353,375	-
	5,624,316	24,891,665	-	4,758,139	-	35,274,120	-
Capital assets							
Land	261,192	2,014,000	-	752,451	-	3,027,643	-
Construction in progress	2,852,311	849,030	-	28,671,020	-	32,372,361	3,755
Buildings	2,373,739	4,766	134,702	840,874	246,080	3,600,161	1,312,472
Improvements	90,985	-	-	41,250	-	132,235	96,850
Furniture and equipment	1,158,014	444,186	143,796	3,515,021	699,911	5,960,928	1,280,850
Infrastructure	103,236,363	28,297,163	10,577,333	73,449,373	-	215,560,232	-
Less: accumulated depreciation	(35,522,259)	(4,047,269)	(10,042,684)	(33,330,390)	(855,264)	(83,797,866)	(1,361,818)
Total capital assets, net	74,450,345	27,561,876	813,147	73,939,599	90,727	176,855,694	1,332,109
Total noncurrent assets	80,074,661	52,453,541	813,147	78,697,738	90,727	212,129,814	1,332,109
Total assets	84,159,270	59,361,698	3,718,790	92,263,619	7,102,751	246,606,128	9,337,706
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	924,123	608,752	515,617	1,119,887	55,590	3,223,969	1,044,311
Deferred revenue	-	-	-	24,932,682	-	24,932,682	-
Due to other funds	47,473	194,405	99,876	37,675	2,596	382,025	265,301
Due to other governments	-	863,583	-	-	-	863,583	-
Accrued interest payable	189,642	1,446,708	-	118,365	-	1,754,715	-
Accrued compensated absences, current	44,584	31,407	-	30,212	43,688	149,891	86,065
Notes payable, current	-	913,083	-	-	-	913,083	-
Bonds payable, current	1,400,000	357,000	-	1,620,000	-	3,377,000	-
Total current liabilities	2,605,822	4,414,938	615,493	27,858,821	101,874	35,596,948	1,395,677
Noncurrent liabilities							
Other accrued liabilities	-	-	-	-	-	-	3,845,789
Customer deposits	-	418,600	100,000	57,298	43,654	619,552	-
Accrued compensated absences	28,985	36,228	-	46,253	63,607	175,073	81,220
Net OPEB obligation	19,402	37,064	-	50,477	57,267	164,210	52,945
Advance from other funds	3,176,428	-	-	-	-	3,176,428	-
Notes payable, net	-	29,817,256	-	-	-	29,817,256	-
Bonds payable, net	46,784,130	11,939,234	-	27,580,385	-	86,303,749	-
Landfill postclosure liability	-	-	-	9,505,528	-	9,505,528	-
Total noncurrent liabilities	50,008,945	42,248,382	100,000	37,239,941	164,528	129,761,796	3,979,954
Total liabilities	52,614,767	46,663,320	715,493	65,098,762	266,402	165,358,744	5,375,631
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	26,266,216	6,476,646	813,147	19,806,532	90,727	53,453,268	1,332,110
Restricted for							
Debt service	1,719,464	317,028	-	890,340	-	2,926,832	-
Impact fee requirements	1,777,744	1,567,044	-	-	-	3,344,788	-
Unrestricted	1,781,079	4,337,660	2,190,150	6,467,985	6,745,622	21,522,496	2,629,965
Total net assets	\$ 31,544,503	\$ 12,698,378	\$ 3,003,297	\$ 27,164,857	\$ 6,836,349	\$ 81,247,384	\$ 3,962,075

Bay County, Florida  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended September 30, 2009

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>OPERATING REVENUES</b>							
Charges for services	\$ 13,317,212	\$ 5,677,074	\$ 5,928,887	\$ 11,744,325	\$ 1,126,424	\$ 37,793,922	\$ 7,715,626
Miscellaneous	-	164,701	-	106,932	8,599	280,232	-
Total operating revenues	<u>13,317,212</u>	<u>5,841,775</u>	<u>5,928,887</u>	<u>11,851,257</u>	<u>1,135,023</u>	<u>38,074,154</u>	<u>7,715,626</u>
<b>OPERATING EXPENSES</b>							
Personal services	1,447,512	1,602,105	207,049	1,063,719	1,568,676	5,889,061	3,018,016
Contracted services	1,181,305	586,074	3,994,311	5,611,484	147,912	11,521,086	282,856
Repairs and maintenance	376,738	168,593	38,331	108,452	12,980	705,094	91,724
Utilities	1,521,816	127,356	1,402,272	638,013	10,527	3,699,984	56,776
Depreciation	2,794,701	1,483,958	45,017	2,978,581	93,834	7,396,091	161,611
Amortization	52,061	46,061	-	42,122	-	140,244	-
Materials	-	-	-	-	-	-	2,014,796
Insurance claims	-	-	-	-	-	-	1,564,223
Other operating expenses	3,161,981	3,559,007	360,619	2,731,842	100,487	9,913,936	966,807
Total operating expenses	<u>10,536,114</u>	<u>7,573,154</u>	<u>6,047,599</u>	<u>13,174,213</u>	<u>1,934,416</u>	<u>39,265,496</u>	<u>8,156,809</u>
Operating income (loss)	<u>2,781,098</u>	<u>(1,731,379)</u>	<u>(118,712)</u>	<u>(1,322,956)</u>	<u>(799,393)</u>	<u>(1,191,342)</u>	<u>(441,183)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment earnings	152,920	1,160,102	19,715	234,316	91,803	1,658,856	82,710
Interest and fiscal charges	(3,217,199)	(886,919)	-	(1,898,052)	-	(6,002,170)	-
Taxes	-	-	-	2,200	-	2,200	-
Gain (loss) on disposal of capital assets	6,769	-	625	34,630	2,450	44,474	(4,655)
Contributions	600,000	-	-	385,000	-	985,000	43,452
Total nonoperating revenues (expenses)	<u>(2,457,510)</u>	<u>273,183</u>	<u>20,340</u>	<u>(1,241,906)</u>	<u>94,253</u>	<u>(3,311,640)</u>	<u>121,507</u>
Income (loss) before contributions and transfers	323,588	(1,458,196)	(98,372)	(2,564,862)	(705,140)	(4,502,982)	(319,676)
Capital contributions	323,954	5,576,209	-	-	-	5,900,163	-
Transfers in	-	173,781	-	-	60,000	233,781	23,695
Transfers out	-	-	-	-	-	-	(23,695)
Change in net assets	<u>647,542</u>	<u>4,291,794</u>	<u>(98,372)</u>	<u>(2,564,862)</u>	<u>(645,140)</u>	<u>1,630,962</u>	<u>(319,676)</u>
Total net assets - beginning (as previously stated)	30,896,961	8,406,584	3,101,669	30,493,764	7,481,489	80,380,467	4,281,751
Prior period adjustment	-	-	-	(764,045)	-	(764,045)	-
Total net assets - beginning (as restated)	<u>30,896,961</u>	<u>8,406,584</u>	<u>3,101,669</u>	<u>29,729,719</u>	<u>7,481,489</u>	<u>79,616,422</u>	<u>4,281,751</u>
Total net assets - ending	<u>\$ 31,544,503</u>	<u>\$ 12,698,378</u>	<u>\$ 3,003,297</u>	<u>\$ 27,164,857</u>	<u>\$ 6,836,349</u>	<u>\$ 81,247,384</u>	<u>\$ 3,962,075</u>

Continued

Bay County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2009

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 13,584,126	\$ 5,484,075	\$ 5,245,358	\$ 37,094,761	\$ 1,134,872	\$ 62,543,192	\$ 7,881,114
Cash received from miscellaneous operating activities	-	164,701	-	106,932	8,599	280,232	-
Cash paid to suppliers for goods and services	(6,297,777)	(4,625,043)	(5,548,644)	(13,241,205)	(705,148)	(30,417,817)	(5,256,425)
Cash paid to employees for services	(1,412,185)	(1,577,062)	(163,975)	(1,026,935)	(1,110,745)	(5,290,902)	(2,992,890)
Net cash provided by (used in) operating activities	5,874,164	(553,329)	(467,261)	22,933,553	(672,422)	27,114,705	(368,201)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	173,781	-	-	60,000	233,781	50
Transfers out	-	-	-	-	-	-	(50)
Taxes	-	-	-	2,200	-	2,200	-
Contributions	600,000	-	-	385,000	-	985,000	-
Net cash provided by noncapital financing activities	600,000	173,781	-	387,200	60,000	1,220,981	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Interest paid on long-term debt	(2,587,689)	(852,762)	-	(1,556,831)	-	(4,997,282)	-
Principal paid on long-term debt	(1,335,000)	(1,220,476)	-	(3,135,000)	-	(5,690,476)	-
Capital contributions	270,874	1,822,648	-	-	-	2,093,522	-
Proceeds from sale of capital assets	9,081	-	625	98,775	2,450	110,931	-
Purchase of capital assets	(2,857,985)	(1,446,422)	-	(23,737,609)	-	(28,042,016)	(28,520)
Net cash provided by (used in) capital and related financing activities	(6,500,719)	(1,697,012)	625	(28,330,665)	2,450	(36,525,321)	(28,520)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sale and maturities of investment securities	6,991,568	18,703,130	1,755,283	31,733,088	10,854,489	70,037,558	9,619,948
Purchase of investments	(7,150,926)	(18,353,463)	(1,307,378)	(26,930,783)	(10,323,198)	(64,065,748)	(9,283,814)
Return of investment	-	234,660	-	-	-	234,660	-
Interest and dividends on investments	167,598	737,463	21,471	280,069	111,203	1,317,804	90,384
Collections on loans	42,750	1,108,477	-	-	-	1,151,227	-
Net cash provided by (used in) investing activities	50,990	2,430,267	469,376	5,082,374	642,494	8,675,501	426,518
Net increase in cash and cash equivalents	24,435	353,707	2,740	72,462	32,522	485,866	29,797
Cash and cash equivalents - beginning	6,126	8,472	1,415	29,116	9,914	55,043	9,082
Cash and cash equivalents - ending	\$ 30,561	\$ 362,179	\$ 4,155	\$ 101,578	\$ 42,436	\$ 540,909	\$ 38,879
Classified as							
Current assets	\$ 9,598	\$ 42,595	\$ 4,155	\$ 76,625	\$ 42,436	\$ 175,409	\$ 38,879
Restricted assets	20,963	319,584	-	24,953	-	365,500	-
Total	\$ 30,561	\$ 362,179	\$ 4,155	\$ 101,578	\$ 42,436	\$ 540,909	\$ 38,879

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



Bay County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2009

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ 2,781,098	\$ (1,731,379)	\$ (118,712)	\$ (1,322,956)	\$ (799,393)	\$ (1,191,342)	\$ (441,183)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	2,794,701	1,483,958	45,017	2,978,581	93,834	7,396,091	161,611
Amortization	52,061	46,061	-	42,122	-	140,244	-
(Increase) decrease in assets:							
Accounts receivable	490,093	266,626	(683,529)	2,109,488	11,399	2,194,077	108,587
Prepaid expenses	(14,117)	-	-	-	-	(14,117)	(347,050)
Inventory	(9,087)	-	-	-	-	(9,087)	-
Due from other funds	35,880	5,460	-	(57,287)	561	(15,386)	253,886
Due from other governments	(259,062)	(474,795)	-	45	-	(733,812)	(167,040)
Increase (decrease) in liabilities:							
Accounts payable	571,082	(75,860)	232,719	(4,004,139)	5,292	(3,270,906)	(23,505)
Deferred revenue	-	-	-	23,286,868	-	23,286,868	-
Due to other funds	(592,299)	(39,738)	57,244	8,464	(1,626)	(567,955)	61,367
Due to other governments	-	(68,415)	-	-	(4,577)	(72,992)	-
Customer deposits	-	9,710	-	11,322	(3,512)	17,520	-
Accrued compensated absence:	13,896	6,097	-	10,983	(3,673)	27,303	(1,938)
Net OPEB obligation	9,918	18,946	-	25,801	29,273	83,938	27,064
Landfill postclosure liability	-	-	-	(155,739)	-	(155,739)	-
Total adjustments	3,093,066	1,178,050	(348,549)	24,256,509	126,971	28,306,047	72,982
Net cash provided by (used in) operating activities:	\$ 5,874,164	\$ (553,329)	\$ (467,261)	\$ 22,933,553	\$ (672,422)	\$ 27,114,705	\$ (368,201)
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Contribution of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,089
Contribution of assets, including capital assets, and liabilities related to the County take over of the former Town of Cedar Grov	\$ 53,082	\$ 3,753,561	\$ -	\$ -	\$ -	\$ -	\$ 29,363

Bay County, Florida  
Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2009

**ASSETS**

Cash and cash equivalents	\$ 6,308,725
Investments	75,320
Accounts receivable, net	20,769
Total assets	<u>\$ 6,404,814</u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 1,322,707
Due to others	30,383
Due to other governments	5,051,724
Total liabilities	<u>\$ 6,404,814</u>

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

**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 (U.S. 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) and predecessor bodies 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 Court and Comptroller, 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 Court and Comptroller 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, 2009

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, 2009

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, 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 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.



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fiscal period. Expenditures generally are recorded when a liability is incurred, as with accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the County.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types 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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Noncurrent Governmental Assets/Liabilities

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

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

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

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Therefore, the fund level is the legal level of control for budget considerations. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Pursuant to Chapter 129, only the Board of County Commissioners can approve budget amendments that change the total approved budget appropriation of an individual fund.

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.

External Investment Pools

The County maintains deposits in the Local Government Surplus Funds Trust Fund (pool), hereinafter Florida PRIME, administered by the State of Florida State Board of Administration (SBA) and the Florida Local Governments Investment Trust, Florida Trust Day to Day Fund, administered by the Florida Association of Court Clerks Service Corporation. These external investment pools, have adopted operating procedures consistent

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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.



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2009 and 2008 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, 2009 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.

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-

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Court and Comptroller, 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, 2009, the County capitalized interest in the amount of \$719,367 in the retail water and wastewater fund.

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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. It also includes amounts recognized as a result of the County's assumption of the former Town of Cedar Grove. The contributions are reported after nonoperating revenues and expenses on the statement of revenues, expenses, and changes in fund net 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 Court and Comptroller are paid for portion of sick leave benefits upon termination based on years of service with the Clerk. Clerk's office employees with ten to fifteen years of service are paid 60% of accrued sick leave, employees with fifteen to twenty years of service are paid 80% of accrued sick leave, and employees with more than twenty years service are paid 100% of accrued sick leave upon termination, up to a maximum of 240 hours.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events

Management has evaluated subsequent events through the issuance date of the financial statements.

Reclassifications

Certain reclassifications have been made to the 2008 financial statement presentation to conform to the 2009 presentation.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

Explanation of certain differences between the governmental funds 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 \$92,856,150 difference are as follows:

Bonds payable	\$ 87,434,420
Less: Deferred charge on refunding (to be amortized as interest expense)	(529,197)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(1,314,922)
Plus: Issuance premium (to be amortized as interest expense)	784,723
Accrued interest payable	326,637
Capital leases payable	202,379
Net OPEB obligation	3,220,710
Compensated absences	2,731,400
	<hr/>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 92,856,150</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 \$239,609,673 difference are as follows:

Cost of capital assets	\$ 406,382,720
Less: Accumulated depreciation	<u>(166,773,047)</u>
	<hr/>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 239,609,673</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 funds* 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 \$19,866,544 difference are as follows:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

Capital outlay	\$ 32,533,102
Depreciation expense	<u>(12,666,558)</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>\$ 19,866,544</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 \$15,209,725 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.	\$ (685,952)
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>15,895,677</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>\$ 15,209,725</u>

Another element of that reconciliation states, "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$3,962,846 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (92,095)
Principal repayments:	
Bonds	3,375,771
Capital leases	757,372
Amortization of deferred charge on refunding	41,751
Amortization of issuance costs	(83,148)
Amortization of bond premium	<u>(36,805)</u>
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 3,962,846</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

**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 \$(1,827,716) difference are as follows:

OPEB Expense	\$ (1,297,125)
Compensated absences	(540,411)
Accrued interest	<u>9,820</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>\$ (1,827,716)</u>

**NOTE 3 – BUDGETS**

The County adopts budgets on a basis consistent with U.S. generally accepted accounting principles (U.S. 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
- Inmate Welfare

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

- Records Modernization-Court
- Records Modernization-Records
- 10% Fine Records Modernization
- 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:



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 4 – RESTRICTED ASSETS (Continued)

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 140,985	\$ 365,500	\$ 506,485
Investments	26,402,003	14,965,684	41,367,687
	<u>\$ 26,542,988</u>	<u>\$ 15,331,184</u>	<u>\$ 41,874,172</u>

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total
Customer deposits	\$ -	\$ -	\$ 418,600	\$ 100,000	\$ 57,298	\$ 43,654	\$ 619,552
Accrued interest payable	326,637	189,642	1,386,129	-	118,365	-	2,020,773
Current maturities of bonds	463,359	116,667	8,083	-	135,000	-	723,109
Payable from restricted assets	<u>\$ 789,996</u>	<u>\$ 306,309</u>	<u>\$ 1,812,812</u>	<u>\$ 100,000</u>	<u>\$ 310,663</u>	<u>\$ 43,654</u>	<u>\$ 3,363,434</u>

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 are qualified 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, hereinafter, Florida PRIME and Fund B, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Florida Statutes, Section 163.01.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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.

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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

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.

**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, 2009, the County had the following investments as rated by Standard and Poors, Moody's and/or Fitch Investor Services:

<b>Investment Type</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (months)</b>	<b>Credit Rating (if applicable)</b>
U.S. Government Securities	\$ 14,010,900	\$ 14,010,900	Demand	N/A
Asset-back Securities	2,008,331	2,008,331	6.83	N/A
Florida Local Governments Investment Trust	10,405,570	10,405,570	26.6	AAAf
Florida Local Governments Investment Trust Florida Trust Day to Day Fund	20,037,685	20,037,685	1.5	AAAm
Mutual Funds	5,763,504	5,763,504	1.5	AAAm, Aaa
Local Government Surplus Funds Trust Fund Pool (PRIME)	45,870	45,870	1.1	AAAm
Local Government Investment Pool Fund B	747,177	747,177	80.3	*
				AAAm,
Federated Money Market	56,470,970	56,470,970	Demand	Aaa, AAA
Certificates of Deposit	25,015,070	25,015,070	Time Deposit	N/A
<b>Total investments</b>	<b>\$ 134,505,077</b>	<b>\$ 134,505,077</b>		

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

As of September 30, 2009, the County had investments for general and agency funds on deposit in a 2a7-like pool in the amount of \$793,047, with the Florida PRIME and \$20,037,685, with the FLGIT Florida Trust Day to Day Fund which are stated at amortized cost.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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 Florida PRIME, administered by the Florida State Board of Administration (SBA), and the FLGIT Florida Trust Day to Day Fund, administered by the Florida Association of Court Clerks Service Corporation, are 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, 2009 was 0.549151. 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 did not have investments in commercial paper for the year ended September 30, 2009.

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, 2009 are as follows:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 7 – NOTES RECEIVABLE (Continued)

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%. \$ 16,177,838

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. 1,215,691

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. 193,806

Total notes receivable – enterprise funds \$ 17,587,335

NOTE 8 – CAPITAL ASSETS

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

	September 30, 2008	Increases	Decreases	September 30, 2009
Capital assets, not being depreciated				
Land	\$ 13,412,553	\$ 1,195,278	\$ -	\$ 14,607,831
Construction in progress	20,307,835	24,846,570	(29,443,405)	15,711,000
Total capital assets, not being depreciated	33,720,388	26,041,848	(29,443,405)	30,318,831
Capital assets, being depreciated				
Books	1,507,802	86,025	-	1,593,827
Buildings and improvements	104,390,281	27,297,059	(5,408,013)	126,279,327
Furniture and equipment	42,543,712	5,037,329	(2,520,018)	45,061,023
Infrastructure	185,888,210	19,935,429	-	205,823,639
Total capital assets, being depreciated	334,330,005	52,355,842	(7,928,031)	378,757,816
Less accumulated depreciation				
Books	(530,674)	(527,303)	-	(1,057,977)
Buildings and improvements	(19,656,483)	(2,809,552)	5,002,412	(17,463,623)
Furniture and equipment	(26,583,907)	(5,310,934)	1,816,300	(30,078,541)
Infrastructure	(114,610,582)	(4,924,142)	-	(119,534,724)
Total accumulated depreciation	(161,381,646)	(13,571,931)	6,818,712	(168,134,865)
Total capital assets, being depreciated, net	172,948,359	38,783,911	(1,109,319)	210,622,951
Total governmental-type activities capital assets, net	\$ 206,668,747	\$ 64,825,759	\$ (30,552,724)	\$ 240,941,782

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2009:

	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total
Land	\$ 261,192	\$ 2,014,000	\$ -	\$ 752,451	\$ -	\$ 3,027,643
Buildings	2,373,739	4,766	134,702	840,874	246,080	3,600,161
Improvements	90,985	-	-	41,250	-	132,235
Furniture and equipment	1,158,014	444,186	143,796	3,515,021	699,911	5,960,928
Infrastructure	103,236,363	28,297,163	10,577,333	73,449,373	-	215,560,232
Construction in progress	2,852,311	849,030	-	28,671,020	-	32,372,361
Total	109,972,604	31,609,145	10,855,831	107,269,989	945,991	260,653,560
Less: accumulated depreciation						
Buildings	(1,856,893)	(1,715)	(83,320)	(226,279)	(246,080)	(2,414,287)
Improvements	(78,193)	-	-	(41,250)	-	(119,443)
Furniture and equipment	(812,968)	(143,331)	(99,058)	(1,674,943)	(609,184)	(3,339,484)
Infrastructure	(32,774,205)	(3,902,223)	(9,860,306)	(31,387,918)	-	(77,924,652)
Total accumulated depreciation	(35,522,259)	(4,047,269)	(10,042,684)	(33,330,390)	(855,264)	(83,797,866)
Business-type activities capital assets, net	\$74,450,345	\$ 27,561,876	\$ 813,147	\$ 73,939,599	\$ 90,727	\$ 176,855,694

	September 30, 2008	Increases	Decreases	September 30, 2009
Capital assets, not being depreciated				
Land	\$ 2,851,391	\$ 176,252	\$ -	\$ 3,027,643
Construction in progress	16,137,617	27,393,421	(11,158,677)	32,372,361
Total capital assets, not being depreciated	18,989,008	27,569,673	(11,158,677)	35,400,004
Capital assets, being depreciated				
Buildings	3,653,241	4,766	(57,846)	3,600,161
Improvements	132,235	-	-	132,235
Furniture and equipment	6,371,766	1,099,301	(1,510,139)	5,960,928
Infrastructure	194,196,189	21,496,458	(132,415)	215,560,232
Total capital assets, being depreciated	204,353,431	22,600,525	(1,700,400)	225,253,556
Less accumulated depreciation				
Buildings	(2,364,600)	(86,047)	36,360	(2,414,287)
Improvements	(117,774)	(1,669)	-	(119,443)
Furniture and equipment	(3,473,144)	(567,463)	701,123	(3,339,484)
Infrastructure	(69,485,458)	(8,571,607)	132,413	(77,924,652)
Total accumulated depreciation	(75,440,976)	(9,226,786)	869,896	(83,797,866)
Total capital assets, being depreciated, net	128,912,455	13,373,739	(830,504)	141,455,690
Total business-type activities capital assets, net	\$ 147,901,463	\$ 40,943,412	\$ (11,989,181)	\$ 176,855,694

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

The increases in capital assets include \$13,747,265 for governmental activities and \$10,187,988 for business-type activities and the increase in accumulated depreciation includes \$743,760 for governmental activities and \$1,830,695 for business type activities of land, improvements, equipment, and infrastructure that were acquired by the County taking over the assets of the former Town of Cedar Grove upon dissolution. The decrease in construction in progress for governmental activities includes \$708,929 related to prior period expenses improperly capitalized. This adjustment is detailed further at Note 26.

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

Governmental activities		
General government	\$	1,871,377
Public safety		3,926,423
Physical environment		441,879
Transportation		4,530,975
Economic environment		560,095
Human services		70,170
Culture and recreation		1,265,641
Internal service funds		161,611
Total depreciation expense - governmental activities	\$	<u>12,828,171</u>
Business-type activities		
Wholesale water system	\$	2,794,701
Retail water and wastewater		1,483,958
Industrial wastewater		45,017
Solid waste		2,978,581
Building services		93,834
Total depreciation expense - business-type activities	\$	<u>7,396,091</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	\$	738,277
Equipment		<u>30,728</u>
Total		769,005
Less: accumulated depreciation		<u>(278,031)</u>
Net	\$	<u>490,974</u>



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 9 – CAPITAL LEASES (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009 were as follows:

<u>Year Ending September 30,</u>	
2010	153,507
2011	48,805
2012	<u>10,795</u>
Total minimum lease payments	213,107
Less amount representing interest	<u>(10,728)</u>
Present value of minimum lease payments	<u>\$ 202,379</u>

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description

The County participates in the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, established the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefits provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399 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, 2009, 2008, and 2007 were \$6,678,489, \$4,886,382, and \$4,593,291 respectively, and are equal to the required contributions for each year.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

**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 1,200 total active and retired employees eligible to receive these benefits. No stand alone report is issued for this plan. 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.

**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:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

Coverage	Blue Options 3559	Blue Options 3359	Blue Options HSA 3160/61	Current Retirees Blended Premium	Future Retirees Blended Premium
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

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 \$498,822 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)	\$ 2,316,695
Amortization of unfunded actuarial accrued liability	1,144,364
Interest on normal cost and amortization	107,000
Annual required contribution	3,568,059
Interest on net OPEB obligation	83,728
Adjustment to annual required contribution	(116,100)
Annual OPEB cost (expense)	3,535,687
Contribution toward the OPEB cost	(498,822)
Increase in net OPEB obligation	3,036,865
Net OPEB obligation, beginning of year	2,029,737
Net OPEB obligation, end of year	\$ 5,066,602

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, 2009 was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2007	N/A	N/A	N/A
2008	\$ 2,507,046	19.0%	\$ 2,029,737
2009	\$ 3,535,687	14.0%	\$ 5,066,602

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

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.

Actuarial Methods and Assumptions

The County had an actuarial valuation completed for the fiscal year ended September 30, 2008 and a rolled forward report prepared by the actuary for the fiscal year ended September 30, 2009. 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 Sheriff and County, 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, 2009 is 28 years.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

Notes payable, in the enterprise funds at September 30, 2009, 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.

\$ 7,365,463

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.

2,364,876

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

30,730,339

Less: current portion

(913,083)

Long-term portion of enterprise funds notes payable

\$ 29,817,256

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

Year ending September 30,	Principal	Interest	Total
2010	\$ 913,083	\$ 2,494,921	\$ 3,408,004
2011	21,903,404	253,464	22,156,868
2012	930,221	226,647	1,156,868
2013	957,835	199,033	1,156,868
2014	986,270	170,598	1,156,868
2015-2019	4,942,198	396,026	5,338,224
2020	97,328	1,464	98,792
Total	<u>\$ 30,730,339</u>	<u>\$ 3,742,153</u>	<u>\$ 34,472,492</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

**Enterprise Funds Bonds Payable:**

	Wholesale Water System Series 1997	Wholesale Water System Series 2000	Wholesale Water System Series 2005	North Bay Water Revenue Series 2008	Wastewater System Series 2004	Solid Waste Series 1998	USDA Revenue Bonds Series 2002	USDA Revenue Bonds Series 2000	Total
Current portion	\$125,000	\$ 805,000	\$ 470,000	\$ 39,000	\$ 260,000	\$ 1,620,000	\$ 42,000	\$ 16,000	\$ 3,377,000
Long-term portion	-	315,000	45,935,000	2,354,734	6,187,500	29,060,000	2,366,000	1,031,000	87,249,234
	125,000	1,120,000	46,405,000	2,393,734	6,447,500	30,680,000	2,408,000	1,047,000	90,626,234
Deferred amounts on:									
Issuance (discounts)									
and premiums	(10,179)	(15,084)	1,909,638	-	-	(635,593)	-	-	1,248,782
Refunding	-	-	(1,350,245)	-	-	(844,022)	-	-	(2,194,267)
Total bonds payable	\$114,821	\$1,104,916	\$46,964,393	\$2,393,734	\$6,447,500	\$29,200,385	\$2,408,000	\$1,047,000	\$89,680,749

**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 \$131,125.

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.

\$ 114,821

**Wastewater System Revenue Refunding Bonds – Series 2004**

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

Principal is payable annually on September 1, commencing on September 1, 2005. Interest is payable semiannually on March 1 and September 1. The bonds are collateralized by the net revenues of the joint venture (Military Point Advanced Wastewater Treatment Facility). Average annual debt service is \$1,115,307. Bay County is liable for one half of the total obligation.

\$ 6,447,500

Solid Waste Sales Tax Revenue Bonds – Series 1998

Authorized and issued \$47,700,000, interest from 3.0% to 4.75%, principal payable annually on September 1, commencing September 1, 1999. Interest payable semiannually on March 1 and September 1. The principal and interest are secured by a prior lien upon and pledge of the proceeds of the Local Government Half-Cent Sales Tax and by a lien on the net revenues of the solid waste fund. Average annual debt service is \$3,036,023.

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.

29,200,385

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 \$596,391.

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.

1,104,916



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

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 \$141,462. These bonds were issued in connection with certain indebtedness previously incurred by Gulf Coast Electric Cooperative as authorized by Resolution 2861.

\$ 2,393,734

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 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 \$3,611,336.

46,964,393

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

USDA revenue bonds Series 2002

Authorized and issued for \$2,590,000. Bonds bear interest at 3.25%. Bonds mature September 1, 2042. Bonds are interest only for the first two years. Thereafter, annual payments will include principal and interest. Payments will be made September 1 each year. Collateralized by the net revenues of the sewer system and excise taxes. Average remaining annual debt service is \$120,005.

\$ 2,408,000

USDA revenue bonds Series 2000

Authorized and issued \$1,154,000, interest at 4.75%, interest only payments annually for the first two years, there after annual payments will include interest and principal. Payments will be made September 30 of each year and matures September 1, 2039. Collateralized by a pledge on the net revenues of the water system and excise taxes. Average remaining annual debt service is \$66,147.

1,047,000

Total bonds payable – business-type activities

89,680,749

Less: current portion

(3,377,000)

Long-term portion of business-type activities bonds payable

\$ 86,303,749

The annual debt service requirements to maturity for bonds payable at September 30, 2009 are as follows:

Year ending September 30,	Principal	Interest	Total
2010	\$ 3,377,000	\$ 4,225,678	\$ 7,602,678
2011	3,522,000	4,080,677	7,602,677
2012	3,667,500	3,938,283	7,605,783
2013	3,806,500	3,795,676	7,602,176
2014	3,955,000	3,644,397	7,599,397
2015-2019	22,896,500	15,222,242	38,118,742
2020-2024	25,667,500	9,119,248	34,786,748
2025-2029	17,240,500	3,895,090	21,135,590
2030-2034	4,681,000	657,177	5,338,177
2035-2039	1,398,021	245,937	1,643,958
2040-2042	414,713	25,648	440,361
Total	<u>\$ 90,626,234</u>	<u>\$ 48,850,053</u>	<u>\$ 139,476,287</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009	Due Within One Year
Bonds payable	\$ 91,930,734	\$ 3,512,000	\$(4,816,500)	\$ 90,626,234	\$ 3,377,000
Adjusted for deferred amounts on:					
Issuance discounts/premiums	1,272,780	-	(23,998)	1,248,782	-
Refunding	(3,205,660)	-	1,011,393	(2,194,267)	-
Total bonds payable	89,997,854	3,512,000	(3,829,105)	89,680,749	3,377,000
Notes payable	31,586,315	-	(855,976)	30,730,339	913,083
Other post employment benefits	80,272	83,938	-	164,210	-
Accrued compensated absences	297,661	196,548	(169,245)	324,964	149,891
Landfill closure and postclosure liability	9,661,267	-	(155,739)	9,505,528	-
Business-type activity- long-term liabilities	<u>\$131,623,369</u>	<u>\$3,792,486</u>	<u>\$(5,010,065)</u>	<u>\$ 130,405,790</u>	<u>\$ 4,439,974</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, 2009 there was no arbitrage liability for business activities.

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

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

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009	Due Within One Year
Bonds payable	\$ 90,810,190	\$ -	\$ (3,375,770)	\$ 87,434,420	\$ 3,505,157
Adjusted for deferred amounts on:					
Issuance discounts/premiums	826,474	-	(41,751)	784,723	-
Refunding	(566,002)	-	36,805	(529,197)	-
Total bonds payable	91,070,662	-	(3,380,716)	87,689,946	3,505,157
Capital leases payable	867,670	92,095	(757,386)	202,379	145,772
Other post employment benefits	1,949,465	1,324,189	-	3,273,654	-
Accrued compensated absences	2,360,211	1,193,132	(654,659)	2,898,684	768,265
Governmental activity long- term liabilities	<u>\$ 96,248,008</u>	<u>\$ 2,609,416</u>	<u>\$ (4,792,761)</u>	<u>\$ 94,064,663</u>	<u>\$ 4,419,194</u>

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, 2009:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

Sales Tax Revenue Bonds – Series 2002

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

\$ 1,225,000

Transportation Improvement Revenue Refunding Bonds - Series 2003

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

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

The bonds are issued on 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.

1,886,850

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

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.

\$ 2,750,000

Taxable Capital Improvement Revenue Bonds, Series 2003B

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

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

205,000

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.

38,828,727

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

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.

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.

\$ 14,664,949

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.

28,129,420

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

Total bonds payable – governmental activities	\$ 87,689,946
Less: current portion	<u>(3,505,157)</u>
Long-term portion governmental activities bonds payable	<u>\$ 84,184,789</u>

The annual debt service requirements to maturity for the governmental activities revenue bonds payable at September 30, 2009 are as follows:

Year ending September 30,	Principal	Interest	Total
2010	\$ 3,505,157	\$ 3,901,233	\$ 7,406,390
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	1,862,958	3,478,505	5,341,463
2015-2019	10,608,951	16,120,892	26,729,843
2020-2024	16,262,031	13,635,322	29,897,353
2025-2029	30,013,720	8,124,235	38,137,955
2030-2032	17,100,000	1,635,076	18,735,076
Total	<u>\$ 87,434,420</u>	<u>\$ 57,873,997</u>	<u>\$ 145,308,417</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, 2009 there was an arbitrage liability of \$31,886 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, 2009 totaled \$131,125. Annual principal and interest payments on the bond required 7.5% of wholesale water system net revenue. Principal and interest payments paid for the current year and wholesale water system net revenue, were \$477,725 and \$6,380,779, 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



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

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, 2009 totaled \$42,504,319. Annual principal and interest payments required 42.4% 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 \$4,691,835 and \$11,073,655, respectively.

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, 2009 totaled \$1,192,783. Annual principal and interest payments on the bond required 13.0% 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 \$865,217 and \$6,651,651, 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, 2009 totaled \$75,838,053. Annual principal and interest payments on the bond required 35.0% 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 \$2,331,310 and \$6,651,651, 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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

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 and interest payments on this debt as of September 30, 2009 totaled \$23,251,136. No principal or interest payments were made during the current year. The total Southport Water System net revenue pledged was \$339,100.

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, 2009 totaled \$4,385,319. Annual principal and interest payments on the bond required 42.3% 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 \$143,345 and \$339,100, respectively.

The \$1,154,000 USDA Revenue Bond – Series 2000 were issued in connection with the assumption of certain indebtedness previously incurred by the former town of Cedar Grove. The bonds are secured by the net revenues derived from the water system and excise taxes. This pledge remains in effect until extinguishment or maturity of the debt in 2039, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2009 totaled \$1,984,413. Annual principal and interest payments on the bond required 6.8% of the total of the water system net revenue. Principal and interest payments paid for the current year and the total of the water system net revenue, were \$62,285 and \$912,681 respectively.

The \$2,590,000 USDA Revenue Bond – Series 2002 were issued in connection with the assumption of certain indebtedness previously incurred by the former town of Cedar Grove. The bonds are secured by the net revenues derived from the sewer system and excise taxes. This pledge remains in effect until extinguishment or maturity of the debt in 2042, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2009 totaled \$3,960,168. Annual principal and interest payments on the bond required 12.5% of the total of the water system net revenue. Principal and interest payments paid for the current year and the total of the water system net revenue, were \$113,960 and \$912,681 respectively.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

**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, 2009 totaled \$1,330,353. Annual principal and interest payments paid on the bond required 4.8% 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 \$441,582 and \$9,139,392, 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, 2009 totaled \$1,989,688. Annual principal and interest payments paid on the bond required 21.3% 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 \$981,225 and \$4,604,433, 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, 2009 totaled \$73,283,440. Annual principal and

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

**NOTE 15 – PLEDGED REVENUES - GOVERNMENTAL ACTIVITIES (Continued)**

interest payments paid on the bond required 21.3% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$1,942,585 and \$9,139,392, 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, 2009 totaled \$24,841,580. Annual principal and interest payments paid on the bond required 7.6% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$697,444 and \$9,139,392, respectively.

**NOTE 16 – COMPENSATED ABSENCES**

The County's compensated absences at September 30, 2009 are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 768,265	\$ 149,891	\$ 918,156
Long-term	2,130,419	175,073	2,305,492
Total	<u>\$ 2,898,684</u>	<u>\$ 324,964</u>	<u>\$ 3,223,648</u>

**NOTE 17 – INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS**

At September 30, 2009, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund	
General	Solid waste fund	\$ 3,483
	Retail water and wastewater	131,746
	Wholesale water system	7,125
	Internal service funds	<u>61,160</u>
		\$ 203,514
Transportation	Other nonmajor governmental funds	108
	General fund	16,400
	Solid waste fund	293
	Internal service funds	<u>14,882</u>
		31,683

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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

Tourist development funds	General fund		131,650
Other nonmajor governmental funds	Internal service funds		54,125
Wholesale water system	General fund	24	
	Retail water and wastewater	19,415	
	Internal service funds	<u>76,822</u>	
			96,261
Retail water and wastewater	General fund	67,250	
	Industrial wastewater	72,200	
	Internal service funds	<u>121</u>	
			139,571
Solid waste	Internal service funds		57,337
Internal service funds	General fund	20,874	
	Transportation	46,020	
	Tourist development funds	555	
	Other nonmajor governmental funds	35,286	
	Retail water and wastewater	43,244	
	Wholesale water system	40,348	
	Solid waste fund	33,899	
	Industrial wastewater	27,676	
	Building services	2,596	
	Other internal service funds	<u>854</u>	
			<u>251,352</u>
	Total		<u>\$ 965,493</u>

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, 2009, this advance was expected to be repaid by the wholesale water system within five years. The balance of the advance as of September 30, 2009 was \$3,176,428.

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, 2009 were as follows:

Transfer out	Transfer in					Total
	Transportation Fund	Nonmajor Governmental Funds	Building Services	Internal Service Funds	Retail Water & Wastewater Funds	
General fund	\$ 7,001,293	\$ 5,715,769	\$ 60,000	\$ -	\$ 173,781	\$12,950,843
Internal service funds	-	-	-	23,695	-	23,695
Total	\$ 7,001,293	\$ 5,715,769	\$ 60,000	\$ 23,695	\$ 173,781	\$12,974,538

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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, 2009, consisted of the following:

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Total Enterprise Funds
Restricted for debt service	\$ 1,719,464	\$ 317,028	\$ 890,340	\$ 2,926,832
Restricted for impact fee requirements	1,777,744	1,567,044	-	3,344,788
Total	<u>\$ 3,497,208</u>	<u>\$1,884,072</u>	<u>\$ 890,340</u>	<u>\$ 6,271,620</u>

Reserved Fund Balances

The County has established certain reserves within the fund equity section of the governmental funds. Reserved fund balances at September 30, 2009, consist of the following:

General fund:

Reserved for debt service	\$ <u>4,685,043</u>
Reserved for advances	\$ <u>3,176,428</u>
Reserved for impact fees	\$ <u>2,119,229</u>
Reserved for other purposes	
Reserved for drug court	155,285
Reserved for boating improvement	215,716
Reserved for law enforcement	193,545
Reserved for innovative court programs	509,744
Reserved for legal aid	181
Reserved for law library	12,136
Reserved for teen court	10,881
Reserved for public records	385,274
Reserved for prepaid items	135,466
Reserved for court facilities	<u>513,068</u>
Total reserved for other purposes	\$ <u>2,131,296</u>

Special revenue funds:

Reserved for debt service	\$ <u>1,554,462</u>
Reserved for capital projects	\$ <u>14,437,306</u>
Reserved for impact fees	\$ <u>1,902,311</u>
Reserved for other purposes	
Reserved for tourism promotion	\$ 1,097,220
Reserved for prepaid items	<u>30,871</u>
Total reserved for other purposes	\$ <u>1,128,091</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 18 – EQUITY (Continued)

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 \$5,763,504. 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, 2009 consists of the following:

General fund:

Designated for insurance claims and emergency contingency	<u>\$ 4,873,062</u>
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Special revenue funds:

Designated for capital outlay and literacy program	<u>\$ 1,426,268</u>
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The government-wide statement of net assets reports restricted net assets of \$18,528,495, of which \$9,362,158 is restricted by enabling legislation.

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 \$2,919,868 and the postclosure costs to maintain and monitor the Steelfield and Majette landfills will be approximately \$528,192 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 \$9,505,528 landfill closure and postclosure care liability at September 30, 2009, 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 2009. Actual cost may be higher due to inflation, deflation, changes in technology, or changes in applicable laws and regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County was in compliance with these requirements and at September 30, 2009, \$3,259,156 was held for these purposes in a separate general ledger account on deposit in the County's pooled cash

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 19 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2009, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway’s portion of note payable	\$ 7,365,463
Related interest expense	1,110,721
Wastewater System Revenue Refunding Bonds Series 2004 (see Note 12)	6,447,500
Related interest expense	3,032,609
Total contingent liability – joint venture	<u>\$17,956,293</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	\$ 18,279,670	\$ 1,966,580	\$ 16,313,090
County Pier	8,383,755	4,784,272	3,599,483
Thomas Dr. Pedestrian/Bike Ln	2,199,704	1,943,329	256,375
Courthouse Roof	707,710	572,259	135,451
Courthouse Windows & Doors	279,021	71,484	207,537
Blue Springs Road Bridge	1,233,605	762,291	471,314
Jail Demolition	675,150	546,300	128,850
West End Fire Station Design	294,120	225,312	68,808
CR 390 Widening	862,290	853,667	8,623
Baldwin Road Widening	4,062,650	3,766,452	296,198
Total contract commitments	<u>\$ 36,977,675</u>	<u>\$ 15,491,946</u>	<u>\$ 21,485,729</u>



Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

**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, 2009 are summarized as follows:

Issue	Date of Issue	Amount Outstanding at September 30, 2009
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	\$ 10,950,000

**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, 2009. 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 \$4,147,638 reported in the workers' compensation fund at September 30, 2009 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 2008 and 2009 were as follows:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

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, 2007 - September 30, 2008	\$ 4,195,507	\$ 372,248	\$ (240,544)	\$ 4,327,211
October 1, 2008 - September 30, 2009	\$ 4,327,211	\$ 421,386	\$ (600,959)	\$ 4,147,638

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 2008 and 2009 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, 2007 - September 30, 2008	\$ 250,000	\$ 1,582,937	\$ (1,582,937)	\$ 250,000
October 1, 2008 - September 30, 2009	\$ 250,000	\$ 1,584,410	\$ (1,584,410)	\$ 250,000

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 former Town of Cedar Grove on September 27, 1996 to supply existing and expanded wastewater treatment and disposal services. The mission of this joint venture is to provide these services in an economical, efficient and environmentally appropriate manner to their respective citizenry. This joint venture, known as the Military Point Advanced Wastewater Treatment Facility (MPAWTF or System), assumed ownership of the

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 23 – JOINT VENTURE (Continued)

existing wastewater treatment plant and then completed construction of a new seven million gallon per day advanced wastewater treatment facility which was placed in service on July 20, 1999. Funding for the new facility came through a combination of conventional borrowing and State Revolving Fund loans.

The joint venture is owned and governed by Bay County, Florida; and the cities of Callaway, Parker, and Springfield. 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, 2009, the County's investment in the joint venture was \$1,002,226. 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, 2009

Assets	<u>\$ 39,698,127</u>
Liabilities	<u>30,121,483</u>
Net assets	
Invested in capital assets, net of related debt	4,261,335
Restricted for debt service	5,198,288
Unrestricted	<u>117,021</u>
Total net assets	<u>9,576,644</u>
Total liabilities and net assets	<u>\$ 39,698,127</u>

Statement of Activities  
Year Ended September 30, 2009

Revenues	\$ 5,837,658
Expenses	<u>(3,990,567)</u>
Operating income	1,847,091
Nonoperating revenues (expenses), net	<u>(33,698)</u>
Income before distributions	1,813,393
Distribution to owners	<u>(599,761)</u>
Change in net assets	1,213,632
Net assets, beginning of year	<u>8,363,012</u>
Net assets, end of year	<u>\$ 9,576,644</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 23 – JOINT VENTURE (Continued)

As of September 30, 2009 the County's portion of contributions and net assets in the joint venture is as follows:

County investment, beginning of year	\$ 1,081,521
Add: Assumption of Town of Cedar Grove	(289,269)
Add: 2009 County share of net income	444,634
Less: 2009 Service fee allocation	(21,493)
Less: 2008 Distributions to owners	<u>(213,167)</u>
County investment in joint venture at September 30, 2009	<u>\$ 1,002,226</u>

NOTE 24 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2009 the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2009, billings for these services totaled \$1,997,469.

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 \$1,240,295 for the year ended September 30, 2009. In addition, during the current year the County recognized \$612,066 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$612,066, 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 was 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 the third quarter of fiscal year 2010. 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. As of September 30, 2009, total insurance proceeds received were \$30,750,776 and total amounts expended were \$28,671,020. These amounts are reported as deferred revenue in the Solid Waste Fund until the final information is known. Management estimates the cost of repairs to total from \$35,000,000 to \$40,000,000.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2009

NOTE 26 – PRIOR PERIOD ADJUSTMENTS

Solid Waste Fund Capital Asset

During the year ended September 30, 2009, the County determined that the originally assigned value of a capital asset that was donated in a prior year was incorrect. The effect of the error was an overstatement of the value of the asset and the corresponding contribution revenue in the amount of \$764,045. As a result, a decrease in the beginning capital assets and net assets amounts has been made.

Transportation Fund Deferred Revenue

During the year ended September 30, 2009, the County determined that revenue had been improperly deferred in the prior year. The effect of the error was an overstatement of deferred revenue and an understatement of revenue in the prior year in the amount of \$221,289. As a result, a decrease in beginning deferred revenue and an increase in net assets has been made.

General Fund Capital Assets

During the year ended September 30, 2009, the County determined that certain previously capitalized construction in progress costs were improperly capitalized. The effect of the error was an overstatement of the value of the asset and an understatement of expenses in the prior year in the amount of \$708,929. As a result, a decrease in the beginning capital assets and net assets amounts has been made.

NOTE 27 – TOWN 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 the Supervisor of Election, and the Town of Cedar Grove was officially dissolved. The County absorbed the former Town and assumed the financial responsibility and the responsibility to provide services to its citizens. Effective December 1, 2008, the assets and related liabilities of the Town were transferred to the County.

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## REQUIRED SUPPLEMENTARY INFORMATION

Bay County, Florida  
Required Supplementary Information  
September 30, 2009

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, 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	72.04%
September 30, 2009	-	\$ 20,018,548	\$ 20,018,548	0.0%	\$ 43,294,816	46.24%

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
2007	N/A	N/A	N/A
2008	\$ 477,309	\$ 2,507,046	19.0%
2009	\$ 498,822	\$ 3,568,059	14.0%



# 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.

10% Fine Records Modernization – to account for funds to be used for modern technology for the storage, retrieval and public access of valuable court and government public records. Funding is provided 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.

Inmate Welfare – to account for expenditures related to inmate welfare funded by the proceeds from jail activities.

Bay County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2009

	Special Revenue				
	Stormwater Management	Public Library	Public Safety	Intergovernmental Radio Communications	District Mosquito Control
<b>ASSETS</b>					
Cash and cash equivalents	\$ 15,147	\$ 6,197	\$ 8,606	\$ 6,984	\$ 10,672
Accounts receivable, net	-	236	-	-	-
Special assessments receivable	-	-	-	-	-
Investments	2,517,417	961,856	1,430,281	1,160,715	1,773,701
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	1,231	-	303,027	76,284	1,129
Restricted assets					
Cash and cash equivalents	-	-	-	396	-
Investments	-	-	-	65,834	-
Total assets	<u>\$ 2,533,795</u>	<u>\$ 968,289</u>	<u>\$ 1,741,914</u>	<u>\$ 1,310,213</u>	<u>\$ 1,785,502</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities					
Accounts payable	\$ 106,057	\$ 78,893	\$ 140,870	\$ 6,940	\$ 20,747
Deferred revenue	-	193,809	-	-	-
Due to other funds	26,309	1,633	48	-	5,491
Due to other governments	-	-	-	-	-
Total liabilities	<u>132,366</u>	<u>274,335</u>	<u>140,918</u>	<u>6,940</u>	<u>26,238</u>
Fund balance					
Reserved for					
Debt service	-	-	-	65,989	-
Impact fees	-	-	-	-	-
Prepaid items	-	-	-	-	-
Unreserved-designated	-	-	-	26,268	-
Unreserved	2,401,429	693,954	1,600,996	1,211,016	1,759,264
Total fund balance	<u>2,401,429</u>	<u>693,954</u>	<u>1,600,996</u>	<u>1,303,273</u>	<u>1,759,264</u>
Total liabilities and fund balance	<u>\$ 2,533,795</u>	<u>\$ 968,289</u>	<u>\$ 1,741,914</u>	<u>\$ 1,310,213</u>	<u>\$ 1,785,502</u>

Continued

Special Revenue				
MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority	Court Fund	10/6/3 Fund
\$ 23,590	\$ 3,513	\$ 731	\$ 218,419	\$ 29,296
5,741	34	-	10,679	-
-	235,138	-	-	-
3,920,592	583,785	121,523	10,026	-
2,475	-	-	-	-
54,125	-	-	-	-
7,293	-	-	-	-
7,447	-	-	-	-
1,237,703	-	-	-	-
<u>\$ 5,258,966</u>	<u>\$ 822,470</u>	<u>\$ 122,254</u>	<u>\$ 239,124</u>	<u>\$ 29,296</u>
\$ 248,785	\$ 117	\$ -	\$ 223,200	\$ -
-	235,139	-	-	-
1,913	-	-	-	-
-	-	-	15,924	-
<u>250,698</u>	<u>235,256</u>	<u>-</u>	<u>239,124</u>	<u>-</u>
405,712	-	-	-	-
840,643	-	-	-	-
2,475	-	-	-	-
1,400,000	-	-	-	-
2,359,438	587,214	122,254	-	29,296
5,008,268	587,214	122,254	-	29,296
<u>\$ 5,258,966</u>	<u>\$ 822,470</u>	<u>\$ 122,254</u>	<u>\$ 239,124</u>	<u>\$ 29,296</u>

Continued

Bay County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2009

	Special Revenue				
	Family Mediation	Records Modernization - Court	Records Modernization - Records	10% Fine Records Modernization	Law Enforcement Training
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,782	\$ 73,733	\$ 363,940	\$ 25,131	\$ 18,920
Accounts receivable, net	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Investments	-	-	-	-	-
Prepaid items	-	24,486	3,910	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Restricted assets					
Cash and cash equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Total Assets	<u>\$ 8,782</u>	<u>\$ 98,219</u>	<u>\$ 367,850</u>	<u>\$ 25,131</u>	<u>\$ 18,920</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities					
Accounts payable	\$ 1,650	\$ 9,891	\$ 11,017	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	<u>1,650</u>	<u>9,891</u>	<u>11,017</u>	<u>-</u>	<u>-</u>
Fund balance					
Reserved for					
Debt service	-	-	-	-	-
Other purposes	-	-	-	-	-
Prepaid items	-	24,486	3,910	-	-
Unreserved-designated	-	-	-	-	-
Unreserved	7,132	63,842	352,923	25,131	18,920
Total fund balance	<u>7,132</u>	<u>88,328</u>	<u>356,833</u>	<u>25,131</u>	<u>18,920</u>
Total liabilities and fund balance	<u>\$ 8,782</u>	<u>\$ 98,219</u>	<u>\$ 367,850</u>	<u>\$ 25,131</u>	<u>\$ 18,920</u>

Special Revenue

Special Law Enforcement Trust	Special Contribution	Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$ 11,377	\$ 5,077	\$ 260,579	\$ 143,430	\$ 40,947	\$ 84,165	\$ 1,359,236
-	-	-	-	-	38,868	55,558
-	-	-	-	-	-	235,138
-	-	-	-	-	-	12,479,896
-	-	-	-	-	-	30,871
-	-	-	-	-	-	54,125
-	-	-	-	-	-	388,964
-	-	-	-	-	-	7,843
-	-	-	-	-	-	1,303,537
<u>\$ 11,377</u>	<u>\$ 5,077</u>	<u>\$ 260,579</u>	<u>\$ 143,430</u>	<u>\$ 40,947</u>	<u>\$ 123,033</u>	<u>\$ 15,915,168</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 848,167
-	-	-	-	-	-	428,948
-	-	-	-	-	-	35,394
-	-	-	-	-	-	15,924
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,328,433</u>
-	-	-	-	-	-	471,701
-	-	-	-	-	-	840,643
-	-	-	-	-	-	30,871
-	-	-	-	-	-	1,426,268
<u>11,377</u>	<u>5,077</u>	<u>260,579</u>	<u>143,430</u>	<u>40,947</u>	<u>123,033</u>	<u>11,817,252</u>
<u>11,377</u>	<u>5,077</u>	<u>260,579</u>	<u>143,430</u>	<u>40,947</u>	<u>123,033</u>	<u>14,586,735</u>
<u>\$ 11,377</u>	<u>\$ 5,077</u>	<u>\$ 260,579</u>	<u>\$ 143,430</u>	<u>\$ 40,947</u>	<u>\$ 123,033</u>	<u>\$ 15,915,168</u>

Bay County, Florida  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2009

	Special Revenue				
	Stormwater Management	Public Library	Public Safety	Intergovernmental Radio Communications	District Mosquito Control
<b>REVENUES</b>					
Taxes	\$ 1,598,257	\$ -	\$ -	\$ -	\$ 1,021,207
Intergovernmental	726,176	486,353	-	-	18,512
Charges for services	-	494,249	924,335	666,978	780
Investment earnings	36,933	3,423	19,667	15,878	22,228
Contributions and donations	-	15,524	-	-	-
Miscellaneous	-	26,956	-	222,432	286
Total revenues	<u>2,361,366</u>	<u>1,026,505</u>	<u>944,002</u>	<u>905,288</u>	<u>1,063,013</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	700,082	502,813	-
Physical environment	5,676,447	-	-	-	-
Culture and recreation	-	2,810,586	-	-	-
Human services	-	-	-	-	994,820
Debt service					
Principal	-	5,554	-	707,136	-
Interest	-	3,323	-	74,512	-
Total expenditures	<u>5,676,447</u>	<u>2,819,463</u>	<u>700,082</u>	<u>1,284,461</u>	<u>994,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,315,081)</u>	<u>(1,792,958)</u>	<u>243,920</u>	<u>(379,173)</u>	<u>68,193</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	<u>2,990,000</u>	<u>2,095,000</u>	<u>106,670</u>	<u>447,999</u>	<u>-</u>
Total other financing sources	<u>2,990,000</u>	<u>2,095,000</u>	<u>106,670</u>	<u>447,999</u>	<u>-</u>
Net change in fund balance	(325,081)	302,042	350,590	68,826	68,193
Fund balance - beginning	<u>2,726,510</u>	<u>391,912</u>	<u>1,250,406</u>	<u>1,234,447</u>	<u>1,691,071</u>
Fund balance - ending	<u>\$ 2,401,429</u>	<u>\$ 693,954</u>	<u>\$ 1,600,996</u>	<u>\$ 1,303,273</u>	<u>\$ 1,759,264</u>



Continued

Special Revenue				
MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority	Court Fund	10/6/3 Fund
\$ 5,160,281	\$ -	\$ -	\$ -	\$ -
18,223	-	-	-	-
31,785	58,306	-	4,534,149	-
89,529	25,446	668	-	-
-	-	-	-	-
20,207	-	-	-	840
<u>5,320,025</u>	<u>83,752</u>	<u>668</u>	<u>4,534,149</u>	<u>840</u>
-	-	-	4,534,149	64,070
6,134,547	-	-	-	-
-	6,202	12,367	-	-
-	-	-	-	-
-	-	-	-	-
389,019	-	-	-	-
255,698	-	-	-	-
<u>6,779,264</u>	<u>6,202</u>	<u>12,367</u>	<u>4,534,149</u>	<u>64,070</u>
<u>(1,459,239)</u>	<u>77,550</u>	<u>(11,699)</u>	<u>-</u>	<u>(63,230)</u>
-	-	76,100	-	-
-	-	76,100	-	-
(1,459,239)	77,550	64,401	-	(63,230)
6,467,507	509,664	57,853	-	92,526
<u>\$ 5,008,268</u>	<u>\$ 587,214</u>	<u>\$ 122,254</u>	<u>\$ -</u>	<u>\$ 29,296</u>

Continued

Bay County, Florida  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2009

	Special Revenue				
	Family Mediation	Records Modernization - Court	Records Modernization - Records	10% Fine Records Modernization	Law Enforcement Training
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	43,732
Charges for services	-	110,968	321,299	25,131	-
Investment earnings	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous	72	156	1,232	-	-
Total revenues	<u>72</u>	<u>111,124</u>	<u>322,531</u>	<u>25,131</u>	<u>43,732</u>
<b>EXPENDITURES</b>					
Current					
General government	16,716	337,289	586,141	-	-
Public safety	-	-	-	-	35,094
Physical environment	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Human services	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>16,716</u>	<u>337,289</u>	<u>586,141</u>	<u>-</u>	<u>35,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,644)</u>	<u>(226,165)</u>	<u>(263,610)</u>	<u>25,131</u>	<u>8,638</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(16,644)	(226,165)	(263,610)	25,131	8,638
Fund balance - beginning	<u>23,776</u>	<u>314,493</u>	<u>620,443</u>	<u>-</u>	<u>10,282</u>
Fund balance - ending	<u>\$ 7,132</u>	<u>\$ 88,328</u>	<u>\$ 356,833</u>	<u>\$ 25,131</u>	<u>\$ 18,920</u>

Special Law Enforcement Trust	Special Contribution	Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,779,745
51,103	8,697	200,377	192,512	91,715	218,926	2,056,326
-	-	-	-	-	-	7,167,980
-	-	-	-	-	-	213,772
-	-	-	-	-	84,013	99,537
-	-	-	405	16	-	272,602
<u>51,103</u>	<u>8,697</u>	<u>200,377</u>	<u>192,917</u>	<u>91,731</u>	<u>302,939</u>	<u>17,589,962</u>
-	-	-	-	-	-	5,538,365
40,142	14,660	194,272	235,002	72,036	179,906	8,108,554
-	-	-	-	-	-	5,695,016
-	-	-	-	-	-	2,810,586
-	-	-	-	-	-	994,820
-	-	-	-	-	-	1,101,709
-	-	-	-	-	-	333,533
<u>40,142</u>	<u>14,660</u>	<u>194,272</u>	<u>235,002</u>	<u>72,036</u>	<u>179,906</u>	<u>24,582,583</u>
<u>10,961</u>	<u>(5,963)</u>	<u>6,105</u>	<u>(42,085)</u>	<u>19,695</u>	<u>123,033</u>	<u>(6,992,621)</u>
-	-	-	-	-	-	5,715,769
-	-	-	-	-	-	5,715,769
10,961	(5,963)	6,105	(42,085)	19,695	123,033	(1,276,852)
416	11,040	254,474	185,515	21,252	-	15,863,587
<u>\$ 11,377</u>	<u>\$ 5,077</u>	<u>\$ 260,579</u>	<u>\$ 143,430</u>	<u>\$ 40,947</u>	<u>\$ 123,033</u>	<u>\$ 14,586,735</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Stormwater Management  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,598,257	\$ 198,257
Intergovernmental	726,176	726,176	726,176	-
Investment earnings	35,000	35,000	36,933	1,933
Miscellaneous	-	64,281	-	(64,281)
Total revenues	<u>2,161,176</u>	<u>2,225,457</u>	<u>2,361,366</u>	<u>135,909</u>
<b>EXPENDITURES</b>				
Physical environment	<u>5,749,105</u>	<u>7,168,609</u>	<u>5,676,447</u>	<u>1,492,162</u>
Total expenditures	<u>5,749,105</u>	<u>7,168,609</u>	<u>5,676,447</u>	<u>1,492,162</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,587,929)</u>	<u>(4,943,152)</u>	<u>(3,315,081)</u>	<u>1,628,071</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>2,990,000</u>	<u>2,990,000</u>	<u>2,990,000</u>	<u>-</u>
Total other financing sources	<u>2,990,000</u>	<u>2,990,000</u>	<u>2,990,000</u>	<u>-</u>
Net change in fund balance	(597,929)	(1,953,152)	(325,081)	1,628,071
Fund balance - beginning	<u>2,726,510</u>	<u>2,726,510</u>	<u>2,726,510</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,128,581</u>	<u>\$ 773,358</u>	<u>\$ 2,401,429</u>	<u>\$ 1,628,071</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Public Library  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 540,981	\$ 476,165	\$ 486,353	\$ 10,188
Charges for services	444,632	459,465	494,249	34,784
Investment earnings	-	-	3,423	3,423
Contributions and donations	-	11,140	15,524	4,384
Miscellaneous	10,400	10,400	26,956	16,556
Total revenues	996,013	957,170	1,026,505	69,335
<b>EXPENDITURES</b>				
Culture and recreation	2,991,576	3,105,120	2,810,586	294,534
Debt service				
Principal	-	-	5,554	(5,554)
Interest	3,324	3,324	3,323	1
Total expenditures	2,994,900	3,108,444	2,819,463	288,981
Excess (deficiency) of revenues over (under) expenditures	(1,998,887)	(2,151,274)	(1,792,958)	358,316
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,095,000	2,095,000	2,095,000	-
Total other financing sources	2,095,000	2,095,000	2,095,000	-
Net change in fund balance	96,113	(56,274)	302,042	358,316
Fund balance - beginning	391,912	391,912	391,912	-
Fund balance - ending	\$ 488,025	\$ 335,638	\$ 693,954	\$ 358,316

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Public Safety  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 964,250	\$ 964,250	\$ 924,335	\$ (39,915)
Investment earnings	30,400	30,400	19,667	(10,733)
Total revenues	<u>994,650</u>	<u>994,650</u>	<u>944,002</u>	<u>(50,648)</u>
<b>EXPENDITURES</b>				
Public safety	702,529	1,323,529	700,082	623,447
Total expenditures	<u>702,529</u>	<u>1,323,529</u>	<u>700,082</u>	<u>623,447</u>
Excess (deficiency) of revenues over (under) expenditures	<u>292,121</u>	<u>(328,879)</u>	<u>243,920</u>	<u>572,799</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	106,670	106,670	-
Total other financing sources	<u>-</u>	<u>106,670</u>	<u>106,670</u>	<u>-</u>
Net change in fund balance	292,121	(222,209)	350,590	572,799
Fund balance - beginning	<u>1,250,406</u>	<u>1,250,406</u>	<u>1,250,406</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,542,527</u>	<u>\$ 1,028,197</u>	<u>\$ 1,600,996</u>	<u>\$ 572,799</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Intergovernmental Radio Communications  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 696,893	\$ 696,893	\$ 666,978	\$ (29,915)
Investment earnings	58,900	58,900	15,878	(43,022)
Miscellaneous	228,530	228,530	222,432	(6,098)
Total revenues	<u>984,323</u>	<u>984,323</u>	<u>905,288</u>	<u>(79,035)</u>
<b>EXPENDITURES</b>				
Public safety	525,340	699,340	502,813	196,527
Debt service				
Principal	688,131	709,833	707,136	2,697
Interest	75,956	75,956	74,512	1,444
Total expenditures	<u>1,289,427</u>	<u>1,485,129</u>	<u>1,284,461</u>	<u>200,668</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(305,104)</u>	<u>(500,806)</u>	<u>(379,173)</u>	<u>121,633</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	447,997	447,997	447,999	2
Total other financing sources	<u>447,997</u>	<u>447,997</u>	<u>447,999</u>	<u>2</u>
Net change in fund balance	142,893	(52,809)	68,826	121,635
Fund balance - beginning	<u>1,234,447</u>	<u>1,234,447</u>	<u>1,234,447</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,377,340</u>	<u>\$ 1,181,638</u>	<u>\$ 1,303,273</u>	<u>\$ 121,635</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
District Mosquito Control  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,026,336	\$ 1,026,336	\$ 1,021,207	\$ (5,129)
Intergovernmental	17,500	17,500	18,512	1,012
Charges for services	3,380	3,380	780	(2,600)
Investment earnings	66,500	66,500	22,228	(44,272)
Miscellaneous	-	-	286	286
Total revenues	<u>1,113,716</u>	<u>1,113,716</u>	<u>1,063,013</u>	<u>(50,703)</u>
<b>EXPENDITURES</b>				
Human services	<u>1,197,254</u>	<u>1,240,692</u>	<u>994,820</u>	<u>245,872</u>
Total expenditures	<u>1,197,254</u>	<u>1,240,692</u>	<u>994,820</u>	<u>245,872</u>
Excess (deficiency) of revenues over (under) expenditures	(83,538)	(126,976)	68,193	195,169
Fund balance - beginning	<u>1,691,071</u>	<u>1,691,071</u>	<u>1,691,071</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,607,533</u>	<u>\$ 1,564,095</u>	<u>\$ 1,759,264</u>	<u>\$ 195,169</u>



Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
MSTU Fire Protection  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,252,774	\$ 5,252,774	\$ 5,160,281	\$ (92,493)
Intergovernmental	262,000	262,000	18,223	(243,777)
Charges for services	213,563	213,563	31,785	(181,778)
Investment earnings	356,250	356,250	89,529	(266,721)
Miscellaneous	-	535	20,207	19,672
Total revenues	<u>6,084,587</u>	<u>6,085,122</u>	<u>5,320,025</u>	<u>(765,097)</u>
<b>EXPENDITURES</b>				
Public safety	9,697,769	9,698,049	6,134,547	3,563,502
Debt service				
Principal	370,892	370,892	389,019	(18,127)
Interest	<u>275,098</u>	<u>276,853</u>	<u>255,698</u>	<u>21,155</u>
Total expenditures	<u>10,343,759</u>	<u>10,345,794</u>	<u>6,779,264</u>	<u>3,566,530</u>
Excess (deficiency) of revenues over (under) expenditures	(4,259,172)	(4,260,672)	(1,459,239)	2,801,433
Fund balance - beginning	<u>6,467,507</u>	<u>6,467,507</u>	<u>6,467,507</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,208,335</u>	<u>\$ 2,206,835</u>	<u>\$ 5,008,268</u>	<u>\$ 2,801,433</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
MSBU Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 32,920	\$ 32,920	\$ 58,306	\$ 25,386
Investment earnings	57,130	57,130	25,446	(31,684)
Total revenues	90,050	90,050	83,752	(6,298)
<b>EXPENDITURES</b>				
Physical environment	6,810	6,810	6,202	608
Total expenditures	6,810	6,810	6,202	608
Excess (deficiency) of revenues over (under) expenditures	83,240	83,240	77,550	(5,690)
Fund balance - beginning	509,664	509,664	509,664	-
Fund balance - ending	\$ 592,904	\$ 592,904	\$ 587,214	\$ (5,690)

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Utility Regulatory Authority Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 8,400	\$ 8,400	\$ -	\$ (8,400)
Investment earnings	500	500	668	168
Total revenues	<u>8,900</u>	<u>8,900</u>	<u>668</u>	<u>(8,232)</u>
<b>EXPENDITURES</b>				
Physical environment	<u>75,000</u>	<u>75,000</u>	<u>12,367</u>	<u>62,633</u>
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>12,367</u>	<u>62,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(66,100)</u>	<u>(66,100)</u>	<u>(11,699)</u>	<u>54,401</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>76,100</u>	<u>76,100</u>	<u>76,100</u>	<u>-</u>
Total other financing sources	<u>76,100</u>	<u>76,100</u>	<u>76,100</u>	<u>-</u>
Net change in fund balance	10,000	10,000	64,401	54,401
Fund balance - beginning	<u>57,853</u>	<u>57,853</u>	<u>57,853</u>	<u>-</u>
Fund balance - ending	<u>\$ 67,853</u>	<u>\$ 67,853</u>	<u>\$ 122,254</u>	<u>\$ 54,401</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Court Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
Charges for services	\$ 5,416,603	\$ 5,416,603	\$ 4,534,149	\$ (882,454)
Total revenues	<u>5,416,603</u>	<u>5,416,603</u>	<u>4,534,149</u>	<u>(882,454)</u>
<b>EXPENDITURES</b>				
General government	<u>5,416,603</u>	<u>5,416,603</u>	<u>4,534,149</u>	<u>882,454</u>
Total expenditures	<u>5,416,603</u>	<u>5,416,603</u>	<u>4,534,149</u>	<u>882,454</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2009

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 8,596	\$ 29,928	\$ 305	\$ 50	\$ 38,879
Accounts receivable, net	153,051	-	6,449	7,417	166,917
Prepaid expenses	-	50,000	942,344	-	992,344
Investments	1,304,028	4,974,087	50,629	-	6,328,744
Due from other governments	1,759	-	29,945	195,657	227,361
Due from other funds	117,748	-	412	133,192	251,352
Total current assets	<u>1,585,182</u>	<u>5,054,015</u>	<u>1,030,084</u>	<u>336,316</u>	<u>8,005,597</u>
Capital assets					
Construction in progress	-	-	-	3,755	3,755
Buildings	693,830	-	-	618,642	1,312,472
Improvements	96,850	-	-	-	96,850
Furniture and equipment	611,612	5,345	82,394	581,499	1,280,850
Less: accumulated depreciation	(785,549)	(5,345)	(68,355)	(502,569)	(1,361,818)
Total capital assets, net	<u>616,743</u>	<u>-</u>	<u>14,039</u>	<u>701,327</u>	<u>1,332,109</u>
Total assets	<u>2,201,925</u>	<u>5,054,015</u>	<u>1,044,123</u>	<u>1,037,643</u>	<u>9,337,706</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	162,607	340,100	257,875	283,729	1,044,311
Accrued compensated absences	46,390	7,524	2,656	29,495	86,065
Due to other funds	15,415	-	249,444	442	265,301
Total current liabilities	<u>224,412</u>	<u>347,624</u>	<u>509,975</u>	<u>313,666</u>	<u>1,395,677</u>
Noncurrent liabilities					
Other accrued liabilities	-	3,845,789	-	-	3,845,789
Accrued compensated absences	44,409	11,529	1,110	24,172	81,220
Net OPEB obligation	45,752	485	-	6,708	52,945
Total noncurrent liabilities	<u>90,161</u>	<u>3,857,803</u>	<u>1,110</u>	<u>30,880</u>	<u>3,979,954</u>
Total liabilities	<u>314,573</u>	<u>4,205,427</u>	<u>511,085</u>	<u>344,546</u>	<u>5,375,631</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	616,743	-	14,040	701,327	1,332,110
Unrestricted	1,270,609	848,588	518,998	(8,230)	2,629,965
Total net assets	<u>\$ 1,887,352</u>	<u>\$ 848,588</u>	<u>\$ 533,038</u>	<u>\$ 693,097</u>	<u>\$ 3,962,075</u>

Bay County, Florida  
Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Internal Service Funds  
Year Ended September 30, 2009

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 3,500,933	\$ 973,617	\$ 1,729,319	\$ 1,511,757	\$ 7,715,626
Total operating revenues	<u>3,500,933</u>	<u>973,617</u>	<u>1,729,319</u>	<u>1,511,757</u>	<u>7,715,626</u>
<b>OPERATING EXPENSES</b>					
Personal services	1,501,787	211,206	121,248	1,183,775	3,018,016
Contracted services	61,095	44,293	21,976	155,492	282,856
Repairs and maintenance	70,068	1,946	3,346	16,364	91,724
Utilities	32,904	2,509	2,509	18,854	56,776
Depreciation	82,284	625	2,125	76,577	161,611
Materials	2,014,796	-	-	-	2,014,796
Insurance claims	-	54,751	1,509,472	-	1,564,223
Other operating expenses	102,292	659,160	84,855	120,500	966,807
Total operating expenses	<u>3,865,226</u>	<u>974,490</u>	<u>1,745,531</u>	<u>1,571,562</u>	<u>8,156,809</u>
Operating income (loss)	<u>(364,293)</u>	<u>(873)</u>	<u>(16,212)</u>	<u>(59,805)</u>	<u>(441,183)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain (loss) on disposal of capital assets	(4,655)	-	-	-	(4,655)
Contributions	-	-	14,089	29,363	43,452
Investment earnings	16,799	60,573	4,054	1,284	82,710
Total nonoperating revenues	<u>12,144</u>	<u>60,573</u>	<u>18,143</u>	<u>30,647</u>	<u>121,507</u>
Income (loss) before transfers	<u>(352,149)</u>	<u>59,700</u>	<u>1,931</u>	<u>(29,158)</u>	<u>(319,676)</u>
<b>TRANSFERS</b>					
Transfers in	23,645	-	-	50	23,695
Transfers out	(50)	-	-	(23,645)	(23,695)
Net transfers	<u>23,595</u>	<u>-</u>	<u>-</u>	<u>(23,595)</u>	<u>-</u>
Change in net assets	<u>(328,554)</u>	<u>59,700</u>	<u>1,931</u>	<u>(52,753)</u>	<u>(319,676)</u>
Total net assets - beginning	<u>2,215,906</u>	<u>788,888</u>	<u>531,107</u>	<u>745,850</u>	<u>4,281,751</u>
Total net assets - ending	<u>\$ 1,887,352</u>	<u>\$ 848,588</u>	<u>\$ 533,038</u>	<u>\$ 693,097</u>	<u>\$ 3,962,075</u>

Continued

Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2009

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers and others	\$ 3,891,830	\$ 973,617	\$ 1,722,870	\$ 1,292,797	\$ 7,881,114
Cash paid to suppliers for goods and services	(2,324,120)	(931,441)	(1,856,519)	(144,345)	(5,256,425)
Cash paid to employees for services	(1,473,549)	(209,902)	(138,378)	(1,171,061)	(2,992,890)
Net cash provided by (used in) operating activities	<u>94,161</u>	<u>(167,726)</u>	<u>(272,027)</u>	<u>(22,609)</u>	<u>(368,201)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	-	-	50	50
Transfers out	(50)	-	-	-	(50)
Net cash provided by (used in) noncapital financing activities	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(9,862)	-	-	(18,658)	(28,520)
Net cash (used in) capital and related financing activities	<u>(9,862)</u>	<u>-</u>	<u>-</u>	<u>(18,658)</u>	<u>(28,520)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale and maturities of investment securities	1,698,621	7,313,975	534,613	72,739	9,619,948
Purchase of investments	(1,794,669)	(7,197,037)	(263,592)	(28,516)	(9,283,814)
Interest and dividends on investments	18,094	74,380	916	(3,006)	90,384
Net cash provided by (used in) investing activities	<u>(77,954)</u>	<u>191,318</u>	<u>271,937</u>	<u>41,217</u>	<u>426,518</u>
Net increase (decrease) in cash and cash equivalents	6,295	23,592	(90)	-	29,797
Cash and cash equivalents - beginning	2,301	6,336	395	50	9,082
Cash and cash equivalents - ending	<u>\$ 8,596</u>	<u>\$ 29,928</u>	<u>\$ 305</u>	<u>\$ 50</u>	<u>\$ 38,879</u>



Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2009

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (364,293)	\$ (873)	\$ (16,212)	\$ (59,805)	\$ (441,183)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	82,284	625	2,125	76,577	161,611
(Increase) decrease in assets					
Accounts receivable	112,354	-	(6,449)	2,682	108,587
Prepaid expenses	-	-	(347,050)	-	(347,050)
Due from other funds	279,871	-	-	(25,985)	253,886
Due from other governments	(1,328)	-	29,945	(195,657)	(167,040)
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(44,217)	(168,776)	(53,382)	242,870	(23,505)
Accrued compensated absences	4,851	1,056	(17,130)	9,285	(1,938)
Due to other funds	1,252	(6)	136,126	(76,005)	61,367
Net OPEB obligation	23,387	248	-	3,429	27,064
Total adjustments	458,454	(166,853)	(255,815)	37,196	72,982
Net cash provided by (used in) operating activities	<u>\$ 94,161</u>	<u>\$ (167,726)</u>	<u>\$ (272,027)</u>	<u>\$ (22,609)</u>	<u>\$ (368,201)</u>
Noncash investing, capital, and financing activities					
Transfer of accrued leave	<u>\$ 23,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,645)</u>	<u>\$ -</u>
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,089</u>	<u>\$ -</u>	<u>\$ 14,089</u>
Contribution of assets, including capital assets, and liabilities related to the County take over of the former Town of Cedar Grove	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,363</u>	<u>\$ 29,363</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 – to account 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 – to account for the collection and disbursement of deposits required by circuit and county court legal actions.

Cash Bond – to account 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 – to account 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 – to account 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 – to account for fees charged for the service of process in civil cases.

Forfeitures – to account for the assets held by the Bay County Sheriff's Office as an agent for individuals until court proceedings are finalized.

Continued

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2009

	<u>Fines, Forfeitures and Other Fees</u>	<u>Jury and Witness</u>	<u>Tax Deed Assets</u>	<u>Support</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,879,009	\$ 42,391	\$ 137,584	\$ 54,298
Investments	-	-	-	-
Accounts receivable, net	-	-	-	2,123
Total assets	<u>\$ 1,879,009</u>	<u>\$ 42,391</u>	<u>\$ 137,584</u>	<u>\$ 56,421</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 137,584	\$ 56,421
Due to others	-	-	-	-
Due to other governments	1,879,009	42,391	-	-
Total liabilities	<u>\$ 1,879,009</u>	<u>\$ 42,391</u>	<u>\$ 137,584</u>	<u>\$ 56,421</u>

Continued

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2009

	<u>Court Registry</u>	<u>Cash Bond</u>	<u>Restitution</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,108,146	\$ 1,228,876	\$ 10,096
Investments	-	-	-
Accounts receivable, net	-	-	-
Total assets	<u>\$ 1,108,146</u>	<u>\$ 1,228,876</u>	<u>\$ 10,096</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,108,146	\$ -	\$ 10,096
Due to others	-	-	-
Due to other governments	-	1,228,876	-
Total liabilities	<u>\$ 1,108,146</u>	<u>\$ 1,228,876</u>	<u>\$ 10,096</u>

Continued

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2009

	<u>Property Tax</u>	<u>Tax Certificate</u>	<u>Tag</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,786,584	\$ 555	\$ 20,898
Investments	75,320	-	-
Accounts receivable, net	-	-	18,646
Total assets	<u>\$ 1,861,904</u>	<u>\$ 555</u>	<u>\$ 39,544</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to others	-	555	-
Due to other governments	1,861,904	-	39,544
Total liabilities	<u>\$ 1,861,904</u>	<u>\$ 555</u>	<u>\$ 39,544</u>

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2009

	<u>Other Suspense</u>	<u>Individual Depositors</u>	<u>Forfeitures</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 10,460	\$ 29,828	\$ 6,308,725
Investments	-	-	-	75,320
Accounts receivable, net	-	-	-	20,769
Total assets	<u>\$ -</u>	<u>\$ 10,460</u>	<u>\$ 29,828</u>	<u>\$ 6,404,814</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 10,460	\$ -	\$ 1,322,707
Due to others	-	-	29,828	30,383
Due to other governments	-	-	-	5,051,724
Total liabilities	<u>\$ -</u>	<u>\$ 10,460</u>	<u>\$ 29,828</u>	<u>\$ 6,404,814</u>

Continued

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>FINES, FORFEITURES, and OTHER FEES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,565,474	\$ 25,932,589	\$ 25,619,054	\$ 1,879,009
Total assets	<u>\$ 1,565,474</u>	<u>\$ 25,932,589</u>	<u>\$ 25,619,054</u>	<u>\$ 1,879,009</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,565,474	\$ 25,932,589	\$ 25,619,054	\$ 1,879,009
Total liabilities	<u>\$ 1,565,474</u>	<u>\$ 25,932,589</u>	<u>\$ 25,619,054</u>	<u>\$ 1,879,009</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,928	\$ 112,465	\$ 89,002	\$ 42,391
Total assets	<u>\$ 18,928</u>	<u>\$ 112,465</u>	<u>\$ 89,002</u>	<u>\$ 42,391</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 18,928	\$ 112,465	\$ 89,002	\$ 42,391
Total liabilities	<u>\$ 18,928</u>	<u>\$ 112,465</u>	<u>\$ 89,002</u>	<u>\$ 42,391</u>
<b>TAX DEED ASSETS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 205,900	\$ 909,996	\$ 978,312	\$ 137,584
Total assets	<u>\$ 205,900</u>	<u>\$ 909,996</u>	<u>\$ 978,312</u>	<u>\$ 137,584</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 205,900	\$ 909,996	\$ 978,312	\$ 137,584
Total liabilities	<u>\$ 205,900</u>	<u>\$ 909,996</u>	<u>\$ 978,312</u>	<u>\$ 137,584</u>



Continued

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,788	\$ 991,046	\$ 951,536	\$ 54,298
Accounts receivable, net	-	2,123	-	2,123
Total assets	<u>\$ 14,788</u>	<u>\$ 993,169</u>	<u>\$ 951,536</u>	<u>\$ 56,421</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 14,788	\$ 993,169	\$ 951,536	\$ 56,421
Total liabilities	<u>\$ 14,788</u>	<u>\$ 993,169</u>	<u>\$ 951,536</u>	<u>\$ 56,421</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 793,667	\$ 9,042,490	\$ 8,728,011	\$ 1,108,146
Total assets	<u>\$ 793,667</u>	<u>\$ 9,042,490</u>	<u>\$ 8,728,011</u>	<u>\$ 1,108,146</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 793,667	\$ 9,042,490	\$ 8,728,011	\$ 1,108,146
Total liabilities	<u>\$ 793,667</u>	<u>\$ 9,042,490</u>	<u>\$ 8,728,011</u>	<u>\$ 1,108,146</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,616,902	\$ 1,499,199	\$ 2,887,225	\$ 1,228,876
Total assets	<u>\$ 2,616,902</u>	<u>\$ 1,499,199</u>	<u>\$ 2,887,225</u>	<u>\$ 1,228,876</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 2,616,902	\$ 1,499,199	\$ 2,887,225	\$ 1,228,876
Total liabilities	<u>\$ 2,616,902</u>	<u>\$ 1,499,199</u>	<u>\$ 2,887,225</u>	<u>\$ 1,228,876</u>

Continued

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,950	\$ 276,872	\$ 284,726	\$ 10,096
Total assets	<u>\$ 17,950</u>	<u>\$ 276,872</u>	<u>\$ 284,726</u>	<u>\$ 10,096</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 17,950	\$ 276,872	\$ 284,726	\$ 10,096
Total liabilities	<u>\$ 17,950</u>	<u>\$ 276,872</u>	<u>\$ 284,726</u>	<u>\$ 10,096</u>
<b>PROPERTY TAX</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,511,508	\$ 389,301,837	\$ 389,026,761	\$ 1,786,584
Investments	381,673	-	306,353	75,320
Total assets	<u>\$ 1,893,181</u>	<u>\$ 389,301,837</u>	<u>\$ 389,333,114</u>	<u>\$ 1,861,904</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,893,181	\$ 389,301,837	\$ 389,333,114	\$ 1,861,904
Total liabilities	<u>\$ 1,893,181</u>	<u>\$ 389,301,837</u>	<u>\$ 389,333,114</u>	<u>\$ 1,861,904</u>
<b>TAX CERTIFICATE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 249	\$ 20,718,711	\$ 20,718,405	\$ 555
Total assets	<u>\$ 249</u>	<u>\$ 20,718,711</u>	<u>\$ 20,718,405</u>	<u>\$ 555</u>
<b>LIABILITIES</b>				
Due to others	\$ 249	\$ 20,718,711	\$ 20,718,405	\$ 555
Total liabilities	<u>\$ 249</u>	<u>\$ 20,718,711</u>	<u>\$ 20,718,405</u>	<u>\$ 555</u>
<b>TAG</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,321	\$ 17,137,398	\$ 17,131,821	\$ 20,898
Accounts receivable, net	20,375	12,365	14,094	18,646
Total assets	<u>\$ 35,696</u>	<u>\$ 17,149,763</u>	<u>\$ 17,145,915</u>	<u>\$ 39,544</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 35,696	\$ 17,149,763	\$ 17,145,915	\$ 39,544
Total liabilities	<u>\$ 35,696</u>	<u>\$ 17,149,763</u>	<u>\$ 17,145,915</u>	<u>\$ 39,544</u>

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 72,104	\$ 72,104	\$ -
Total assets	<u>\$ -</u>	<u>\$ 72,104</u>	<u>\$ 72,104</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 72,104	\$ 72,104	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 72,104</u>	<u>\$ 72,104</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,200	\$ 286,184	\$ 276,924	\$ 10,460
Total assets	<u>\$ 1,200</u>	<u>\$ 286,184</u>	<u>\$ 276,924</u>	<u>\$ 10,460</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,200	\$ 286,184	\$ 276,924	\$ 10,460
Total liabilities	<u>\$ 1,200</u>	<u>\$ 286,184</u>	<u>\$ 276,924</u>	<u>\$ 10,460</u>
<b>FORFEITURES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 56,188	\$ 26,360	\$ 29,828
Total assets	<u>\$ -</u>	<u>\$ 56,188</u>	<u>\$ 26,360</u>	<u>\$ 29,828</u>
<b>LIABILITIES</b>				
Due to others	\$ -	\$ 56,188	\$ 26,360	\$ 29,828
Total liabilities	<u>\$ -</u>	<u>\$ 56,188</u>	<u>\$ 26,360</u>	<u>\$ 29,828</u>
<b>COMBINED TOTALS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,761,887	\$ 466,337,079	\$ 466,790,241	\$ 6,308,725
Investments	381,673	-	306,353	75,320
Accounts receivable, net	20,375	14,488	14,094	20,769
Total assets	<u>\$ 7,163,935</u>	<u>\$ 466,351,567</u>	<u>\$ 467,110,688</u>	<u>\$ 6,404,814</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,033,505	\$ 11,508,711	\$ 11,219,509	\$ 1,322,707
Due to other governments	6,130,181	434,067,957	435,146,414	5,051,724
Due to others	249	20,774,899	20,744,765	30,383
Total liabilities	<u>\$ 7,163,935</u>	<u>\$ 466,351,567</u>	<u>\$ 467,110,688</u>	<u>\$ 6,404,814</u>

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# **STATISTICAL SECTION**

**BAY COUNTY, FLORIDA  
STATISTICAL SECTION**

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
------------------------	--------------------

<b>Financial Trends .....</b>	<b>C-2</b>
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*These schedules contain trend information to help the reader understand how the county's financial performance and well-being have changed over time.*

<b>Revenue Capacity.....</b>	<b>C-12</b>
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*These schedules contain information to help the reader assess the factors affecting the county's ability to generate its property and sales taxes.*

<b>Debt Capacity .....</b>	<b>C-18</b>
----------------------------	-------------

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

<b>Demographic and Economic Information .....</b>	<b>C-27</b>
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*These schedules offer demographic and economic indicators to help the reader understand the environment within which the county's financial activities take place and to help make comparisons over time and with other governments.*

<b>Operating Information .....</b>	<b>C-29</b>
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*These schedules contain information about the county's operations and resources to help the reader understand how the county's financial information relates to the services the county provides and the activities it performs.*

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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

	<b>Fiscal Year</b>			
	<u><b>2002</b></u>	<u><b>2003</b></u>	<u><b>2004</b></u>	<u><b>2005</b></u>
<b>Governmental activities</b>				
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
<b>Total governmental activities net assets</b>	<u><b>\$ 123,736,852</b></u>	<u><b>\$ 146,461,902</b></u>	<u><b>\$ 142,753,266</b></u>	<u><b>\$ 155,448,796</b></u>
<b>Business-type activities</b>				
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
<b>Total business-type activities net assets</b>	<u><b>\$ 83,638,315</b></u>	<u><b>\$ 85,387,129</b></u>	<u><b>\$ 83,438,684</b></u>	<u><b>\$ 85,102,359</b></u>
<b>Primary Government</b>				
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
<b>Total primary government net assets</b>	<u><b>\$ 207,375,167</b></u>	<u><b>\$ 231,849,031</b></u>	<u><b>\$ 226,191,950</b></u>	<u><b>\$ 240,551,155</b></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>	<u>2009</u>
\$ 109,592,599	\$ 130,031,134	\$ 146,149,695	\$ 161,775,959
18,043,292	19,924,887	18,091,072	12,256,875
56,527,122	62,053,258	65,061,054	70,278,219
<u>\$ 184,163,013</u>	<u>\$ 212,009,279</u>	<u>\$ 229,301,821</u>	<u>\$ 244,311,053</u>
\$ 37,518,571	\$ 46,446,331	\$ 51,130,331	\$ 53,453,268
7,862,907	2,999,323	3,066,336	6,271,620
39,375,268	29,535,560	26,183,800	21,522,496
<u>\$ 84,756,746</u>	<u>\$ 78,981,214</u>	<u>\$ 80,380,467</u>	<u>\$ 81,247,384</u>
\$ 147,111,170	\$ 176,477,465	\$ 197,280,026	\$ 215,229,227
25,906,199	22,924,210	21,157,408	18,528,495
95,902,390	91,588,818	91,244,854	91,800,715
<u>\$ 268,919,759</u>	<u>\$ 290,990,493</u>	<u>\$ 309,682,288</u>	<u>\$ 325,558,437</u>



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

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

**Schedule 2**  
**continued**

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 21,899,647	\$ 22,123,284	\$ 23,769,102	\$ 43,306,782
45,667,025	47,595,636	51,587,681	35,244,894
4,846,055	4,411,573	4,504,251	4,492,133
13,023,819	14,053,021	15,122,222	16,091,014
14,186,061	16,957,645	16,862,278	21,343,831
4,591,809	5,594,624	5,042,410	5,680,622
3,943,961	4,473,399	5,349,023	5,882,640
1,691,167	2,974,935	4,185,220	4,096,732
<u>109,849,544</u>	<u>118,184,117</u>	<u>126,422,187</u>	<u>136,138,648</u>
10,871,172	12,060,032	13,131,437	13,753,543
4,135,864	5,808,833	5,700,378	8,460,073
3,902,819	2,218,595	6,643,917	6,047,598
17,574,763	17,209,523	15,477,882	15,107,160
2,011,650	2,126,578	2,139,805	1,934,416
<u>38,496,268</u>	<u>39,423,561</u>	<u>43,093,419</u>	<u>45,302,790</u>
<b><u>\$ 148,345,812</u></b>	<b><u>\$ 157,607,678</u></b>	<b><u>\$ 169,515,606</u></b>	<b><u>\$ 181,441,438</u></b>
\$ 16,455,481	\$ 16,819,772	\$ 15,239,392	\$ 14,480,938
2,041,634	1,953,947	1,739,995	1,413,940
1,602,888	1,523,655	1,597,427	1,656,563
764,439	1,541,359	1,045,906	271,986
3,640	3,900	1,040	780
824,209	645,918	519,422	564,222
3,590,815	3,076,826	4,722,856	18,887,680
5,602,631	5,880,132	11,085,254	9,955,607
<u>30,885,737</u>	<u>31,445,509</u>	<u>35,951,292</u>	<u>47,231,716</u>
11,461,915	10,361,087	13,876,827	13,317,211
3,863,260	4,189,192	3,987,039	5,677,074
3,826,936	2,280,293	6,695,497	5,928,887
12,217,568	9,475,368	10,726,249	11,744,325
3,335,953	2,099,218	1,657,191	1,126,424
7,505	202,351	535,000	985,000
-	18,603	824,906	5,900,163
<u>34,713,137</u>	<u>28,626,112</u>	<u>38,302,709</u>	<u>44,679,084</u>
<b><u>\$ 65,598,874</u></b>	<b><u>\$ 60,071,621</u></b>	<b><u>\$ 74,254,001</u></b>	<b><u>\$ 91,910,800</u></b>

continued

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

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ (78,963,807)	\$ (86,738,608)	\$ (90,470,895)	\$ (88,906,932)
<u>(3,783,131)</u>	<u>(10,797,449)</u>	<u>(4,790,710)</u>	<u>(623,706)</u>
<u>(82,746,938)</u>	<u>(97,536,057)</u>	<u>(95,261,605)</u>	<u>(89,530,638)</u>
73,729,204	77,146,885	73,436,473	69,757,473
24,215,778	24,982,006	24,569,697	28,794,256
3,491,084	3,379,522	3,136,583	2,921,458
3,262,306	7,007,059	4,855,754	1,604,764
-	-	-	-
2,681,029	1,710,623	1,795,724	1,559,634
<u>8,143</u>	<u>-</u>	<u>-</u>	<u>(233,781)</u>
<u>107,387,544</u>	<u>114,226,095</u>	<u>107,794,231</u>	<u>104,403,804</u>
1,900	1,500	1,100	2,200
-	-	-	-
3,366,297	3,629,698	2,612,599	1,658,856
1,081,040	1,390,719	6,014,516	359,831
<u>(8,143)</u>	<u>-</u>	<u>-</u>	<u>233,781</u>
<u>4,441,094</u>	<u>5,021,917</u>	<u>8,628,215</u>	<u>2,254,668</u>
<b><u>\$ 111,828,638</u></b>	<b><u>\$ 119,248,012</u></b>	<b><u>\$ 116,422,446</u></b>	<b><u>\$ 106,658,472</u></b>
\$ 28,423,737	\$ 27,487,487	\$ 17,292,542	\$ 15,496,872
<u>657,963</u>	<u>(5,775,532)</u>	<u>3,868,299</u>	<u>1,630,962</u>
<b><u>\$ 29,081,700</u></b>	<b><u>\$ 21,711,955</u></b>	<b><u>\$ 21,160,841</u></b>	<b><u>\$ 17,127,834</u></b>

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

	<b>Fiscal Year</b>			
	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
<b>General Fund</b>				
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>
<b>Total general fund</b>	<b><u>\$ 39,489,943</u></b>	<b><u>\$ 26,805,071</u></b>	<b><u>\$ 26,037,841</u></b>	<b><u>\$ 28,967,322</u></b>
 <b>All Other Governmental Funds</b>				
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>
<b>Total all other governmental funds</b>	<b><u>\$ 29,980,499</u></b>	<b><u>\$ 35,733,722</u></b>	<b><u>\$ 29,163,311</u></b>	<b><u>\$ 28,445,508</u></b>

**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>	<u>2009</u>
\$ 44,351,137	\$ 36,949,309	\$ 39,966,000	\$ 12,111,996
<u>31,933,944</u>	<u>33,598,429</u>	<u>30,700,762</u>	<u>35,025,941</u>
<b><u>\$ 76,285,081</u></b>	<b><u>\$ 70,547,738</u></b>	<b><u>\$ 70,666,762</u></b>	<b><u>\$ 47,137,937</u></b>
\$ 17,404,849	\$ 13,524,528	\$ 15,840,847	\$ 19,022,170
<u>18,100,472</u>	<u>26,960,435</u>	<u>28,261,408</u>	<u>27,435,348</u>
<b><u>\$ 35,505,321</u></b>	<b><u>\$ 40,484,963</u></b>	<b><u>\$ 44,102,255</u></b>	<b><u>\$ 46,457,518</u></b>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Revenues</b>				
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>
<b>Expenditures</b>				
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>
<b>Other Financing Sources (Uses)</b>				
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>
<b>Net change in fund balance</b>	<b>\$ <u>26,027,402</u></b>	<b>\$ <u>(6,931,649)</u></b>	<b>\$ <u>(7,337,641)</u></b>	<b>\$ <u>1,764,060</u></b>
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>	<u>2009</u>
\$ 85,896,879	\$ 90,307,436	\$ 86,781,507	\$ 87,851,490
2,230	1,899	2,412	8,454
24,673,396	23,889,913	28,962,899	28,949,201
19,781,978	19,801,852	17,444,872	15,609,839
137,019	63,081	139,198	137,711
254,505	359,198	346,583	81,722
3,079,818	6,725,924	4,931,754	1,903,556
-	190,797	75,901	1,345,301
3,078,727	1,946,036	1,300,099	1,074,105
<u>136,904,552</u>	<u>143,286,136</u>	<u>139,985,225</u>	<u>136,961,379</u>
20,262,747	6,967,890	20,108,027	20,834,114
43,970,630	57,386,591	47,521,961	49,292,375
4,363,508	3,967,883	4,024,785	5,903,593
8,686,780	9,306,583	10,989,649	9,505,479
13,618,153	16,404,349	16,300,499	22,198,357
4,516,240	5,538,168	4,970,430	5,598,800
3,604,503	3,843,006	4,449,189	4,161,662
17,619,434	32,780,705	49,905,995	32,533,103
3,601,370	3,883,937	3,827,285	4,133,143
1,532,684	2,963,339	4,033,487	4,053,918
-	(344,945)	120,628	-
<u>121,776,049</u>	<u>142,697,506</u>	<u>166,251,935</u>	<u>158,214,544</u>
<u>15,128,503</u>	<u>588,630</u>	<u>(26,266,710)</u>	<u>(21,253,165)</u>
9,247,671	7,911,020	8,779,078	12,717,062
(9,820,775)	(8,856,914)	(8,816,092)	(12,950,843)
39,666,217	16,103,376	30,572,236	92,095
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>(141,686)</u>
<u>\$ 54,377,570</u>	<u>\$ (426,595)</u>	<u>\$ 3,736,316</u>	<u>\$ (21,394,851)</u>
5.18%	6.62%	7.25%	6.97%



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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Personal Property</b>	<b>Industrial Property</b>	<b>Agricultural Property</b>	<b>Centrally Assessed Property</b>	<b>Other Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Taxable Value</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
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%
2009	15,632,748	2,758,680	1,874,156	310,596	65,957	28,475	2,457,608	(6,993,392)	16,134,828	4.5840	24,222,320	66.61%

**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>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>	<u>2009</u>
<b>County Direct Rates:</b>										
General	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620	4.1620	3.7915	3.6500	3.6500
Mosquito Control	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1525	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>0.7500</u>	<u>0.7238</u>	<u>0.7238</u>	<u>0.7815</u>
<b>Total Direct Rate</b>	<b>6.8472</b>	<b>6.8472</b>	<b>6.8472</b>	<b>6.8472</b>	<b>6.8472</b>	<b>6.8472</b>	<b>5.0972</b>	<b>4.6678</b>	<b>4.5263</b>	<b>4.5840</b>
<b>Municipalities:</b>										
City of Panama City	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	4.7122	3.7610	3.8493	3.8493
Panama City Downtown Improvement Board	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	2.4700	2.6832	2.6832
City of Lynn Haven	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.2500	2.8266	3.0887	3.0887
City of Mexico Beach	4.9100	4.8500	4.6000	4.5500	4.5000	4.3500	3.7900	3.7200	3.7000	4.0000
City of Callaway	--	--	--	--	2.0000	2.0000	2.0000	2.0000	2.2500	2.2500
Town of Cedar Grove	--	--	--	--	--	1.5000	1.5000	1.5000	1.5000	--
<b>School Districts</b>	8.6690	8.5300	8.6550	8.5690	8.1480	7.9350	6.8080	6.4710	6.7630	7.6230
<b>Northwest Florida Water Management District</b>	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0450	0.0450	0.0450
<b>Special District:</b>										
Beach Mosquito Control	0.3544	0.2675	0.2990	0.2990	0.2590	0.2365	0.1410	0.1438	0.1438	0.1438

*Source: Bay County Property Appraiser*

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

	Fiscal Year 2009			Fiscal Year 2000		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Gulf Power Company	\$ 203,729,441	1	1.26%	\$ 140,123,503	1	2.34%
Laketown Wharf Marketing Corp	139,333,044	2	0.86%	-	-	-
Shores of Panama Collateral	119,937,433	3	0.74%	-	-	-
St. Joe Land & Development	91,748,539	4	0.57%	54,583,084	4	0.91%
Simon Property Group	63,329,624	5	0.39%	-	-	-
Marriott Ownership Resorts	50,577,990	6	0.31%	-	-	-
BellSouth Telecommunications	49,352,277	7	0.31%	78,170,693	3	1.31%
Smurfit-Stone Container	46,452,165	8	0.29%	81,200,564	2	1.36%
Arizona Chemical Company	35,243,879	9	0.22%	41,565,789	5	0.69%
Gulf Coast Electric Co-Op	34,715,737	10	0.22%	19,579,946	9	0.33%
Wal-Mart Stores	-	-	-	23,748,039	8	0.40%
Hospital Corp. of America	-	-	-	24,537,550	7	0.41%
Berg Pipe	-	-	-	24,894,768	6	0.42%
Bay Point Hotel Associates	-	-	-	15,671,245	10	0.26%
<b>Total</b>	<b>\$ 834,420,129</b>		<b>5.17%</b>	<b>\$ 504,075,181</b>		<b>8.43%</b>

Total Taxable Assessed Value 2009 16,134,828,000  
Total Taxable Assessed Value 2000 5,982,852,000

*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
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%
2009	72,001,643	149,278	72,150,921	68,614,949	95%	966188	69,581,137	97%

**Source:** Tax Collector's Office

**State of Florida and Bay County**  
**Total Historical Half-Cent Sales Tax Distributions**  
**For Ten Year Period 2000-2009**  
**(Unaudited)**

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

<b>Fiscal Year Ending</b>	<b>Total Distributions To Cities and Counties</b>	<b>Percentage Change</b>	<b>Total Distributions Bay County</b>	<b>Percentage Change</b>
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%
2009	\$ 1,481,457,169	-10.35%	\$ 9,216,877	-3.77%

*Source: Florida Department of Revenue*

**Distribution of Half-Cent  
Sales Tax in Bay County, Florida  
For Ten Year Period 2000-2009  
(Amounts in Thousands)  
(Unaudited)**

Fiscal Year 2000 - 2009 distribution of Sales Tax Revenues is represented in the following chart.

<b>Fiscal Year Ending</b>	<b>Distributions To The County</b>	<b>Percentage Of County to Total</b>	<b>Distributions To The Cities</b>	<b>Percentage Of Cities to Total</b>
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%
2009	\$ 9,216,877	58%	\$ 6,762,644	42%

*Source: Florida Department of Revenue*

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

	Fiscal Year			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Governmental Activities</b>				
Revenue bonds	\$ 14,770,000	\$ 13,290,000	\$ 29,880,000	\$ 36,100,000
Capital leases	554,369	534,467	643,076	750,190
Notes payable	<u>807,819</u>	<u>6,591,931</u>	<u>6,862,216</u>	<u>7,585,259</u>
<b>Total Governmental Activities</b>	<u>16,132,188</u>	<u>20,416,398</u>	<u>37,385,292</u>	<u>44,435,449</u>
<b>Business-type Activities</b>				
Revenue bonds	\$ 105,262,005	\$ 103,674,310	\$ 99,764,967	\$ 97,801,087
Notes payable	<u>16,128,833</u>	<u>16,053,027</u>	<u>15,522,266</u>	<u>14,701,885</u>
<b>Total Business-type Activities</b>	<u>121,390,838</u>	<u>119,727,337</u>	<u>115,287,233</u>	<u>112,502,972</u>
<b>Total Primary Government</b>	<b><u>\$ 137,523,026</u></b>	<b><u>\$ 140,143,735</u></b>	<b><u>\$ 152,672,525</u></b>	<b><u>\$ 156,938,421</u></b>
<b>Debt as a Percentage of Personal Income</b>	2.6%	2.6%	2.5%	2.6%
<b>Amount of Debt per Capita</b>	\$ 608	\$ 643	\$ 645	\$ 699

\*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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 33,610,000	\$ 30,835,000	\$ 66,190,000	\$ 63,950,000	\$ 90,810,191	\$ 87,434,420
757,759	301,748	1,011,596	982,910	867,670	202,379
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>87,636,799</u>
\$ 95,744,707	\$ 93,512,439	\$ 91,652,333	\$ 89,669,727	\$ 91,930,734	\$ 90,626,234
<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>30,730,339</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>121,356,573</u>
<b><u>\$ 143,997,979</u></b>	<b><u>\$ 137,661,998</u></b>	<b><u>\$ 171,213,133</u></b>	<b><u>\$ 166,020,908</u></b>	<b><u>\$ 215,194,910</u></b>	<b><u>\$ 208,993,372</u></b>
3.1%	3.6%	3.7%	3.3%	*	*
\$ 901	\$ 1,089	\$ 1,183	\$ 1,080	*	*



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

	Fiscal Year			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Water System Revenue Refunding Bonds</b>				
<b>Series 1997</b>				
Revenue - sale of goods and services	\$ 9,199,931	\$ 9,600,588	\$ 9,384,080	\$ 9,056,785
Less: Operating expenses	<u>(3,104,938)</u>	<u>(3,346,549)</u>	<u>(4,431,741)</u>	<u>(4,362,444)</u>
<b>Net available revenue</b>	<b><u>\$ 6,094,993</u></b>	<b><u>\$ 6,254,039</u></b>	<b><u>\$ 4,952,339</u></b>	<b><u>\$ 4,694,341</u></b>
Debt service				
Principal	\$ 300,000	\$ 475,000	\$ 340,000	\$ 350,000
Interest	\$ 905,503	\$ 893,603	\$ 874,028	\$ 859,748
Coverage*	5.1	4.6	4.1	3.9
<b>Water System Revenue Bonds</b>				
<b>Series 2000</b>				
Revenue - sale of goods and services	\$ 9,199,931	\$ 9,600,588	\$ 9,384,080	\$ 9,056,785
Less: Operating expenses	<u>(3,104,938)</u>	<u>(3,346,549)</u>	<u>(4,431,741)</u>	<u>(4,362,444)</u>
<b>Net available revenue</b>	<b><u>\$ 6,094,993</u></b>	<b><u>\$ 6,254,039</u></b>	<b><u>\$ 4,952,339</u></b>	<b><u>\$ 4,694,341</u></b>
Debt service				
Principal	\$ 240,000	\$ 90,000	\$ 500,000	\$ 575,000
Interest	\$ 970,249	\$ 2,094,315	\$ 2,090,535	\$ 2,067,785
Coverage*	5.0	2.9	1.9	1.8
<b>Water System Revenue Bonds</b>				
<b>Series 2005</b>				
Revenue - sale of goods and services	\$ 9,199,931	\$ 9,600,588	\$ 9,384,080	\$ 9,056,785
Less: Operating expenses	<u>(3,104,938)</u>	<u>(3,346,549)</u>	<u>(4,431,741)</u>	<u>(4,362,444)</u>
<b>Net available revenue</b>	<b><u>\$ 6,094,993</u></b>	<b><u>\$ 6,254,039</u></b>	<b><u>\$ 4,952,339</u></b>	<b><u>\$ 4,694,341</u></b>
Debt service				
Principal				
Interest				
Coverage*	N/A	N/A	N/A	N/A
<b>Water System Revenue Bonds</b>				
<b>Series 2008 (Southport Water System)</b>				
Revenue - sale of goods and services	\$ -	\$ -	\$ -	\$ -
Less: Operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net available revenue</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
<b>Utility System Bond Revenue Anticipation Notes</b>				
<b>Series 2007</b>				
Revenue - sale of goods and services	\$ -	\$ -	\$ -	\$ -
Less: Operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net available revenue</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
<b>Solid Waste Sales Tax Revenue Bonds</b>				
<b>Series 1998</b>				
Revenue - sale of goods and services	\$ 9,199,931	\$ 9,600,558	\$ 17,444,288	\$ 17,480,753
Less: Operating expenses	<u>(3,104,938)</u>	<u>(3,346,549)</u>	<u>(4,431,741)</u>	<u>(4,362,444)</u>
<b>Net available revenue</b>	<b><u>\$ 6,094,993</u></b>	<b><u>\$ 6,254,009</u></b>	<b><u>\$ 13,012,547</u></b>	<b><u>\$ 13,118,309</u></b>
Debt service				
Principal	\$ 1,180,000	\$ 1,215,000	\$ 1,260,000	\$ 1,305,000
Interest	\$ 2,012,863	\$ 1,973,923	\$ 1,931,398	\$ 1,886,038
Coverage*	1.9	2.0	4.1	4.1

Schedule 12  
Continued

Fiscal Year					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 10,120,295	\$ 9,592,412	\$ 10,523,423	\$ 10,269,736	\$ 14,282,168	\$ 14,070,131
(4,746,910)	(4,995,463)	(5,232,544)	(6,643,470)	(6,928,970)	(7,689,352)
<b>\$ 5,373,385</b>	<b>\$ 4,596,949</b>	<b>\$ 5,290,879</b>	<b>\$ 3,626,266</b>	<b>\$ 7,353,198</b>	<b>\$ 6,380,779</b>
\$ 365,000	\$ 380,000	\$ 400,000	\$ 415,000	\$ 435,000	\$ 450,000
\$ 844,598	\$ 51,180	\$ 85,260	\$ 67,260	\$ 48,170	\$ 27,725
4.4	10.7	10.9	7.5	15.2	13.4
\$ 10,120,295	\$ 12,075,741	\$ 12,433,674	\$ 11,321,362	\$ 14,961,574	\$ 14,341,003
(4,746,910)	(4,995,463)	(5,232,544)	(6,643,470)	(6,928,970)	(7,689,352)
<b>\$ 5,373,385</b>	<b>\$ 7,080,278</b>	<b>\$ 7,201,130</b>	<b>\$ 4,677,892</b>	<b>\$ 8,032,604</b>	<b>\$ 6,651,651</b>
\$ 600,000	\$ 630,000	\$ 655,000	\$ 695,000	\$ 725,000	\$ 770,000
\$ 2,041,048	\$ 114,260	\$ 197,965	\$ 165,870	\$ 131,468	\$ 95,217
2.0	9.5	8.4	5.4	9.4	7.7
\$ 10,120,295	\$ 12,075,741	\$ 12,433,674	\$ 11,321,362	\$ 14,961,574	\$ 14,341,003
(4,746,910)	(4,995,463)	(5,232,544)	(6,643,470)	(6,928,970)	(7,689,352)
<b>\$ 5,373,385</b>	<b>\$ 7,080,278</b>	<b>\$ 7,201,130</b>	<b>\$ 4,677,892</b>	<b>\$ 8,032,604</b>	<b>\$ 6,651,651</b>
	\$ 135,000	\$ 105,000	\$ 110,000	\$ 115,000	\$ 115,000
	\$ 631,907	\$ 2,226,210	\$ 2,223,060	\$ 2,219,760	\$ 2,216,310
N/A	9.2	3.1	2.0	3.4	2.9
\$ -	\$ -	\$ -	\$ -	\$ 549,362	\$ 953,478
-	-	-	-	(238,859)	(614,378)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 310,503</b>	<b>\$ 339,100</b>
\$ -	\$ -	\$ -	\$ -	\$ 96,000	\$ 37,000
\$ -	\$ -	\$ -	\$ -	\$ 46,641	\$ 106,345
N/A	N/A	N/A	N/A	2.2	2.4
\$ -	\$ -	\$ -	\$ -	\$ 549,362	\$ 953,478
-	-	-	-	(238,859)	(614,378)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 310,503</b>	<b>\$ 339,100</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A	N/A	N/A	N/A
\$ 19,088,969	\$ 21,765,199	\$ 22,500,461	\$ 21,207,527	\$ 20,933,279	\$ 21,227,165
(4,746,910)	(4,995,463)	(5,232,544)	(6,643,470)	(10,452,360)	(10,153,510)
<b>\$ 14,342,059</b>	<b>\$ 16,769,736</b>	<b>\$ 17,267,917</b>	<b>\$ 14,564,057</b>	<b>\$ 10,480,919</b>	<b>\$ 11,073,655</b>
\$ 1,350,000	\$ 1,400,000	\$ 1,455,000	\$ 1,510,000	\$ 1,570,000	\$ 3,135,000
\$ 1,838,731	\$ 1,788,106	\$ 1,734,906	\$ 1,678,525	\$ 1,619,635	\$ 1,556,835
4.5	5.3	5.4	4.6	3.3	2.4

Continued

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

	Fiscal Year			
	2000	2001	2002	2003
<b>Transportation Improvement Revenue</b>				
<b>Refunding Bonds, Series 2003</b>				
Revenue - proceeds of the Local Option Gas Tax; First	\$ -	\$ -	\$ 4,466,181	\$ 4,381,910
Second, Third and Fourth cents & Constitutional Gas Tax				
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,466,181</b>	<b>\$ 4,381,910</b>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ 27,833
Coverage*	N/A	N/A	N/A	157.4
<b>Sales Tax Revenue Refunding Bonds</b>				
<b>Series 2007</b>				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ -	\$ -	\$ 8,060,208	\$ 8,423,968
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,060,208</b>	<b>\$ 8,423,968</b>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
<b>Sales Tax Revenue Bonds</b>				
<b>Series 2002</b>				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ -	\$ -	\$ 8,060,208	\$ 8,423,968
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,060,208</b>	<b>\$ 8,423,968</b>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ 310,000
Interest	\$ -	\$ -	\$ 289,230	\$ 867,689
Coverage*	N/A	N/A	27.9	7.2
<b>Sales Tax Revenue Bonds</b>				
<b>Series 2006</b>				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ -	\$ -	\$ 8,060,208	\$ 8,423,968
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,060,208</b>	<b>\$ 8,423,968</b>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
<b>USDA Revenue Bonds</b>				
<b>Series 2000</b>				
Revenue - sale of goods and services	\$ -	\$ -	\$ -	\$ -
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
<b>USDA Revenue Bonds</b>				
<b>Series 2002</b>				
Revenue - sale of goods and services	\$ -	\$ -	\$ -	\$ -
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A

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

Fiscal Year					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 4,621,314	\$ 4,775,518	\$ 4,514,177	\$ 4,493,927	\$ 4,333,986	\$ 4,604,433
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>\$ 4,621,314</b>	<b>\$ 4,775,518</b>	<b>\$ 4,514,177</b>	<b>\$ 4,493,927</b>	<b>\$ 4,333,986</b>	<b>\$ 4,604,433</b>
\$ 100,000	\$ 830,000	\$ 840,000	\$ 855,000	\$ 870,000	\$ 895,000
\$ 167,000	\$ 165,000	\$ 148,400	\$ 131,600	\$ 114,500	\$ 86,225
17.3	4.8	4.6	4.6	4.4	4.7
\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>\$ 8,968,674</b>	<b>\$ 9,689,458</b>	<b>\$ 10,066,787</b>	<b>\$ 9,886,165</b>	<b>\$ 9,503,862</b>	<b>\$ 9,139,392</b>
\$ -	\$ -	\$ -	\$ 95,000	\$ 45,000	\$ 50,000
\$ -	\$ -	\$ -	\$ 255,556	\$ 649,064	\$ 647,444
N/A	N/A	N/A	28.2	13.7	13.1
\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>\$ 8,968,674</b>	<b>\$ 9,689,458</b>	<b>\$ 10,066,787</b>	<b>\$ 9,886,165</b>	<b>\$ 9,503,862</b>	<b>\$ 9,139,392</b>
\$ 320,000	\$ 325,000	\$ 335,000	\$ 350,000	\$ 360,000	\$ 375,000
\$ 858,389	\$ 848,789	\$ 839,039	\$ 94,108	\$ 80,983	\$ 66,582
7.6	8.3	8.6	22.3	21.6	20.7
\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>\$ 8,968,674</b>	<b>\$ 9,689,458</b>	<b>\$ 10,066,787</b>	<b>\$ 9,886,165</b>	<b>\$ 9,503,862</b>	<b>\$ 9,139,392</b>
\$ -	\$ -	\$ -	\$ 70,000	\$ 75,000	\$ 75,000
\$ -	\$ -	\$ 260,241	\$ 1,873,735	\$ 1,870,585	\$ 1,867,585
N/A	N/A	38.7	5.1	4.9	4.7
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,001,877
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,089,196)</u>
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 912,681</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,285
N/A	N/A	N/A	N/A	N/A	14.7
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,001,877
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,089,196)</u>
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 912,681</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,960
N/A	N/A	N/A	N/A	N/A	8.0

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating Revenues	\$ 8,224,208	\$ 9,661,749	\$ 11,312,823	\$ 11,517,885
Interest	507,827	458,546	762,918	915,789
Other Revenue	324,750	-	-	-
<b>Gross Revenues</b>	<b>\$ 9,056,785</b>	<b>\$ 10,120,295</b>	<b>\$ 12,075,741</b>	<b>\$ 12,433,674</b>
Operating Expenses	\$ 4,362,444	\$ 4,746,910	\$ 4,995,463	\$ 5,232,544
<b>Net Revenue</b>	<b>\$ 4,694,341</b>	<b>\$ 5,373,385</b>	<b>\$ 7,080,278</b>	<b>\$ 7,201,130</b>
Debt Service 1997 Issue	\$ 1,209,747	\$ 1,209,697	\$ 1,027,068	\$ 485,260
Debt Service 2000 Issue	2,642,784	2,641,048	2,196,541	852,965
Debt Service 2005 Issue	-	-	759,375	2,331,210
Advance from General Fund	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 3,852,531</b>	<b>\$ 3,850,745</b>	<b>\$ 3,982,984</b>	<b>\$ 3,669,435</b>
<b>Coverage Factor</b>	<b>1.219</b>	<b>1.395</b>	<b>1.778</b>	<b>1.962</b>

**Note:** Information not available prior to 2003.

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 10,367,239	\$ 13,878,255	\$ 13,317,212
754,123	253,913	152,920
200,000	150,000	600,000
<u>\$ 11,321,362</u>	<u>\$ 14,282,168</u>	<u>\$ 14,070,132</u>
\$ 6,643,470	\$ 6,928,970	\$ 7,689,352
<u>\$ 4,677,892</u>	<u>\$ 7,353,198</u>	<u>\$ 6,380,780</u>
\$ 482,260	\$ 483,170	\$ 477,725
860,870	856,468	865,217
2,333,060	2,334,760	2,331,310
-	252,566	214,979
<u>\$ 3,676,190</u>	<u>\$ 3,926,964</u>	<u>\$ 3,889,231</u>
<u>1.272</u>	<u>1.872</u>	<u>1.641</u>

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

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Half-Cent Sales Tax Receipts (1)	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392
Series 1998 Bond (2)	\$ 3,194,875	\$ 3,194,875	\$ 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	1,178,701	445,495	445,495	445,495
Series 2006 Bond (4)	-	-	-	5,134,488	5,134,488	5,134,488	5,134,488
Series 2007 Bond (5)	-	-	-	-	1,141,450	1,141,450	1,141,450
<b>Total Maximum Annual Debt Service</b>	<b>\$ 4,373,576</b>	<b>\$ 4,373,576</b>	<b>\$ 4,373,576</b>	<b>\$ 9,508,064</b>	<b>\$ 9,916,308</b>	<b>\$ 9,916,308</b>	<b>\$ 9,916,308</b>
<b>Coverage of Maximum Annual Debt Service by Sales Tax Revenues</b>	<b>1.93</b>	<b>2.05</b>	<b>2.22</b>	<b>1.06</b>	<b>1.00</b>	<b>0.96</b>	<b>0.92</b>

**Note:** Information not available prior to 2003.

(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)**

<b>Year</b>	<b>Estimated Population</b>	<b>Personal Income (1)</b>	<b>Per Capita Personal Income (2)</b>	<b>Unemployment Rate (3)</b>
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	26,638	5.4%
2004	158,437	4,523,549	28,678	4.5%
2005	161,721	4,920,141	30,473	3.6%
2006	165,515	5,284,971	32,242	3.2%
2007	167,631	5,414,654	33,106	3.6%
2008	169,307	*	*	5.5%
2009	*	*	*	*

\* Information not yet available

**(1)** In thousands of dollars. 2005-2006 data revised.

**(2)** 2003-2006 data revised.

**(3)** 2007 data revised.

**Source:** *Florida Statistical Abstract 2009*



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

<u><b>Employer</b></u>	<b>2009</b>			<b>2000</b>		
	<u><b>Employees</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total County Employment</b></u>	<u><b>Employees</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total County Employment</b></u>
Bay Medical Center	1,991	1	2.25%	1,947	4	2.95%
Eastern Shipbuilding	873	2	0.99%	-	-	-
Sallie Mae	700	3	0.79%	734	8	1.11%
Gulf Coast Medical Center	621	4	0.70%	750	7	1.14%
Sprint Communications	600	5	0.68%	-	-	-
Trane Manufacturing Corp.	506	6	0.57%	-	-	-
Paradise Found Resort & Hotel	400	7	0.45%	1,500	5	2.27%
Smurfit-Stone Container	400	8	0.45%	600	9	0.91%
Life Management Center	302	9	0.34%	-	-	-
Oceaneering Multiflex	298	10	0.34%	-	-	-
Tyndall Air Force Base	-	-	-	6,666	1	10.11%
Naval Support Activity	-	-	-	2,308	3	3.50%
Bay District Schools	-	-	-	4,886	2	7.41%
Wal-Mart	-	-	-	809	6	-
Panama City Police Department	-	-	-	583	10	0.88%
	<u><b>6,691</b></u>		<u><b>7.55%</b></u>	<u><b>15,252</b></u>		<u><b>21.02%</b></u>
Total Bay County Labor Force	<u><u>88,608</u></u>			<u><u>65,935</u></u>		

Note: The current year information only includes Private Sector Employers.

*Source: Bay County Economic Development Alliance*

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

<b><u>Function/Program</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
General Government	53	61	67	64	62	59	63	74	71	72
Public Safety	62	71	77	86	92	99	109	123	122	115
Physical Environment	93	99	101	114	112	109	111	118	126	124
Transportation	122	122	125	120	118	121	124	128	118	116
Economic Environment	3	3	3	2	2	2	3	2	2	2
Human Services	7	9	10	10	10	9	10	9	12	12
Culture/Recreation	19	17	18	18	18	18	20	81	81	80
Judicial System	11	11	11	11	9	10	9	9	9	9
<b>Total</b>	<b><u>370</u></b>	<b><u>393</u></b>	<b><u>412</u></b>	<b><u>425</u></b>	<b><u>423</u></b>	<b><u>427</u></b>	<b><u>449</u></b>	<b><u>544</u></b>	<b><u>541</u></b>	<b><u>530</u></b>

*Source: County personnel department*

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

<b><u>Function/Program</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>General Government</b>										
Assessed properties	90,617	92,173	93,478	95,709	98,044	103,104	107,007	110,279	112,624	112,911
Court cases:										
Circuit Criminal	3,753	3,886	4,719	5,230	4,718	4,461	4,449	4,846	4,510	4,578
County Criminal	10,760	11,547	12,554	12,522	12,153	9,824	8,882	11,882	9,971	13,794
<b>Public Safety</b>										
E-911 calls	112,108	100,000	105,000	108,846	115,000	113,548	118,000	124,977	116,149	116,427
Building permits issued*										
Commercial	139	293	352	393	345	435	274	256	231	227
Residential	479	1,263	1,576	1,421	2,192	2,213	1,424	1,018	820	653
<b>Physical Environment</b>										
Landfill and Incinerator Collections	209,939	214,185	220,965	219,413	213,468	223,462	237,825	238,506	248,820	237,663
<b>Transportation</b>										
Roads miles maintained	710.20	709.20	710.40	712.67	714.79	711.25	712.72	712.07	712.87	731.77
<b>Economic Environment</b>										
Tourist Development Tax Registered Units**	264	298	344	394	500	632	843	1109	1,582	8,705
<b>Human Services</b>										
Baker Act admissions	236	302	279	279	328	377	348	372	455	466

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

\*\*Beginning FY09, reporting calculated on number of units. Prior years were reported by registrant.

**Sources:** County finance office and individual county departments

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

<b><u>Function/Program</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>Public Safety</b>								
Correction facility capacities	662	662	662	662	662	662	1,098	1,098
Fire stations	13	13	13	13	13	13	13	13
<b>Culture &amp; Recreation</b>								
Parks	29	29	29	30	30	30	26	28
Park acreage	378	378	378	413	413	413	302	303
Boat ramps	19	19	19	19	19	19	19	19
<b>Transportation</b>								
Road miles	710.4	712.67	714.79	711.25	712.72	712.07	712.87	731.77
Bridges**	50	53	53	53	53	53	53	53
Traffic signals	18	18	18	18	18	17	16	18
<b>Physical Environment</b>								
Water mains (miles)	*	*	*	*	105	108	147	270

\*Information not available

\*\*2002-2008 data revised

**Note:** Information not available prior to 2002.

**Sources:** County finance office and individual county departments

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# **COMPLIANCE SECTION**

## INDEPENDENT AUDITOR'S 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, 2009, and have issued our report thereon dated March 26, 2010.

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/State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 26, 2010, 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 governs 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 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 noted below:

Clerk of Court and Comptroller	09-01 (Prior Year 08-01)
Tax Collector	09-01 (Prior Year 08-01)
Sheriff	09-01 (Prior Year 08-01)
Sheriff	09-02 (Prior Year 08-02)

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 recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

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 have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

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, and identification of the specific conditions met. 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)(i)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, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.



Bay County, Florida  
Page Three

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 26, 2010

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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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 26, 2010. 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 as a basis for designing 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 the County's 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 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. We consider all of the significant deficiencies described in the Schedule of Findings and Questioned Costs to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on 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 managements responses to the findings identified in our audit in the Schedule of Findings and Questioned Costs. We did not audit the responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners; management; and certain federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida  
March 26, 2010

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 Department of Financial Services' State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009. 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, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009.

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.

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

Panama City, Florida  
March 26, 2010

Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Financial Assistance  
Year Ended September 30, 2009

Section I - Summary of Auditor's Results

**Financial Statements**

Type of auditor's 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 auditor's 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 federal programs / state projects:

CFDA Number

Name of Federal Agency/Program

16.710

U.S. Department of Justice

97.036

U.S. Department of Homeland Security

Passed through Florida Department of Emergency Management

97.067

U.S. Department of Homeland Security

Passed through Florida Department of Law Enforcement

(Continued)

Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Financial Assistance (Continued)  
Year Ended September 30, 2009

<u>CSFA Number</u>	<u>Name of State Agency/Projects</u>
52.901	Florida Department of Community Affairs
55.008	Florida Department of Transportation
55.026	Florida Department of Transportation
77.016	Florida Fish and Wildlife Conservation Commission

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 Court and Comptroller

09-01 (Prior Year 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.

Property Appraiser

09-01 Certain adjustments were required that reflect corrections of material misstatements not initially identified in the Bay County Property Appraiser's internal control.

Recommendation

We recommend that the Bay County Property Appraiser implement controls to ensure that procedures identify and correct material misstatements.

Management's Response

The Bay County Property Appraiser is implementing controls as recommended.

Tax Collector

09-01 (Prior Year 08-01) Certain types of adjustments were required that reflect corrections of material misstatements not initially identified in the Tax Collector's internal controls.

(Continued)



Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Financial Assistance (Continued)  
Year Ended September 30, 2009

Management's Response

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

Sheriff

09-01 (Prior Year 08-01) Several capital assets were not included as additions during the year.

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.

09-02 (Prior Year 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, 2009

**There were no prior year audit findings related to federal or state awards.**

Bay County, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance  
Year Ended September 30, 2009

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<b>U.S. Department of Justice</b>			
Jr. Deputy Explorer Program	16.710	2008CKWX0383	\$ 171,614
Edward Byrne Memorial Justice Assistance Program ARRA	16.804	2009-SB-B9-1961	8,273
Edward Byrne Memorial Justice Assistance Program	16.738	2009-DJ-BX-0596	42,465
Edward Byrne Memorial Justice Assistance Program	16.738	2008-DJ-BX-0566	13,574
Passed through Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Program	16.738	2009-JAGC-BAY-2-T7-028	58,402
Passed through State of Florida Office of Attorney General Victims of Crime Act	16.575	V8032	25,606
<b>Total U.S. Department of Justice</b>			<b>319,934</b>
<b>U.S. Department of Transportation</b>			
Passed through Florida Department of Transportation			
Blue Springs Road Bridge	20.205	AP089	762,291
County Road 2321/Kingswood Road	20.205	AOP19	135,904
County Road 2327/Game Farm Road	20.205	AP441	38,165
Grand Lagoon Bridge-PD & E	20.205	AN013	72,793
Grand Lagoon Bridge - Construction ARRA	20.205	AP126	39,189
Thomas Drive Sidewalks - Phase II	20.205	AP310	900,203
Thomas Drive Sidewalks - Phase III	20.205	APH46	250
Widening of County Road 390	20.205	AOM66	250,064
Advanced Warning Program	20.600	RS-09-15-01	43,500
Passed through Florida Department of Environmental Protection Harders Park Walking Trail	20.219	T24012	29,983
<b>Total U.S. Department of Transportation</b>			<b>2,272,342</b>
<b>Federal Elections Assistance Commission</b>			
Passed through Florida Department of State and Secretary of State			
Federal Election Activities FY 2008	90.401	----	7,952
Federal Election Activities FY 2009	90.401	----	29,363
Poll Worker Recruitment and Training FY 2007	90.401	----	9,835
<b>Total Federal Election of Assistance Commission</b>			<b>47,150</b>
<b>U.S. Department of Health and Human Services</b>			
Passed through Florida Department of Revenue Child Support Enforcement	93.563	CC303	178,193
Passed through Florida Department of Community Affairs Community Services Block Grant	93.569	O9SB-6V-12-00-01-001	187,883
<b>Total U.S. Department of Health and Human Services</b>			<b>366,076</b>
<b>U.S. Department of Homeland Security</b>			
Passed through Florida Department of Emergency Management			
Bay County Pier	97.036	06-DN-@G-01-13-02-553	3,258,279
Haney SpNS Generator	97.039	09-HM-05-01-03-01-074	71,156
Emergency Management Preparedness and Assistance	97.042	09-BG-03-01-13-01-170	60,869
Emergency Management Performance	97.042	09-BG-03-01-13-01-107	9,456
Passed through Florida Department of Law Enforcement			
Assistance to Firefighters	97.044	VFA364	9,583
State Homeland Security Grant 2008	97.067	2008-SHSP-BAY-2-S4-057	275,706
State Homeland Security Grant 2009	97.067	2009-SHSP-BAY-1-V3-040	192,206
SWAT and EOD Sustainment	97.067	2008-SHSP-BAY-1-S4-058	21,474
<b>Total U.S. Department of Homeland Security</b>			<b>3,898,729</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 6,904,231</b>

(Continued)

Bay County, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance  
Year Ended September 30, 2009

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<b><u>STATE OF FLORIDA</u></b>			
<b>Department of Environmental Protection</b>			
Panama City Beach Renourishment Project	37.003	05BA2	\$ 346,856
Panama City Beach Renourishment Project	37.003	07BA2	83,014
Passed Through Northwest Florida Water Management District Deer Point Lake Road Stabilization	37.022	08-045	726,176
<b>Total Department of Environmental Protection</b>			<b>1,156,046</b>
<b>Department of Agriculture and Consumer Services</b>			
Mosquito Control	42.003	-----	18,512
<b>Department of State and Secretary of State</b>			
State Aid to Library Grant	45.030	09-ST-44	10,543
State Aid to Library Grant	45.030	08-ST-45	50,559
State Aid to Library Grant	45.030	09-ST-45	54,427
State Aid to Library Grant	45.030	08-ST-46	7,509
State Aid to Library Grant	45.030	09-ST-46	26,846
State Aid to Library Grant	45.030	08-ST-47	30,575
State Aid to Library Grant	45.030	09-ST-43	239,900
State Aid to Library Grant	45.030	08-ST-44	65,994
<b>Total Department of State and Secretary of State</b>			<b>486,353</b>
<b>Department of Community Affairs</b>			
Emergency Management Preparedness	52.008	09-BG-03-01-13-01-170	98,726
Haney SpNS Generator	52.039	09-HM-05-01-03-01-074	37,662
Passed Through Florida Housing Finance Corporation State housing Initiatives Partnership Program,	52.901	-----	1,107,974
<b>Total Department of Community Affairs</b>			<b>1,244,362</b>
<b>Department of Transportation</b>			
Bridge Street Intersection	55.008	APA41	433,458
Traffic Signal Grant	55.013	AOS05	193,513
Traffic Operations Improvement	55.013	AP707	351,843
Baldwin Road Phase II	55.026	AOZ67	1,000,000
<b>Total Department of Transportation</b>			<b>1,978,814</b>
<b>Department of Health</b>			
Emergency Medical Services	64.005	C8003	55,153
<b>Department of Law Enforcement</b>			
Drug Control/Money Laundering Investigations-Matching Funds	71.005	PC-18-117	25,236
<b>Fish and Wildlife Conservation Commission</b>			
Florida Boating Improvement Grant	77.006	08087	5,000
Williams Bayou Pumping Station	77.016	7300	600,000
<b>Total Fish and Wildlife Conservation Commission</b>			<b>605,000</b>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<b>\$ 5,569,476</b>

**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, 2009**

**SUPERVISOR OF ELECTIONS**

Mark Andersen

**TAX COLLECTOR**

Peggy Brannon

**CLERK OF COURT AND COMPTROLLER**

Bill Kinsaul

**SHERIFF**

Frank McKeithen

**PROPERTY APPRAISER**

Dan Sowell

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BAY COUNTY, FLORIDA  
September 30, 2009  
CONTENTS

<u>BAY COUNTY SUPERVISOR OF ELECTIONS</u>	<u>PAGE</u>
Independent Auditor's Report	F-1
Special-Purpose Balance Sheet – Governmental Fund	F-3
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund	F-4
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	F-5
Notes to Special-Purpose Financial Statements	F-6
Independent Auditor's Management Letter	F-9
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-11
 <u>BAY COUNTY CLERK OF COURT AND COMPTROLLER</u>	
Independent Auditor's Report	F-13
Special-Purpose Balance Sheet – Governmental Funds	F-15
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Funds	F-16
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	F-17
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Court Fund	F-18
Special-Purpose Statement of Fiduciary Net Assets – Agency Funds	F-19
Notes to Special-Purpose Financial Statements	F-20
Combining Balance Sheet – Nonmajor Governmental Funds	F-28
Combining Statement of Revenues, Expenditures and Change in Fund Balance – Nonmajor Governmental Funds	F-29



## CONTENTS (Continued)

	<u>PAGE</u>
<u>BAY COUNTY CLERK OF COURT AND COMPTROLLER (Continued)</u>	
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	F-32
Independent Auditor’s Management Letter	F-35
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-37
<u>BAY COUNTY PROPERTY APPRAISER</u>	
Independent Auditor’s Report	F-41
Special-Purpose Balance Sheet – Governmental Fund	F-43
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund	F-44
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	F-45
Notes to Special-Purpose Financial Statements	F-46
Independent Auditor’s Management Letter	F-51
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-53
<u>BAY COUNTY TAX COLLECTOR</u>	
Independent Auditor’s Report	F-55
Special-Purpose Balance Sheet – Governmental Fund	F-57
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund	F-58
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	F-59
Special-Purpose Statement of Fiduciary Net Assets – Agency Funds	F-60

## CONTENTS (Continued)

	<u>PAGE</u>
<u>BAY COUNTY TAX COLLECTOR (Continued)</u>	
Notes to Special-Purpose Financial Statements	F-61
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	F-68
Independent Auditor’s Management Letter	F-71
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-73
<u>BAY COUNTY SHERIFF</u>	
Independent Auditor’s Report	F-77
Special-Purpose Balance Sheet – Governmental Funds	F-79
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Funds	F-80
Special-Purpose Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	F-81
Special-Purpose Statement of Fiduciary Net Assets – Agency Funds	F-82
Notes to Special-Purpose Financial Statements	F-83
Combining Balance Sheet - Nonmajor Governmental Funds	F-90
Combining Statement of Revenues, Expenditures and Change in Fund Balance - Nonmajor Governmental Funds	F-92
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	F-96
Independent Auditor’s Management Letter	F-99
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-101

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**SUPERVISOR OF  
ELECTIONS**

## INDEPENDENT AUDITOR'S 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, 2009, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Bay County 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 Bay County Supervisor of Elections as of September 30, 2009, 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 26, 2010 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 on 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.

This report is intended solely for the information and use of the Bay County Supervisor of Elections, management, the Board of County Commissioners and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida  
March 26, 2010

Bay County Supervisor of Elections  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2009

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 75,764
Prepays	<u>2,043</u>
Total assets	<u><u>\$ 77,807</u></u>
 <b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 57,557
Due to other governments	15,945
Deferred revenue	<u>4,305</u>
Total liabilities	<u>77,807</u>
 <b>FUND BALANCE</b>	
Unreserved	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 77,807</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, 2009

	<u>General Fund</u>
<b>REVENUES</b>	
Intergovernmental	\$ 50,880
Charges for services	14,777
Interest	<u>373</u>
Total revenues	<u>66,030</u>
<b>EXPENDITURES</b>	
Current	
General government	<u>1,236,711</u>
Total expenditures	<u>1,236,711</u>
Excess (deficit) of expenditures over (under) revenues	<u>(1,170,681)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget appropriations from Board of County Commissioners	1,186,626
Transfer out/return of excess fees	<u>(15,945)</u>
Total other financing sources (uses)	<u>1,170,681</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 55,172	\$ 50,880	\$ (4,292)
Charges for services	2,090	15,869	14,777	(1,092)
Interest	-	2,473	373	(2,100)
Total revenues	<u>2,090</u>	<u>73,514</u>	<u>66,030</u>	<u>(7,484)</u>
<b>EXPENDITURES</b>				
Current				
General government	<u>1,172,516</u>	<u>1,260,140</u>	<u>1,236,711</u>	<u>23,429</u>
Total expenditures	<u>1,172,516</u>	<u>1,260,140</u>	<u>1,236,711</u>	<u>23,429</u>
Excess (deficit) of expenditures over (under) revenues	<u>(1,170,426)</u>	<u>(1,186,626)</u>	<u>(1,170,681)</u>	<u>15,945</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	1,170,426	1,186,626	1,186,626	-
Transfer out/return of excess fees	-	-	(15,945)	(15,945)
Total other financing sources (uses)	<u>1,170,426</u>	<u>1,186,626</u>	<u>1,170,681</u>	<u>(15,945)</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, 2009

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, 2009

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.

Subsequent Events – Management has evaluated subsequent events through the issuance date of the financial statements.

Bay County Supervisor of Elections  
Notes to Special-Purpose Financial Statements  
September 30, 2009

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, 2009, 2008 and 2007 were \$52,838, \$49,425, and \$44,712, respectively, and are equal to the required contributions for each year.

## INDEPENDENT AUDITOR'S 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, 2009, and have issued our report thereon dated March 26, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *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 26, 2010, 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 report:

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 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.

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 the Bay County Supervisor of Elections 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 recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Page Two

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 have an inconsequential effect on financial statement, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this 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 require us to indicate that this letter is intended solely for the information and use of management, the Bay County Board of County Commissioners, the Florida 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 26, 2010

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, 2009, and have issued our report thereon dated March 26, 2010. 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 Bay County 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 as a basis for designing 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 Bay County 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 Bay County 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 Bay County Supervisor of Elections' financial statements that is more than inconsequential will not be prevented or detected by the Bay County 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 Bay County 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. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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 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*.

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.

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

Panama City, Florida  
March 26, 2010



**CLERK OF COURT  
AND COMPTROLLER**

## INDEPENDENT AUDITOR'S REPORT

The Honorable Bill Kinsaul  
Bay County Clerk of Court and Comptroller  
Bay County, Florida

We have audited the accompanying special-purpose financial statements of the Bay County Clerk of Court and Comptroller as of and for the year ended September 30, 2009, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Bay County Clerk of Court and Comptroller'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 Bay County Clerk of Court and Comptroller 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 Clerk of Court and Comptroller as of September 30, 2009, 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 Bill Kinsaul  
Bay County Clerk of Court and Comptroller  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2010 on our consideration of the Bay County Clerk of Court and Comptroller'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 on 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.

This report is intended solely for the information and use of the Bay County Clerk of Court and Comptroller, 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 26, 2010

Bay County Clerk of Court and Comptroller  
Special-Purpose Balance Sheet  
Governmental Funds  
September 30, 2009

	General Fund	Court Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 262,111	\$ 218,419	\$ 500,882	\$ 981,412
Investments	11,471	10,026	-	21,497
Accounts receivable, net	86,806	10,679	-	97,485
Prepaid items	-	-	28,396	28,396
Total assets	<u>\$ 360,388</u>	<u>\$ 239,124</u>	<u>\$ 529,278</u>	<u>\$ 1,128,790</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 193,362	\$ 223,200	\$ 22,558	\$ 439,120
Deferred revenue	4,739	-	-	4,739
Due to other governments	162,287	15,924	-	178,211
Total liabilities	<u>360,388</u>	<u>239,124</u>	<u>22,558</u>	<u>622,070</u>
<b>FUND BALANCE</b>				
Reserved for prepaid items	-	-	28,396	28,396
Unreserved	-	-	478,324	478,324
Total fund balance	<u>-</u>	<u>-</u>	<u>506,720</u>	<u>506,720</u>
Total liabilities and fund balance	<u>\$ 360,388</u>	<u>\$ 239,124</u>	<u>\$ 529,278</u>	<u>\$ 1,128,790</u>

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

Bay County Clerk of Court and Comptroller  
Special-Purpose Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Funds  
Year Ended September 30, 2009

	General Fund	Court Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental revenue	\$ 178,193	\$ -	\$ -	\$ 178,193
Charges for services	1,059,772	4,534,149	457,398	6,051,319
Miscellaneous	21,102	-	2,300	23,402
Total revenues	<u>1,259,067</u>	<u>4,534,149</u>	<u>459,698</u>	<u>6,252,914</u>
<b>EXPENDITURES</b>				
General government	<u>2,425,200</u>	<u>4,534,149</u>	<u>1,004,216</u>	<u>7,963,565</u>
Total expenditures	<u>2,425,200</u>	<u>4,534,149</u>	<u>1,004,216</u>	<u>7,963,565</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,166,133)</u>	<u>-</u>	<u>(544,518)</u>	<u>(1,710,651)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	1,196,770	-	-	1,196,770
Transfer out/return of excess fees	<u>(30,637)</u>	<u>-</u>	<u>-</u>	<u>(30,637)</u>
Total other financing sources (uses)	<u>1,166,133</u>	<u>-</u>	<u>-</u>	<u>1,166,133</u>
Net change in fund balance	-	-	(544,518)	(544,518)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>1,051,238</u>	<u>1,051,238</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,720</u>	<u>\$ 506,720</u>

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

Bay County Clerk of Court and Comptroller  
Special-Purpose Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 190,000	\$ 190,000	\$ 178,193	\$ (11,807)
Charges for services	1,329,083	1,329,083	1,059,772	(269,311)
Miscellaneous	40,170	40,170	21,102	(19,068)
Total revenues	<u>1,559,253</u>	<u>1,559,253</u>	<u>1,259,067</u>	<u>(300,186)</u>
<b>EXPENDITURES</b>				
General government	<u>2,712,761</u>	<u>2,756,023</u>	<u>2,425,200</u>	<u>330,823</u>
Total expenditures	<u>2,712,761</u>	<u>2,756,023</u>	<u>2,425,200</u>	<u>330,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,153,508)</u>	<u>(1,196,770)</u>	<u>(1,166,133)</u>	<u>30,637</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	1,153,508	1,196,770	1,196,770	-
Transfer out/return of excess fees	-	-	(30,637)	(30,637)
Total other financing sources (uses)	<u>1,153,508</u>	<u>1,196,770</u>	<u>1,166,133</u>	<u>(30,637)</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 Court and Comptroller  
Special-Purpose Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Court Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 5,416,603	\$ 5,416,603	\$ 4,534,149	\$ (882,454)
Total revenues	<u>5,416,603</u>	<u>5,416,603</u>	<u>4,534,149</u>	<u>(882,454)</u>
<b>EXPENDITURES</b>				
General government	<u>5,416,603</u>	<u>5,416,603</u>	<u>4,534,149</u>	<u>882,454</u>
Total expenditures	<u>5,416,603</u>	<u>5,416,603</u>	<u>4,534,149</u>	<u>882,454</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Bay County Clerk of Court and Comptroller  
Special-Purpose Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2009

**ASSETS**

Cash and cash equivalents	\$ 4,460,400
Total assets	<u>\$ 4,460,400</u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 1,310,124
Due to other governments	<u>3,150,276</u>
Total liabilities	<u>\$ 4,460,400</u>

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



Bay County Clerk of Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Bay County Clerk of Court and Comptroller (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 Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2009

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

Bay County Clerk of Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

receive 80% of accrued sick leave, and employees with more than twenty years of service will receive 100% of their accrued sick leave balance up to a maximum of 240 hours. Governmental fund types accrue benefits in the period they are earned; however, only the current portion of the accrued benefits is recorded in the governmental fund types. The long-term portion is recorded in the long-term liabilities of the Board of County Commissioners.

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.

Subsequent Events – Management has evaluated subsequent events through the issuance date of the financial statements.

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 are qualified 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:

Local Government Surplus Funds Trust Fund, hereinafter Florida PRIME and Fund B, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01.

Bay County Clerk of Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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, 2009, the Clerk had investments on deposit in a 2a-7-like pool for general and agency funds in the amount of \$11,471 with the Florida PRIME and for the court fund in the amount of \$10,026 with the Florida Local Governments Investment Trust (FLGIT) Fund Florida Trust Day to Day 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 (“SEC”) 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 (the “1940 Act”).” Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. The Florida PRIME, administered by the Florida State Board of Administration (SBA), and the FLGIT Florida Trust Day to Day Fund, administered by the Florida Association of Court Clerks Service Corporation, are considered to be SEC 2a-7 like funds and therefore shown at share value. In addition, the Clerk invests funds in Fund B Surplus Trust Fund also administered by the SBA. The Fund B is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2009 was 0.54915069. 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.

Bay County Clerk of Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2009

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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 PRIME fund at September 30, 2009 was 33 days. The weighted average life of Fund B at September 30, 2009 was 6.69 years.

Concentration of Credit Risk – At September 30, 2009, the Clerk did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2009, the Clerk's investments consisted of the following:

	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Credit Rating</b>
Local Government Surplus Funds Trust Fund Pool (PRIME)	\$ 9,669	\$ 9,669	AAAm
Fund B	1,802	1,802	*
Florida Local Governments Investment Trust Florida Trust Day to Day Fund	<u>10,026</u>	<u>10,026</u>	AAAm
Total investments	<u>\$ 21,497</u>	<u>\$ 21,497</u>	

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

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

At September 30, 2009, accounts receivable, net is summarized as follows:

Total accounts receivable	\$ 97,485
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$ 97,485</u>

The Clerk considers all amounts collectible, therefore there is no provision for doubtful accounts at September 30, 2009.

**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.

Bay County Clerk of Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2009

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 require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 or by calling 850-414-6346.

Funding Policy – The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. Rates effective for the fiscal year are 9.85% and 16.53% for regular employees and elected county officials, respectively. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 10.91%. The Clerk's contributions for the years ended September 30, 2009, 2008 and 2007 were \$426,792, \$413,675, and \$392,640, 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, 2009. The 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.

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>	
2010	<u>\$ 43,685</u>
Total	<u>\$ 43,685</u>

Total rental and lease expense for the year ended September 30, 2009 was \$72,707.

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## NONMAJOR GOVERNMENTAL FUNDS



Bay County Clerk of Court and Comptroller  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2009

	10/6/3	Family Mediation	Records Modernization - Records	Records Modernization - Court	10% Fine Records Modernization	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 29,296	\$ 8,782	\$ 363,940	\$ 73,733	\$ 25,131	\$ 500,882
Prepaid expenses	-	-	3,910	24,486	-	28,396
Total assets	<u>\$ 29,296</u>	<u>\$ 8,782</u>	<u>\$ 367,850</u>	<u>\$ 98,219</u>	<u>\$ 25,131</u>	<u>\$ 529,278</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities						
Accounts payable and accrued liabilities	\$ -	\$ 1,650	\$ 11,017	\$ 9,891	\$ -	\$ 22,558
Total liabilities	<u>-</u>	<u>1,650</u>	<u>11,017</u>	<u>9,891</u>	<u>-</u>	<u>22,558</u>
Fund balance						
Reserved for prepaid items	-	-	3,910	24,486	-	28,396
Unreserved	29,296	7,132	352,923	63,842	25,131	478,324
Total fund balance	<u>29,296</u>	<u>7,132</u>	<u>356,833</u>	<u>88,328</u>	<u>25,131</u>	<u>506,720</u>
Total liabilities and fund balance	<u>\$ 29,296</u>	<u>\$ 8,782</u>	<u>\$ 367,850</u>	<u>\$ 98,219</u>	<u>\$ 25,131</u>	<u>\$ 529,278</u>

Bay County Clerk of Court and Comptroller  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2009

	10/6/3	Family Mediation	Records Modernization - Records	Records Modernization - Court	10% Fine Records Modernization	Total
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ 321,299	\$ 110,968	\$ 25,131	\$ 457,398
Miscellaneous	840	72	1,232	156	-	2,300
Total revenues	840	72	322,531	111,124	25,131	459,698
<b>EXPENDITURES</b>						
Current						
General government	64,070	16,716	586,141	337,289	-	1,004,216
Total expenditures	64,070	16,716	586,141	337,289	-	1,004,216
Excess (deficiency) of revenues over (under) expenditures	(63,230)	(16,644)	(263,610)	(226,165)	25,131	(544,518)
Fund balance - beginning	92,526	23,776	620,443	314,493	-	1,051,238
Fund balance - ending	<u>\$ 29,296</u>	<u>\$ 7,132</u>	<u>\$ 356,833</u>	<u>\$ 88,328</u>	<u>\$ 25,131</u>	<u>\$ 506,720</u>

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## AGENCY FUNDS

Bay County Clerk of Court and Comptroller  
Combining Statement of Changes  
in Assets and Liabilities  
All Agency Funds  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>FINES AND FORFEITURES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,565,474	\$25,932,589	\$25,619,054	\$ 1,879,009
Total assets	<u>\$ 1,565,474</u>	<u>\$25,932,589</u>	<u>\$25,619,054</u>	<u>\$ 1,879,009</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,565,474	\$25,932,589	\$25,619,054	\$ 1,879,009
Total liabilities	<u>\$ 1,565,474</u>	<u>\$25,932,589</u>	<u>\$25,619,054</u>	<u>\$ 1,879,009</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,928	\$ 112,465	\$ 89,002	\$ 42,391
Total assets	<u>\$ 18,928</u>	<u>\$ 112,465</u>	<u>\$ 89,002</u>	<u>\$ 42,391</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 18,928	\$ 112,465	\$ 89,002	\$ 42,391
Total liabilities	<u>\$ 18,928</u>	<u>\$ 112,465</u>	<u>\$ 89,002</u>	<u>\$ 42,391</u>
<b>TAX DEED</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 205,900	\$ 909,996	\$ 978,312	\$ 137,584
Total assets	<u>\$ 205,900</u>	<u>\$ 909,996</u>	<u>\$ 978,312</u>	<u>\$ 137,584</u>
<b>LIABILITIES</b>				
Accounts payable and				
Accrued liabilities	\$ 205,900	\$ 909,996	\$ 978,312	\$ 137,584
Total liabilities	<u>\$ 205,900</u>	<u>\$ 909,996</u>	<u>\$ 978,312</u>	<u>\$ 137,584</u>

(Continued)

Bay County Clerk of Court and Comptroller  
Combining Statement of Changes  
in Assets and Liabilities  
All Agency Funds (Continued)  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,788	\$ 991,046	\$ 951,536	\$ 54,298
Total assets	<u>\$ 14,788</u>	<u>\$ 991,046</u>	<u>\$ 951,536</u>	<u>\$ 54,298</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 14,788	\$ 991,046	\$ 951,536	\$ 54,298
Total liabilities	<u>\$ 14,788</u>	<u>\$ 991,046</u>	<u>\$ 951,536</u>	<u>\$ 54,298</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 793,667	\$ 9,042,490	\$ 8,728,011	\$ 1,108,146
Total assets	<u>\$ 793,667</u>	<u>\$ 9,042,490</u>	<u>\$ 8,728,011</u>	<u>\$ 1,108,146</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 793,667	\$ 9,042,490	\$ 8,728,011	\$ 1,108,146
Total liabilities	<u>\$ 793,667</u>	<u>\$ 9,042,490</u>	<u>\$ 8,728,011</u>	<u>\$ 1,108,146</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,616,902	\$ 1,499,199	\$ 2,887,225	\$ 1,228,876
Total assets	<u>\$ 2,616,902</u>	<u>\$ 1,499,199</u>	<u>\$ 2,887,225</u>	<u>\$ 1,228,876</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 2,616,902	\$ 1,499,199	\$ 2,887,225	\$ 1,228,876
Total liabilities	<u>\$ 2,616,902</u>	<u>\$ 1,499,199</u>	<u>\$ 2,887,225</u>	<u>\$ 1,228,876</u>

(Continued)

Bay County Clerk of Court and Comptroller  
Combining Statement of Changes  
in Assets and Liabilities  
All Agency Funds (Continued)  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,950	\$ 276,872	\$ 284,726	\$ 10,096
Total assets	<u>\$ 17,950</u>	<u>\$ 276,872</u>	<u>\$ 284,726</u>	<u>\$ 10,096</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 17,950	\$ 276,872	\$ 284,726	\$ 10,096
Total liabilities	<u>\$ 17,950</u>	<u>\$ 276,872</u>	<u>\$ 284,726</u>	<u>\$ 10,096</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,233,609	\$ 38,764,657	\$ 39,537,866	\$ 4,460,400
Total assets	<u>\$ 5,233,609</u>	<u>\$ 38,764,657</u>	<u>\$ 39,537,866</u>	<u>\$ 4,460,400</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,032,305	\$ 11,220,404	\$ 10,942,585	\$ 1,310,124
Due to other governments	4,201,304	27,544,253	28,595,281	3,150,276
Total liabilities	<u>\$ 5,233,609</u>	<u>\$ 38,764,657</u>	<u>\$ 39,537,866</u>	<u>\$ 4,460,400</u>

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Bill Kinsaul  
Bay County Clerk of Court and Comptroller  
Bay County, Florida

We have audited the special-purpose financial statements of the Bay County Clerk of Court and Comptroller as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 26, 2010.

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. 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 26, 2010, 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 report:

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 findings and recommendations made in the preceding annual financial audit report. In the preceding annual financial audit report we disclosed in finding 08-01, that the Bay County Clerk of Court and Comptroller did not reconcile certain bank accounts in a timely manner. While current year audit procedures found improvement in this area, certain bank accounts were still not reconciled in a timely manner in the current year. See current year comment 09-01.

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 the Bay County Clerk of Court and Comptroller 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 recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.



The Honorable Bill Kinsaul  
Bay County Clerk of Court and Comptroller  
Page Two

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statement 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 have an inconsequential effect on financial statement, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Bay County Clerk of Court and Comptroller was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Clerk of Court and Comptroller 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 the requirements of Section 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the Clerk complied with such requirements.

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 require us to indicate that this letter is intended solely for the information and use of management, the Bay County Board of County Commissioners, the Florida 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 26, 2010

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 Bill Kinsaul  
Bay County Clerk of Court and Comptroller  
Bay County, Florida

We have audited the special-purpose financial statements of the Bay County Clerk of Court and Comptroller as of and for the year ended September 30, 2009, and have issued our report thereon dated March 26, 2010. 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 Bay County Clerk of Court and Comptroller 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 Court and Comptroller's internal control over financial reporting as a basis for designing 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 Bay County Clerk of Court and Comptroller's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Court and Comptroller'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 Bay County 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 Bay County Clerk's financial statements that is more than inconsequential will not be prevented or detected by the Bay County Clerk's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

09-01 (Prior Year 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 Bay County 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 deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay County Clerk of Court and Comptroller's special-purpose 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 Bay County Clerk's response to the finding identified in our audit above. We did not audit the Bay County Clerk's response and accordingly, we express no opinion on it.

The Honorable Bill Kinsaul  
Bay County Clerk of Court and Comptroller  
Page Three

This report is intended solely for the information and use of the Bay County Clerk of Court and Comptroller, management, the Board of County Commissioners, and appropriate federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida  
March 26, 2010

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**PROPERTY  
APPRAISER**

## INDEPENDENT AUDITOR'S REPORT

The Honorable Dan Sowell  
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, 2009, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Bay County 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 Bay County 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, 2009, 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 Dan Sowell  
Bay County Property Appraiser  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2010 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 on 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.

This report is intended solely for the information and use of the Bay County Property Appraiser, management, the Board of County Commissioners, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida  
March 26, 2010



Bay County Property Appraiser  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2009

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 22,683
Accounts recievable	104
Due from other governments	26,236
Prepays	<u>12,680</u>
Total assets	<u><u>\$ 61,703</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 59,178
Due to other governments	<u>2,525</u>
Total liabilities	61,703
<b>FUND BALANCE</b>	
Unreserved	<u>-</u>
 Total liabilities and fund balance	 <u><u>\$ 61,703</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, 2009

	<u>General Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 94,081
Interest income	5,142
Total revenues	<u>99,223</u>
<b>EXPENDITURES</b>	
Current	
General government	2,719,512
Debt service	
Principal retirement	39,029
Interest and fiscal charges	3,624
Total expenditures	<u>2,762,165</u>
Excess (deficit) of expenditures over (under) revenues	<u>(2,662,942)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget appropriations from Board of County Commissioners	2,733,019
Transfer out/return of excess fees	(74,412)
Debt issued	4,335
Total other financing sources (uses)	<u>2,662,942</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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for services	\$ 92,319	\$ 92,727	\$ 94,081	\$ 1,354
Interest income	-	-	5,142	5,142
Total revenues	<u>92,319</u>	<u>92,727</u>	<u>99,223</u>	<u>6,496</u>
<b>EXPENDITURES</b>				
Current				
General government	2,773,695	2,786,130	2,719,512	66,618
Debt service				
Principal retirement	34,747	34,747	39,029	(4,282)
Interest and fiscal charges	4,869	4,869	3,624	1,245
Total expenditures	<u>2,813,311</u>	<u>2,825,746</u>	<u>2,762,165</u>	<u>63,581</u>
Excess (deficit) of expenditures over (under) revenues	<u>(2,720,992)</u>	<u>(2,733,019)</u>	<u>(2,662,942)</u>	<u>70,077</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	2,720,992	2,733,019	2,733,019	-
Transfer out/return of excess fees	-	-	(74,412)	(74,412)
Debt issued	-	-	4,335	4,335
Total other financing sources (uses)	<u>2,720,992</u>	<u>2,733,019</u>	<u>2,662,942</u>	<u>(70,077)</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, 2009

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 Bay County 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 Bay County Property Appraiser. It is used to account for all financial resources except those required to be accounted for in other funds.

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, 2009

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 Bay County Property Appraiser. The budget and subsequent budget amendments of the Bay County 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 Bay County 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 Bay County 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.

Subsequent Events – Management has evaluated subsequent events through the issuance date of the financial statements.

NOTE 2 – DEPOSITS

Custodial Risk – All cash resources of the Bay County 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

Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 2 – DEPOSITS (Continued)

the State Treasurer. The State Treasurer is required to ensure that the Bay County Property Appraiser's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

NOTE 3 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2009:

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
Capital Leases Payable	\$ 73,671	\$ 4,335	\$ 39,029	\$ 38,977

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 \$174,130. The accumulated depreciation of these assets is \$111,735. Total principal maturities are as follows:

Years Ended September 30,	
2010	\$ 31,892
2011	7,210
2012	1,807
Total	40,909
Less: amount representing interest	(1,932)
Total	\$ 38,977

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

Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 4 – DEFINED BENEFIT PENSION PLAN

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 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, 2009, 2008 and 2007 were \$191,136, \$178,915, and \$161,909 respectively, and are equal to the required contributions for each year.

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## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Dan Sowell  
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, 2009, and have issued our report thereon dated March 26, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *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 26, 2010, 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 report:

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 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 report.

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 the Bay County Property Appraiser 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 recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

The Honorable Dan Sowell  
Bay County Property Appraiser  
Page Two

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

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 have an inconsequential effect on financial statement, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this 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 require us to indicate that this letter is intended solely for the information and use of management, the Bay County Board of County Commissioners, the Florida 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 26, 2010

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 Dan Sowell  
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, 2009, and have issued our report thereon dated March 26, 2010. 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 as a basis for designing 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 Bay County 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. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

- 09-01 Certain adjustments were required that reflect corrections of material misstatements not initially identified in the Bay County Property Appraiser's internal control.

Recommendation

We recommend that the Bay County Property Appraiser implement controls to ensure that procedures identify and correct material misstatements.

Management's Response

The Bay County Property Appraiser is implementing controls as recommended.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bay County 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. However, we believe that the significant deficiency described above is a material weakness.

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 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*.

This report is intended solely for the information and use of the Bay County Property Appraiser, management, the Board of County Commissioners, and appropriate federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida  
March 26, 2010

## **TAX COLLECTOR**

## INDEPENDENT AUDITOR'S 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, 2009 as listed in the table of contents. These special-purpose financial statements are the responsibility of the Bay County 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 Bay County 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 Bay County Tax Collector as of September 30, 2009, and the results of her operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2010 on our consideration of the Bay County Tax Collector's internal control over financial reporting and our tests of her compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on 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.

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.

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

Panama City, Florida  
March 26, 2010

Bay County Tax Collector  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2009

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,305,771
Investments	<u>197</u>
Total assets	<u><u>\$ 3,305,968</u></u>
 <b>LIABILITIES</b>	
Due to other governments	\$ 3,226,968
Deferred revenues	<u>79,000</u>
Total liabilities	3,305,968
 <b>FUND BALANCE</b>	
Unreserved	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 3,305,968</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, 2009

	<u>General Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 2,029,078
Total revenues	<u>2,029,078</u>
<b>EXPENDITURES</b>	
Current	
General government	<u>2,692,699</u>
Total expenditures	<u>2,692,699</u>
Excess (deficit) of expenditures over (under) revenues	<u>(663,621)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget appropriations from Board of County Commissioners	3,845,362
Transfer out/ return of excess fees	<u>(3,181,741)</u>
Total other financing sources (uses)	<u>663,621</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 2,029,078	\$ 2,029,078
Total revenues	-	-	2,029,078	2,029,078
<b>EXPENDITURES</b>				
Current				
General government	2,630,105	3,845,362	2,692,699	1,152,663
Total expenditures	2,630,105	3,845,362	2,692,699	1,152,663
Excess (deficit) of expenditures over (under) revenues	(2,630,105)	(3,845,362)	(663,621)	3,181,741
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	2,630,105	3,845,362	3,845,362	-
Transfer out/ return of excess fees	-	-	(3,181,741)	(3,181,741)
Total other financing sources (uses)	2,630,105	3,845,362	663,621	(3,181,741)
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, 2009

**ASSETS**

Cash and cash equivalents	\$ 1,808,037
Investments	75,320
Accounts receivable, net	<u>18,646</u>
Total assets	<u><u>\$ 1,902,003</u></u>

**LIABILITIES**

Due to other governments	\$ 1,901,448
Due to others	<u>555</u>
Total liabilities	<u><u>\$ 1,902,003</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, 2009

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 Bay County Tax Collector are included in Bay County, Florida's basic financial statements. The Bay County 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 Bay County 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 Bay County Tax Collector:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of the Bay County Tax Collector. It is used to account for all financial resources except those required to be accounted for in other funds.

Fiduciary Fund Type

Agency Funds – Agency funds are used to account for assets held by the Bay County 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, 2009

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 Bay County 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 Bay County 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 Bay County 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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events – Management has evaluated subsequent events through the issuance date of the financial statements.

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 Bay County 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 Bay County Tax Collector to invest surplus funds in the following:

Local Government Surplus Funds Trust Fund, hereinafter Florida PRIME and Fund B, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

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

Direct obligations of the U.S. Treasury.

Federal agencies and instrumentalities.

Other investments authorized by law or by ordinance for a county or a municipality.

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

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2009

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

Commission (“SEC”) 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 (the “1940 Act”).” Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. The Florida PRIME, administered by the Florida State Board of Administration (SBA), is considered to be a SEC 2a-7 like fund and therefore shown at share value. In addition, the Bay County Tax Collector invests funds in Fund B Surplus Trust Fund also administered by the SBA. The Fund B is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2009 was 0.54915069. 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 Bay County 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 Bay County 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 PRIME fund at September 30, 2009 was 33 days. The weighted average life of Fund B at September 30, 2009 was 6.69 years. The Bay County Tax Collector does not have a formal policy relating to interest rate risk.

Concentration of Credit Risk – At September 30, 2009, the Bay County Tax Collector did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2009, the Tax Collector’s investments consisted of the following:

	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Credit Rating</b>
State Board of Administration Investments:			
Local government surplus funds			
trust fund (PRIME)	\$ 20,951	\$ 20,951	AAAm
Fund B	54,566	54,566	*
Total investments	\$ 75,517	\$ 75,517	

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

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2009, accounts receivable, net, in the agency funds is summarized as follows:

Total accounts receivable	\$18,646
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$18,646</u>

The Bay County Tax Collector considers all amounts collectible, therefore there is no provision for doubtful accounts at September 30, 2009.

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.



Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy – The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. 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, 2009, 2008 and 2007 were \$161,763, \$158,935, and \$154,200, 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  
Agency Funds  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>PROPERTY TAX FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,511,508	\$ 389,301,837	\$ 389,026,761	\$ 1,786,584
Investments	381,673	-	306,353	75,320
Total assets	<u>\$ 1,893,181</u>	<u>\$ 389,301,837</u>	<u>\$ 389,333,114</u>	<u>\$ 1,861,904</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,893,181	\$ 389,301,837	\$ 389,333,114	\$ 1,861,904
Total liabilities	<u>\$ 1,893,181</u>	<u>\$ 389,301,837</u>	<u>\$ 389,333,114</u>	<u>\$ 1,861,904</u>
<b>TAX CERTIFICATE FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 249	\$ 20,718,711	\$ 20,718,405	\$ 555
Total assets	<u>\$ 249</u>	<u>\$ 20,718,711</u>	<u>\$ 20,718,405</u>	<u>\$ 555</u>
<b>LIABILITIES</b>				
Due to others	\$ 249	\$ 20,718,711	\$ 20,718,405	\$ 555
Total liabilities	<u>\$ 249</u>	<u>\$ 20,718,711</u>	<u>\$ 20,718,405</u>	<u>\$ 555</u>
<b>TAG FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,321	\$ 17,137,398	\$ 17,131,821	\$ 20,898
Accounts receivable, net	20,375	12,365	14,094	18,646
Total assets	<u>\$ 35,696</u>	<u>\$ 17,149,763</u>	<u>\$ 17,145,915</u>	<u>\$ 39,544</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 35,696	\$ 17,149,763	\$ 17,145,915	\$ 39,544
Total liabilities	<u>\$ 35,696</u>	<u>\$ 17,149,763</u>	<u>\$ 17,145,915</u>	<u>\$ 39,544</u>

Bay County Tax Collector  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>TOTAL-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,527,078	\$ 427,157,946	\$ 426,876,987	\$ 1,808,037
Investments	381,673	-	306,353	75,320
Accounts receivable, net	20,375	12,365	14,094	18,646
Total assets	<u>\$ 1,929,126</u>	<u>\$ 427,170,311</u>	<u>\$ 427,197,434</u>	<u>\$ 1,902,003</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,928,877	\$ 406,451,600	\$ 406,479,029	\$ 1,901,448
Due to others	249	20,718,711	20,718,405	555
Total liabilities	<u>\$ 1,929,126</u>	<u>\$ 427,170,311</u>	<u>\$ 427,197,434</u>	<u>\$ 1,902,003</u>

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## INDEPENDENT AUDITOR'S 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, 2009, and have issued our report thereon dated March 26, 2010.

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. 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 26, 2010, 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 governs 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 report:

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 findings and recommendations made in the preceding annual financial audit report. In the preceding annual financial audit report we disclosed in finding 08-01, that certain types of adjustments were required that reflect corrections of material misstatements not initially identified by the Bay County Tax Collector's internal controls. While current year audit procedures found improvements in these areas, adjustments were still required to reflect corrections of material misstatements. See current year comment 09-01.

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 the Bay County Tax Collector complied with Section 218.415, Florida Statutes.

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Two

Section 10.554(1)(i)3., Rules of the Auditor General, requires 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.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on financial statement 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 have an inconsequential effect on financial statement, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we noticed that amounts paid to other agencies exceeded the amounts received on their behalf. We recommend that research be performed to determine the proper remittance amount, so that final settlement can be made.

Section 10.554(1)(i)6., Rules of the Auditor General, requires 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 require us to indicate that this letter is intended solely for the information and use of management, the Bay County Board of County Commissioners, the Florida 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 26, 2010

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, 2009, and have issued our report thereon dated March 26, 2010. 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 Bay County 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 as a basis for designing 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 Bay County Tax Collector's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bay County 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 Bay County 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 Bay County 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:

- 09-01 (Prior Year 08-01) Certain types of adjustments were required that reflect corrections of material misstatements not initially identified by 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 Bay County 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 consider item 09-01 to be 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 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 Bay County Tax Collector's response to the finding identified in our audit above. We did not audit the Bay County Tax Collector's response and accordingly, we express no opinion on it.

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Three

This report is intended solely for the information and use of the Bay County Tax Collector, management, the Board of County Commissioners, and appropriate federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida  
March 26, 2010

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**SHERIFF**

## INDEPENDENT AUDITOR'S 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, 2009, 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, 2009, 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 26, 2010 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 on 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.

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 26, 2010

Bay County Sheriff  
Special-Purpose Balance Sheet  
Governmental Funds  
September 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,409,001	\$ 564,494	\$ 2,973,495
Accounts receivable, net	52,636	38,868	91,504
Total assets	<u>\$ 2,461,637</u>	<u>\$ 603,362</u>	<u>\$ 3,064,999</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 355,704	\$ -	\$ 355,704
Due to other governments	1,993,612	-	1,993,612
Deferred revenue	112,321	-	112,321
Total liabilities	<u>2,461,637</u>	<u>-</u>	<u>2,461,637</u>
<b>FUND BALANCE</b>			
Unreserved	<u>-</u>	<u>603,362</u>	<u>603,362</u>
Total liabilities and fund balance	<u>\$ 2,461,637</u>	<u>\$ 603,362</u>	<u>\$ 3,064,999</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, 2009**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenue	\$ 889,614	\$ 807,063	\$ 1,696,677
Interest income	109,685	84,434	194,119
Miscellaneous	62,028	-	62,028
Total revenues	<u>1,061,327</u>	<u>891,497</u>	<u>1,952,824</u>
<b>EXPENDITURES</b>			
Current			
Public safety	36,531,671	771,114	37,302,785
Debt service			
Principal retirement	712,789	-	712,789
Interest	20,948	-	20,948
Total expenditures	<u>37,265,408</u>	<u>771,114</u>	<u>38,036,522</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,204,081)</u>	<u>120,383</u>	<u>(36,083,698)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Budget appropriations from			
Board of County Commissioners	38,125,641	-	38,125,641
Debt issuance	87,760	-	87,760
Transfer out/ return of excess fees	(2,009,320)	-	(2,009,320)
Total other financing sources (uses)	<u>36,204,081</u>	<u>-</u>	<u>36,204,081</u>
Net change in fund balance	-	120,383	120,383
Fund balance - beginning	<u>-</u>	<u>482,979</u>	<u>482,979</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 603,362</u>	<u>\$ 603,362</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, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 91,241	\$ 1,283,433	\$ 889,614	\$ (393,819)
Interest income	-	-	109,685	109,685
Miscellaneous	-	-	62,028	62,028
Total revenues	<u>91,241</u>	<u>1,283,433</u>	<u>1,061,327</u>	<u>(222,106)</u>
<b>EXPENDITURES</b>				
Current				
Public safety	37,097,682	38,675,337	36,443,911	2,231,426
Debt service				
Principal retirement	712,789	712,789	712,789	-
Interest and fiscal charges	20,948	20,948	20,948	-
Total expenditures	<u>37,831,419</u>	<u>39,409,074</u>	<u>37,177,648</u>	<u>2,231,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,740,178)</u>	<u>(38,125,641)</u>	<u>(36,116,321)</u>	<u>2,009,320</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	37,740,178	38,125,641	38,125,641	-
Transfer out/ return of excess fees	-	-	(2,009,320)	(2,009,320)
Total other financing sources (uses)	<u>37,740,178</u>	<u>38,125,641</u>	<u>36,116,321</u>	<u>(2,009,320)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Note:**

The budgetary basis used by the Bay County Sheriff differs from the basis of presentation of the Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance required by US 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 \$87,760 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.

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

Bay County Sheriff  
Special-Purpose Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2009

**ASSETS**

Cash and cash equivalents	\$ 40,288
Total assets	<u>\$ 40,288</u>

**LIABILITIES**

Accounts payable	\$ 10,460
Due to others	<u>29,828</u>
Total liabilities	<u>\$ 40,288</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, 2009

**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 Bay County Sheriff are included in Bay County, Florida's basic financial statements. The office of the Bay County 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 Bay County Sheriff. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Fiduciary Fund Type

Agency Funds – Agency funds are used to account for assets held by the Sheriff as an agent for individuals, private organizations, other governments, and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Bay County Sheriff  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities generally are included on the balance sheet. Fund balance (net current assets) is considered a measurement of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special-purpose financial statements. Accordingly, it relates to the timing of the measurements made, regardless of the measurement focus applied.

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

Budgets – The preparation, adoption, and amendment of the Sheriff's budget is governed by Chapters 30 and 129, Florida Statutes. The Sheriff does not budget for proceeds from capital leases, otherwise the budget is prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. Budgetary data presented in the accompanying special-purpose financial statements in the final budgeted amounts column represent the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data. All budget appropriations lapse at the end of the fiscal year.

Employee Leave Benefits – It is the Sheriff's policy to provide vacation and sick leave. A limited amount of accumulated sick leave is paid upon termination of employment with the Sheriff to those employees that are retiring after at least six years of employment or have been employed a minimum of ten years and meet certain criteria. Employees may accrue compensatory time for overtime worked up to a maximum of 120 hours. Upon termination or retirement, unused compensatory time is paid at the employees' regular rate.

Employees are permitted to accumulate a limited amount of earned but unused vacation benefits which will be paid to employees upon termination or retirement.

Bay County Sheriff  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets of the Sheriff used in governmental fund type operations are reported in the governmental activities column in the Bay County, Florida's government-wide financial statements. Capital assets are defined as 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.

Subsequent Events – Management has evaluated subsequent events through the issuance date of the financial statements.

NOTE 2 – DEPOSITS

Custodial Risk – All cash resources of the Sheriff are placed in banks that are qualified 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.

Bay County Sheriff  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2009, accounts receivable, net is summarized as follows:

	General Fund	Other Governmental Funds	Total
Total accounts receivable	\$ 52,636	\$ 38,868	\$ 91,504
Less: allowance for doubtful accounts	-	-	-
Accounts receivable, net	<u>\$ 52,636</u>	<u>\$ 38,868</u>	<u>\$ 91,504</u>

The Sheriff considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2009.

NOTE 4 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2009 are summarized as follows:

	Balance September 30, 2008	Transfers	Increases	Decreases	Balance September 30, 2009
Vehicles, furniture and equipment	\$ 9,596,686	\$ 701,030	\$ 2,030,458	\$ 343,500	\$ 11,984,674
Property held under capital leases	<u>1,162,934</u>	<u>(701,030)</u>	<u>87,760</u>	<u>-</u>	<u>549,664</u>
Total	<u>\$ 10,759,620</u>	<u>\$ -</u>	<u>\$ 2,118,218</u>	<u>\$ 343,500</u>	<u>\$ 12,534,338</u>

Transfers include \$701,030 of property that is no longer held under capital lease and has been reclassified under vehicles, furniture and equipment. The increase in the cost of capital assets includes \$218,087 of vehicle, furniture, and equipment and \$54,213 of property held under capital lease that were acquired by the County as successor to of the former Town of Cedar Grove upon dissolution.

Bay County Sheriff  
Notes to Special-Purpose Financial Statements  
September 30, 2009

**NOTE 5 – LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended September 30, 2009:

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
Capital leases payable	\$ 781,485	\$ 87,760	\$ 712,789	\$ 156,456
Compensated absences	791,835	385,508	-	1,177,343
Total	<u>\$ 1,573,320</u>	<u>\$ 473,268</u>	<u>\$ 712,789</u>	<u>\$ 1,333,799</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 \$575,451. The accumulated depreciation of these assets is \$151,577. Future minimum lease payments at September 30, 2009, are summarized as follows:

<u>Years Ending</u> <u>September 30,</u>	
2010	\$ 113,474
2011	41,595
2012	<u>8,988</u>
Total	164,057
Less: amount representing interest	<u>(7,601)</u>
Principal balance	<u>\$ 156,456</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 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 or by calling 850-414-6346.

Bay County Sheriff  
Notes to Special-Purpose Financial Statements  
September 30, 2009

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy – The System provides vesting of benefits after six years of creditable service. Regular employees are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Special risk employees are eligible for normal retirement after six years of service and attaining age fifty-five, or twenty-five years of service regardless of age. Early retirement may be taken 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, 2009, 2008 and 2007 were \$3,521,713, \$2,108,306, and \$2,009,377, respectively, and are equal to the required contributions for each year.



## NONMAJOR GOVERNMENTAL FUNDS

Bay County Sheriff  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2009

	Special Revenue		
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,920	\$ 11,376	\$ 5,077
Accounts receivable, net	-	-	-
Total assets	<u>\$ 18,920</u>	<u>\$ 11,376</u>	<u>\$ 5,077</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance			
Unreserved	<u>18,920</u>	<u>11,376</u>	<u>5,077</u>
Total fund balance	<u>18,920</u>	<u>11,376</u>	<u>5,077</u>
Total liabilities and fund balance	<u>\$ 18,920</u>	<u>\$ 11,376</u>	<u>\$ 5,077</u>

Special Revenue

Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total
\$ 260,579	\$ 143,430	\$ 40,947	\$ 84,165	\$ 564,494
-	-	-	38,868	38,868
<u>\$ 260,579</u>	<u>\$ 143,430</u>	<u>\$ 40,947</u>	<u>\$ 123,033</u>	<u>\$ 603,362</u>
\$ -	\$ -	\$ -	\$ -	\$ -
260,579	143,430	40,947	123,033	603,362
<u>260,579</u>	<u>143,430</u>	<u>40,947</u>	<u>123,033</u>	<u>603,362</u>
<u>\$ 260,579</u>	<u>\$ 143,430</u>	<u>\$ 40,947</u>	<u>\$ 123,033</u>	<u>\$ 603,362</u>

Bay County Sheriff  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2009

	Special Revenue		
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
<b>REVENUES</b>			
Intergovernmental	\$ 43,733	\$ 51,103	\$ 8,697
Miscellaneous	-	-	-
Total revenues	<u>43,733</u>	<u>51,103</u>	<u>8,697</u>
<b>EXPENDITURES</b>			
Current			
Public safety	<u>35,095</u>	<u>40,143</u>	<u>14,660</u>
Total expenditures	<u>35,095</u>	<u>40,143</u>	<u>14,660</u>
Net change in fund balance	8,638	10,960	(5,963)
Fund balance - beginning	<u>10,282</u>	<u>416</u>	<u>11,040</u>
Fund balance - ending	<u>\$ 18,920</u>	<u>\$ 11,376</u>	<u>\$ 5,077</u>

Special Revenue

Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total
\$ 200,377	\$ 192,512	\$ 91,715	\$ 218,926	\$ 807,063
-	405	16	84,013	84,434
<u>200,377</u>	<u>192,917</u>	<u>91,731</u>	<u>302,939</u>	<u>891,497</u>
194,272	235,002	72,036	179,906	771,114
<u>194,272</u>	<u>235,002</u>	<u>72,036</u>	<u>179,906</u>	<u>771,114</u>
6,105	(42,085)	19,695	123,033	120,383
254,474	185,515	21,252	-	482,979
<u>260,579</u>	<u>143,430</u>	<u>40,947</u>	<u>123,033</u>	<u>603,362</u>

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## AGENCY FUNDS

Bay County Sheriff  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 72,104	\$ 72,104	\$ -
Total assets	<u>\$ -</u>	<u>\$ 72,104</u>	<u>\$ 72,104</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 72,104	\$ 72,104	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 72,104</u>	<u>\$ 72,104</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,200	\$ 286,184	\$ 276,924	\$ 10,460
Total assets	<u>\$ 1,200</u>	<u>\$ 286,184</u>	<u>\$ 276,924</u>	<u>\$ 10,460</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,200	\$ 286,184	\$ 276,924	\$ 10,460
Total liabilities	<u>\$ 1,200</u>	<u>\$ 286,184</u>	<u>\$ 276,924</u>	<u>\$ 10,460</u>



**Bay County Sheriff**  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>FOREFITURE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 56,188	\$ 26,360	\$ 29,828
Total assets	<u>\$ -</u>	<u>\$ 56,188</u>	<u>\$ 26,360</u>	<u>\$ 29,828</u>
<b>LIABILITIES</b>				
Due to others	\$ -	\$ 56,188	\$ 26,360	\$ 29,828
Total liabilities	<u>\$ -</u>	<u>\$ 56,188</u>	<u>\$ 26,360</u>	<u>\$ 29,828</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,200	\$ 414,476	\$ 375,388	\$ 40,288
Total assets	<u>\$ 1,200</u>	<u>\$ 414,476</u>	<u>\$ 375,388</u>	<u>\$ 40,288</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,200	\$ 286,184	\$ 276,924	\$ 10,460
Due to other governments	-	72,104	72,104	-
Due to others	-	56,188	26,360	29,828
Total liabilities	<u>\$ 1,200</u>	<u>\$ 414,476</u>	<u>\$ 375,388</u>	<u>\$ 40,288</u>

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## INDEPENDENT AUDITOR'S 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, 2009, and have issued our report thereon dated March 26, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *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 26, 2010, 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:

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 findings and recommendations made in the preceding annual financial audit report. In the preceding annual financial audit report we disclosed in findings 08-01 and 08-02, that the Bay County Sheriff was not including all capital asset purchases in its property record additions and adjustments were being made to fixed asset listing amounts after year end. While current year audit procedures found improvements in these areas, there were still purchases of capital assets not included as additions and adjustments were made to fixed asset listing amounts after year end. See current year comments 09-01 and 09-02.

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 the Bay County Sheriff complied with Section 218.415, Florida Statutes.

The Honorable Frank McKeithen  
Bay County Sheriff  
Page Two

Section 10.554(1)(i)3., Rules of the Auditor General, requires 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.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statement 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 have an inconsequential effect on financial statement, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Bay County Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Sheriff has no component units.

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, Bay County Sheriff, the Bay County Board of County Commissioners, the Florida 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 26, 2010

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, 2009, and have issued our report thereon dated March 26, 2010. 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 as a basis for designing 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:

09-01 (Prior Year 08-01) Several capital assets were not included as additions during the year.

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.

09-02 (Prior Year 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.

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, of the significant deficiencies described above, we consider items 09-01 and 09-02 to be material weaknesses.

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.

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

Panama City, Florida  
March 26, 2010

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