

# BAY COUNTY

FLORIDA



***Comprehensive Annual Financial Report***  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2010

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF**

**BAY COUNTY, FLORIDA**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**PREPARED BY THE OFFICE**

**OF**

**BILL KINSAUL  
CLERK OF COURT AND COMPTROLLER**

**JOSEPH ROGERS  
FINANCE OFFICER**

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# **INTRODUCTORY SECTION**

March 25, 2011

Honorable William T. Dozier, 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, 2010. 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, 2009, to September 30, 2010, 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.

### **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 2010 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 of the new county pier was completed in fiscal year 2010. The new pier is 1,500 feet in length and has a 2000 sq. ft. concession building and a plaza. It is open year round for the enjoyment of our visitors and citizens of Bay County.

The County continued in its efforts to make major renovations to its water system in order to protect and preserve its citizens' drinking water supply. The 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 Northwest Florida Beaches International Airport was completed in May 2010, and is located in the West Bay area. The new airport is expected to bring more tourists to our beautiful beaches each year.

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 spring of 2011.

Resurfacing of roads, new sidewalks and improvements to area intersections continue to represent 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.

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. 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, 2009. 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.

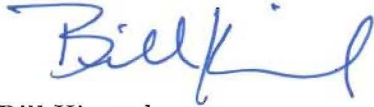
A Certificate of Achievement is valid for a period of one year only. Bay County has been awarded the Certificate of Achievement for twenty-one consecutive years (fiscal years ended September 30, 1989 through 2009). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA for approval.

### **Acknowledgments**

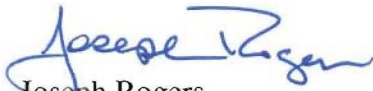
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Clerk's Division of Board Finance, the County Manager, Ed Smith, the County's Legal Staff, the Office of Management and Budget, and the various directors of the County departments,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

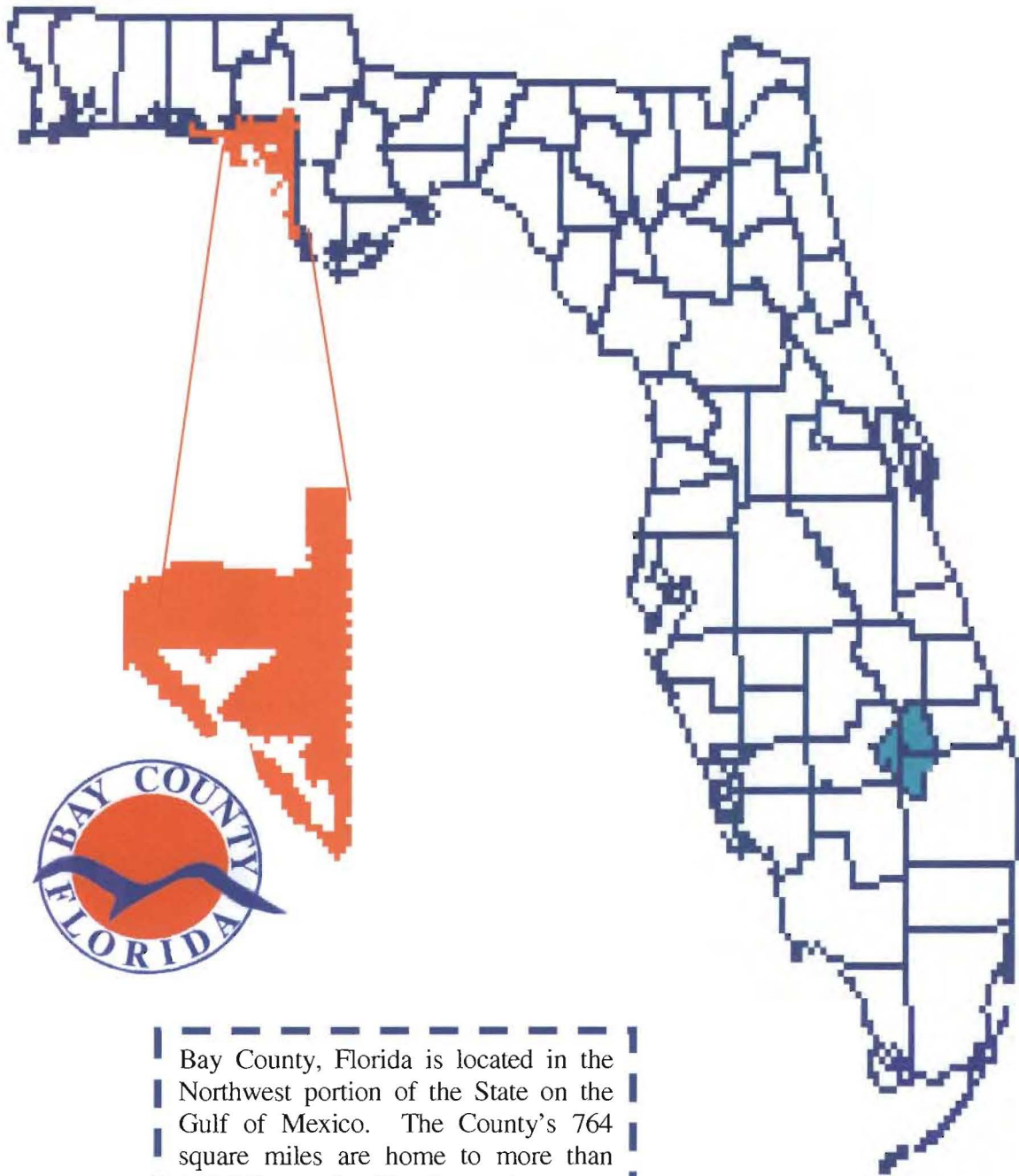


Bill Kinsaul  
Clerk of Court & Comptroller



Joseph Rogers  
Finance Officer

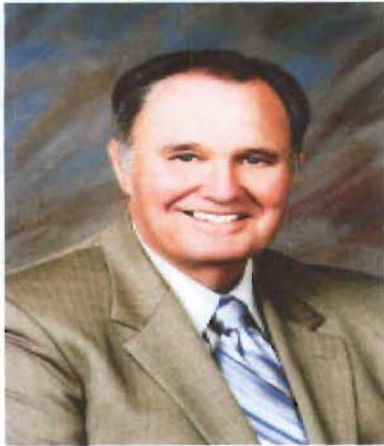
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Bay County, Florida is located in the Northwest portion of the State on the Gulf of Mexico. The County's 764 square miles are home to more than 169,560 people. The County has seven incorporated municipalities: Panama City, Panama City Beach, Springfield, 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 Court  
& Comptroller*



*Dan Sowell  
Property Appraiser*



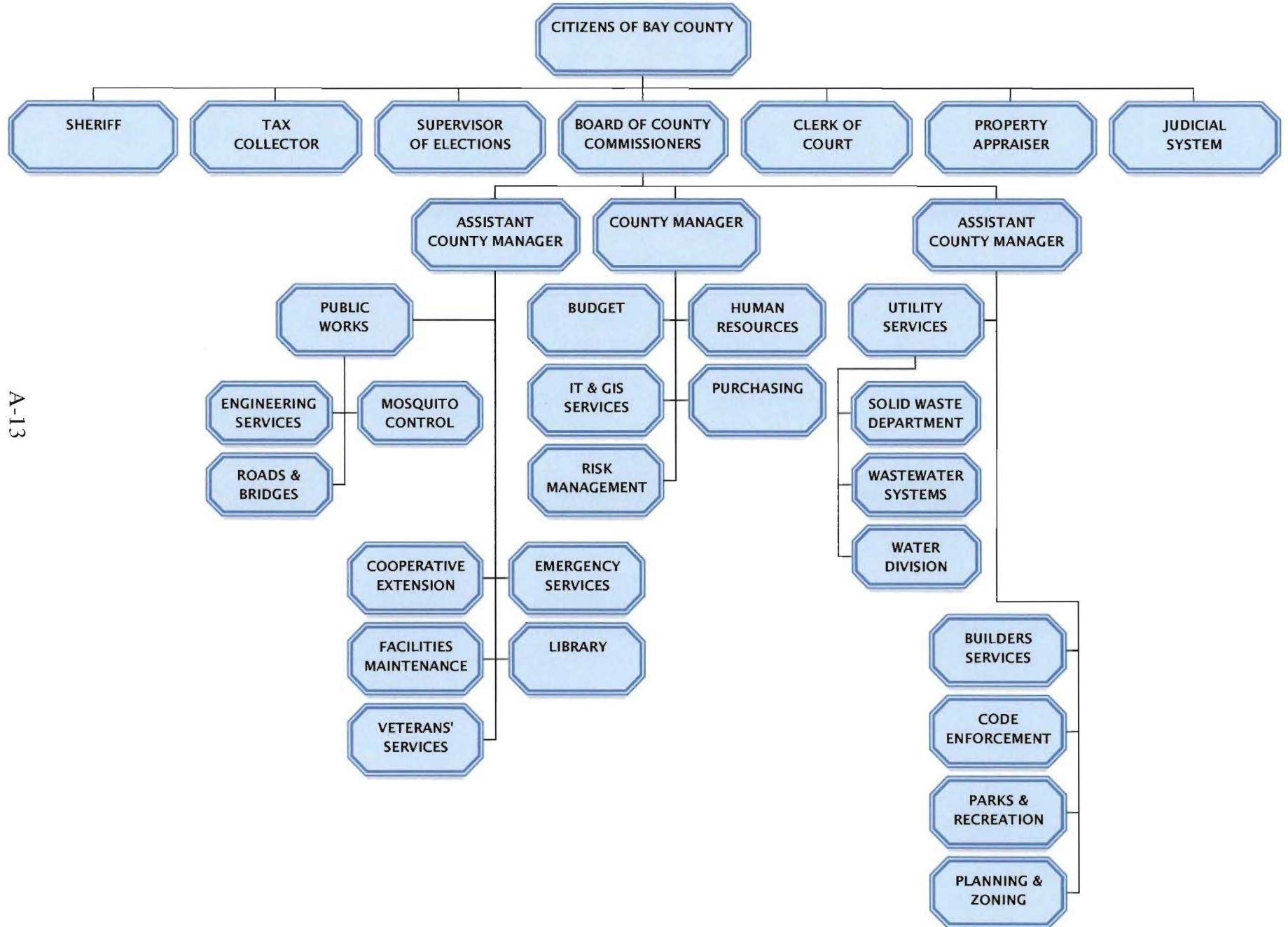
*Peggy Brannon  
Tax Collector*



*Frank McKeithen  
Sheriff*

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**BAY COUNTY  
ORGANIZATIONAL CHART  
Fiscal Year 2010**





## *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, 2009.*

*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, 2009

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, 2010, 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, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general, tourist development, and transportation funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages B-3 through B-12 and the schedules of funding progress and of employer contributions for the Retiree's Health Insurance Other Postemployment Benefits Plan on page B-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. 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 financial statements. 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information identified in the table of contents as the introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

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

March 25, 2011

**Bay County, Florida**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Year Ended September 30, 2010**

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 \$351,217,197 (net assets). Of this amount, \$59,778,907 is unrestricted net assets for governmental activities and \$24,019,080 is unrestricted net assets for business-type activities, while \$12,510,353 is restricted net assets for governmental activities and \$6,566,100 is restricted net assets for business-type activities.
- Total net assets increased by \$25,658,760. Of this amount, a decrease of \$4,837,533 is attributable to governmental activities and an increase of \$30,496,293 is attributable to business-type activities.
- As of September 30, 2010, general fund's unreserved fund balance was \$24,211,397 or 27 percent of total general fund expenditures.
- Governmental activities revenues decreased to \$138,932,402 or approximately 9 percent, while governmental activities expenses increased 3 percent to \$140,893,210. Business-type activities revenues increased to \$73,206,487 or 57 percent, while business-type activities expenses decreased 2 percent to \$44,210,194.
- The County's outstanding bonded debt decreased by \$7,214,558 or 4 percent during fiscal year 2010. The key factor contributing to the decrease in bonded debt was the principal reduction of the outstanding issues through semi-annual and annual debt service payments.

***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 2010, 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**

September 30,	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 98,759,770	\$ 115,872,975	\$ 69,692,762	\$ 69,457,265	\$168,452,532	\$185,330,240
Capital assets	250,369,669	240,941,782	178,040,149	176,855,694	428,409,818	417,797,476
<b>Total assets</b>	<b>349,129,439</b>	<b>356,814,757</b>	<b>247,732,911</b>	<b>246,312,959</b>	<b>596,862,350</b>	<b>603,127,716</b>
Current and other liabilities	11,095,956	18,439,041	10,228,391	34,659,785	21,324,347	53,098,826
Long-term liabilities	98,559,963	94,064,663	125,760,843	130,405,790	224,320,806	224,470,453
<b>Total liabilities</b>	<b>109,655,919</b>	<b>112,503,704</b>	<b>135,989,234</b>	<b>165,065,575</b>	<b>245,645,153</b>	<b>277,569,279</b>
Net assets invested in capital assets, net of related debt	167,184,260	161,775,959	81,158,497	53,453,268	248,342,757	215,229,227
Net assets-restricted	12,510,353	12,256,875	6,566,100	6,271,620	19,076,453	18,528,495
Net assets-unrestricted	59,778,907	70,278,219	24,019,080	21,522,496	83,797,987	91,800,715
<b>Total net assets</b>	<b>\$239,473,520</b>	<b>\$244,311,053</b>	<b>\$111,743,677</b>	<b>\$ 81,247,384</b>	<b>\$351,217,197</b>	<b>\$325,558,437</b>

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 (29 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 5 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 (\$83,797,987) may be used to help meet the government's ongoing obligations to citizens and creditors.

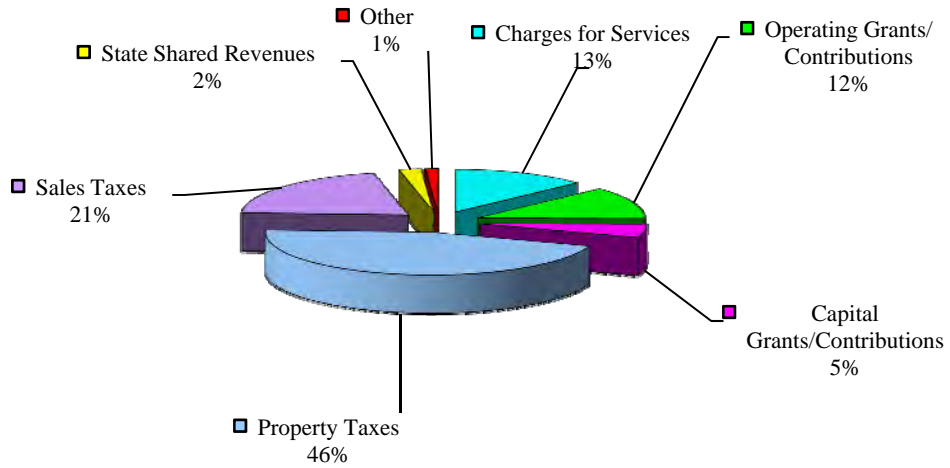
Governmental activities long-term liabilities, increased by \$4,495,300 during 2010, while business-type activities long-term liabilities decreased by \$4,644,947. The increase in other post employment benefits was the major factor contributing to the increase in long-term liabilities for governmental activities during fiscal year 2010, while the repayment of principal through semi-annual and annual debt service payments contributed to the decrease in long-term liabilities for business-type activities.

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

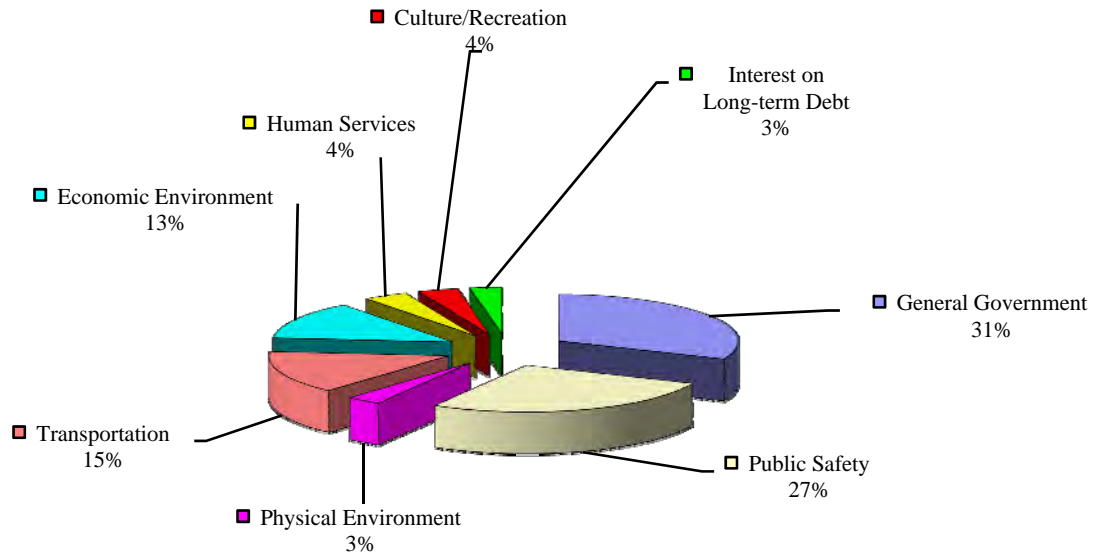
**Bay County, Florida**  
**Changes in Net Assets**

Year ended September 30,	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Program revenues</b>						
Charges for services	\$ 18,057,731	\$ 18,388,429	\$ 40,097,405	\$ 37,793,921	\$ 58,155,136	\$ 56,182,350
Operating grants/contributions	16,953,017	18,887,680	315,000	985,000	17,268,017	19,872,680
Capital grants/contributions	7,040,323	9,955,607	871,811	5,900,163	7,912,134	15,855,770
<b>General revenues</b>						
Property taxes	63,269,038	69,757,473	-	-	63,269,038	69,757,473
Sales taxes	29,006,207	28,794,256	2,500	2,200	29,008,707	28,796,456
State shared revenues	2,954,621	2,921,458	-	-	2,954,621	2,921,458
Other	1,651,465	3,164,398	31,919,771	2,018,687	33,571,236	5,183,085
<b>Total revenues</b>	<u>138,932,402</u>	<u>151,869,301</u>	<u>73,206,487</u>	<u>46,699,971</u>	<u>212,138,889</u>	<u>198,569,272</u>
<b>Expenses</b>						
General government	44,216,781	43,306,782	-	-	44,216,781	43,306,782
Public safety	38,220,126	35,244,894	-	-	38,220,126	35,244,894
Physical environment	4,343,675	4,492,133	-	-	4,343,675	4,492,133
Transportation	20,903,717	16,091,014	-	-	20,903,717	16,091,014
Economic environment	18,601,704	21,343,831	-	-	18,601,704	21,343,831
Human services	5,552,240	5,680,622	-	-	5,552,240	5,680,622
Culture and recreation	5,098,294	5,882,640	-	-	5,098,294	5,882,640
Interest on long-term debt	3,956,673	4,096,732	-	-	3,956,673	4,096,732
Wholesale water system	-	-	12,230,344	13,753,543	12,230,344	13,753,543
Retail water and wastewater	-	-	9,774,380	8,460,073	9,774,380	8,460,073
Industrial wastewater	-	-	5,768,403	6,047,598	5,768,403	6,047,598
Solid waste	-	-	14,737,174	15,107,160	14,737,174	15,107,160
Building services	-	-	1,699,893	1,934,416	1,699,893	1,934,416
<b>Total expenses</b>	<u>140,893,210</u>	<u>136,138,648</u>	<u>44,210,194</u>	<u>45,302,790</u>	<u>185,103,404</u>	<u>181,441,438</u>
Increase (decrease) in net assets before transfers	(1,960,808)	15,730,653	28,996,293	1,397,181	27,035,485	17,127,834
Transfers	-	(233,781)	-	233,781	-	-
<b>Changes in net assets</b>	<u>(1,960,808)</u>	<u>15,496,872</u>	<u>28,996,293</u>	<u>1,630,962</u>	<u>27,035,485</u>	<u>17,127,834</u>
<b>Net assets - beginning</b>	244,311,053	229,301,821	81,247,384	80,380,467	325,558,437	309,682,288
<b>Prior period adjustments</b>	<u>(2,876,725)</u>	<u>(487,640)</u>	<u>1,500,000</u>	<u>(764,045)</u>	<u>(1,376,725)</u>	<u>(1,251,685)</u>
<b>Net assets – beginning (restated)</b>	<u>241,434,328</u>	<u>228,814,181</u>	<u>82,747,384</u>	<u>79,616,422</u>	<u>324,181,712</u>	<u>308,430,603</u>
<b>Net assets - ending</b>	<u>\$ 239,473,520</u>	<u>\$ 244,311,053</u>	<u>\$ 111,743,677</u>	<u>\$ 81,247,384</u>	<u>\$ 351,217,197</u>	<u>\$ 325,558,437</u>

### Revenues - Governmental Activities Fiscal Year Ended September 30, 2010



### Expenses-Governmental Activities Fiscal Year Ended September 30, 2010



As reflected in the changes in net assets, the County's net assets increased by \$25,658,760. The most significant factor contributing to the County's increase in net assets was the completion of the repair to the County's incinerator, which was damaged by fire in 2008. Insurance proceeds in excess of \$44 million were received to restore and enhance the incinerator to its new carrying value of \$57,305,512. Total revenues increased \$13,569,617 from the previous year. Governmental activities expenses exceeded revenues by \$1,960,808, while business-type activities revenues exceeded expenses by \$28,996,293. Declining property taxes and decreases in funding through operating and capital grants contributed to the decrease in net assets in governmental activities. Total expenses increased \$3,661,966 from the previous year. Increased spending for transportation and public safety 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 (31%), public safety (27%), transportation (15%), and economic environment (13%) activities. Charges for services provided 55% 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, 2010, total assets were \$42,816,534 and total liabilities were \$6,471,083. At the end of fiscal year 2010, unreserved fund balance of the general fund was \$24,211,397 while total fund balance equaled \$36,345,451. Total assets of the general fund decreased \$15,281,928 from fiscal year 2009. Over \$5 million was transferred to the transportation and storm water funds to fund various projects in 2010, while \$1.4 million was transferred to the County's public library to help support operations. General fund revenues decreased in fiscal year 2010, with property taxes falling over \$6 million from 2009. Intergovernmental revenues also declined some \$3 million in 2010, which also contributed to the decrease in the general fund's total assets.

The general fund's budget was amended during the year to reflect adjustments to expenditures for the County pier project, renovations/repairs to the courthouse, disaster recovery (Deepwater Horizon oil spill), and the Tax Collector's fees. Budget amendments were also made for increases in grant funding and contributions, as well as, increases in the state revenue sharing. The general fund's budget for contributions and donations was increased to reflect revenues received from British Petroleum (BP) for reimbursement of expenditures related to the Deepwater Horizon oil spill. Revenues collected from ad valorem taxes were only slightly less than the amount budgeted, while the local government half cent sales tax revenue came in at 8% above the amount budgeted. Interest earnings fell well below the budgeted amount due to extremely low interest rates experienced during the year, as well as, a decrease in the amount of funds invested. Excess fees returned to the County from the Clerk of Court and the Tax Collector fell below the budgeted amounts. Actual expenditures for culture and recreation were less than the final amount budgeted due to contracted services and repairs and maintenance items scheduled for fiscal year 2010, but not completed during the year.

## **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 decreased \$885,501 in fiscal year 2010 due to a slight decline in gas taxes and a significantly smaller transfer in 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 cents, with the fourth cent designated for tourism promotion and the fifth cent designated for securing and supporting a low cost air carrier at the County's new airport. These funds are also used to maintain and protect the beaches of the County. Fund balance increased 7% in 2010, in spite of the scare caused by the Deepwater Horizon oil spill and its possible effect on the beaches of Bay County. Tax revenues increased \$824,141 over 2009 due in part to an enhanced enforcement and collection program and to the fact that the increased tax rate was collected the entire fiscal year.

## ***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 comprised 98% of its revenues in 2010. MSTU's fund balance decreased in 2010 due mainly to the purchase of land and the start of construction on a new fire station in the western part of the County.

## ***Proprietary Funds***

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

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

<b>FUND</b>	<b>2010</b>	<b>2009</b>
	<b>Unrestricted Net Assets</b>	<b>Unrestricted Net Assets</b>
Wholesale water system	\$ 4,046,355	\$ 1,781,079
Retail water and wastewater	4,424,176	4,337,660
Industrial wastewater	2,317,982	2,190,150
Solid waste fund	7,371,410	6,467,985
Building services	5,859,158	6,745,622
Total	<u>\$ 24,019,081</u>	<u>\$ 21,522,496</u>

The *wholesale water system fund* is used to account for the operations of the County's wholesale water system. 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, however, with the current

economic environment local development has slowed dramatically. Charges for services increased by \$455,065 over fiscal year 2010. A small increase in the wholesale water rate contributed to the increase. The wholesale water system fund's total assets increased \$1,907,484 in fiscal year 2010, due in part to increased revenues and decreased expenses.

The County's *solid waste fund* accounts for the operations and maintenance of the County's landfill and incinerator. In fiscal year 2010, \$7,629,139 was generated by tip fees; this represents an increase of \$900,899 over the previous year's tip fee revenue. As required by the Department of Environmental Protection, the County has set aside for the current fiscal year \$3,467,274 for the long-term care and closure of its landfill. To date, the County has accrued a total liability for landfill post closure care of \$9,244,826. As of September 30, 2010, total assets were \$95,609,742; total liabilities were \$37,413,919 and net assets were \$58,195,823.

### ***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, 2010, was \$428,409,818 (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 2010 on the new County pier. \$3,502,503 of the total project cost of \$8,226,559 was expensed in the current fiscal year. A \$796,369 concession stand and bait shop adjacent to the County pier was near completion at the end of fiscal year 2010.
- Construction began in 2010 on a new fire station located at the west end of Panama City Beach. The total project cost is estimated to be \$3,142,793, with only \$299,515 of that cost being expensed in 2010.
- The Blue Springs Road replacement bridge was completed in fiscal year 2010. \$474,050 of the total project cost of \$1,236,341 was expensed in 2010.
- Construction continued in 2010 on a new four lane replacement bridge over Grand Lagoon. \$8,906,071 of the total project cost of \$14,833,746 was expensed in 2010. The bridge is expected to be completed in 2011.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 15,978,745	\$ 14,607,831	\$ 3,027,643	\$ 3,027,643	\$19,006,388	\$ 17,635,474
Construction in progress	13,572,495	14,848,710	2,758,898	33,872,361	16,331,393	48,721,071
Books	463,850	535,850	-	-	463,850	535,850
Buildings and improvements	108,075,589	108,815,704	1,119,499	1,198,666	109,195,088	110,014,370
Equipment	15,053,343	14,982,482	2,533,627	2,621,444	17,586,970	17,603,926
Infrastructure	97,225,647	86,288,915	168,600,482	137,635,580	265,826,129	223,924,495
Total	<u>\$250,369,669</u>	<u>\$240,079,492</u>	<u>\$178,040,149</u>	<u>\$ 178,355,694</u>	<u>\$428,409,818</u>	<u>\$ 418,435,186</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 \$170,156,137. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

### **Outstanding Bonded Debt**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue Bonds	\$84,179,842	\$87,689,946	\$85,976,295	\$89,680,749	\$170,156,137	\$177,370,695

The County's total bonded debt outstanding decreased by \$7,214,558 during the fiscal year ended September 30, 2010. The key factor contributing to the decrease during fiscal year 2010 was the repayment of principal through semi-annual and annual debt service payments.

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, 2010. Construction continued to be flat in 2010 with building permits issued on new single and multi-family residential units at 652, compared to 653 permits issued in 2009. Commercial building permits, however, dropped 31%, from 227 permits issued in 2009 to 160 permits issued in 2010. Despite the economic downturn and the Deepwater Horizon oil spill in the Gulf of Mexico, tourism remained steady in 2010. While surrounding counties experienced a decrease in tourist development tax collections, Bay County saw a slight increase in its collections. Bay County's unemployment rate for 2010 was 10.3%, slightly lower than the State's average unemployment rate of 11.5%. In 2011 the County will continue to focus on various transportation projects, including the replacement of Grand Lagoon Bridge, the resurfacing of 11<sup>th</sup> Street, various intersection upgrades, and the completion of an additional phase of the Thomas Drive pedestrian/bike lane project. The County will also continue its work on expanding and enhancing the County's wastewater and water treatment and distribution capabilities.

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, 2010

	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	\$ 5,734,295	\$ 266,676	\$ 6,000,971	\$ 583,544	\$ 27,291
Investments	56,710,487	29,395,396	86,105,883	-	-
Accounts receivable, net	2,543,381	5,572,025	8,115,406	2,300,016	66,111
Special assessments receivable	774,805	-	774,805	-	-
Accrued interest receivable	-	56,175	56,175	-	-
Due from other governments	10,993,881	910,879	11,904,760	-	-
Prepaid expenses	1,287,001	-	1,287,001	30,536	-
Inventory	-	277,180	277,180	-	-
Notes receivable	-	16,401,516	16,401,516	-	-
Investment in joint venture	-	1,293,869	1,293,869	-	-
Unamortized bond costs	1,231,772	794,468	2,026,240	-	-
Restricted assets					
Cash and cash equivalents	200,646	100,823	301,469	-	-
Investments	19,283,502	14,623,755	33,907,257	-	-
Capital assets					
Nondepreciable	29,551,240	5,786,541	35,337,781	-	-
Depreciable, net	220,818,429	172,253,608	393,072,037	-	-
Total assets	<u>349,129,439</u>	<u>247,732,911</u>	<u>596,862,350</u>	<u>2,914,096</u>	<u>93,402</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	9,688,625	2,575,842	12,264,467	1,615,944	2,794
Internal balances	(3,013,282)	3,013,282	-	-	-
Due to other governments	184,635	815,850	1,000,485	-	-
Deferred revenues	3,912,920	722,753	4,635,673	-	-
Accrued interest payable	316,291	2,453,750	2,770,041	-	-
Customer deposits	6,767	646,914	653,681	-	-
Long-term liabilities					
Due within one year					
Accrued compensated absences	794,014	153,833	947,847	-	-
Notes payable	-	21,939,926	21,939,926	-	-
Capital leases	77,656	-	77,656	-	-
Bonds payable	3,631,481	3,667,000	7,298,481	-	-
Due in more than one year					
Other accrued liabilities	4,279,972	-	4,279,972	-	-
Accrued compensated absences	2,037,552	178,722	2,216,274	-	-
Net OPEB obligation	7,080,030	231,813	7,311,843	-	-
Notes payable	-	8,035,428	8,035,428	-	-
Capital leases	110,897	-	110,897	-	-
Bonds payable	80,548,361	82,309,295	162,857,656	-	-
Landfill postclosure liability	-	9,244,826	9,244,826	-	-
Total liabilities	<u>109,655,919</u>	<u>135,989,234</u>	<u>245,645,153</u>	<u>1,615,944</u>	<u>2,794</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	167,184,260	81,158,497	248,342,757	-	-
Restricted for					
Debt service	6,555,549	2,766,834	9,322,383	-	-
Other purposes	1,975,339	-	1,975,339	-	-
Impact fees	3,979,465	3,799,266	7,778,731	-	-
Unrestricted	59,778,907	24,019,080	83,797,987	1,298,152	90,608
Total net assets	<u>\$ 239,473,520</u>	<u>\$ 111,743,677</u>	<u>\$ 351,217,197</u>	<u>\$ 1,298,152</u>	<u>\$ 90,608</u>

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

Bay County, Florida  
Statement of Activities  
Year Ended September 30, 2010

		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	\$ 44,216,781	\$ 13,748,179	\$ 9,755,069	\$ 3,853,232
Public safety	38,220,126	1,419,092	1,163,744	169,829
Physical environment	4,343,675	1,832,155	1,260,498	-
Transportation	20,903,717	464,965	4,330,223	2,296,472
Economic environment	18,601,704	-	407,930	282,830
Human services	5,552,240	-	18,913	-
Culture and recreation	5,098,294	593,340	16,640	437,960
Interest on long-term debt	3,956,673	-	-	-
Total governmental activities	<u>140,893,210</u>	<u>18,057,731</u>	<u>16,953,017</u>	<u>7,040,323</u>
Business-type activities				
Wholesale water system	12,230,344	13,772,277	-	248,772
Retail water and wastewater	9,774,380	6,421,773	-	623,039
Industrial wastewater	5,768,403	5,873,324	-	-
Solid waste	14,737,174	13,336,670	315,000	-
Building services	1,699,893	693,361	-	-
Total business-type activities	<u>44,210,194</u>	<u>40,097,405</u>	<u>315,000</u>	<u>871,811</u>
Total primary government	<u>\$ 185,103,404</u>	<u>\$ 58,155,136</u>	<u>\$ 17,268,017</u>	<u>\$ 7,912,134</u>
<b>Component Units</b>				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 11,249,571	\$ 11,185,653	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	325,027	347,641	-	-
Total component units	<u>\$ 11,574,598</u>	<u>\$ 11,533,294</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

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.
\$ (16,860,301)	\$ -	\$ (16,860,301)	\$ -	\$ -
(35,467,461)	-	(35,467,461)	-	-
(1,251,022)	-	(1,251,022)	-	-
(13,812,057)	-	(13,812,057)	-	-
(17,910,944)	-	(17,910,944)	-	-
(5,533,327)	-	(5,533,327)	-	-
(4,050,354)	-	(4,050,354)	-	-
(3,956,673)	-	(3,956,673)	-	-
(98,842,139)	-	(98,842,139)	-	-
-	1,790,705	1,790,705	-	-
-	(2,729,568)	(2,729,568)	-	-
-	104,921	104,921	-	-
-	(1,085,504)	(1,085,504)	-	-
-	(1,006,532)	(1,006,532)	-	-
-	(2,925,978)	(2,925,978)	-	-
(98,842,139)	(2,925,978)	(101,768,117)	-	-
-	-	-	(63,918)	-
-	-	-	-	22,614
-	-	-	(63,918)	22,614
63,269,038	-	63,269,038	-	-
29,006,207	2,500	29,008,707	-	-
2,954,621	-	2,954,621	-	-
654,378	1,257,174	1,911,552	811	465
997,087	30,662,597	31,659,684	-	-
96,881,331	31,922,271	128,803,602	811	465
(1,960,808)	28,996,293	27,035,485	(63,107)	23,079
244,311,053	81,247,384	325,558,437	1,361,259	67,529
(2,876,725)	1,500,000	(1,376,725)	-	-
241,434,328	82,747,384	324,181,712	1,361,259	67,529
\$ 239,473,520	\$ 111,743,677	\$ 351,217,197	\$ 1,298,152	\$ 90,608

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

Bay County, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2010

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,807,426	\$ 159,404	\$ 59,652	\$ 1,523,589	\$ 5,550,071
Accounts receivable, net	1,166,857	926,001	4,682	239,311	2,336,851
Special assessments receivable	-	-	583,821	190,984	774,805
Investments	13,690,149	21,152,357	6,821,137	9,125,932	50,789,575
Due from other funds	32,698	-	17,270	-	49,968
Due from other governments	6,139,195	240,803	4,225,331	388,232	10,993,561
Advance to other funds	2,826,164	-	-	-	2,826,164
Prepaid items	164,722	-	-	30,376	195,098
Restricted assets					
Cash and cash equivalents	164,435	-	20,748	15,463	200,646
Investments	14,824,888	1,128,351	1,984,022	1,346,241	19,283,502
Total assets	<u>\$ 42,816,534</u>	<u>\$ 23,606,916</u>	<u>\$ 13,716,663</u>	<u>\$ 12,860,128</u>	<u>\$ 93,000,241</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable	\$ 3,220,172	\$ 2,595,955	\$ 2,373,349	\$ 911,476	\$ 9,100,952
Deferred revenues	3,031,966	-	297,895	583,059	3,912,920
Due to other funds	27,543	150	47,810	61,889	137,392
Due to other governments	184,635	-	-	-	184,635
Customer deposits	6,767	-	-	-	6,767
Total liabilities	<u>6,471,083</u>	<u>2,596,105</u>	<u>2,719,054</u>	<u>1,556,424</u>	<u>13,342,666</u>
Fund balance					
Reserved for					
Debt service	5,000,802	-	1,083,672	471,075	6,555,549
Capital projects	-	15,769,753	-	-	15,769,753
Advances to other funds	2,826,164	-	-	-	2,826,164
Impact fees	2,167,027	-	921,907	890,531	3,979,465
Other purposes	2,140,061	1,128,351	-	30,376	3,298,788
Unreserved, reported in					
General fund	19,285,191	-	-	-	19,285,191
General fund - designated	4,926,206	-	-	-	4,926,206
Special revenue funds	-	4,112,707	8,992,030	8,490,040	21,594,777
Special revenue funds-designated	-	-	-	1,421,682	1,421,682
Total fund balance	<u>36,345,451</u>	<u>21,010,811</u>	<u>10,997,609</u>	<u>11,303,704</u>	<u>79,657,575</u>
Total liabilities and fund balance	<u>\$ 42,816,534</u>	<u>\$ 23,606,916</u>	<u>\$ 13,716,663</u>	<u>\$ 12,860,128</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.					249,119,143
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.					3,839,897
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(93,143,095)
Net assets of governmental activities					<u>\$ 239,473,520</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Year Ended September 30, 2010

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 57,263,584	\$ 11,114,320	\$ 5,582,093	\$ 7,618,573	\$ 81,578,570
Licenses and permits	1,705	-	-	-	1,705
Intergovernmental	16,269,977	282,830	18,311,679	987,948	35,852,434
Charges for services	8,569,449	-	279,283	6,679,592	15,528,324
Fines and forfeitures	281,047	-	-	-	281,047
Special assessments	-	-	185,682	127,485	313,167
Investment earnings	598,155	225,051	28,269	100,724	952,199
Contributions and donations	3,850,231	-	-	231,037	4,081,268
Miscellaneous	365,445	87,155	16,947	85,201	554,748
Total revenues	<u>87,199,593</u>	<u>11,709,356</u>	<u>24,403,953</u>	<u>15,830,560</u>	<u>139,143,462</u>
<b>EXPENDITURES</b>					
Current					
General government	17,641,034	-	-	4,093,740	21,734,774
Public safety	42,587,813	-	-	8,442,100	51,029,913
Physical environment	200,111	-	-	3,695,990	3,896,101
Transportation	-	-	15,766,696	-	15,766,696
Economic environment	10,416,779	9,514,525	-	-	19,931,304
Human services	4,455,803	-	-	1,017,978	5,473,781
Culture and recreation	1,593,786	-	-	2,476,574	4,070,360
Capital outlay					
General government	5,829,172	-	-	23,767	5,852,939
Public safety	2,098,105	-	-	1,275,273	3,373,378
Physical environment	19,480	-	-	552,361	571,841
Transportation	-	-	11,332,020	-	11,332,020
Economic environment	-	785,994	-	-	785,994
Human services	-	-	-	374,189	374,189
Culture and recreation	752,782	-	-	310,281	1,063,063
Debt service					
Principal	1,616,309	-	930,000	1,138,622	3,684,931
Interest and fiscal charges	3,558,782	-	59,675	296,582	3,915,039
Total expenditures	<u>90,769,956</u>	<u>10,300,519</u>	<u>28,088,391</u>	<u>23,697,457</u>	<u>152,856,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,570,363)</u>	<u>1,408,837</u>	<u>(3,684,438)</u>	<u>(7,866,897)</u>	<u>(13,712,861)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	2,701,892	4,538,942	7,240,834
Transfers out	(7,450,840)	-	-	-	(7,450,840)
Issuance of debt	148,442	-	-	17,508	165,950
Payment to refunded bond escrow agent	(350)	-	-	-	(350)
Proceeds from sale of capital assets	80,625	-	97,045	27,416	205,086
Total other financing sources (uses)	<u>(7,222,123)</u>	<u>-</u>	<u>2,798,937</u>	<u>4,583,866</u>	<u>160,680</u>
Net change in fund balance	<u>(10,792,486)</u>	<u>1,408,837</u>	<u>(885,501)</u>	<u>(3,283,031)</u>	<u>(13,552,181)</u>
Fund balance - beginning (as previously stated)	47,137,937	19,987,673	11,883,110	14,586,735	93,595,455
Prior period adjustment	-	(385,699)	-	-	(385,699)
Fund balance - beginning (as restated)	<u>47,137,937</u>	<u>19,601,974</u>	<u>11,883,110</u>	<u>14,586,735</u>	<u>93,209,756</u>
Fund balance - ending	<u>\$ 36,345,451</u>	<u>\$ 21,010,811</u>	<u>\$ 10,997,609</u>	<u>\$ 11,303,704</u>	<u>\$ 79,657,575</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, 2010

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)	\$ (13,552,181)
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.	10,252,698
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to increase net assets.	119,070
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(2,098,994)
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.	(122,178)
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>3,440,777</u>
Change in net assets of governmental activities (page B-17)	<u><u>\$ (1,960,808)</u></u>

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 56,542,653	\$ 57,208,781	\$ 57,263,584	\$ 54,803
Licenses and permits	2,280	2,280	1,705	(575)
Intergovernmental	12,570,193	14,373,333	16,269,977	1,896,644
Charges for services	8,839,242	9,894,975	8,569,449	(1,325,526)
Fines and forfeitures	60,610	281,047	281,047	-
Investment earnings	896,163	896,163	598,155	(298,008)
Contributions and donations	-	4,384,146	3,850,231	(533,915)
Miscellaneous	582,926	594,652	365,445	(229,207)
Total revenues	<u>79,494,067</u>	<u>87,635,377</u>	<u>87,199,593</u>	<u>(435,784)</u>
<b>EXPENDITURES</b>				
Current				
General government	15,249,203	19,214,699	17,641,034	1,573,665
Public safety	41,092,694	42,804,375	42,587,813	216,562
Physical environment	189,034	238,085	200,111	37,974
Economic environment	10,371,971	10,605,548	10,416,779	188,769
Human services	3,889,433	4,507,949	4,455,803	52,146
Culture and recreation	2,022,621	2,200,263	1,593,786	606,477
Capital outlay				
General government	1,139,978	5,861,338	5,829,172	32,166
Public safety	1,826,200	2,017,029	2,098,105	(81,076)
Physical environment	50	20,492	19,480	1,012
Economic environment	-	1,346	-	1,346
Culture and recreation	150	61,950	752,782	(690,832)
Debt service				
Principal	1,554,476	1,554,476	1,616,309	(61,833)
Interest and fiscal charges	3,620,276	3,620,276	3,558,782	61,494
Total expenditures	<u>80,956,086</u>	<u>92,707,826</u>	<u>90,769,956</u>	<u>1,937,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,462,019)</u>	<u>(5,072,449)</u>	<u>(3,570,363)</u>	<u>1,502,086</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,332,000	4,158,164	-	(4,158,164)
Transfers out	(7,943,557)	(7,647,557)	(7,450,840)	196,717
Issuance of debt	697,272	3,847,416	148,442	(3,698,974)
Payment to refunded bond escrow agent	-	-	(350)	(350)
Proceeds from sale of capital assets	-	-	80,625	80,625
Total other financing sources (uses)	<u>(5,914,285)</u>	<u>358,023</u>	<u>(7,222,123)</u>	<u>(7,580,146)</u>
Net change in fund balance	(7,376,304)	(4,714,426)	(10,792,486)	(6,078,060)
Fund balance - beginning	<u>47,137,937</u>	<u>47,137,937</u>	<u>47,137,937</u>	<u>-</u>
Fund balance - ending	<u>\$ 39,761,633</u>	<u>\$ 42,423,511</u>	<u>\$ 36,345,451</u>	<u>\$ (6,078,060)</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Tourist Development Fund  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 9,926,103	\$ 11,114,320	\$ 11,114,320	\$ -
Intergovernmental	-	230,960	282,830	51,870
Investment earnings	255,384	255,384	225,051	(30,333)
Miscellaneous	40,935	62,565	87,155	24,590
Total revenues	<u>10,222,422</u>	<u>11,663,229</u>	<u>11,709,356</u>	<u>46,127</u>
<b>EXPENDITURES</b>				
Current				
Economic environment	8,864,389	10,087,316	9,514,525	572,791
Capital outlay				
Economic environment	<u>44,900</u>	<u>780,091</u>	<u>785,994</u>	<u>(5,903)</u>
Total expenditures	<u>8,909,289</u>	<u>10,867,407</u>	<u>10,300,519</u>	<u>566,888</u>
Excess of revenues over expenditures	<u>1,313,133</u>	<u>795,822</u>	<u>1,408,837</u>	<u>613,015</u>
Fund balance - beginning (as previously stated)	19,987,673	19,987,673	19,987,673	-
Prior period adjustment	<u>(385,699)</u>	<u>(385,699)</u>	<u>(385,699)</u>	<u>-</u>
Fund balance - beginning (as restated)	<u>19,601,974</u>	<u>19,601,974</u>	<u>19,601,974</u>	<u>-</u>
Fund balance - ending	<u>\$ 20,915,107</u>	<u>\$ 20,397,796</u>	<u>\$ 21,010,811</u>	<u>\$ 613,015</u>

Bay County, Florida  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Transportation Fund  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,993,974	\$ 5,278,986	\$ 5,582,093	\$ 303,107
Intergovernmental	24,100,343	33,477,659	18,311,679	(15,165,980)
Charges for services	366,200	477,236	279,283	(197,953)
Special assessments	101,000	186,682	185,682	(1,000)
Investment earnings	147,123	147,123	28,269	(118,854)
Miscellaneous	565,500	662,545	16,947	(645,598)
Total revenues	<u>30,274,140</u>	<u>40,230,231</u>	<u>24,403,953</u>	<u>(15,826,278)</u>
<b>EXPENDITURES</b>				
Current				
Transportation	31,907,360	23,712,323	15,766,696	7,945,627
Capital outlay				
Transportation	252,000	23,426,883	11,332,020	12,094,863
Debt service				
Principal	930,000	930,000	930,000	-
Interest	59,875	59,875	59,675	200
Total expenditures	<u>33,149,235</u>	<u>48,129,081</u>	<u>28,088,391</u>	<u>20,040,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,875,095)</u>	<u>(7,898,850)</u>	<u>(3,684,438)</u>	<u>4,214,412</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,681,806	2,681,806	2,701,892	20,086
Proceeds from sale of capital assets	-	-	97,045	97,045
Total other financing sources (uses)	<u>2,681,806</u>	<u>2,681,806</u>	<u>2,798,937</u>	<u>117,131</u>
Net change in fund balance	(193,289)	(5,217,044)	(885,501)	4,331,543
Fund balance - beginning	<u>11,883,110</u>	<u>11,883,110</u>	<u>11,883,110</u>	<u>-</u>
Fund balance - ending	<u>\$ 11,689,821</u>	<u>\$ 6,666,066</u>	<u>\$ 10,997,609</u>	<u>\$ 4,331,543</u>

Bay County, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2010

	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	\$ 19,538	\$ 53,376	\$ 14,659	\$ 123,098	\$ 56,005	\$ 266,676	\$ 184,224
Accounts receivable, net	2,142,569	337,547	1,881,637	1,193,332	16,940	5,572,025	206,530
Accrued interest receivable	-	56,175	-	-	-	56,175	-
Prepaid expenses	-	-	-	-	-	-	1,091,903
Investments	2,659,079	5,811,884	1,605,359	13,240,396	6,078,678	29,395,396	5,920,912
Inventory	233,651	43,529	-	-	-	277,180	-
Due from other funds	-	-	-	-	-	-	291,924
Due from other governments	-	910,235	-	644	-	910,879	320
Total current assets	<u>5,054,837</u>	<u>7,212,746</u>	<u>3,501,655</u>	<u>14,557,470</u>	<u>6,151,623</u>	<u>36,478,331</u>	<u>7,695,813</u>
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	46,846	20,033	481	33,463	-	100,823	-
Investments	4,611,157	6,295,136	52,693	3,664,769	-	14,623,755	-
Notes receivable	1,364,372	15,037,144	-	-	-	16,401,516	-
Investment in joint venture	-	1,293,869	-	-	-	1,293,869	-
Unamortized bond costs	662,739	11,515	-	120,214	-	794,468	-
	<u>6,685,114</u>	<u>22,657,697</u>	<u>53,174</u>	<u>3,818,446</u>	<u>-</u>	<u>33,214,431</u>	<u>-</u>
Capital assets							
Land	261,192	2,014,000	-	752,451	-	3,027,643	-
Construction in progress	427,694	2,168,319	-	162,885	-	2,758,898	-
Buildings	2,373,739	4,766	134,702	840,874	246,080	3,600,161	1,312,472
Improvements	90,985	4,678	-	41,250	-	136,913	96,850
Furniture and equipment	1,203,939	532,341	167,646	3,743,861	684,036	6,331,823	1,221,853
Infrastructure	106,546,183	28,346,929	10,577,333	83,281,454	-	228,751,899	-
Less: accumulated depreciation	(38,315,266)	(5,674,428)	(10,085,922)	(11,588,949)	(902,623)	(66,567,188)	(1,380,649)
Total capital assets, net	<u>72,588,466</u>	<u>27,396,605</u>	<u>793,759</u>	<u>77,233,826</u>	<u>27,493</u>	<u>178,040,149</u>	<u>1,250,526</u>
Total noncurrent assets	<u>79,273,580</u>	<u>50,054,302</u>	<u>846,933</u>	<u>81,052,272</u>	<u>27,493</u>	<u>211,254,580</u>	<u>1,250,526</u>
Total assets	<u>84,328,417</u>	<u>57,267,048</u>	<u>4,348,588</u>	<u>95,609,742</u>	<u>6,179,116</u>	<u>247,732,911</u>	<u>8,946,339</u>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	292,416	648,155	1,110,906	466,076	58,289	2,575,842	587,673
Deferred revenue	-	-	-	722,753	-	722,753	-
Due to other funds	55,541	45,779	25,941	57,729	2,128	187,118	17,385
Due to other governments	-	815,850	-	-	-	815,850	-
Accrued interest payable	184,530	2,202,668	-	66,552	-	2,453,750	-
Accrued compensated absences, current	45,770	35,371	-	28,913	43,779	153,833	74,579
Notes payable, current	-	21,939,926	-	-	-	21,939,926	-
Bonds payable, current	1,460,000	377,000	-	1,830,000	-	3,667,000	-
Total current liabilities	<u>2,038,257</u>	<u>26,064,749</u>	<u>1,136,847</u>	<u>3,172,023</u>	<u>104,196</u>	<u>32,516,072</u>	<u>679,637</u>
Noncurrent liabilities							
Other accrued liabilities	-	-	-	-	-	-	4,279,972
Customer deposits	-	416,442	100,000	85,464	45,008	646,914	-
Accrued compensated absences	30,717	38,730	-	42,118	67,157	178,722	72,213
Net OPEB obligation	31,543	51,989	-	72,177	76,104	231,813	74,620
Advance from other funds	2,826,164	-	-	-	-	2,826,164	-
Notes payable, net	-	8,035,428	-	-	-	8,035,428	-
Bonds payable, net	45,949,750	11,562,234	-	24,797,311	-	82,309,295	-
Landfill postclosure liability	-	-	-	9,244,826	-	9,244,826	-
Total noncurrent liabilities	<u>48,838,174</u>	<u>20,104,823</u>	<u>100,000</u>	<u>34,241,896</u>	<u>188,269</u>	<u>103,473,162</u>	<u>4,426,805</u>
Total liabilities	<u>50,876,431</u>	<u>46,169,572</u>	<u>1,236,847</u>	<u>37,413,919</u>	<u>292,465</u>	<u>135,989,234</u>	<u>5,106,442</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	25,178,716	4,552,014	793,759	50,606,515	27,493	81,158,497	1,250,526
Restricted for							
Debt service	2,197,269	351,667	-	217,898	-	2,766,834	-
Impact fees	2,029,647	1,769,619	-	-	-	3,799,266	-
Unrestricted	4,046,354	4,424,176	2,317,982	7,371,410	5,859,158	24,019,080	2,589,371
Total net assets	<u>\$ 33,451,986</u>	<u>\$ 11,097,476</u>	<u>\$ 3,111,741</u>	<u>\$ 58,195,823</u>	<u>\$ 5,886,651</u>	<u>\$ 111,743,677</u>	<u>\$ 3,839,897</u>

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

Bay County, Florida  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended September 30, 2010

	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	\$ 13,772,277	\$ 6,421,773	\$ 5,873,324	\$ 13,336,670	\$ 693,361	\$ 40,097,405	\$ 8,359,550
Miscellaneous	28,058	93,480	-	83,949	16,698	222,185	4,975
Total operating revenues	<u>13,800,335</u>	<u>6,515,253</u>	<u>5,873,324</u>	<u>13,420,619</u>	<u>710,059</u>	<u>40,319,590</u>	<u>8,364,525</u>
<b>OPERATING EXPENSES</b>							
Personal services	1,316,448	1,684,913	219,475	1,043,052	1,378,389	5,642,277	3,079,071
Contracted services	931,918	1,008,662	3,868,263	5,658,466	110,036	11,577,345	277,843
Repairs and maintenance	729,415	207,415	117,235	1,179,852	21,236	2,255,153	125,777
Utilities	1,529,376	132,310	1,400,001	839,488	39,813	3,940,988	163,486
Depreciation	2,804,003	1,646,159	43,239	3,022,408	66,547	7,582,356	117,756
Amortization	46,859	46,061	-	81,253	-	174,173	-
Materials	-	-	-	-	-	-	2,501,285
Insurance claims	-	-	-	-	-	-	2,160,763
Other operating expenses	1,767,211	3,689,888	120,190	1,162,446	83,872	6,823,607	293,449
Total operating expenses	<u>9,125,230</u>	<u>8,415,408</u>	<u>5,768,403</u>	<u>12,986,965</u>	<u>1,699,893</u>	<u>37,995,899</u>	<u>8,719,430</u>
Operating income (loss)	<u>4,675,105</u>	<u>(1,900,155)</u>	<u>104,921</u>	<u>433,654</u>	<u>(989,834)</u>	<u>2,323,691</u>	<u>(354,905)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment earnings	88,721	1,034,684	3,523	91,505	38,741	1,257,174	22,721
Interest and fiscal charges	(3,105,115)	(1,358,970)	-	(1,750,209)	-	(6,214,294)	-
Taxes	-	-	-	2,500	-	2,500	-
Gain (loss) on disposal of capital asset:	-	-	-	35,771	1,395	37,166	-
Contributions	-	-	-	315,000	-	315,000	-
Insurance proceeds	-	-	-	37,761,039	-	37,761,039	-
Asset impairment loss	-	-	-	(7,357,794)	-	(7,357,794)	-
Total nonoperating revenues (expenses)	<u>(3,016,394)</u>	<u>(324,286)</u>	<u>3,523</u>	<u>29,097,812</u>	<u>40,136</u>	<u>25,800,791</u>	<u>22,721</u>
Income (loss) before contributions and transfers	<u>1,658,711</u>	<u>(2,224,441)</u>	<u>108,444</u>	<u>29,531,466</u>	<u>(949,698)</u>	<u>28,124,482</u>	<u>(332,184)</u>
Capital contributions	248,772	623,039	-	-	-	871,811	-
Transfers in	-	500	-	-	-	500	210,006
Transfers out	-	-	-	(500)	-	(500)	-
Change in net assets	<u>1,907,483</u>	<u>(1,600,902)</u>	<u>108,444</u>	<u>29,530,966</u>	<u>(949,698)</u>	<u>28,996,293</u>	<u>(122,178)</u>
Total net assets - beginning (as previously stated)	<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>
Prior period adjustment	-	-	-	1,500,000	-	1,500,000	-
Total net assets - beginning (as restated)	<u>31,544,503</u>	<u>12,698,378</u>	<u>3,003,297</u>	<u>28,664,857</u>	<u>6,836,349</u>	<u>82,747,384</u>	<u>3,962,075</u>
Total net assets - ending	<u>\$ 33,451,986</u>	<u>\$ 11,097,476</u>	<u>\$ 3,111,741</u>	<u>\$ 58,195,823</u>	<u>\$ 5,886,651</u>	<u>\$ 111,743,677</u>	<u>\$ 3,839,897</u>

Continued

Bay County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2010

	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	\$ 13,856,285	\$ 6,600,379	\$ 6,202,562	\$ 13,373,849	\$ 694,191	\$ 40,727,266	\$ 8,506,406
Cash received from miscellaneous operating activities	28,058	93,480	-	83,949	16,698	222,185	4,975
Cash paid to suppliers for goods and services	(5,792,743)	(5,195,231)	(5,034,060)	(9,734,711)	(626,479)	(26,383,224)	(5,892,533)
Cash paid to employees for services	(1,420,940)	(1,663,522)	(169,750)	(1,026,786)	(982,078)	(5,263,076)	(3,077,889)
Net cash provided by (used in) operating activities	<u>6,670,660</u>	<u>(164,894)</u>	<u>998,752</u>	<u>2,696,301</u>	<u>(897,668)</u>	<u>9,303,151</u>	<u>(459,041)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	500	-	-	-	500	210,006
Transfers out	-	-	-	(500)	-	(500)	-
Taxes	-	-	-	2,500	-	2,500	-
Contributions	-	-	-	315,000	-	315,000	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>500</u>	<u>-</u>	<u>317,000</u>	<u>-</u>	<u>317,500</u>	<u>210,006</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Interest paid on long-term debt	(2,484,607)	(792,820)	-	(1,510,149)	-	(4,787,576)	-
Principal paid on long-term debt	(1,400,000)	(1,237,693)	-	(30,680,000)	-	(33,317,693)	-
Proceeds from long-term debt	-	125,708	-	28,320,000	-	28,445,708	-
Capital contributions	248,772	623,039	-	-	-	871,811	-
Bond issue costs	-	-	-	(120,214)	-	(120,214)	-
Proceeds from sale of capital assets	-	-	-	35,771	1,395	37,166	-
Purchase of capital assets	(942,122)	(1,291,077)	(23,852)	(12,174,429)	(3,313)	(14,434,793)	(36,173)
Proceeds from insurance	-	-	-	13,551,110	-	13,551,110	-
Net cash provided by (used in) capital and related financing activities	<u>(4,577,957)</u>	<u>(2,572,843)</u>	<u>(23,852)</u>	<u>(2,577,911)</u>	<u>(1,918)</u>	<u>(9,754,481)</u>	<u>(36,173)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sale and maturities of investment securities	2,239,336	9,449,134	(124,829)	11,520,163	5,565,663	28,649,467	4,722,901
Purchase of investments	(4,424,590)	(8,875,983)	(841,465)	(11,944,274)	(4,668,939)	(30,755,251)	(4,307,101)
Return of investment	-	154,554	-	-	-	154,554	-
Interest and dividends on investments	83,249	580,068	2,379	43,704	16,431	725,831	14,753
Collections on loans	45,125	1,140,694	-	-	-	1,185,819	-
Net cash provided by (used in) investing activities	<u>(2,056,880)</u>	<u>2,448,467</u>	<u>(963,915)</u>	<u>(380,407)</u>	<u>913,155</u>	<u>(39,580)</u>	<u>430,553</u>
Net change in cash and cash equivalents	35,823	(288,770)	10,985	54,983	13,569	(173,410)	145,345
Cash and cash equivalents - beginning	<u>30,561</u>	<u>362,179</u>	<u>4,155</u>	<u>101,578</u>	<u>42,436</u>	<u>540,909</u>	<u>38,879</u>
Cash and cash equivalents - ending	<u>\$ 66,384</u>	<u>\$ 73,409</u>	<u>\$ 15,140</u>	<u>\$ 156,561</u>	<u>\$ 56,005</u>	<u>\$ 367,499</u>	<u>\$ 184,224</u>
Classified as							
Current assets	\$ 19,538	\$ 53,376	\$ 14,659	\$ 123,098	\$ 56,005	\$ 266,676	\$ 184,224
Restricted assets	46,846	20,033	481	33,463	-	100,823	-
Total	<u>\$ 66,384</u>	<u>\$ 73,409</u>	<u>\$ 15,140</u>	<u>\$ 156,561</u>	<u>\$ 56,005</u>	<u>\$ 367,499</u>	<u>\$ 184,224</u>

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, 2010

	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)	\$ 4,675,105	\$ (1,900,155)	\$ 104,921	\$ 433,654	\$ (989,834)	\$ 2,323,691	\$ (354,905)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	2,804,003	1,646,159	43,239	3,022,408	66,547	7,582,356	117,756
Amortization	46,859	46,061	-	81,253	-	174,173	-
(Increase) decrease in assets							
Accounts receivable	(279,454)	(77,828)	329,238	(47,765)	(11,265)	(87,074)	(39,613)
Prepaid expenses	14,117	-	-	-	-	14,117	(99,559)
Inventory	5,417	-	-	-	-	5,417	-
Due from other funds	96,261	139,571	-	57,337	10,741	303,910	(40,572)
Due from other governments	267,196	119,021	-	(559)	-	385,658	227,041
Increase (decrease) in liabilities							
Accounts payable and accrued liabilities	(631,707)	39,403	595,289	(653,811)	2,699	(648,127)	(22,455)
Due to other funds	(342,196)	(148,626)	(73,935)	20,054	(468)	(545,171)	(247,916)
Due to other governments	-	(47,733)	-	-	80	(47,653)	-
Customer deposits	-	(2,158)	-	28,166	1,354	27,362	-
Accrued compensated absences	2,918	6,466	-	(5,434)	3,641	7,591	(20,493)
Net OPEB obligation	12,141	14,925	-	21,700	18,837	67,603	21,675
Landfill postclosure liability	-	-	-	(260,702)	-	(260,702)	-
Total adjustments	1,995,555	1,735,261	893,831	2,262,647	92,166	6,979,460	(104,136)
Net cash provided by (used in) operating activities	\$ 6,670,660	\$ (164,894)	\$ 998,752	\$ 2,696,301	\$ (897,668)	\$ 9,303,151	\$ (459,041)
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Capital asset additions related to prior period adjustment	\$ -	\$ -	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -

Bay County, Florida  
Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2010

**ASSETS**

Cash and cash equivalents	\$ 6,244,968
Investments	76,637
Accounts receivable, net	<u>20,168</u>
Total assets	<u><u>\$ 6,341,773</u></u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 1,224,469
Due to others	79,946
Due to other governments	<u>5,037,358</u>
Total liabilities	<u><u>\$ 6,341,773</u></u>

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

**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 office of the Tax Collector operates 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, Clerk of Court and Comptroller 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, 2010

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, 2010

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, 2010

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, 2010

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 pronouncements of the FASB and predecessor bodies, 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, 2010

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, 2010

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, 2010

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, 2010

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, 2010 and 2009, 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 goods or services that will benefit periods beyond September 30, 2010, 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-wide financial statements. Capital assets are defined by the County as assets with

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010, the County capitalized interest in the amount of \$189,810 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, 2010

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 17 for further information on this contingency.

Capital Contributions

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

Accrued Compensated Absences

The County's sick leave policy provides for all 40 hour week full-time employees to earn 8 hours of sick leave each month for a maximum of 96 hours per calendar year and 53 hour week full-time employees to earn 10.58 hours of sick leave each month for a maximum of 127 hours per calendar year, part-time employees accumulate sick leave at the same rate pro-rated for hours actually worked. All 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 employees hired after November 3, 1987, will not be eligible for payment of unused sick leave upon retirement.

The County's vacation leave policy provides for all full-time employees to earn between 8 and 21.22 hours of vacation leave each month with a maximum of 254.65 hours per calendar

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

year, depending upon the type of employment. All part-time employees accumulate vacation leave at the same rate prorated for hours actually worked. Vacation time earned but not used is accrued by the County up to 240 hours and 318 hours per employee depending upon the type of employment.

It is the Supervisor of Elections' policy to grant paid absences for vacation and sick leave. The sick leave policy allows for full-time employees who have less than five years of service to accumulate 4 hours a month and five years to retirement or termination 6 hours a month up to 240 hours of accumulated sick leave which will be paid to employees in good standing upon termination. Employees with less than ten years of service forfeit their sick leave, ten to less than fifteen years of service receive 60% of their sick leave, fifteen to less than twenty years of service receive 80% of sick leave, and twenty years or more of service receive 100% of their sick leave.

The vacation leave policy allows for full-time employees to accumulate 8 to 14 hours a month, depending on length of service, up to 240 hours of earned but unused vacation benefits which will be paid to employees in good standing upon termination. Employees who have less than two years of service forfeit their vacation leave, two to less than five years of service receive 25% of their vacation leave, five to less than ten years of service receive 40% of vacation leave, ten to less than twenty years of service receive 75% of vacation leave and twenty years or more of service receive 100% of their vacation leave.

It is the Clerk's policy to grant paid absences for paid time off. Employees are permitted to accumulate up to 480 hours of earned but unused paid time off benefits which will be paid to employees in good standing upon termination. Employees who have less than two years of service forfeit their paid time off, two to less than five years of service receive 25% of their paid time off, five to less than ten years of service receive 50% of paid time off, ten to less than fifteen years of service receive 75% of paid time off and those with 15 or more years of service receive 100% of their paid time off.

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, the maximum sick leave paid is up to 500 hours. Employees are permitted to accumulate a limited amount of earned but unused vacation benefits which will be paid to employees upon termination or retirement, up to a maximum of 240 hours. 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.

The vacation leave policy of the Panama City Beach Convention and Visitors Bureau, Inc. provides for all full-time employees to earn between 12 and 18 hours of vacation leave each month, depending upon the type of employment, for a maximum of 216 hours per calendar year, part-time employees accumulate vacation leave at the same rate prorated for hours

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

actually worked. 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 8 hours of sick leave each month for a maximum of 96 hours per calendar year, part-time employees accumulate sick leave at the same rate pro-rated for hours actually worked. All unused sick leave is forfeited at termination of employment, therefore no amount is accrued.

It is the Property Appraiser's and Tax Collector's policy not to accumulate employee sick and vacation leave past the end of the fiscal year. Therefore, no corresponding accruals have been made in the accompanying special-purpose financial statements.

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 in the government-wide presentation. Estimated accrued compensated absences amounts for governmental funds represent a reconciling item between the fund and government-wide presentations. The liability for compensated absences is reported in the statement of net 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. 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 2009 financial statement presentation to conform to the 2010 presentation.

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 \$(93,143,095) difference are as follows:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

Bonds payable	\$ (83,929,264)
Less: Deferred charge on refunding (to be amortized as interest expense)	492,395
Less: Deferred charge for issuance costs (to be amortized over life of debt)	1,231,772
Plus: Issuance premium (to be amortized as interest expense)	(742,970)
Accrued interest payable	(316,291)
Capital leases payable	(188,553)
Net OPEB obligation	(7,005,410)
Compensated absences	<u>(2,684,774)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (93,143,095)</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 \$249,119,143 difference are as follows:

Cost of capital assets	\$ 426,485,658
Less: Accumulated depreciation	<u>(177,366,515)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 249,119,143</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 \$10,252,698 difference are as follows:

Capital outlay	\$ 23,353,424
Depreciation expense	<u>(13,100,726)</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>\$ 10,252,698</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 \$119,070 difference are as follows:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

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.	\$ (299,001)
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>418,071</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>\$ 119,070</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 \$3,440,777 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (165,950)
Principal repayments:	
Bonds	3,505,156
Capital leases	179,775
Amortization of deferred charge on refunding	41,752
Amortization of issuance costs	(83,152)
Amortization of bond premium	<u>(36,804)</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>\$ 3,440,777</u>

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(2,098,994) difference are as follows:

OPEB Expense	\$ (2,155,965)
Compensated absences	46,625
Accrued interest	<u>10,346</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>\$ (2,098,994)</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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 Fund  
Seizure Trust Fund  
Inmate Welfare Fund

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

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

NOTE 4 – RESTRICTED ASSETS

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

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 200,646	\$ 100,823	\$ 301,469
Investments	19,283,502	14,623,755	33,907,257
	<u>\$ 19,484,148</u>	<u>\$ 14,724,578</u>	<u>\$ 34,208,726</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	\$ -	\$ -	\$ 416,442	\$ 100,000	\$ 85,464	\$ 45,008	\$ 646,914
Accrued interest payable	316,291	184,530	2,146,493	-	66,552	-	2,713,866
Current maturities of bonds	482,330	121,667	246,750	-	152,500	-	1,003,247
Payable from restricted assets	<u>\$ 798,621</u>	<u>\$ 306,197</u>	<u>\$ 2,809,685</u>	<u>\$ 100,000</u>	<u>\$ 304,516</u>	<u>\$ 45,008</u>	<u>\$ 4,364,027</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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 which 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 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.

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:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

Auction Rate Securities rated AAA/aaa.

Florida Statutes provides that funds awaiting clearing may be invested. Pursuant to an agreement with a local financial institution, cash on deposit, including the County's float, was invested overnight in United States Treasury Obligations per the repurchase agreement.

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

Interest Rate Risk

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

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, 2010, the County had the following investments as rated by Standard and Poors, Moody's and/or Fitch Investor Services:

Bay County, Florida  
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September 30, 2010

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

<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	\$ 11,004,200	\$ 11,004,200	Demand	N/A
Asset-back Securities	30,037,434	30,037,434	2.8	N/A
Florida Local Governments Investment Trust	10,700,803	10,700,803	26.04	AAAf
Florida Local Governments Investment Trust Florida Trust Day to Day Fund	20,059,280	20,059,280	1.2	AAA
Mutual Funds	4,193,523	4,193,523	1.23	AAAm, Aaa
Local Government Surplus Funds Trust Fund Pool (PRIME)	154,294	154,294	1.73	AAAm
Local Government Investment Pool Fund B	743,985	743,985	89.88	*
Federated Money Market	43,119,621	43,119,621	Demand	AAAm, Aaa, AAA
<b>Total investments</b>	<b>\$ 120,013,140</b>	<b>\$ 120,013,140</b>		

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

As of September 30, 2010, the County had investments for general and agency funds on deposit in a 2a7-like pool in the amount of \$898,279, with the Florida PRIME and \$20,059,280, with the FLGIT 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 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, 2010, was 0.707058094. 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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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 did not have investments in commercial paper for the year ended September 30, 2010.

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 1
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, 2010, are as follows:

Enterprise Funds

Note receivable from the joint venture (Military Point Advanced Wastewater Treatment Facility). Principal and interest based upon the 2004 Wastewater System Revenue Refunding Bonds and State Revolving Fund Note. Reduction of the principal balance mirrors the principal reduction of the bonds payable and note payable. Interest varies from 2.59% to 3.07%.

\$ 15,037,144

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 31.14% of the principal balance and reductions for the bonds payable.

1,176,771

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 4.96% of the principal balance and reductions for the bonds payable.

187,601

Total notes receivable – enterprise funds

\$ 16,401,516

Bay County, Florida  
Notes to Basic Financial Statements  
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**NOTE 8 – CAPITAL ASSETS**

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

	September 30, 2009	Increases	Decreases	September 30, 2010
Capital assets, not being depreciated				
Land	\$ 14,607,831	\$ 1,639,664	\$ (268,750)	\$ 15,978,745
Construction in progress	14,848,710	14,941,355	(16,217,570)	13,572,495
Total capital assets, not being depreciated	29,456,541	16,581,019	(16,486,320)	29,551,240
Capital assets, being depreciated				
Books	1,593,827	218,579	-	1,812,406
Buildings and improvements	126,279,327	3,188,040	(1,095,674)	128,371,693
Furniture and equipment	45,061,023	5,708,018	(3,510,423)	47,258,618
Infrastructure	205,823,639	16,329,995	(30,761)	222,122,873
Total capital assets, being depreciated	378,757,816	25,444,632	(4,636,858)	399,565,590
Less accumulated depreciation				
Books	(1,057,977)	(290,579)	-	(1,348,556)
Buildings and improvements	(17,463,623)	(2,833,191)	710	(20,296,104)
Furniture and equipment	(30,078,541)	(4,720,007)	2,593,273	(32,205,275)
Infrastructure	(119,534,724)	(5,374,704)	12,202	(124,897,226)
Total accumulated depreciation	(168,134,865)	(13,218,481)	2,606,185	(178,747,161)
Total capital assets, being depreciated, net	210,622,951	12,226,151	(2,030,673)	220,818,429
Total governmental-type activities capital assets, net	\$ 240,079,492	\$ 28,807,170	\$ (18,516,993)	\$ 250,369,669

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2010:

	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	4,678	-	41,250	-	136,913
Furniture and equipment	1,203,939	532,341	167,646	3,743,861	684,036	6,331,823
Infrastructure	106,546,183	28,346,929	10,577,333	83,281,454	-	228,751,899
Construction in progress	427,694	2,168,319	-	162,885	-	2,758,898
Total	110,903,732	33,071,033	10,879,681	88,822,775	930,116	244,607,337
Less: accumulated depreciation						
Buildings	(1,903,110)	(1,891)	(86,434)	(259,065)	(246,080)	(2,496,580)
Improvements	(79,589)	(156)	-	(41,250)	-	(120,995)
Furniture and equipment	(896,790)	(199,737)	(115,751)	(1,929,375)	(656,543)	(3,798,196)
Infrastructure	(35,435,777)	(5,472,644)	(9,883,737)	(9,359,259)	-	(60,151,417)
Total accumulated depreciation	(38,315,266)	(5,674,428)	(10,085,922)	(11,588,949)	(902,623)	(66,567,188)
Business-type activities capital assets, net	\$72,588,466	\$ 27,396,605	\$ 793,759	\$ 77,233,826	\$ 27,493	\$ 178,040,149

Bay County, Florida  
Notes to Basic Financial Statements  
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NOTE 8 – CAPITAL ASSETS (Continued)

	September 30, 2009	Increases	Decreases	September 30, 2010
Capital assets, not being depreciated				
Land	\$ 3,027,643	\$ -	\$ -	\$ 3,027,643
Construction in progress	33,872,361	867,377	(31,980,840)	2,758,898
Total capital assets, not being depreciated	36,900,004	867,377	(31,980,840)	5,786,541
Capital assets, being depreciated				
Buildings	3,600,161	-	-	3,600,161
Improvements	132,235	4,678	-	136,913
Furniture and equipment	5,960,928	449,583	(78,688)	6,331,823
Infrastructure	215,560,232	45,283,806	(32,092,139)	228,751,899
Total capital assets, being depreciated	225,253,556	45,738,067	(32,170,827)	238,820,796
Less accumulated depreciation				
Buildings	(2,414,287)	(82,293)	-	(2,496,580)
Improvements	(119,443)	(1,552)	-	(120,995)
Furniture and equipment	(3,339,484)	(537,400)	78,688	(3,798,196)
Infrastructure	(77,924,652)	(6,961,111)	24,734,346	(60,151,417)
Total accumulated depreciation	(83,797,866)	(7,582,356)	24,813,034	(66,567,188)
Total capital assets, being depreciated, net	141,455,690	38,155,711	(7,357,793)	172,253,608
Total business-type activities capital assets, net	\$ 178,355,694	\$ 39,023,088	\$ (39,338,633)	\$ 178,040,149

The decrease in infrastructure and related accumulated depreciation of \$32,092,139 and \$24,734,346, respectively, is related to the impairment of the incinerator which is detailed in Note 23. The decrease in the beginning of the year balance in construction in progress for governmental activities includes \$862,290 related to prior period expenses improperly capitalized. The increase in the beginning of the year balance in construction in progress for business type activities includes \$1,500,000 related to prior period expenses that were not properly capitalized. These adjustments are detailed in Note 24. The increase and decrease in the above schedule include transfers of various capital assets between funds.

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 8 – CAPITAL ASSETS (Continued)

Governmental activities	
General government	\$ 2,122,751
Public safety	3,686,575
Physical environment	402,805
Transportation	4,962,398
Economic environment	810,092
Human services	72,717
Culture and recreation	1,043,387
Internal service funds	117,756
Total depreciation expense - governmental activities	<u>\$ 13,218,481</u>
Business-type activities	
Wholesale water system	\$ 2,804,003
Retail water and wastewater	1,646,159
Industrial wastewater	43,239
Solid waste	3,022,408
Building services	66,547
Total depreciation expense - business-type activities	<u>\$ 7,582,356</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	\$ 113,547
Equipment	196,677
Total	<u>310,224</u>
Less: accumulated depreciation	(65,815)
Net	<u>\$ 244,409</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

<u>Year Ending September 30,</u>	
2011	\$ 91,354
2012	57,316
2013	38,957
2014	34,675
Total minimum lease payments	<u>222,302</u>
Less amount representing interest	(33,749)
Present value of minimum lease payments	<u>\$ 188,553</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

**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. Rates effective for October 1, 2009 through June 30, 2010, were 9.85% and 16.53% for regular employees and elected county officials, respectively. Rates effective for July 1 through September 30, 2010, were 10.77% and 18.64% 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% October 1, 2009 through June 30, 2010, and 12.25% July 1 through September 30, 2010. The County's contributions for the years ended September 30, 2010, 2009, and 2008 were \$6,905,918, \$6,678,489, and \$4,886,382 respectively, and are equal to the required contributions for each year.

**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

Bay County, Florida  
Notes to Basic Financial Statements  
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NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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 1,169 total active and retired employees eligible to receive these benefits. 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 has 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 participant 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 is 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:

Coverage	Blue Options 3559	Blue Options 3359	Blue Options HSA 3160/61	Current Retirees Blended Premium	Future Retirees Blended Premium
Retiree	\$ 387.29	\$ 354.83	\$ 271.21	\$ 377.04	\$ 368.88
Retiree and Spouse or Retiree/Child(ren)	\$ 997.58	\$ 915.50	\$ 699.75	\$ 948.33	\$ 936.57
Retiree Family	\$1,332.51	\$1,199.60	\$ 951.87	\$1,266.06	\$1,224.76

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

Coverage	Blue Options Family 1351	Blue Options Family 3160	Blue Medicare PPO #1
Retiree	\$ 297.47	\$ 396.41	\$ 351.19
Retiree and Spouse	\$ 721.20	\$ 961.60	\$ 702.38

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

The County has not advance-funded or established a funding methodology for the annual 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 \$349,746 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

**Annual OPEB Cost and Net OPEB Obligation**

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

Description	Total
Normal cost (service cost for one year)	\$ 1,727,944
Amortization of unfunded actuarial accrued liability	947,217
Interest on normal cost and amortization	-
Annual required contribution	2,675,161
Interest on net OPEB obligation	208,630
Adjustment to annual required contribution	(288,804)
Annual OPEB cost (expense)	2,594,987
Contribution toward the OPEB cost	(349,746)
Increase in net OPEB obligation	2,245,241
Net OPEB obligation, beginning of year	5,066,602
Net OPEB obligation, end of year	<u>\$ 7,311,843</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2010, was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 2,507,046	19.00%	\$ 2,029,737
2009	\$ 3,535,687	14.00%	\$ 5,066,602
2010	\$ 2,594,987	13.07%	\$ 7,311,843

**Funding Status and Funding Progress**

As of September 30, 2010, the actuarial value of assets was \$0 and the actuarial accrued liability for benefits was \$16,535,173, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,535,173 and a funded ratio of 0%. The covered payroll was \$51,565,158, and the ratio of the UAAL to the covered payroll was 32.07%. The Schedule of Funding Progress, included as required supplementary information after the notes, 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.

**Actuarial Methods and Assumptions**

The County had an actuarial valuation completed for the fiscal year ended September 30, 2010. 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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

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 actuarial liability was determined for the County using the projected unit credit 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 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, the rate for 2010 is 6.8%. It is reduced each year reaching a future years rate of 3.9%. For the Sheriff, the 2010 rate is 8%. It is reduced each year reaching a future years rate of 4.9%. For both evaluations, the unfunded actuarial accrued liability is being amortized with a level dollar method. The open amortization period used is 30 years.

OPEB obligations are generally liquidated by the fund that reports the liability and pays the related costs. Therefore, the general and transportation funds liquidate a majority of the OPEB liability.

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

Notes payable in the enterprise funds at September 30, 2010, 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 \$889,356, 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.

\$ 6,679,214

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

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Notes to Basic Financial Statements  
September 30, 2010

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

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. \$ 2,170,432

State Revolving Fund Program consists of approved loans in the original amount of \$125,708 payable to the State of Florida Department of Environmental Protection State Revolving Fund Program. The interest rate is 2.36% per annum. The semi-annual loan payment is \$14,618 and the loan matures on April 15, 2017. The loans are collateralized by the anticipated net system revenues of the water and sewer system. 125,708

Authorized and issued \$21,000,000 Bond Revenue Anticipation Note, Series 2007, matures and is payable on December 10, 2010. Interest accrues at an annual rate of 3.61%. This note is anticipated to be refinanced from the issuance and sale of Utility System Revenue Bonds. The bonds are secured by a pledge of and lien on the first proceeds to be derived from the issuance and sale of Utility System Revenue Bonds, Series 2008. If such amounts are insufficient or unavailable, a senior lien on net revenues and connection fees derived from the portion of the County's combined water and wastewater system known as the "Southport System" and a junior lien on the water, wastewater and stormwater utility system net revenues, connections fees, and until applied in accordance with the provisions of the resolution, all cash and investments held in funds and accounts established by the resolution except those excluded by the resolution. This pledge remains in effect until extinguishment or maturity of the debt in 2010, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2010, totaled \$23,251,136. No principal or interest payments were made during the current year. The total Southport Water System net revenue pledged was a deficit of \$184,827. 21,000,000

Total notes payable-enterprise funds 29,975,354

Less: current portion (21,939,926)

Long-term portion of enterprise funds notes payable \$ 8,035,428

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

Year ending September 30,	Principal	Interest	Total
2011	\$ 21,939,926	\$ 2,781,079	\$ 24,721,005
2012	933,498	220,496	1,153,994
2013	964,538	204,072	1,168,610
2014	1,014,696	168,529	1,183,225
2015	1,043,858	139,367	1,183,225
2016-2020	4,078,838	250,835	4,329,673
Total	<u>\$ 29,975,354</u>	<u>\$ 3,764,378</u>	<u>\$ 33,739,732</u>

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

Enterprise Funds Bonds Payable:

	Wholesale Water System Series 2000	Wholesale Water System Series 2005	North Bay Water Revenue Series 2008	Wastewater System Series 2004	Solid Waste Series 2010	USDA Revenue Bonds Series 2002	USDA Revenue Bonds Series 2000	Total
Current portion	\$ 315,000	\$ 1,145,000	\$ 41,000	\$ 275,000	\$ 1,830,000	\$ 44,000	\$ 17,000	\$ 3,667,000
Long-term portion	-	44,790,000	2,313,734	5,912,500	26,490,000	2,322,000	1,014,000	82,842,234
	315,000	45,935,000	2,354,734	6,187,500	28,320,000	2,366,000	1,031,000	86,509,234
Deferred amounts on:								
Issuance (discounts)								
and premiums	(12,683)	1,818,202	-	-	-	-	-	1,805,519
Refunding	-	(645,769)	-	-	(1,692,689)	-	-	(2,338,458)
Total bonds payable	\$ 302,317	\$47,107,433	\$2,354,734	\$6,187,500	\$ 26,627,311	\$2,366,000	\$1,031,000	\$ 85,976,295

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

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

Principal is payable annually on September 1, commencing on September 1, 2005. Interest is payable semiannually on March 1 and September 1. The bonds are collateralized by the net revenues of the joint venture (Military Point Advanced Wastewater Treatment Facility). Average annual debt service is \$557,702. Bay County is liable for one half of the total obligation.

\$ 6,187,500

**Solid Waste Capital Improvement Revenue Refunding Bonds – Series 2010**

On August 18, 2010, the County issued \$28,320,000 Capital Improvement Revenue Refunding Bonds – Series 2010. The proceeds of the bonds were used to refund the outstanding Solid Waste Sales Tax Revenue Bonds – Series 1998 (refunded \$30,680,000) 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 \$1,703,997. This difference is reported as a deferred amount on refunding. The County completed the refunding to reduce its debt service

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

payments over the next twenty-five years by \$5,314,359 and obtain an economic gain of \$3,435,305. The bonds are special obligation bonds of the County payable solely from and secured by non-ad valorem revenues in accordance with Resolution No. 2997.

The refunding bonds interest rate is 2.82%, principal payable annually on September 1, commencing September 1, 2011. Interest is payable semi-annually, March 1 and September 1. Average remaining annual debt service is \$2,632,482.

The bonds are special obligation bonds of the County payable solely from and secured by non-ad valorem revenues in accordance with Resolution No. 2997. This pledge remains in effect 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, 2010, totaled \$34,222,260. Annual principal and interest payments on the bond required 4.6% of the total of non-ad valorem revenues. Principal and interest payments paid for the current year, including payment of the refunded bond, and the total of non-ad valorem revenues, were \$3,040,375 and \$65,534,567, respectively.

\$ 26,627,311

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 \$331,065.

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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

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, 2010, totaled \$331,065. Annual principal and interest payments on the bond required 11.0% 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 \$861,718 and \$7,863,458, respectively.

\$ 302,317

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 \$141,387. These bonds were issued in connection with certain indebtedness previously incurred by Gulf Coast Electric Cooperative as authorized by Resolution 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, 2010, totaled \$4,241,595. Annual principal and interest payments on the bond exceeded 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 (deficit), were \$143,726 and \$(184,827), respectively.

2,354,734

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

Water System Revenue Refunding Bonds – Series 2005

On April 28, 2005 the County issued \$46,985,000 of Water System Revenue Refunding Bonds – Series 2005 at a premium of \$2,308,756. The proceeds of the bonds were used to partially refund the outstanding Water System Refunding Revenue Bonds – Series 1997 (refunded \$14,275,000) and Water System Revenue Bonds – Series 2000 (refunded \$31,520,000), and to pay the cost of issuing the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,425,281. This difference is reported as a deferred amount on refunding. The County completed the refunding to reduce its debt service payments over the next twenty-five years by \$4,895,093 and obtain an economic gain of \$3,075,645. The bonds are special obligation bonds of the County payable solely from and secured by, a) the net revenues of the wholesale water system, b) impact fees charged by the wholesale water system, c) all cash and investments held in accordance with Ordinance No. 00-04, Resolution No. 2219 and Resolution No. 2625.

The bonds are issued on a parity with the County's outstanding Water System Revenue Bonds – Series 1997 and Water System Revenue Bonds – Series 2000. Interest varies from 3.0% to 5.0%, principal payable annually on September 1, commencing September 1, 2005, interest payable semi-annually on March 1 and September 1, commencing on September 1, 2005. Average remaining annual debt service is \$3,657,760.

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, 2010, totaled \$73,155,193. Annual principal and interest payments on the bond required 34.1% of the total of impact fees revenue and wholesale water system net revenue. Principal and interest payments paid for the current year and the total of impact fees revenue and wholesale water system net revenue, were \$2,682,860 and \$7,863,458, respectively.

\$ 47,107,433

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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 \$119,997.

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, 2010, totaled \$3,839,908. Annual principal and interest payments on the bond required 1.9% 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 \$65,733 and \$3,514,594 respectively.

\$ 2,366,000

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 \$66,161.

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, 2010, totaled \$1,918,680. Annual principal and interest payments on the bond required 3.4% 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 \$120,260 and \$3,514,594 respectively.

1,031,000

Total bonds payable – business-type activities

85,976,295

Less: current portion

(3,667,000)

Long-term portion of business-type activities bonds payable

\$ 82,309,295

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

The annual debt service requirements to maturity for bonds payable at September 30, 2010, are as follows:

Year ending September 30,	Principal	Interest	Total
2011	\$ 3,667,000	\$ 3,525,750	\$ 7,192,750
2012	3,792,500	3,403,363	7,195,863
2013	3,911,500	3,284,599	7,196,099
2014	4,030,000	3,158,894	7,188,894
2015	4,185,500	3,005,060	7,190,560
2016-2020	23,491,500	12,490,282	35,981,782
2021-2025	23,141,000	7,547,421	30,688,421
2026-2030	17,538,500	3,054,878	20,593,378
2031-2035	1,198,000	451,860	1,649,860
2036-3040	1,323,734	189,275	1,513,009
2041-2042	230,000	11,310	241,310
Total	<u>\$ 86,509,234</u>	<u>\$ 40,122,692</u>	<u>\$ 126,631,926</u>

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
Bonds payable	\$ 90,626,234	\$ 28,320,000	\$(32,437,000)	\$ 86,509,234	\$ 3,667,000
Adjusted for deferred amounts on:					
Issuance discounts/premiums	1,248,782	648,173	(91,436)	1,805,519	-
Refunding	(2,194,267)	(1,703,997)	1,559,806	(2,338,458)	-
Total bonds payable	89,680,749	27,264,176	(30,968,630)	85,976,295	3,667,000
Notes payable	30,730,339	125,708	(880,693)	29,975,354	21,939,926
Other post employment benefits	164,210	67,603	-	231,813	-
Accrued compensated absences	324,964	204,139	(196,548)	332,555	178,722
Landfill closure and postclosure liability	9,505,528	-	(260,702)	9,244,826	-
Business-type activity- long-term liabilities	<u>\$130,405,790</u>	<u>\$27,570,190</u>	<u>\$(32,215,137)</u>	<u>\$ 125,760,843</u>	<u>\$ 25,785,648</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, 2010, there was no arbitrage liability for business activities.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

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

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
Bonds payable	\$ 87,434,420	\$ -	\$ (3,505,156)	\$ 83,929,264	\$ 3,631,481
Adjusted for deferred amounts on:					
Issuance discounts/premiums	784,723	-	(41,752)	742,971	-
Refunding	(529,197)	-	36,804	(492,393)	-
Total bonds payable	87,689,946	-	(3,510,104)	84,179,842	3,631,481
Capital leases payable	202,379	165,950	(179,776)	188,553	77,656
Other post employment benefits	3,273,654	3,806,376	-	7,080,030	-
Accrued compensated absences	2,898,684	1,126,014	(1,193,132)	2,831,566	794,014
Governmental activity long-term liabilities	\$ 94,064,663	\$ 5,098,340	\$ (4,883,012)	\$ 94,279,991	\$ 4,503,151

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, 2010:

**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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

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, 2010, totaled \$888,770. Annual principal and interest payments paid on the bond required 4.9% 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 \$441,583 and \$9,003,710, respectively.

\$ 835,000

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 lien and pledge of the first, second, third and fourth cents of the Local Option Gas Tax levied and received by the County pursuant to the provisions of Ordinance No.90-10 and b) the Constitutional Gas Tax distributed to the County pursuant to Chapter 206, Part I, Florida Statutes.

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

Interest varies from 2.0% to 3.25%, 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.

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, 2010, totaled \$1,000,313. Annual principal and interest payments paid on the bond required 22.0% 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 \$989,375 and \$4,499,282, respectively.

963,716

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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.

\$ 1,855,000

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.

105,000

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.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

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, 2010, totaled \$71,338,855. Annual principal and interest payments paid on the bond required 21.6% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$1,944,585 and \$9,003,710, respectively.

\$ 38,712,346

**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 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, 2008.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

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, 2010, totaled \$24,145,936. Annual principal and interest payments paid on the bond required 7.7% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$695,644 and \$9,003,710, respectively.

\$ 14,639,516

**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 4.323% with principal and interest payable biannually on March 1 and September 1, commencing March 1, 2008.

27,069,264

Total bonds payable – governmental activities

84,179,842

Less: current portion

(3,631,481)

Long-term portion governmental activities bonds payable

\$ 80,548,361

The annual debt service requirements to maturity for the governmental activities revenue bonds payable at September 30, 2010, are as follows:

Year ending September 30,	Principal	Interest	Total
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	1,947,926	3,399,337	5,347,263
2016-2020	11,061,988	15,663,639	26,725,627
2021-2025	20,174,705	12,911,661	33,086,366
2026-2030	29,160,084	6,717,455	35,877,539
2031-2032	11,640,000	823,433	12,463,433
Total	<u>\$ 83,929,264</u>	<u>\$ 53,972,764</u>	<u>\$ 137,902,028</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, 2010, there was an arbitrage liability of \$44,569 for governmental activities.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

**NOTE 14 – COMPENSATED ABSENCES**

The County's compensated absences at September 30, 2010, are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 794,014	\$ 153,833	\$ 947,847
Long-term	2,037,552	178,722	2,216,274
Total	<u>\$ 2,831,566</u>	<u>\$ 332,555</u>	<u>\$ 3,164,121</u>

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

At September 30, 2010, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund	
General	Other nonmajor governmental funds	\$ 16,470
	Wholesale water system	7,303
	Retail water and wastewater	5,355
	Solid waste fund	<u>3,570</u>
		\$ 32,698
Transportation	Other nonmajor governmental funds	188
	General fund	154
	Solid waste fund	275
	Internal service funds	<u>16,653</u>
		17,270
Internal service funds	General fund	27,389
	Transportation	47,810
	Tourist development funds	150
	Other nonmajor governmental funds	45,230
	Retail water and wastewater	40,424
	Wholesale water system	48,236
	Solid waste fund	53,884
	Industrial wastewater	25,941
	Building services	2,128
	Other internal service funds	<u>732</u>
		291,924
		<u>\$ 341,892</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, 2010, this advance was expected to be repaid by the wholesale water system within five years. The balance of the advance as of September 30, 2010, was \$2,826,164.

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, 2010, were as follows:

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

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

Transfer out	Transfer in				Total
	Transportation Fund	Nonmajor Governmental Funds	Internal Service Funds	Retail Water & Wastewater Fund	
General Fund	\$ 2,701,892	\$ 4,538,942	\$ 210,006	\$ -	\$ 7,450,840
Solid Waste Fund	-	-	-	500	500
Total	\$ 2,701,892	\$ 4,538,942	\$ 210,006	\$ 500	\$ 7,451,340

**NOTE 16 – EQUITY**

**Restricted Net Assets**

The County has established certain restrictions within the net assets section of the enterprise funds. Restricted net assets at September 30, 2010, consisted of the following:

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Total Enterprise Funds
Restricted for debt service	\$ 2,197,269	\$ 351,667	\$ 217,898	\$ 2,766,834
Restricted for impact fees	2,029,647	1,769,619	-	3,799,266
Total	\$ 4,226,916	\$ 2,121,286	\$ 217,898	\$ 6,566,100

**Reserved Fund Balances**

The County has established certain reserves within the fund equity section of the governmental funds. Reserved fund balances at September 30, 2010, consist of the following:

General Fund:

Reserved for debt service	\$ 5,000,802
Reserved for advances	\$ 2,826,164
Reserved for impact fees	\$ 2,167,027
Reserved for other purposes	
Reserved for drug court	\$ 146,084
Reserved for boating improvement	298,897
Reserved for law enforcement	331,103
Reserved for innovative court programs	558,311
Reserved for crime prevention	125,836
Reserved for public records	19,768
Reserved for prepaid items	164,722
Reserved for court facilities	495,340
Total reserved for other purposes	\$ 2,140,061

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 16 – EQUITY (Continued)

Special Revenue Funds:	
Reserved for debt service	\$ 1,554,747
Reserved for capital projects	\$ 15,769,753
Reserved for impact fees	\$ 1,812,438
Reserved for other purposes	
Reserved for tourism promotion	\$ 1,128,351
Reserved for prepaid items	30,376
Total reserved for other purposes	\$ 1,158,727

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 \$4,193,523. 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, 2010, consists of the following:

General Fund:	
Designated for insurance claims and emergency contingency	\$ 4,926,206
Special Revenue Funds:	
Designated for capital outlay and literacy program	\$ 1,421,682

The government-wide statement of net assets reports restricted net assets of \$19,076,453, of which \$6,566,100 is restricted by enabling legislation.

NOTE 17 – 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 \$3,259,778 and the postclosure costs to maintain and monitor the Steelfield and Majette landfills will be approximately \$533,474 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 \$9,244,826 landfill closure and postclosure care liability at September 30, 2010, 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 90% of its capacity. See Note 12 for disclosure of the changes in this estimated liability.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

These amounts are based on what it would cost to perform all closure and postclosure care in 2010. 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, 2010, \$3,467,274 was held for these purposes in a separate general ledger account on deposit in the County's pooled cash and investments. These are reported as restricted cash and investment assets on the solid waste fund balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined to be necessary, these costs may need to be covered by charges to future landfill users or from future tax revenue.

Legal Contingencies

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, 2010, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway's portion of note payable	\$ 6,679,214
Related interest expense	868,423
Wastewater System Revenue Refunding Bonds Series 2004 (see Note 12)	6,187,500
Related interest expense	<u>2,735,725</u>
Total contingent liability – joint venture	<u>\$ 16,470,862</u>

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

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	\$ 18,323,769	\$ 10,877,860	\$ 7,445,909
Steelfield Landfill Expansion	262,500	162,885	99,615
Intersection Improvement			
Transmitter/Game Farm	594,978	208,983	385,995
State Road 77 Forcemain	1,335,547	1,219,173	116,374
West End Fire Station	3,224,412	521,141	2,703,271
Total contract commitments	\$ 23,741,206	\$ 12,990,042	\$ 10,751,164

NOTE 18 – CONDUIT DEBT OBLIGATIONS

During the course of normal operations, the County entered into various conduit debt obligations. Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Bay County, Florida has no responsibility for the payment of these debt issues except for the payments received on the underlying lease or loan agreement. The County's conduit debt obligations at September 30, 2010, are summarized as follows:

Issue	Date of Issue	Amount Outstanding at September 30, 2010
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	\$ 10,684,264

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

**NOTE 19 – WORKERS’ COMPENSATION – SELF INSURANCE**

During fiscal year 1990, the County established a workers' compensation fund (an internal service fund) to account for and finance its uninsured risks of loss relating to workers' compensation claims. Under this program, the workers' compensation fund provides coverage for up to a maximum of \$350,000 for each workers' compensation claim through September 30, 2010. 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 \$4,279,972 reported in the workers' compensation fund at September 30, 2010, 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 2009 and 2010 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, 2008 - September 30, 2009	\$ 4,327,211	\$ 421,386	\$ (600,959)	\$ 4,147,638
October 1, 2009 - September 30, 2010	\$ 4,147,638	\$ 503,387	\$ (371,053)	\$ 4,279,972

**NOTE 20 – INSURANCE**

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

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 20 – INSURANCE (Continued)

Changes in the self-insurers' fund's claims liability amount in fiscal years 2009 and 2010 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, 2008 -				
September 30, 2009	\$ 250,000	\$ 1,584,410	\$ (1,584,410)	\$ 250,000
October 1, 2009 -				
September 30, 2010	\$ 250,000	\$ 1,870,593	\$ (1,870,593)	\$ 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 21 – 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 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, 2010, the County's investment in the joint venture was \$1,293,869. Complete financial statements for the joint venture may be obtained from the Operator at P.O. Box 2269, Panama City, Florida 32402.

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 21 – JOINT VENTURE (Continued)

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

Statement of Net Assets  
September 30, 2010

Assets	<u>\$ 37,876,122</u>
Liabilities	<u>\$ 27,425,563</u>
Net assets	
Invested in capital assets, net of related debt	4,743,319
Restricted for debt service	5,440,827
Unrestricted	<u>266,413</u>
Total net assets	<u>10,450,559</u>
Total liabilities and net assets	<u>\$ 37,876,122</u>

Statement of Activities  
Year Ended September 30, 2010

Revenues	\$ 6,460,709
Expenses	<u>(4,110,681)</u>
Operating income	2,350,028
Nonoperating revenues (expenses), net	<u>(1,083,104)</u>
Income before distributions	1,266,924
Distribution to owners	<u>(393,009)</u>
Change in net assets	873,915
Net assets, beginning of year	<u>9,576,644</u>
Net assets, end of year	<u>\$ 10,450,559</u>

As of September 30, 2010, the County's portion of contributions and net assets in the joint venture is as follows:

County investment, at September 30, 2009	\$ 1,002,226
Add: 2010 reserve fee allocation	22,530
Add: 2010 County share of net income	423,667
Less: 2010 service fee allocation	(22,592)
Less: 2009 distributions to owners	<u>(131,962)</u>
County investment in joint venture at September 30, 2010	<u>\$ 1,293,869</u>

NOTE 22 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2010, the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2010, billings for these services totaled \$1,634,729.

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

Bay County, Florida  
Notes to Basic Financial Statements  
September 30, 2010

NOTE 22 – RELATED PARTY TRANSACTIONS (Continued)

of the joint venture. Reimbursement for these expenses amounted to \$1,714,052 for the year ended September 30, 2010. In addition, during the current year the County recognized \$555,646 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$555,646, related to the State Revolving Fund Loan Program as discussed in Note 12.

NOTE 23 – 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 and upgrades were completed during fiscal year 2010. The amount of the impairment loss was \$7,357,794. As of September 30, 2010, the total amount of insurance proceeds, including prior year amounts, recognized was \$44,237,052 which includes \$2,500,000 of business interruption loss. The total amount expended, including upgrades, was \$41,924,221.

NOTE 24 – PRIOR PERIOD ADJUSTMENTS

General Fund Other Post Employment Benefits (OPEB)

During the year ended September 30, 2010, the County determined that the OPEB obligation was not reported properly in the prior year. The effect of the error was an understatement of expenses and the corresponding OPEB obligation in the prior year of \$1,628,736. As a result, a decrease in beginning net assets and an increase in OPEB obligation has been made.

Transportation Fund Capital Assets

During the year ended September 30, 2010, 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 of \$862,290. As a result, a decrease in the beginning capital assets and net assets amounts has been made.

Tourist Development Revenue

During the year ended September 30, 2010, the County determined that revenue and the amount due from other governments had been improperly recorded in the prior year. The effect of the error was an overstatement of amount due from other governments and the corresponding revenue in the prior year of \$385,699. As a result, a decrease in the beginning due from other governments and in net assets has been made.

Solid Waste Fund Construction in Progress

During the year ended September 30, 2010, the County determined that capitalizable costs, related to the incinerator repair, had been improperly expensed in the prior year. The effect of the error was an overstatement of expenses and an understatement of capital assets in the prior year of \$1,500,000. As a result, an increase in net assets and capital assets has been made.

## REQUIRED SUPPLEMENTARY INFORMATION

Bay County, Florida  
Required Supplementary Information  
September 30, 2010

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, 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%
September 30, 2010	-	\$ 16,535,173	\$ 16,535,173	0.0%	\$ 51,565,158	32.07%

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
2008	\$ 477,309	\$ 2,507,046	19.00%
2009	\$ 498,822	\$ 3,568,059	14.00%
2010	\$ 349,746	\$ 2,675,161	13.07%

# 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, 2010

	Special Revenue				
	Stormwater Management	Public Library	Public Safety	Intergovernmental Radio Communications	District Mosquito Control
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22,613	\$ 7,066	\$ 9,152	\$ 3,648	\$ 12,549
Accounts receivable, net	-	231	-	16,125	11
Special assessments receivable	-	-	-	-	-
Investments	2,476,500	728,949	1,002,278	504,560	1,374,353
Prepaid items	-	-	-	-	-
Due from other governments	90	-	289,912	53,439	4,570
Restricted assets					
Cash and cash equivalents	-	-	-	1,538	-
Investments	-	-	-	63,404	-
Total assets	<u>\$ 2,499,203</u>	<u>\$ 736,246</u>	<u>\$ 1,301,342</u>	<u>\$ 642,714</u>	<u>\$ 1,391,483</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable	\$ 96,411	\$ 75,121	\$ 46,295	\$ 8,401	\$ 28,620
Deferred revenue	-	250,428	-	-	-
Due to other funds	21,405	305	16,648	-	5,735
Total liabilities	<u>117,816</u>	<u>325,854</u>	<u>62,943</u>	<u>8,401</u>	<u>34,355</u>
Fund balance					
Reserved for					
Debt service	-	-	-	65,030	-
Impact fees	-	-	-	-	-
Prepaid items	-	-	-	-	-
Unreserved-designated	-	21,682	-	-	-
Unreserved-undesignated	2,381,387	388,710	1,238,399	569,283	1,357,128
Total fund balance	<u>2,381,387</u>	<u>410,392</u>	<u>1,238,399</u>	<u>634,313</u>	<u>1,357,128</u>
Total liabilities and fund balance	<u>\$ 2,499,203</u>	<u>\$ 736,246</u>	<u>\$ 1,301,342</u>	<u>\$ 642,714</u>	<u>\$ 1,391,483</u>

Continued

Special Revenue				
MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority	Court Fund	10/6/3 Fund
\$ 18,662	\$ 5,788	\$ 1,090	\$ 311,801	\$ -
3,851	3	173,292	5,161	-
-	190,984	-	-	-
2,286,053	633,891	119,348	-	-
1,980	-	-	-	-
25,640	-	-	14,581	-
13,925	-	-	-	-
1,282,837	-	-	-	-
<u>\$ 3,632,948</u>	<u>\$ 830,666</u>	<u>\$ 293,730</u>	<u>\$ 331,543</u>	<u>\$ -</u>
\$ 446,957	\$ -	\$ 2,728	\$ 189,896	\$ -
-	190,984	-	141,647	-
17,796	-	-	-	-
<u>464,753</u>	<u>190,984</u>	<u>2,728</u>	<u>331,543</u>	<u>-</u>
406,045	-	-	-	-
890,531	-	-	-	-
1,980	-	-	-	-
1,400,000	-	-	-	-
469,639	639,682	291,002	-	-
3,168,195	639,682	291,002	-	-
<u>\$ 3,632,948</u>	<u>\$ 830,666</u>	<u>\$ 293,730</u>	<u>\$ 331,543</u>	<u>\$ -</u>

Continued

Bay County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010

	Special Revenue				
	Family Mediation	Records Modernization - Records	Records Modernization - Court	10% Fine Records Modernization	Law Enforcement Training
<b>ASSETS</b>					
Cash and cash equivalents	\$ 663	\$ 63,132	\$ 124,933	\$ 187,033	\$ 30,766
Accounts receivable, net	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Investments	-	-	-	-	-
Prepaid items	-	24,486	-	3,910	-
Due from other governments	-	-	-	-	-
Restricted assets					
Cash and cash equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Total Assets	<u>\$ 663</u>	<u>\$ 87,618</u>	<u>\$ 124,933</u>	<u>\$ 190,943</u>	<u>\$ 30,766</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable	\$ -	\$ 1,040	\$ 14,270	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>1,040</u>	<u>14,270</u>	<u>-</u>	<u>-</u>
Fund balance					
Reserved for					
Debt service	-	-	-	-	-
Impact fees	-	-	-	-	-
Prepaid items	-	24,486	-	3,910	-
Unreserved-designated	-	-	-	-	-
Unreserved-undesignated	663	62,092	110,663	187,033	30,766
Total fund balance	<u>663</u>	<u>86,578</u>	<u>110,663</u>	<u>190,943</u>	<u>30,766</u>
Total liabilities and fund balance	<u>\$ 663</u>	<u>\$ 87,618</u>	<u>\$ 124,933</u>	<u>\$ 190,943</u>	<u>\$ 30,766</u>

Special Revenue

Special Law Enforcement Trust	Special Contribution	Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$ 52,836	\$ 6,090	\$ 275,112	\$ 47,725	\$ 84,067	\$ 258,863	\$ 1,523,589
-	-	-	-	-	40,637	239,311
-	-	-	-	-	-	190,984
-	-	-	-	-	-	9,125,932
-	-	-	-	-	-	30,376
-	-	-	-	-	-	388,232
-	-	-	-	-	-	15,463
-	-	-	-	-	-	1,346,241
<u>\$ 52,836</u>	<u>\$ 6,090</u>	<u>\$ 275,112</u>	<u>\$ 47,725</u>	<u>\$ 84,067</u>	<u>\$ 299,500</u>	<u>\$ 12,860,128</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,737	\$ 911,476
-	-	-	-	-	-	583,059
-	-	-	-	-	-	61,889
-	-	-	-	-	1,737	1,556,424
-	-	-	-	-	-	471,075
-	-	-	-	-	-	890,531
-	-	-	-	-	-	30,376
-	-	-	-	-	-	1,421,682
52,836	6,090	275,112	47,725	84,067	297,763	8,490,040
52,836	6,090	275,112	47,725	84,067	297,763	11,303,704
<u>\$ 52,836</u>	<u>\$ 6,090</u>	<u>\$ 275,112</u>	<u>\$ 47,725</u>	<u>\$ 84,067</u>	<u>\$ 299,500</u>	<u>\$ 12,860,128</u>

Bay County, Florida  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2010

	Special Revenue				
	Stormwater Management	Public Library	Public Safety	Intergovernmental Radio Communications	District Mosquito Control
<b>REVENUES</b>					
Taxes	\$ 1,613,119	\$ -	\$ -	\$ -	\$ 955,063
Intergovernmental	2,769	437,959	-	-	22,265
Charges for services	-	536,466	956,708	681,700	-
Special assessments	-	-	-	-	-
Investment earnings	(4,420)	(1,530)	12,643	5,267	11,062
Contributions and donations	-	16,640	-	214,397	-
Miscellaneous	-	18,771	-	-	-
Total revenues	<u>1,611,468</u>	<u>1,008,306</u>	<u>969,351</u>	<u>901,364</u>	<u>988,390</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	807,220	1,227,883	-
Physical environment	3,679,149	-	-	-	-
Culture and recreation	-	2,476,574	-	-	-
Human services	-	-	-	-	1,017,978
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	550,503	12,821	-
Physical environment	552,361	-	-	-	-
Culture and recreation	-	310,281	-	-	-
Human services	-	-	-	-	374,189
Debt service					
Principal	-	7,838	-	727,456	-
Interest	-	377	-	55,412	-
Total expenditures	<u>4,231,510</u>	<u>2,795,070</u>	<u>1,357,723</u>	<u>2,023,572</u>	<u>1,392,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,620,042)</u>	<u>(1,786,764)</u>	<u>(388,372)</u>	<u>(1,122,208)</u>	<u>(403,777)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	2,600,000	1,485,694	-	453,248	-
Issuance of debt	-	17,508	-	-	-
Proceeds from sale of capital assets	-	-	25,775	-	1,641
Total other financing sources	<u>2,600,000</u>	<u>1,503,202</u>	<u>25,775</u>	<u>453,248</u>	<u>1,641</u>
Net change in fund balance	(20,042)	(283,562)	(362,597)	(668,960)	(402,136)
Fund balance - beginning	<u>2,401,429</u>	<u>693,954</u>	<u>1,600,996</u>	<u>1,303,273</u>	<u>1,759,264</u>
Fund balance - ending	<u>\$ 2,381,387</u>	<u>\$ 410,392</u>	<u>\$ 1,238,399</u>	<u>\$ 634,313</u>	<u>\$ 1,357,128</u>

Continued

Special Revenue				
MSTU Fire Protection	MSBU Fund	Utility Regulatory Authority Fund	Court Fund	10/6/3 Fund
\$ 5,050,391	\$ -	\$ -	\$ -	\$ -
25,819	-	-	-	-
48,804	-	5,000	3,411,441	-
-	45,743	81,742	-	-
33,373	18,836	25,493	-	-
-	-	-	-	-
4,455	-	61,242	-	-
<u>5,162,842</u>	<u>64,579</u>	<u>173,477</u>	<u>3,411,441</u>	<u>-</u>
-	-	-	3,403,255	29,296
5,736,782	-	-	-	-
-	12,112	4,729	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	8,186	-
622,012	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
403,328	-	-	-	-
240,793	-	-	-	-
<u>7,002,915</u>	<u>12,112</u>	<u>4,729</u>	<u>3,411,441</u>	<u>29,296</u>
<u>(1,840,073)</u>	<u>52,467</u>	<u>168,748</u>	<u>-</u>	<u>(29,296)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(1,840,073)	52,467	168,748	-	(29,296)
<u>5,008,268</u>	<u>587,215</u>	<u>122,254</u>	<u>-</u>	<u>29,296</u>
<u>\$ 3,168,195</u>	<u>\$ 639,682</u>	<u>\$ 291,002</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

Bay County, Florida  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2010

	Special Revenue				
	Family Mediation	Records Modernization - Records	Records Modernization - Court	10% Fine Records Modernization	Law Enforcement Training
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	46,508
Charges for services	-	92,497	267,303	228,393	-
Special assessments	-	-	-	-	-
Investment earnings	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	92,497	267,303	228,393	46,508
<b>EXPENDITURES</b>					
Current					
General government	6,469	94,247	497,892	62,581	-
Public safety	-	-	-	-	34,662
Physical environment	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Human services	-	-	-	-	-
Capital outlay					
General government	-	-	15,581	-	-
Public safety	-	-	-	-	-
Physical environment	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Human services	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	6,469	94,247	513,473	62,581	34,662
Excess (deficiency) of revenues over (under) expenditures	(6,469)	(1,750)	(246,170)	165,812	11,846
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Issuance of debt	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(6,469)	(1,750)	(246,170)	165,812	11,846
Fund balance - beginning	7,132	88,328	356,833	25,131	18,920
Fund balance - ending	\$ 663	\$ 86,578	\$ 110,663	\$ 190,943	\$ 30,766

Special Law Enforcement Trust	Special Contribution	Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,618,573
117,498	10,847	201,342	59,502	63,439	-	987,948
-	-	-	-	-	451,280	6,679,592
-	-	-	-	-	-	127,485
-	-	-	-	-	-	100,724
-	-	-	-	-	-	231,037
-	-	609	117	7	-	85,201
<u>117,498</u>	<u>10,847</u>	<u>201,951</u>	<u>59,619</u>	<u>63,446</u>	<u>451,280</u>	<u>15,830,560</u>
-	-	-	-	-	-	4,093,740
76,038	9,834	187,418	68,527	17,186	276,550	8,442,100
-	-	-	-	-	-	3,695,990
-	-	-	-	-	-	2,476,574
-	-	-	-	-	-	1,017,978
-	-	-	-	-	-	23,767
-	-	-	86,797	3,140	-	1,275,273
-	-	-	-	-	-	552,361
-	-	-	-	-	-	310,281
-	-	-	-	-	-	374,189
-	-	-	-	-	-	1,138,622
-	-	-	-	-	-	296,582
<u>76,038</u>	<u>9,834</u>	<u>187,418</u>	<u>155,324</u>	<u>20,326</u>	<u>276,550</u>	<u>23,697,457</u>
<u>41,460</u>	<u>1,013</u>	<u>14,533</u>	<u>(95,705)</u>	<u>43,120</u>	<u>174,730</u>	<u>(7,866,897)</u>
-	-	-	-	-	-	4,538,942
-	-	-	-	-	-	17,508
-	-	-	-	-	-	27,416
-	-	-	-	-	-	4,583,866
41,460	1,013	14,533	(95,705)	43,120	174,730	(3,283,031)
<u>11,376</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>\$ 52,836</u>	<u>\$ 6,090</u>	<u>\$ 275,112</u>	<u>\$ 47,725</u>	<u>\$ 84,067</u>	<u>\$ 297,763</u>	<u>\$ 11,303,704</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Stormwater Management  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,550,000	\$ 1,613,119	\$ 1,613,119	\$ -
Intergovernmental	-	-	2,769	2,769
Investment earnings	36,022	36,022	(4,420)	(40,442)
Total revenues	<u>1,586,022</u>	<u>1,649,141</u>	<u>1,611,468</u>	<u>(37,673)</u>
<b>EXPENDITURES</b>				
Current				
Physical environment	4,093,673	4,093,845	3,679,149	414,696
Capital outlay				
Physical environment	<u>598,000</u>	<u>1,254,624</u>	<u>552,361</u>	<u>702,263</u>
Total expenditures	<u>4,691,673</u>	<u>5,348,469</u>	<u>4,231,510</u>	<u>1,116,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,105,651)</u>	<u>(3,699,328)</u>	<u>(2,620,042)</u>	<u>1,079,286</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,600,000</u>	<u>-</u>
Total other financing sources	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,600,000</u>	<u>-</u>
Net change in fund balance	(505,651)	(1,099,328)	(20,042)	1,079,286
Fund balance - beginning	<u>2,401,429</u>	<u>2,401,429</u>	<u>2,401,429</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,895,778</u>	<u>\$ 1,302,101</u>	<u>\$ 2,381,387</u>	<u>\$ 1,079,286</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Public Library  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 455,992	\$ 638,690	\$ 437,959	\$ (200,731)
Charges for services	451,328	585,909	536,466	(49,443)
Investment earnings	11,142	11,142	(1,530)	(12,672)
Contributions and donations	-	16,641	16,640	(1)
Miscellaneous	10,400	18,748	18,771	23
Total revenues	<u>928,862</u>	<u>1,271,130</u>	<u>1,008,306</u>	<u>(262,824)</u>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	2,286,287	2,673,983	2,476,574	197,409
Capital outlay				
Culture and recreation	314,688	314,688	310,281	4,407
Debt service				
Principal	7,838	7,838	7,838	-
Interest	1,042	1,042	377	665
Total expenditures	<u>2,609,855</u>	<u>2,997,551</u>	<u>2,795,070</u>	<u>202,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,680,993)</u>	<u>(1,726,421)</u>	<u>(1,786,764)</u>	<u>(60,343)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,485,694	1,485,694	1,485,694	-
Issuance of debt	-	-	17,508	17,508
Total other financing sources	<u>1,485,694</u>	<u>1,485,694</u>	<u>1,503,202</u>	<u>17,508</u>
Net change in fund balance	(195,299)	(240,727)	(283,562)	(42,835)
Fund balance - beginning	<u>693,954</u>	<u>693,954</u>	<u>693,954</u>	<u>-</u>
Fund balance - ending	<u>\$ 498,655</u>	<u>\$ 453,227</u>	<u>\$ 410,392</u>	<u>\$ (42,835)</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Public Safety  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 964,250	\$ 964,250	\$ 956,708	\$ (7,542)
Investment earnings	17,653	17,653	12,643	(5,010)
Total revenues	<u>981,903</u>	<u>981,903</u>	<u>969,351</u>	<u>(12,552)</u>
<b>EXPENDITURES</b>				
Current				
Public safety	680,341	1,358,539	807,220	551,319
Capital outlay				
Public safety	-	531,941	550,503	(18,562)
Total expenditures	<u>680,341</u>	<u>1,890,480</u>	<u>1,357,723</u>	<u>532,757</u>
Excess (deficiency) of revenues over (under) expenditures	<u>301,562</u>	<u>(908,577)</u>	<u>(388,372)</u>	<u>520,205</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	-	-	25,775	25,775
Total other financing sources	<u>-</u>	<u>-</u>	<u>25,775</u>	<u>25,775</u>
Net change in fund balance	301,562	(908,577)	(362,597)	545,980
Fund balance - beginning	<u>1,600,996</u>	<u>1,600,996</u>	<u>1,600,996</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,902,558</u>	<u>\$ 692,419</u>	<u>\$ 1,238,399</u>	<u>\$ 545,980</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Intergovernmental Radio Communications  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 696,340	\$ 755,532	\$ 681,700	\$ (73,832)
Investment earnings	29,780	29,780	5,267	(24,513)
Contributions and donations	216,360	216,360	214,397	(1,963)
Total revenues	<u>942,480</u>	<u>1,001,672</u>	<u>901,364</u>	<u>(100,308)</u>
<b>EXPENDITURES</b>				
Current				
Public safety	545,350	1,260,012	1,227,883	32,129
Capital outlay				
Public safety	-	27,399	12,821	14,578
Debt service				
Principal	730,231	730,231	727,456	2,775
Interest	56,355	56,355	55,412	943
Total expenditures	<u>1,331,936</u>	<u>2,073,997</u>	<u>2,023,572</u>	<u>50,425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(389,456)</u>	<u>(1,072,325)</u>	<u>(1,122,208)</u>	<u>(49,883)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	450,320	450,320	453,248	2,928
Total other financing sources	<u>450,320</u>	<u>450,320</u>	<u>453,248</u>	<u>2,928</u>
Net change in fund balance	60,864	(622,005)	(668,960)	(46,955)
Fund balance - beginning	<u>1,303,273</u>	<u>1,303,273</u>	<u>1,303,273</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,364,137</u>	<u>\$ 681,268</u>	<u>\$ 634,313</u>	<u>\$ (46,955)</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
District Mosquito Control  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 941,822	\$ 954,529	\$ 955,063	\$ 534
Intergovernmental	17,500	17,500	22,265	4,765
Charges for services	3,380	3,380	-	(3,380)
Investment earnings	31,095	31,095	11,062	(20,033)
Total revenues	<u>993,797</u>	<u>1,006,504</u>	<u>988,390</u>	<u>(18,114)</u>
<b>EXPENDITURES</b>				
Current				
Human services	1,409,058	1,302,058	1,017,978	284,080
Capital outlay				
Human services	372,495	479,495	374,189	105,306
Total expenditures	<u>1,781,553</u>	<u>1,781,553</u>	<u>1,392,167</u>	<u>389,386</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(787,756)</u>	<u>(775,049)</u>	<u>(403,777)</u>	<u>371,272</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	-	-	1,641	1,641
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,641</u>	<u>1,641</u>
Net change in fund balance	(787,756)	(775,049)	(402,136)	372,913
Fund balance - beginning	<u>1,759,264</u>	<u>1,759,264</u>	<u>1,759,264</u>	<u>-</u>
Fund balance - ending	<u>\$ 971,508</u>	<u>\$ 984,215</u>	<u>\$ 1,357,128</u>	<u>\$ 372,913</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
MSTU Fire Protection  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,953,387	\$ 5,044,333	\$ 5,050,391	\$ 6,058
Intergovernmental	5,050	6,480	25,819	19,339
Charges for services	76,438	76,438	48,804	(27,634)
Investment earnings	117,261	117,261	33,373	(83,888)
Miscellaneous	-	4,255	4,455	200
Total revenues	<u>5,152,136</u>	<u>5,248,767</u>	<u>5,162,842</u>	<u>(85,925)</u>
<b>EXPENDITURES</b>				
Current				
Public safety	5,891,750	5,958,612	5,736,782	221,830
Capital outlay				
Public safety	2,700,000	2,988,500	622,012	2,366,488
Debt service				
Principal	385,124	385,124	403,328	(18,204)
Interest	<u>267,472</u>	<u>267,472</u>	<u>240,793</u>	<u>26,679</u>
Total expenditures	<u>9,244,346</u>	<u>9,599,708</u>	<u>7,002,915</u>	<u>2,596,793</u>
Excess (deficiency) of revenues over (under) expenditures	(4,092,210)	(4,350,941)	(1,840,073)	2,510,868
Fund balance - beginning	<u>5,008,268</u>	<u>5,008,268</u>	<u>5,008,268</u>	<u>-</u>
Fund balance - ending	<u>\$ 916,058</u>	<u>\$ 657,327</u>	<u>\$ 3,168,195</u>	<u>\$ 2,510,868</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
MSBU Fund  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 32,920	\$ 45,875	\$ 45,743	\$ (132)
Investment earnings	37,500	37,500	18,836	(18,664)
Total revenues	<u>70,420</u>	<u>83,375</u>	<u>64,579</u>	<u>(18,796)</u>
<b>EXPENDITURES</b>				
Current				
Physical environment	1,850	12,550	12,112	438
Total expenditures	<u>1,850</u>	<u>12,550</u>	<u>12,112</u>	<u>438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,570</u>	<u>70,825</u>	<u>52,467</u>	<u>(18,358)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	-	500,000
Total other financing sources (uses)	<u>(500,000)</u>	<u>(500,000)</u>	-	500,000
Net change in fund balance	(431,430)	(429,175)	52,467	481,642
Fund balance - beginning	<u>587,215</u>	<u>587,215</u>	<u>587,215</u>	-
Fund balance - ending	<u>\$ 155,785</u>	<u>\$ 158,040</u>	<u>\$ 639,682</u>	<u>\$ 481,642</u>

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Utility Regulatory Authority Fund  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 5,000	\$ 5,000
Special assessments	-	-	81,742	81,742
Investment earnings	-	-	25,493	25,493
Miscellaneous	-	-	61,242	61,242
Total revenues	-	-	173,477	173,477
<b>EXPENDITURES</b>				
Current				
Physical environment	75,000	75,421	4,729	70,692
Total expenditures	75,000	75,421	4,729	70,692
Excess (deficiency) of revenues over (under) expenditures	(75,000)	(75,421)	168,748	244,169
<b>OTHER FINANCING SOURCES</b>				
Transfers in	85,000	85,000	-	(85,000)
Total other financing sources	85,000	85,000	-	(85,000)
Net change in fund balance	10,000	9,579	168,748	159,169
Fund balance - beginning	122,254	122,254	122,254	-
Fund balance - ending	\$ 132,254	\$ 131,833	\$ 291,002	\$ 159,169

Bay County, Florida  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Court Fund  
Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 2,549,637	\$ 3,411,441	\$ 3,411,441	\$ -
Total revenues	<u>2,549,637</u>	<u>3,411,441</u>	<u>3,411,441</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General government	2,541,451	3,403,255	3,403,255	-
Capital outlay				
General government	8,186	8,186	8,186	-
Total expenditures	<u>2,549,637</u>	<u>3,411,441</u>	<u>3,411,441</u>	<u>-</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, 2010

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 9,298	\$ 174,593	\$ -	\$ 333	\$ 184,224
Accounts receivable, net	198,172	181	-	8,177	206,530
Prepaid expenses	-	50,000	1,041,903	-	1,091,903
Investments	936,129	4,953,792	-	30,991	5,920,912
Due from other governments	320	-	-	-	320
Due from other funds	87,504	-	89,586	114,834	291,924
Total current assets	<u>1,231,423</u>	<u>5,178,566</u>	<u>1,131,489</u>	<u>154,335</u>	<u>7,695,813</u>
Capital assets					
Buildings	693,830	-	-	618,642	1,312,472
Improvements	96,850	-	-	-	96,850
Furniture and equipment	633,545	3,845	82,395	502,068	1,221,853
Less: accumulated depreciation	(851,609)	(3,845)	(71,358)	(453,837)	(1,380,649)
Total capital assets, net	<u>572,616</u>	<u>-</u>	<u>11,037</u>	<u>666,873</u>	<u>1,250,526</u>
Total assets	<u>1,804,039</u>	<u>5,178,566</u>	<u>1,142,526</u>	<u>821,208</u>	<u>8,946,339</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	109,818	10,519	396,888	70,448	587,673
Accrued compensated absences	36,403	5,874	1,533	30,769	74,579
Due to other funds	16,653	-	70	662	17,385
Total current liabilities	<u>162,874</u>	<u>16,393</u>	<u>398,491</u>	<u>101,879</u>	<u>679,637</u>
Noncurrent liabilities					
Other accrued liabilities	-	4,279,972	-	-	4,279,972
Accrued compensated absences	40,376	7,355	-	24,482	72,213
Net OPEB obligation	61,831	1,352	-	11,437	74,620
Total noncurrent liabilities	<u>102,207</u>	<u>4,288,679</u>	<u>-</u>	<u>35,919</u>	<u>4,426,805</u>
Total liabilities	<u>265,081</u>	<u>4,305,072</u>	<u>398,491</u>	<u>137,798</u>	<u>5,106,442</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	572,616	-	11,037	666,873	1,250,526
Unrestricted	966,342	873,494	732,998	16,537	2,589,371
Total net assets	<u>\$ 1,538,958</u>	<u>\$ 873,494</u>	<u>\$ 744,035</u>	<u>\$ 683,410</u>	<u>\$ 3,839,897</u>

Bay County, Florida  
Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Internal Service Funds  
Year Ended September 30, 2010

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 4,235,413	\$ 558,254	\$ 1,995,067	\$ 1,570,816	\$ 8,359,550
Miscellaneous	4,875	100	-	-	4,975
Total operating revenues	<u>4,240,288</u>	<u>558,354</u>	<u>1,995,067</u>	<u>1,570,816</u>	<u>8,364,525</u>
<b>OPERATING EXPENSES</b>					
Personal services	1,601,983	171,479	96,536	1,209,073	3,079,071
Contracted services	64,875	46,849	10,384	155,735	277,843
Repairs and maintenance	100,105	3,320	968	21,384	125,777
Utilities	134,243	4,537	4,537	20,169	163,486
Depreciation	66,058	-	3,004	48,694	117,756
Materials	2,501,285	-	-	-	2,501,285
Insurance claims	-	290,170	1,870,593	-	2,160,763
Other operating expenses	125,029	42,867	5,078	120,475	293,449
Total operating expenses	<u>4,593,578</u>	<u>559,222</u>	<u>1,991,100</u>	<u>1,575,530</u>	<u>8,719,430</u>
Operating income (loss)	<u>(353,290)</u>	<u>(868)</u>	<u>3,967</u>	<u>(4,714)</u>	<u>(354,905)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	4,896	25,774	(2,976)	(4,973)	22,721
Total nonoperating revenues	<u>4,896</u>	<u>25,774</u>	<u>(2,976)</u>	<u>(4,973)</u>	<u>22,721</u>
Income (loss) before transfers	<u>(348,394)</u>	<u>24,906</u>	<u>991</u>	<u>(9,687)</u>	<u>(332,184)</u>
<b>TRANSFERS</b>					
Transfers in	-	-	210,006	-	210,006
Net transfers	<u>-</u>	<u>-</u>	<u>210,006</u>	<u>-</u>	<u>210,006</u>
Change in net assets	<u>(348,394)</u>	<u>24,906</u>	<u>210,997</u>	<u>(9,687)</u>	<u>(122,178)</u>
Total net assets - beginning	<u>1,887,352</u>	<u>848,588</u>	<u>533,038</u>	<u>693,097</u>	<u>3,962,075</u>
Total net assets - ending	<u>\$ 1,538,958</u>	<u>\$ 873,494</u>	<u>\$ 744,035</u>	<u>\$ 683,410</u>	<u>\$ 3,839,897</u>

Continued

Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2010

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers and others	\$ 4,221,975	\$ 558,073	\$ 1,942,287	\$ 1,784,071	\$ 8,506,406
Cash received from miscellaneous operating activities	4,875	100	-	-	4,975
Cash paid to suppliers for goods and services	(2,977,088)	(283,141)	(2,101,480)	(530,824)	(5,892,533)
Cash paid to employees for services	(1,599,924)	(176,436)	(98,769)	(1,202,760)	(3,077,889)
Net cash provided by (used in) operating activities	<u>(350,162)</u>	<u>98,596</u>	<u>(257,962)</u>	<u>50,487</u>	<u>(459,041)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	-	210,006	-	210,006
Net cash provided by noncapital financing activities	-	-	210,006	-	210,006
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(21,933)	-	-	(14,240)	(36,173)
Net cash (used in) capital and related financing activities	<u>(21,933)</u>	<u>-</u>	<u>-</u>	<u>(14,240)</u>	<u>(36,173)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale and maturities of investment securities	1,172,831	3,508,640	65,655	(24,225)	4,722,901
Purchase of investments	(802,589)	(3,474,634)	(18,139)	(11,739)	(4,307,101)
Interest and dividends on investments	2,555	12,063	135	-	14,753
Net cash provided by (used in) investing activities	<u>372,797</u>	<u>46,069</u>	<u>47,651</u>	<u>(35,964)</u>	<u>430,553</u>
Net increase (decrease) in cash and cash equivalents	702	144,665	(305)	283	145,345
Cash and cash equivalents - beginning	8,596	29,928	305	50	38,879
Cash and cash equivalents - ending	<u>\$ 9,298</u>	<u>\$ 174,593</u>	<u>\$ -</u>	<u>\$ 333</u>	<u>\$ 184,224</u>

Bay County, Florida  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2010

	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)	\$ (353,290)	\$ (868)	\$ 3,967	\$ (4,714)	\$ (354,905)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	66,058	-	3,004	48,694	117,756
(Increase) decrease in assets					
Accounts receivable	(45,121)	(181)	6,449	(760)	(39,613)
Prepaid expenses	-	-	(99,559)	-	(99,559)
Due from other funds	30,244	-	(89,174)	18,358	(40,572)
Due from other governments	1,439	-	29,945	195,657	227,041
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(52,789)	104,602	139,013	(213,281)	(22,455)
Accrued compensated absences	(14,020)	(5,824)	(2,233)	1,584	(20,493)
Due to other funds	1,238	-	(249,374)	220	(247,916)
Net OPEB obligation	16,079	867	-	4,729	21,675
Total adjustments	3,128	99,464	(261,929)	55,201	(104,136)
Net cash provided by (used in) operating activities	<u>\$ (350,162)</u>	<u>\$ 98,596</u>	<u>\$ (257,962)</u>	<u>\$ 50,487</u>	<u>\$ (459,041)</u>

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## **Fiduciary Funds**

### **Agency Funds**

Fines, Forfeitures and 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, 2010

	<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	\$ 1,759,737	\$ 25,278	\$ 130,639	\$ 10,449
Investments	-	-	-	-
Accounts receivable, net	-	-	-	-
Total assets	<u>\$ 1,759,737</u>	<u>\$ 25,278</u>	<u>\$ 130,639</u>	<u>\$ 10,449</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 130,639	\$ 10,449
Due to others	-	-	-	-
Due to other governments	1,759,737	25,278	-	-
Total liabilities	<u>\$ 1,759,737</u>	<u>\$ 25,278</u>	<u>\$ 130,639</u>	<u>\$ 10,449</u>

Continued

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2010

	<u>Court Registry</u>	<u>Cash Bond</u>	<u>Restitution</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,061,072	\$ 1,293,263	\$ 10,099
Investments	-	-	-
Accounts receivable, net	-	-	-
Total assets	<u>\$ 1,061,072</u>	<u>\$ 1,293,263</u>	<u>\$ 10,099</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,061,072	\$ -	\$ 10,099
Due to others	-	-	-
Due to other governments	-	1,293,263	-
Total liabilities	<u>\$ 1,061,072</u>	<u>\$ 1,293,263</u>	<u>\$ 10,099</u>

Continued

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2010

	<u>Property Tax</u>	<u>Tax Certificate</u>	<u>Tag</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,828,209	\$ -	\$ 34,423
Investments	76,637	-	-
Accounts receivable, net	<u>-</u>	<u>357</u>	<u>19,811</u>
Total assets	<u><u>\$ 1,904,846</u></u>	<u><u>\$ 357</u></u>	<u><u>\$ 54,234</u></u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to others	-	357	-
Due to other governments	<u>1,904,846</u>	<u>-</u>	<u>54,234</u>
Total liabilities	<u><u>\$ 1,904,846</u></u>	<u><u>\$ 357</u></u>	<u><u>\$ 54,234</u></u>

Bay County, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2010

	<u>Other Suspense</u>	<u>Individual Depositors</u>	<u>Forfeitures</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 12,210	\$ 79,589	\$ 6,244,968
Investments	-	-	-	76,637
Accounts receivable, net	-	-	-	20,168
Total assets	<u>\$ -</u>	<u>\$ 12,210</u>	<u>\$ 79,589</u>	<u>\$ 6,341,773</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 12,210	\$ -	\$ 1,224,469
Due to others	-	-	79,589	79,946
Due to other governments	-	-	-	5,037,358
Total liabilities	<u>\$ -</u>	<u>\$ 12,210</u>	<u>\$ 79,589</u>	<u>\$ 6,341,773</u>

Continued

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>FINES, FORFEITURES, and OTHER FEES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,879,009	\$ 28,033,145	\$ 28,152,417	\$ 1,759,737
Total assets	<u>\$ 1,879,009</u>	<u>\$ 28,033,145</u>	<u>\$ 28,152,417</u>	<u>\$ 1,759,737</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,879,009	\$ 28,033,145	\$ 28,152,417	\$ 1,759,737
Total liabilities	<u>\$ 1,879,009</u>	<u>\$ 28,033,145</u>	<u>\$ 28,152,417</u>	<u>\$ 1,759,737</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 42,391	\$ 58,556	\$ 75,669	\$ 25,278
Total assets	<u>\$ 42,391</u>	<u>\$ 58,556</u>	<u>\$ 75,669</u>	<u>\$ 25,278</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 42,391	\$ 58,556	\$ 75,669	\$ 25,278
Total liabilities	<u>\$ 42,391</u>	<u>\$ 58,556</u>	<u>\$ 75,669</u>	<u>\$ 25,278</u>
<b>TAX DEED ASSETS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 137,584	\$ 563,118	\$ 570,063	\$ 130,639
Total assets	<u>\$ 137,584</u>	<u>\$ 563,118</u>	<u>\$ 570,063</u>	<u>\$ 130,639</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 137,584	\$ 563,118	\$ 570,063	\$ 130,639
Total liabilities	<u>\$ 137,584</u>	<u>\$ 563,118</u>	<u>\$ 570,063</u>	<u>\$ 130,639</u>

Continued

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 54,298	\$ 734,050	\$ 777,899	\$ 10,449
Accounts receivable, net	2,123	-	2,123	-
Total assets	<u>\$ 56,421</u>	<u>\$ 734,050</u>	<u>\$ 780,022</u>	<u>\$ 10,449</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	<u>\$ 56,421</u>	<u>\$ 734,050</u>	<u>\$ 780,022</u>	<u>\$ 10,449</u>
Total liabilities	<u>\$ 56,421</u>	<u>\$ 734,050</u>	<u>\$ 780,022</u>	<u>\$ 10,449</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,108,146	\$ 56,277,985	\$ 56,325,059	\$ 1,061,072
Total assets	<u>\$ 1,108,146</u>	<u>\$ 56,277,985</u>	<u>\$ 56,325,059</u>	<u>\$ 1,061,072</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	<u>\$ 1,108,146</u>	<u>\$ 56,277,985</u>	<u>\$ 56,325,059</u>	<u>\$ 1,061,072</u>
Total liabilities	<u>\$ 1,108,146</u>	<u>\$ 56,277,985</u>	<u>\$ 56,325,059</u>	<u>\$ 1,061,072</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,228,877	\$ 2,897,743	\$ 2,833,357	\$ 1,293,263
Total assets	<u>\$ 1,228,877</u>	<u>\$ 2,897,743</u>	<u>\$ 2,833,357</u>	<u>\$ 1,293,263</u>
<b>LIABILITIES</b>				
Due to other governments	<u>\$ 1,228,877</u>	<u>\$ 2,897,743</u>	<u>\$ 2,833,357</u>	<u>\$ 1,293,263</u>
Total liabilities	<u>\$ 1,228,877</u>	<u>\$ 2,897,743</u>	<u>\$ 2,833,357</u>	<u>\$ 1,293,263</u>

Continued

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,096	\$ 693,682	\$ 693,679	\$ 10,099
Total assets	<u>\$ 10,096</u>	<u>\$ 693,682</u>	<u>\$ 693,679</u>	<u>\$ 10,099</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 10,096	\$ 693,682	\$ 693,679	\$ 10,099
Total liabilities	<u>\$ 10,096</u>	<u>\$ 693,682</u>	<u>\$ 693,679</u>	<u>\$ 10,099</u>
<b>PROPERTY TAX</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,786,584	\$ 393,249,959	\$ 393,208,334	\$ 1,828,209
Investments	75,320	1,317	-	76,637
Total assets	<u>\$ 1,861,904</u>	<u>\$ 393,251,276</u>	<u>\$ 393,208,334</u>	<u>\$ 1,904,846</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,861,904	\$ 393,251,276	\$ 393,208,334	\$ 1,904,846
Total liabilities	<u>\$ 1,861,904</u>	<u>\$ 393,251,276</u>	<u>\$ 393,208,334</u>	<u>\$ 1,904,846</u>
<b>TAX CERTIFICATE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 555	\$ 16,950,659	\$ 16,951,214	\$ -
Accounts receivable, net	-	357	-	357
Total assets	<u>\$ 555</u>	<u>\$ 16,951,016</u>	<u>\$ 16,951,214</u>	<u>\$ 357</u>
<b>LIABILITIES</b>				
Due to others	\$ 555	\$ 16,951,016	\$ 16,951,214	\$ 357
Total liabilities	<u>\$ 555</u>	<u>\$ 16,951,016</u>	<u>\$ 16,951,214</u>	<u>\$ 357</u>
<b>TAG</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,898	\$ 21,044,153	\$ 21,030,628	\$ 34,423
Accounts receivable, net	18,646	12,815	11,650	19,811
Total assets	<u>\$ 39,544</u>	<u>\$ 21,056,968</u>	<u>\$ 21,042,278</u>	<u>\$ 54,234</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 39,544	\$ 21,056,968	\$ 21,042,278	\$ 54,234
Total liabilities	<u>\$ 39,544</u>	<u>\$ 21,056,968</u>	<u>\$ 21,042,278</u>	<u>\$ 54,234</u>

Bay County, Florida  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
Year Ended September 30, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 130,592	\$ 130,592	\$ -
Total assets	<u>\$ -</u>	<u>\$ 130,592</u>	<u>\$ 130,592</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 130,592	\$ 130,592	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 130,592</u>	<u>\$ 130,592</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,460	\$ 372,878	\$ 371,128	\$ 12,210
Total assets	<u>\$ 10,460</u>	<u>\$ 372,878</u>	<u>\$ 371,128</u>	<u>\$ 12,210</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 10,460	\$ 372,878	\$ 371,128	\$ 12,210
Total liabilities	<u>\$ 10,460</u>	<u>\$ 372,878</u>	<u>\$ 371,128</u>	<u>\$ 12,210</u>
<b>FORFEITURES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,828	\$ 145,881	\$ 96,120	\$ 79,589
Total assets	<u>\$ 29,828</u>	<u>\$ 145,881</u>	<u>\$ 96,120</u>	<u>\$ 79,589</u>
<b>LIABILITIES</b>				
Due to others	\$ 29,828	\$ 145,881	\$ 96,120	\$ 79,589
Total liabilities	<u>\$ 29,828</u>	<u>\$ 145,881</u>	<u>\$ 96,120</u>	<u>\$ 79,589</u>
<b>COMBINED TOTALS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,308,726	\$ 521,152,401	\$ 521,216,159	\$ 6,244,968
Investments	75,320	1,317	-	76,637
Accounts receivable, net	20,769	13,172	13,773	20,168
Total assets	<u>\$ 6,404,815</u>	<u>\$ 521,166,890</u>	<u>\$ 521,229,932</u>	<u>\$ 6,341,773</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,322,707	\$ 58,641,713	\$ 58,739,951	\$ 1,224,469
Due to others	30,383	17,096,897	17,047,334	79,946
Due to other governments	5,051,725	445,428,280	445,442,647	5,037,358
Total liabilities	<u>\$ 6,404,815</u>	<u>\$ 521,166,890</u>	<u>\$ 521,229,932</u>	<u>\$ 6,341,773</u>

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# **STATISTICAL SECTION**

**BAY COUNTY, FLORIDA  
STATISTICAL SECTION**

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
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<b>Financial Trends .....</b>	<b>C-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>
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*These schedules present information to help the reader assess the affordability of the county's current levels of outstanding debt and the county's ability to issue additional debt in the future.*

<b>Demographic and Economic Information .....</b>	<b>C-29</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-32</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 Nine 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>	<u>2010</u>
\$ 109,592,599	\$ 130,031,134	\$ 146,149,695	\$ 161,775,959	\$ 167,184,260
18,043,292	19,924,887	18,091,072	12,256,875	12,510,353
56,527,122	62,053,258	65,061,054	70,278,219	59,778,907
<u>\$ 184,163,013</u>	<u>\$ 212,009,279</u>	<u>\$ 229,301,821</u>	<u>\$ 244,311,053</u>	<u>\$ 239,473,520</u>
\$ 37,518,571	\$ 46,446,331	\$ 51,130,331	\$ 53,453,268	\$ 81,158,497
7,862,907	2,999,323	3,066,336	6,271,620	6,566,100
39,375,268	29,535,560	26,183,800	21,522,496	24,019,080
<u>\$ 84,756,746</u>	<u>\$ 78,981,214</u>	<u>\$ 80,380,467</u>	<u>\$ 81,247,384</u>	<u>\$ 111,743,677</u>
\$ 147,111,170	\$ 176,477,465	\$ 197,280,026	\$ 215,229,227	\$ 248,342,757
25,906,199	22,924,210	21,157,408	18,528,495	19,076,453
95,902,390	91,588,818	91,244,854	91,800,715	83,797,987
<u>\$ 268,919,759</u>	<u>\$ 290,990,493</u>	<u>\$ 309,682,288</u>	<u>\$ 325,558,437</u>	<u>\$ 351,217,197</u>

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

	Fiscal Year			
	<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

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 21,899,647	\$ 22,123,284	\$ 23,769,102	\$ 43,306,782	\$ 44,216,781
45,667,025	47,595,636	51,587,681	35,244,894	38,220,126
4,846,055	4,411,573	4,504,251	4,492,133	4,343,675
13,023,819	14,053,021	15,122,222	16,091,014	20,903,717
14,186,061	16,957,645	16,862,278	21,343,831	18,601,704
4,591,809	5,594,624	5,042,410	5,680,622	5,552,240
3,943,961	4,473,399	5,349,023	5,882,640	5,098,294
1,691,167	2,974,935	4,185,220	4,096,732	3,956,673
<u>109,849,544</u>	<u>118,184,117</u>	<u>126,422,187</u>	<u>136,138,648</u>	<u>140,893,210</u>
10,871,172	12,060,032	13,131,437	13,753,543	12,230,344
4,135,864	5,808,833	5,700,378	8,460,073	9,774,380
3,902,819	2,218,595	6,643,917	6,047,598	5,768,403
17,574,763	17,209,523	15,477,882	15,107,160	14,737,174
2,011,650	2,126,578	2,139,805	1,934,416	1,699,893
<u>38,496,268</u>	<u>39,423,561</u>	<u>43,093,419</u>	<u>45,302,790</u>	<u>44,210,194</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>	<b><u>\$ 185,103,404</u></b>
\$ 16,455,481	\$ 16,819,772	\$ 15,239,392	\$ 14,480,938	\$ 13,748,179
2,041,634	1,953,947	1,739,995	1,413,940	1,419,092
1,602,888	1,523,655	1,597,427	1,656,563	1,832,155
764,439	1,541,359	1,045,906	271,986	464,965
3,640	3,900	1,040	780	-
824,209	645,918	519,422	564,222	593,340
3,590,815	3,076,826	4,722,856	18,887,680	16,953,017
5,602,631	5,880,132	11,085,254	9,955,607	7,040,323
<u>30,885,737</u>	<u>31,445,509</u>	<u>35,951,292</u>	<u>47,231,716</u>	<u>42,051,071</u>
11,461,915	10,361,087	13,876,827	13,317,211	13,772,277
3,863,260	4,189,192	3,987,039	5,677,074	6,421,773
3,826,936	2,280,293	6,695,497	5,928,887	5,873,324
12,217,568	9,475,368	10,726,249	11,744,325	13,336,670
3,335,953	2,099,218	1,657,191	1,126,424	693,361
7,505	202,351	535,000	985,000	315,000
-	18,603	824,906	5,900,163	871,811
<u>34,713,137</u>	<u>28,626,112</u>	<u>38,302,709</u>	<u>44,679,084</u>	<u>41,284,216</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>	<b><u>\$ 83,335,287</u></b>

continued

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

	Fiscal Year			
	<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

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ (78,963,807)	\$ (86,738,608)	\$ (90,470,895)	\$ (88,906,932)	(98,842,139)
<u>(3,783,131)</u>	<u>(10,797,449)</u>	<u>(4,790,710)</u>	<u>(623,706)</u>	<u>(2,925,978)</u>
<u>(82,746,938)</u>	<u>(97,536,057)</u>	<u>(95,261,605)</u>	<u>(89,530,638)</u>	<u>(101,768,117)</u>
73,729,204	77,146,885	73,436,473	69,757,473	63,269,038
24,215,778	24,982,006	24,569,697	28,794,256	29,006,207
3,491,084	3,379,522	3,136,583	2,921,458	2,954,621
3,262,306	7,007,059	4,855,754	1,604,764	654,378
-	-	-	-	-
2,681,029	1,710,623	1,795,724	1,559,634	997,087
<u>8,143</u>	<u>-</u>	<u>-</u>	<u>(233,781)</u>	<u>-</u>
<u>107,387,544</u>	<u>114,226,095</u>	<u>107,794,231</u>	<u>104,403,804</u>	<u>96,881,331</u>
1,900	1,500	1,100	2,200	2,500
-	-	-	-	-
3,366,297	3,629,698	2,612,599	1,658,856	1,257,174
1,081,040	1,390,719	6,014,516	359,831	30,662,597
<u>(8,143)</u>	<u>-</u>	<u>-</u>	<u>233,781</u>	<u>-</u>
<u>4,441,094</u>	<u>5,021,917</u>	<u>8,628,215</u>	<u>2,254,668</u>	<u>31,922,271</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>	<b><u>\$ 128,803,602</u></b>
\$ 28,423,737	\$ 27,487,487	\$ 17,292,542	\$ 15,496,872	(1,960,808)
<u>657,963</u>	<u>(5,775,532)</u>	<u>3,868,299</u>	<u>1,630,962</u>	<u>28,996,293</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>	<b><u>\$ 27,035,485</u></b>

**Bay County, Florida**  
**Fund Balance, Governmental Funds**  
**Last Nine 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>	<u>2010</u>
\$ 44,351,137	\$ 36,949,309	\$ 39,966,000	\$ 12,111,996	\$ 12,134,054
<u>31,933,944</u>	<u>33,598,429</u>	<u>30,700,762</u>	<u>35,025,941</u>	<u>24,211,397</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>	<b><u>\$ 36,345,451</u></b>
\$ 17,404,849	\$ 13,524,528	\$ 15,840,847	\$ 19,022,170	\$ 20,293,685
<u>18,100,472</u>	<u>26,960,435</u>	<u>28,261,408</u>	<u>27,435,348</u>	<u>23,018,439</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>	<b><u>\$ 43,312,124</u></b>

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

	Fiscal Year			
	<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)
Proceeds from sale of capital assets	-	-	-	-
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

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 85,896,879	\$ 90,307,436	\$ 86,781,507	\$ 87,851,490	\$ 81,578,570
2,230	1,899	2,412	8,454	1,705
24,673,396	23,889,913	28,962,899	28,949,201	35,852,434
19,781,978	19,801,852	17,444,872	15,609,839	15,528,324
137,019	63,081	139,198	137,711	281,047
254,505	359,198	346,583	81,722	313,167
3,079,818	6,725,924	4,931,754	1,903,556	952,199
-	190,797	75,901	1,345,301	4,081,268
3,078,727	1,946,036	1,300,099	1,074,105	554,748
<u>136,904,552</u>	<u>143,286,136</u>	<u>139,985,225</u>	<u>136,961,379</u>	<u>139,143,462</u>
20,262,747	6,967,890	20,108,027	20,834,114	21,734,774
43,970,630	57,386,591	47,521,961	49,292,375	51,029,913
4,363,508	3,967,883	4,024,785	5,903,593	3,896,101
8,686,780	9,306,583	10,989,649	9,505,479	15,766,696
13,618,153	16,404,349	16,300,499	22,198,357	19,931,304
4,516,240	5,538,168	4,970,430	5,598,800	5,473,781
3,604,503	3,843,006	4,449,189	4,161,662	4,070,360
17,619,434	32,780,705	49,905,995	32,533,103	23,353,424
3,601,370	3,883,937	3,827,285	4,133,143	3,684,931
1,532,684	2,963,339	4,033,487	4,053,918	3,915,039
-	(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>152,856,323</u>
15,128,503	588,630	(26,266,710)	(21,253,165)	(13,712,861)
9,247,671	7,911,020	8,779,078	12,717,062	7,240,834
(9,820,775)	(8,856,914)	(8,816,092)	(12,950,843)	(7,450,840)
39,666,217	16,103,376	30,572,236	92,095	165,950
951,964	(71,732)	-	-	-
-	(15,095,929)	-	-	(350)
(796,010)	(1,005,046)	(532,196)	-	-
-	-	-	-	205,086
<u>39,249,067</u>	<u>(1,015,225)</u>	<u>30,003,026</u>	<u>(141,686)</u>	<u>160,680</u>
<u>\$ 54,377,570</u>	<u>\$ (426,595)</u>	<u>\$ 3,736,316</u>	<u>\$ (21,394,851)</u>	<u>\$ (13,552,181)</u>
5.18%	6.62%	7.25%	6.97%	6.23%

**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 Actual Taxable Value</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
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%
2010	14,297,545	2,673,456	1,797,624	307,206	66,098	27,876	2,452,965	(6,552,394)	15,070,376	4.5840	22,623,217	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)**

	Fiscal Year									
	<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>	<u>2010</u>
<b>County Direct Rates:</b>										
General	5.6620	5.6620	5.6620	5.6620	5.6620	4.1620	3.7915	3.6500	3.6500	3.6500
Mosquito Control	0.1852	0.1852	0.1852	0.1852	0.1852	0.1852	0.1525	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>0.7500</u>	<u>0.7238</u>	<u>0.7238</u>	<u>0.7815</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>5.0972</b>	<b>4.6678</b>	<b>4.5263</b>	<b>4.5840</b>	<b>4.5840</b>
<b>Municipalities:</b>										
City of Panama City	5.0000	5.0000	5.0000	5.0000	5.0000	4.7122	3.7610	3.8493	3.8493	3.8152
Panama City Downtown Improvement Board	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	2.4700	2.6832	2.6832	2.7180
City of Lynn Haven	4.0000	4.0000	4.0000	4.0000	4.0000	3.2500	2.8266	3.0887	3.0887	3.0887
City of Mexico Beach	4.8500	4.6000	4.5500	4.5000	4.3500	3.7900	3.7200	3.7000	4.0000	4.1060
City of Callaway	--	--	--	2.0000	2.0000	2.0000	2.0000	2.2500	2.2500	2.2500
Town of Cedar Grove	--	--	--	--	1.5000	1.5000	1.5000	1.5000	--	--
<b>School Districts</b>	8.5300	8.6550	8.5690	8.1480	7.9350	6.8080	6.4710	6.7630	7.6230	7.4030
<b>Northwest Florida Water Management District</b>	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0450	0.0450	0.0450	0.0450
<b>Special District:</b>										
Beach Mosquito Control	0.2675	0.2990	0.2990	0.2590	0.2365	0.1410	0.1438	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 2010			Fiscal Year 2001		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Gulf Power Company	\$ 206,842,582	1	1.37%	\$ 142,986,763	1	2.16%
Laketown Wharf Marketing Corp	106,076,878	2	0.70%	-	-	-
St. Joe Land & Development	90,479,862	3	0.60%	29,154,764	5	0.44%
Shores of Panama Collateral	70,847,357	4	0.47%	-	-	-
Simon Property Group	57,301,644	5	0.38%	-	-	-
Marriott Ownership Resorts	44,472,694	6	0.30%	-	-	-
BellSouth Telecommunications	43,339,655	7	0.29%	79,176,741	3	1.20%
Arizona Chemical Company	38,429,075	8	0.25%	37,022,969	4	0.56%
Smurfit-Stone Container	36,009,849	9	0.24%	85,361,704	2	1.29%
Gulf Coast Electric Co-Op	34,938,206	10	0.23%	19,900,430	9	0.30%
Wal-Mart Stores	-	-	-	21,294,474	8	0.32%
Hospital Corp. of America	-	-	-	25,986,909	7	0.39%
Berg Pipe	-	-	-	26,847,429	6	0.41%
Bay Point Hotel Associates	-	-	-	18,920,959	10	0.29%
<b>Total</b>	<b>\$ 728,737,802</b>		<b>4.84%</b>	<b>\$ 486,653,142</b>		<b>7.37%</b>

Total Taxable Assessed Value 2010 15,070,375,927  
Total Taxable Assessed Value 2001 6,604,699,000

*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
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%	966,188	69,581,137	97%
2010	65,071,352	77,649	65,149,001	62,769,163	96%	289,468	63,058,631	97%

**Source:** Tax Collector's Office

**Note:** Beginning 2007, amount represents Bay County Property Tax Levies and Collections only.

**State of Florida and Bay County**  
**Total Historical Half-Cent Sales Tax Distributions**  
**For Ten Year Period 2001-2010**  
**(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>
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%
2010	\$ 1,413,639,942	-4.58%	\$ 9,061,954	-1.68%

*Source: Florida Department of Revenue*

**Distribution of Half-Cent  
Sales Tax in Bay County, Florida  
For Ten Year Period 2001-2010  
(Amounts in Thousands)  
(Unaudited)**

Fiscal Year 2001 - 2010 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>
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%
2010	\$ 9,061,954	58%	\$ 6,437,942	42%

*Source: Florida Department of Revenue*

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

	<b>Fiscal Year</b>			
	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>
<b>Governmental Activities</b>				
Revenue bonds	\$ 13,290,000	\$ 29,880,000	\$ 36,100,000	\$ 33,610,000
Capital leases	534,467	643,076	750,190	757,759
Notes payable	<u>6,591,931</u>	<u>6,862,216</u>	<u>7,585,259</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u>20,416,398</u>	<u>37,385,292</u>	<u>44,435,449</u>	<u>34,367,759</u>
<b>Business-type Activities</b>				
Revenue bonds	\$ 103,674,310	\$ 99,764,967	\$ 97,801,087	\$ 95,744,707
Notes payable	<u>16,053,027</u>	<u>15,522,266</u>	<u>14,701,885</u>	<u>13,885,513</u>
<b>Total Business-type Activities</b>	<u>119,727,337</u>	<u>115,287,233</u>	<u>112,502,972</u>	<u>109,630,220</u>
<b>Total Primary Government</b>	<b><u>\$ 140,143,735</u></b>	<b><u>\$ 152,672,525</u></b>	<b><u>\$ 156,938,421</u></b>	<b><u>\$ 143,997,979</u></b>
<b>Debt as a Percentage of Personal Income</b>	2.6%	2.5%	2.6%	3.3%
<b>Amount of Debt per Capita</b>	\$ 643	\$ 645	\$ 699	\$ 976

\*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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 30,835,000	\$ 66,190,000	\$ 63,950,000	\$ 90,810,191	\$ 87,434,420	\$ 83,929,264
301,748	1,011,596	982,910	867,670	202,379	188,553
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>84,117,817</u>
\$ 93,512,439	\$ 91,652,333	\$ 89,669,727	\$ 91,930,734	\$ 90,626,234	\$ 86,509,234
<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>29,975,354</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>	<u>116,484,588</u>
<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>	<b><u>\$ 200,602,405</u></b>
3.7%	3.8%	3.4%	2.7%	*	*
\$ 1,185	\$ 1,285	\$ 1,186	\$ 957	*	*

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

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Water System Revenue Refunding Bonds</b>				
<b>Series 1997</b>				
Revenue - sale of goods and services	\$ 9,600,588	\$ 9,384,080	\$ 9,056,785	\$ 10,120,295
Less: Operating expenses	<u>(3,346,549)</u>	<u>(4,431,741)</u>	<u>(4,362,444)</u>	<u>(4,746,910)</u>
<b>Net available revenue</b>	<b><u>\$ 6,254,039</u></b>	<b><u>\$ 4,952,339</u></b>	<b><u>\$ 4,694,341</u></b>	<b><u>\$ 5,373,385</u></b>
Debt service				
Principal	\$ 475,000	\$ 340,000	\$ 350,000	\$ 365,000
Interest	\$ 893,603	\$ 874,028	\$ 859,748	\$ 844,598
Coverage*	4.6	4.1	3.9	4.4
<b>Water System Revenue Bonds</b>				
<b>Series 2000</b>				
Revenue - sale of goods and services	\$ 9,600,588	\$ 9,384,080	\$ 9,056,785	\$ 10,120,295
Less: Operating expenses	<u>(3,346,549)</u>	<u>(4,431,741)</u>	<u>(4,362,444)</u>	<u>(4,746,910)</u>
<b>Net available revenue</b>	<b><u>\$ 6,254,039</u></b>	<b><u>\$ 4,952,339</u></b>	<b><u>\$ 4,694,341</u></b>	<b><u>\$ 5,373,385</u></b>
Debt service				
Principal	\$ 90,000	\$ 500,000	\$ 575,000	\$ 600,000
Interest	\$ 2,094,315	\$ 2,090,535	\$ 2,067,785	\$ 2,041,048
Coverage*	2.9	1.9	1.8	2.0
<b>Water System Revenue Bonds</b>				
<b>Series 2005</b>				
Revenue - sale of goods and services	\$ 9,600,588	\$ 9,384,080	\$ 9,056,785	\$ 10,120,295
Less: Operating expenses	<u>(3,346,549)</u>	<u>(4,431,741)</u>	<u>(4,362,444)</u>	<u>(4,746,910)</u>
<b>Net available revenue</b>	<b><u>\$ 6,254,039</u></b>	<b><u>\$ 4,952,339</u></b>	<b><u>\$ 4,694,341</u></b>	<b><u>\$ 5,373,385</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>Solid Waste Sales Tax Revenue Bonds</b>				
<b>Series 1998 <sup>(1)</sup></b>				
Revenue - sale of goods and services	\$ 9,600,558	\$ 17,444,288	\$ 17,480,753	\$ 19,088,969
Less: Operating expenses	<u>(3,346,549)</u>	<u>(4,431,741)</u>	<u>(4,362,444)</u>	<u>(4,746,910)</u>
<b>Net available revenue</b>	<b><u>\$ 6,254,009</u></b>	<b><u>\$ 13,012,547</u></b>	<b><u>\$ 13,118,309</u></b>	<b><u>\$ 14,342,059</u></b>
Debt service				
Principal	\$ 1,215,000	\$ 1,260,000	\$ 1,305,000	\$ 1,350,000
Interest	\$ 1,973,923	\$ 1,931,398	\$ 1,886,038	\$ 1,838,731
Coverage*	2.0	4.1	4.1	4.5

(1) Bond refunded in FY2010 by Solid Waste Capital Improvement Revenue Refunding Bonds-Series 2010

Schedule 12  
Continued

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 9,592,412	\$ 10,523,423	\$ 10,269,736	\$ 14,282,168	\$ 14,070,131	\$ 13,889,056
(4,995,463)	(5,232,544)	(6,643,470)	(6,928,970)	(7,689,352)	(6,274,367)
<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>	<b>\$ 7,614,689</b>
\$ 380,000	\$ 400,000	\$ 415,000	\$ 435,000	\$ 450,000	\$ 125,000
\$ 51,180	\$ 85,260	\$ 67,260	\$ 48,170	\$ 27,725	\$ 6,125
10.7	10.9	7.5	15.2	13.4	58.1
\$ 12,075,741	\$ 12,433,674	\$ 11,321,362	\$ 14,961,574	\$ 14,341,003	\$ 14,137,828
(4,995,463)	(5,232,544)	(6,643,470)	(6,928,970)	(7,689,352)	(6,274,367)
<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>	<b>\$ 7,863,461</b>
\$ 630,000	\$ 655,000	\$ 695,000	\$ 725,000	\$ 770,000	\$ 805,000
\$ 114,260	\$ 197,965	\$ 165,870	\$ 131,468	\$ 95,217	\$ 56,718
9.5	8.4	5.4	9.4	7.7	9.1
\$ 12,075,741	\$ 12,433,674	\$ 11,321,362	\$ 14,961,574	\$ 14,341,003	\$ 14,137,828
(4,995,463)	(5,232,544)	(6,643,470)	(6,928,970)	(7,689,352)	(6,274,367)
<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>	<b>\$ 7,863,461</b>
\$ 135,000	\$ 105,000	\$ 110,000	\$ 115,000	\$ 115,000	\$ 470,000
\$ 631,907	\$ 2,226,210	\$ 2,223,060	\$ 2,219,760	\$ 2,216,310	\$ 2,212,860
9.2	3.1	2.0	3.4	2.9	2.9
\$ -	\$ -	\$ -	\$ 549,362	\$ 953,478	\$ 869,174
-	-	-	(238,859)	(614,378)	(1,054,001)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 310,503</b>	<b>\$ 339,100</b>	<b>\$ (184,827)</b>
\$ -	\$ -	\$ -	\$ 96,000	\$ 37,000	\$ 39,000
\$ -	\$ -	\$ -	\$ 46,641	\$ 106,345	\$ 104,726
N/A	N/A	N/A	2.2	2.4	(1.3)
\$ 21,765,199	\$ 22,500,461	\$ 21,207,527	\$ 20,933,279	\$ 21,227,165	\$ 22,518,334
(4,995,463)	(5,232,544)	(6,643,470)	(10,452,360)	(10,153,510)	(9,883,304)
<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>	<b>\$ 12,635,030</b>
\$ 1,400,000	\$ 1,455,000	\$ 1,510,000	\$ 1,570,000	\$ 3,135,000	\$ 2,330,188
\$ 1,788,106	\$ 1,734,906	\$ 1,678,525	\$ 1,619,635	\$ 1,556,835	\$ 710,188
5.3	5.4	4.6	3.3	2.4	4.2

Continued

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

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Utility System Bond Revenue Anticipation Notes</b>				
<b>Series 2007</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>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	\$ 4,621,314
Second, Third and Fourth cents & Constitutional Gas Tax				
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ 4,466,181</b>	<b>\$ 4,381,910</b>	<b>\$ 4,621,314</b>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ 100,000
Interest	\$ -	\$ -	\$ 27,833	\$ 167,000
Coverage*	N/A	N/A	157.4	17.3
<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	\$ 8,968,674
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ 8,060,208</b>	<b>\$ 8,423,968</b>	<b>\$ 8,968,674</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	\$ 8,968,674
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ 8,060,208</b>	<b>\$ 8,423,968</b>	<b>\$ 8,968,674</b>
Debt service				
Principal	\$ -	\$ -	\$ 310,000	\$ 320,000
Interest	\$ -	\$ 289,230	\$ 867,689	\$ 858,389
Coverage*	N/A	27.9	7.2	7.6
<b>Solid Waste Capital Improvement Revenue</b>				
<b>Refunding Bonds - Series 2010 <sup>(1)</sup></b>				
Revenue - Non-Advalorem	\$ -	\$ -	\$ -	\$ -
<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

(1) Bond refunded Solid Waste Sales Tax Revenue Bonds Series 1998

Schedule 12  
continued

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ 549,362	\$ 953,478	\$ 869,174
-	-	-	(238,859)	(614,378)	(1,054,001)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,503</u>	<u>\$ 339,100</u>	<u>\$ (184,827)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A	N/A	N/A	N/A
\$ 4,775,518	\$ 4,514,177	\$ 4,493,927	\$ 4,333,986	\$ 4,604,433	\$ 4,499,282
-	-	-	-	-	-
<u>\$ 4,775,518</u>	<u>\$ 4,514,177</u>	<u>\$ 4,493,927</u>	<u>\$ 4,333,986</u>	<u>\$ 4,604,433</u>	<u>\$ 4,499,282</u>
\$ 830,000	\$ 840,000	\$ 855,000	\$ 870,000	\$ 895,000	\$ 930,000
\$ 165,000	\$ 148,400	\$ 131,600	\$ 114,500	\$ 86,225	\$ 59,375
4.8	4.6	4.6	4.4	4.7	4.5
\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710
-	-	-	-	-	-
<u>\$ 9,689,458</u>	<u>\$ 10,066,787</u>	<u>\$ 9,886,165</u>	<u>\$ 9,503,862</u>	<u>\$ 9,139,392</u>	<u>\$ 9,003,710</u>
\$ -	\$ -	\$ 95,000	\$ 45,000	\$ 50,000	\$ 50,000
\$ -	\$ -	\$ 255,556	\$ 649,064	\$ 647,444	\$ 645,644
N/A	N/A	28.2	13.7	13.1	12.9
\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710
-	-	-	-	-	-
<u>\$ 9,689,458</u>	<u>\$ 10,066,787</u>	<u>\$ 9,886,165</u>	<u>\$ 9,503,862</u>	<u>\$ 9,139,392</u>	<u>\$ 9,003,710</u>
\$ 325,000	\$ 335,000	\$ 350,000	\$ 360,000	\$ 375,000	\$ 390,000
\$ 848,789	\$ 839,039	\$ 94,108	\$ 80,983	\$ 66,582	\$ 51,583
8.3	8.6	22.3	21.6	20.7	20.4
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,534,567
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,534,567</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A	N/A	N/A	N/A

Continued

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

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<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	\$ 8,968,674
Less: Operating expenses	-	-	-	-
<b>Net available revenue</b>	<b>\$ -</b>	<b>\$ 8,060,208</b>	<b>\$ 8,423,968</b>	<b>\$ 8,968,674</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 9,689,458	\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710
-	-	-	-	-	-
<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>	<b>\$ 9,003,710</b>
\$ -	\$ -	\$ 70,000	\$ 75,000	\$ 75,000	\$ 80,000
\$ -	\$ 260,241	\$ 1,873,735	\$ 1,870,585	\$ 1,867,585	\$ 1,864,585
N/A	38.7	5.1	4.9	4.7	4.6
\$ -	\$ -	\$ -	\$ -	\$ 7,001,877	\$ 6,548,094
-	-	-	-	(6,089,196)	(3,033,300)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 912,681</b>	<b>\$ 3,514,794</b>
\$ -	\$ -	\$ -	\$ -	\$ 16,000	\$ 16,000
\$ -	\$ -	\$ -	\$ -	\$ 46,285	\$ 49,733
N/A	N/A	N/A	N/A	14.7	53.5
\$ -	\$ -	\$ -	\$ -	\$ 7,001,877	\$ 6,548,094
-	-	-	-	(6,089,196)	(3,033,300)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 912,681</b>	<b>\$ 3,514,794</b>
\$ -	\$ -	\$ -	\$ -	\$ 41,000	\$ 42,000
\$ -	\$ -	\$ -	\$ -	\$ 72,960	\$ 78,260
N/A	N/A	N/A	N/A	8.0	29.2

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

	Fiscal Year			
	<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.

## Schedule 13

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 10,367,239	\$ 13,878,255	\$ 13,317,212	\$ 13,800,335
754,123	253,913	152,920	88,721
200,000	150,000	600,000	-
<b>\$ 11,321,362</b>	<b>\$ 14,282,168</b>	<b>\$ 14,070,132</b>	<b>\$ 13,889,056</b>
\$ 6,643,470	\$ 6,928,970	\$ 7,689,352	\$ 6,274,367
<b>\$ 4,677,892</b>	<b>\$ 7,353,198</b>	<b>\$ 6,380,780</b>	<b>\$ 7,614,689</b>
\$ 482,260	\$ 483,170	\$ 477,725	\$ 131,125
860,870	856,468	865,217	861,718
2,333,060	2,334,760	2,331,310	2,682,860
-	252,566	214,979	176,135
<b>\$ 3,676,190</b>	<b>\$ 3,926,964</b>	<b>\$ 3,889,231</b>	<b>\$ 3,851,838</b>
<b>1.272</b>	<b>1.872</b>	<b>1.641</b>	<b>1.977</b>

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

	<b>Fiscal Year</b>							
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
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	\$ 9,003,710
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	445,495
Series 2006 Bond (4)	-	-	-	5,134,488	5,134,488	5,134,488	5,134,488	5,134,488
Series 2007 Bond (5)	-	-	-	-	1,141,450	1,141,450	1,140,050	1,140,050
<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>\$ 9,914,908</b>	<b>\$ 6,720,033</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>	<b>1.34</b>

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

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

(2) Bond refunded in FY2010 by Solid Waste Capital Improvement Revenue Refunding Bonds-Series 2010

(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</b>
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	4,709,361	29,836	4.5%
2005	161,721	5,134,996	31,779	3.6%
2006	165,515	5,505,901	33,613	3.2%
2007	167,631	5,670,237	34,723	3.6%
2008	169,307	5,808,336	35,459	5.5%
2009	169,562	*	*	9.2%
2010	*	*	*	*

\* Information not yet available

**(1)** In thousands of dollars. 2004-2006 data revised.

**(2)** 2004-2006 data revised.

**Source:** *Florida Statistical Abstract 2010*

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

<u><b>Employer</b></u>	<b>2010</b>			<b>2001</b>		
	<u><b>Employees</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total County Employment</b></u>	<u><b>Employees</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total County Employment</b></u>
Tyndall Air Force Base	7,352	1	8.19%	6,666	1	9.53%
Naval Support Activity	3,908	2	4.36%	2,449	3	3.50%
Bay District Schools	3,062	3	3.41%	5,000	2	7.15%
Bay Medical Center	2,000	4	2.23%	1,854	4	2.65%
Eastern Shipbuilding	823	5	0.92%	-	-	-
Gulf Coast Medical Center	651	6	0.73%	750	7	1.07%
Gulf Coast State College	600	7	0.67%	-	-	-
City of Panama City	537	9	0.60%	583	10	0.83%
Bay County Board	533	8	0.59%	-	-	-
Bay County Sheriff	516	10	0.58%	-	-	-
Wal-Mart	-	-	-	1,070	5	1.53%
Sam's Club	-	-	-	730	8	1.04%
Smurfit-Stone Container	-	-	-	588	9	0.84%
	<u><b>19,982</b></u>		<u><b>22.27%</b></u>	<u><b>19,690</b></u>		<u><b>28.15%</b></u>
<b>Total Bay County Labor Force</b>	<u><b>89,720</b></u>			<u><b>69,938</b></u>		

**Note:** The current year information does not include retail 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>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><u>2010</u></b>
General Government	61	67	64	62	59	63	74	71	72	63
Public Safety	71	77	86	92	99	109	123	122	115	115
Physical Environment	99	101	114	112	109	111	118	126	124	129
Transportation	122	125	120	118	121	124	128	118	116	118
Economic Environment	3	3	2	2	2	3	2	2	2	2
Human Services	9	10	10	10	9	10	9	12	12	14
Culture/Recreation	17	18	18	18	18	20	81	81	80	82
Judicial System	11	11	11	9	10	9	9	9	9	10
<b>Total</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>	<b><u>533</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>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><u>2010</u></b>
<b>General Government</b>										
Assessed properties	92,173	93,478	95,709	98,044	103,104	107,007	110,279	112,624	112,911	112,934
Court cases:										
Circuit Criminal	3,886	4,719	5,230	4,718	4,461	4,449	4,846	4,510	4,578	4,366
County Criminal	11,547	12,554	12,522	12,153	9,824	8,882	11,882	9,971	13,794	8,490
<b>Public Safety</b>										
E-911 calls	100,000	105,000	108,846	115,000	113,548	118,000	124,977	116,149	116,427	146,603
Building permits issued*										
Commercial	293	352	393	345	435	274	256	231	227	160
Residential	1,263	1,576	1,421	2,192	2,213	1,424	1,018	820	653	652
<b>Physical Environment</b>										
Landfill and Incinerator Collections	214,185	220,965	219,413	213,468	223,462	237,825	238,506	248,820	237,663	223,550
<b>Transportation</b>										
Roads miles maintained	709.20	710.40	712.67	714.79	711.25	712.72	712.07	712.87	731.77	741.07
<b>Economic Environment</b>										
Tourist Development Tax Registered Units**	298	344	394	500	632	843	1109	1,582	15,492	16,926
<b>Human Services</b>										
Baker Act admissions	302	279	279	328	377	348	372	455	466	547

\* 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 Nine 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><u>2010</u></b>
<b>Public Safety</b>									
Correction facility capacities	662	662	662	662	662	662	1,098	1,098	1,098
Fire stations	13	13	13	13	13	13	13	13	13
<b>Culture &amp; Recreation</b>									
Parks	29	29	29	30	30	30	26	28	30
Park acreage	378	378	378	413	413	413	302	303	315
Boat ramps	19	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	741.07
Bridges	50	53	53	53	53	53	53	53	53
Traffic signals	18	18	18	18	18	17	16	18	16
<b>Physical Environment</b>									
Water mains (miles)	*	*	*	*	105	108	147	270	282

\*Information not available

**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 financial statements of Bay County, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 25, 2011.

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 Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on 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, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 25, 2011, 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	10-01 (Prior Year 09-01)
Tax Collector	10-01 (Prior Year 09-01)
Sheriff	10-01 (Prior Year 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 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 occurred, or are likely to have occurred, 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) deficiencies in internal control 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, 2010, 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, 2010. 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.

The Honorable County Commissioners  
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.

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

March 25, 2011

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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 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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 25, 2011. 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, but 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified below and as

The Honorable County Commissioners  
Bay County, Florida  
Page Two

described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Clerk of Court and Comptroller	10-01
Tax Collector	10-01

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified below and as described in the accompany schedule of findings and questioned costs to be significant deficiencies.

Sheriff	10-01
---------	-------

#### 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.

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

March 25, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON 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 Bay County, Florida's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs and state projects for the year ended September 30, 2010. 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 compliance requirements referred to above that have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2010.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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

March 25, 2011

Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Financial Assistance  
Year Ended September 30, 2010

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

14.228

U. S Department of Housing and Urban Development

20.205

U.S. Department of Transportation

Passed through Florida Department of Transportation

97.036

U.S. Department of Homeland Security

Passed through Florida Division of Emergency Management

(Continued)

Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Financial Assistance (Continued)  
Year Ended September 30, 2010

<u>CSFA Number</u>	<u>Name of State Agency/Projects</u>
31.044	Florida Executive Office of the Governor
37.003	Florida Department of Environmental Protection
52.008	Florida Division of Emergency Management
55.023	Florida Department of Transportation

Dollar threshold used to distinguish between Type A and Type B programs:	<u>Federal</u> \$ 430,653	<u>State</u> \$ 300,000
Auditee qualified as low-risk auditee for Federal Single Audit?	<u>√</u> Yes	<u>    </u> No

Section II - Financial Statement Findings

Clerk of Court and Comptroller

10-01 (Prior Year 09-01) Certain bank accounts were not reconciled in a timely manner.

Management's Response

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

Tax Collector

10-01 (Prior Year 09-01) Certain types of adjustments were required that reflect corrections of material misstatements not initially identified in the Tax Collector's internal controls.

Management's Response

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

Sheriff

10-01 (Prior Year 09-01) Several capital assets were not included as additions until after the year ended.

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.

(Continued)

Bay County, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards and State Financial Assistance (Continued)  
Year Ended September 30, 2010

Management's Response

The Comptroller and her staff are implementing the review as recommended.

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

There were no findings.

Bay County, Florida  
Summary Schedule of Prior Year Audit Findings  
Year Ended September 30, 2010

**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, 2010

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<b>U.S. Department of Defense</b>			
Community Planning Assistance Funds	12.614	EN0723-10-02	\$ 12,500
<b>U.S. Department of Housing and Urban Development</b>			
Passed through Florida Department of Community Affairs Neighborhood Stabilization Project	14.228	10DB-4X-01-13-01-F-03	1,257,729
<b>U.S. Department of Justice</b>			
Bulletproof Vest Partnership	16.607	-----	802
Junior Deputy Explorer Program	16.710	2008CKWX0383	5,882
Edward Byrne Memorial Justice Assistance Program ARRA	16.803	2010-ARRC-BAY-4-W7-077	182,908
Edward Byrne Memorial Justice Assistance Program ARRA	16.804	2009-SB-B9-1961	166,462
Passed through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Program	16.738	2010-JAGS-BAY-5-W2-007	71,476
Edward Byrne Memorial Justice Assistance Program	16.738	2007-DJ-BX-1228	26,169
Edward Byrne Memorial Justice Assistance Program	16.738	2010-JAGS-BAY-7-W2-012	20,083
Edward Byrne Memorial Justice Assistance Program	16.738	2010-JAGS-BAY-4-W2-002	13,338
Forensic Sciences Improvement Grant	16.742	2008-CD-BX-0020	5,053
Edward Byrne Memorial Justice Assistance Program ARRA	16.803	2010-ARRC-BAY-5-W7-171	34,299
Passed through State of Florida Office of Attorney General Victims of Crime Act	16.575	V09004	24,539
<b>Total U.S. Department of Justice</b>			551,011
<b>U.S. Department of Transportation</b>			
Passed through Florida Department of Transportation			
11th Street Resurfacing ARRA	20.205	APU51	272,295
Blue Springs Road Bridge	20.205	AP089	474,050
County Road 2327/Game Farm Road	20.205	APT68	208,983
Grand Lagoon Bridge - Construction ARRA	20.205	AP126	8,675,899
Thomas Drive Sidewalks - Phase III	20.205	APH46	799,750
Thomas Drive Sidewalks - Phase IV	20.205	APT98	229
Widening of County Road 390	20.205	AOM66	8,623
<b>Total U.S. Department of Transportation</b>			10,439,829
<b>U.S. Environmental Protection Agency</b>			
Passed through Florida Department of Environmental Protection Capitalization Grants for State Revolving Funds	66.458	WW450140	125,708
<b>Federal Election Assistance Commission</b>			
Passed through Florida Department of State and Secretary of State			
Federal Election Activities FY 2010	90.401	-----	19,691
Federal Election Activities FY 2011	90.401	-----	11,713
<b>Total Federal Election of Assistance Commission</b>			31,404
<b>U.S. Department of Health and Human Services</b>			
Passed through Florida Department of State			
HHS Voting Access Grant 2005	93.617	HHS 2005 (0503FLVOTE)	4,447
HHS Voting Access Grant 2006	93.617	HHS-2006-ACF-ADD-VTE-0135	4,150
<b>Total U.S. Department of Health and Human Services</b>			8,597
<b>U.S. Department of Homeland Security</b>			
Passed through Florida Department of Law Enforcement State Homeland Security Program	97.067	2009-SHSP-BAY-1-V3-040	273,985
Passed through Florida Department of Emergency Management			
Disaster Relief Funding	97.036	09-SS-E8-01-13-02-528	1,466,952
Emergency Management Performance	97.042	11-FG-7W-01-13-01-022	30,811
State Homeland Security Program	97.067	08-DS-60-01-13-01-386	53,252
State Homeland Security Program	97.073	09-DS-51-13-00-16-409	65,910
State Homeland Security Program	97.073	08DS-60-13-00-16-373	27,744
<b>Total U.S. Department of Homeland Security</b>			1,918,654
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 14,345,432

(Continued)

Bay County, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance  
Year Ended September 30, 2010

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>Office of the Executive Governor</b>			
Defense Infrastructure Grant Agreement	31.044	DIG-08-01	\$ 300,000
<b>Department of Environmental Protection</b>			
Beach Management Funding Assistance	37.003	07BA2	282,830
<b>Department of Agriculture and Consumer Services</b>			
Mosquito Control	42.003	014931	18,913
<b>Department of State and Secretary of State</b>			
State Aid to Library Grant	45.030	10-ST-43	207,882
State Aid to Library Grant	45.030	09-ST-43	66,412
State Aid to Library Grant	45.030	10-ST-44	20,154
State Aid to Library Grant	45.030	09-ST-44	46,513
State Aid to Library Grant	45.030	10-ST-46	30,153
State Aid to Library Grant	45.030	09-ST-46	30,530
State Aid to Library Grant	45.030	10-ST-45	35,321
State Aid to Library Grant	45.030	09-ST-45	994
<b>Total Department of State and Secretary of State</b>			<b>437,959</b>
<b>Department of Community Affairs</b>			
Passed Through Florida Housing Finance Corporation			
State Housing Initiatives Partnership Program	52.901	-----	110,261
<b>Department of Transportation</b>			
Traffic Signal Grant	55.013	AOS05	732,592
County Road 388W Resurfacing Project	55.023	AP625	1,823,393
<b>Total Department of Transportation</b>			<b>2,555,985</b>
<b>Department of Health</b>			
Emergency Medical Services	64.005	C9003	44,781
<b>Division of Emergency Management</b>			
Emergency Management Preparedness	52.008	10-BG-25-01-13-01-095	104,077
<b>Fish and Wildlife Conservation Commission</b>			
Florida Boating Improvement Grant	77.006	07111	88,709
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<b>\$ 3,943,515</b>

**Notes to Schedule**

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

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

**BAY COUNTY, FLORIDA**

**September 30, 2010**

**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, 2010  
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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, 2010, 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, 2010, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2011, 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.

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

March 25, 2011

Bay County Supervisor of Elections  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2010

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 109,614
Grants receivable	<u>4,150</u>
Total assets	<u><u>\$ 113,764</u></u>
 <b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 64,823
Due to other governments	33,871
Deferred revenue	<u>15,070</u>
Total liabilities	<u>113,764</u>
 <b>FUND BALANCE</b>	
Unreserved	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 113,764</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, 2010

	<u>General Fund</u>
<b>REVENUES</b>	
Intergovernmental	\$ 41,340
Charges for services	11,758
Interest	885
Total revenues	<u>53,983</u>
<b>EXPENDITURES</b>	
Current	
General government	1,150,711
Capital outlay	
General government	19,398
Total expenditures	<u>1,170,109</u>
Excess (deficit) of revenues over (under) expenditures	<u>(1,116,126)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget appropriations from Board of County Commissioners	1,149,033
Transfer out/return of excess fees	(32,907)
Total other financing sources (uses)	<u>1,116,126</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 48,122	\$ 41,340	\$ (6,782)
Charges for services	-	7,826	11,758	3,932
Interest	-	-	885	885
Total revenues	-	55,948	53,983	(1,965)
<b>EXPENDITURES</b>				
Current				
General government	1,118,845	1,197,981	1,150,711	47,270
Capital outlay				
General government	7,000	7,000	19,398	(12,398)
Total expenditures	1,125,845	1,204,981	1,170,109	34,872
Excess (deficit) of revenues over (under) expenditures	(1,125,845)	(1,149,033)	(1,116,126)	32,907
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	1,125,845	1,149,033	1,149,033	-
Transfer out/return of excess fees	-	-	(32,907)	(32,907)
Total other financing sources (uses)	1,125,845	1,149,033	1,116,126	(32,907)
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 Supervisor of Elections  
Notes to Special-Purpose Financial Statements  
September 30, 2010

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, 2010

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, 2010

NOTE 2 – DEPOSITS

Custodial Risk – All cash resources of the Supervisor of Elections 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 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 October 1, 2009 through June 30, 2010, were 9.85%, 12.85%, and 16.53% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1 through September 30, 2010, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 10.91% October 1, 2009 through June 30, 2010, and 12.25% July 1 through September 30, 2010. The Supervisor of Elections' contributions for the years ended September 30, 2010, 2009 and 2008 were \$52,782, \$52,838, and \$49,425, 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, 2010, and have issued our report thereon dated March 25, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 25, 2011, 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 occurred, or are likely to have occurred, 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) deficiencies in internal control 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 the Bay County Supervisor of Elections, 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.*

March 25, 2011

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, 2010, and have issued our report thereon dated March 25, 2011. 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 deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

The Honorable Mark Andersen  
Bay County Supervisor of Elections  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay County Supervisor of Elections' special-purpose financial statements are free of material misstatement, we performed tests of 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.

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

March 25, 2011

**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, 2010, 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, 2010, 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 25, 2011, 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.*

March 25, 2011

Bay County Clerk of Court and Comptroller  
Special-Purpose Balance Sheet  
Governmental Funds  
September 30, 2010

	General Fund	Court Fund	Records Modernization - Court	10% Fine Records Modernization	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 261,760	\$ 311,801	\$ 124,933	\$ 187,033	\$ 63,795	\$ 949,322
Investments	12,232	-	-	-	-	12,232
Accounts receivable, net	67,488	5,161	-	-	-	72,649
Due from other governments	-	14,581	-	-	-	14,581
Prepaid items	8,750	-	-	3,910	24,486	37,146
Total assets	<u>\$ 350,230</u>	<u>\$ 331,543</u>	<u>\$ 124,933</u>	<u>\$ 190,943</u>	<u>\$ 88,281</u>	<u>\$ 1,085,930</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 134,626	\$ 189,896	\$ 14,270	\$ -	\$ 1,040	\$ 339,832
Deferred revenue	10,632	141,647	-	-	-	152,279
Due to other governments	204,972	-	-	-	-	204,972
Total liabilities	<u>350,230</u>	<u>331,543</u>	<u>14,270</u>	<u>-</u>	<u>1,040</u>	<u>697,083</u>
<b>FUND BALANCE</b>						
Reserved for prepaid items	8,750	-	-	3,910	24,486	37,146
Unreserved	(8,750)	-	110,663	187,033	62,755	351,701
Total fund balance	<u>-</u>	<u>-</u>	<u>110,663</u>	<u>190,943</u>	<u>87,241</u>	<u>388,847</u>
Total liabilities and fund balance	<u>\$ 350,230</u>	<u>\$ 331,543</u>	<u>\$ 124,933</u>	<u>\$ 190,943</u>	<u>\$ 88,281</u>	<u>\$ 1,085,930</u>

Bay County Clerk of Court and Comptroller  
Special-Purpose Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Funds  
Year Ended September 30, 2010

	General Fund	Court Fund	Records Modernization - Court	10% Fine Records Modernization	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Intergovernmental revenue	\$ 197,583	\$ -	\$ -	\$ -	\$ -	\$ 197,583
Charges for services	935,255	3,411,441	267,303	228,393	92,497	4,934,889
Miscellaneous	40,169	-	-	-	-	40,169
Total revenues	<u>1,173,007</u>	<u>3,411,441</u>	<u>267,303</u>	<u>228,393</u>	<u>92,497</u>	<u>5,172,641</u>
<b>EXPENDITURES</b>						
Current						
General government	2,271,379	3,403,255	497,892	62,581	130,012	6,365,119
Capital outlay						
General government	50,170	8,186	15,581	-	-	73,937
Total expenditures	<u>2,321,549</u>	<u>3,411,441</u>	<u>513,473</u>	<u>62,581</u>	<u>130,012</u>	<u>6,439,056</u>
Excess (deficit) of revenues over (under) expenditures	<u>(1,148,542)</u>	<u>-</u>	<u>(246,170)</u>	<u>165,812</u>	<u>(37,515)</u>	<u>(1,266,415)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Budget appropriations from Board of County Commissioners	1,210,928	-	-	-	-	1,210,928
Transfer out/return of excess fees	(62,386)	-	-	-	-	(62,386)
Total other financing sources (uses)	<u>1,148,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,148,542</u>
Net change in fund balance	-	-	(246,170)	165,812	(37,515)	(117,873)
Fund balance - beginning	-	-	356,833	25,131	124,756	506,720
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,663</u>	<u>\$ 190,943</u>	<u>\$ 87,241</u>	<u>\$ 388,847</u>

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 129,500	\$ 129,500	\$ 197,583	\$ 68,083
Charges for services	1,077,070	1,077,070	935,255	(141,815)
Miscellaneous	11,900	11,900	40,169	28,269
Total revenues	<u>1,218,470</u>	<u>1,218,470</u>	<u>1,173,007</u>	<u>(45,463)</u>
<b>EXPENDITURES</b>				
Current				
General government	2,490,865	2,379,228	2,271,379	107,849
Capital outlay				
General government	50,170	50,170	50,170	-
Total expenditures	<u>2,541,035</u>	<u>2,429,398</u>	<u>2,321,549</u>	<u>107,849</u>
Excess (deficit) of revenues over (under) expenditures	<u>(1,322,565)</u>	<u>(1,210,928)</u>	<u>(1,148,542)</u>	<u>62,386</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	1,322,565	1,210,928	1,210,928	-
Transfer out/return of excess fees	-	-	(62,386)	(62,386)
Total other financing sources (uses)	<u>1,322,565</u>	<u>1,210,928</u>	<u>1,148,542</u>	<u>(62,386)</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, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for services	\$ 2,549,637	\$ 3,411,441	\$ 3,411,441	\$ -
Total revenues	<u>2,549,637</u>	<u>3,411,441</u>	<u>3,411,441</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General government	2,541,451	3,403,255	3,403,255	-
Capital outlay				
General government	8,186	8,186	8,186	-
Total expenditures	<u>2,549,637</u>	<u>3,411,441</u>	<u>3,411,441</u>	<u>-</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>

Bay County Clerk of Court and Comptroller  
Special-Purpose Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2010

**ASSETS**

Cash and cash equivalents	\$ 4,290,537
Total assets	<u>\$ 4,290,537</u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 1,212,259
Due to other governments	<u>3,078,278</u>
Total liabilities	<u>\$ 4,290,537</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, 2010

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 budgetary system. Appropriated funds for the General Fund 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. Appropriated funds for the Court Fund are received from the Clerk of Court Operations Corporation of the State of Florida and any unexpended appropriations are remitted to the Clerk of Court Operations Corporation of the State of Florida 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, 2010

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. The Records Modernization-Court, Records Modernization-Records and 10% Fine Records Modernization Funds are not budgeted.

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 paid time off. Employees are permitted to accumulate up to 480 hours of earned but unused paid time off benefits which will be paid to employees in good standing upon termination. Employees who have less than two years of service forfeit their paid time off, two to less than five years of service receive 25% of their paid time off, five to less than ten years of service receive 50% of paid time off, ten to less than fifteen years of service receive 75% of paid time off and those with 15 or more years of service receive pay for 100% of their leave upon termination.

Bay County Clerk of Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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.

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

Interest-bearing time deposits or savings accounts in state-certified qualified public depositories as defined in s. 280.02.

Bay County Clerk of Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

At September 30, 2010, the Clerk had investments on deposit in a 2a-7-like pool for general and agency funds in the amount of \$10,437 with the Florida PRIME which is 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, 2010 was 0.707058094. The Fund B is annually certified for compliance with the requirements of Florida law by the Board of Trustees of the SBA. The Board of Trustees of the SBA consists of the Governor, the Chief Financial Officer, and the Attorney General.

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average days to maturity of the PRIME fund at September 30, 2010, was 52 days. The weighted average life of Fund B at September 30, 2010, was 7.49 years. The Clerk does not have a formal policy relating to interest rate risk.

Concentration of Credit Risk – At September 30, 2010, the Clerk did not hold any investments that were considered to be a concentration of credit risk.

Bay County Clerk of Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2010

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

At September 30, 2010, the Clerk's investments consisted of the following:

	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>	<b><u>Credit Rating</u></b>
Local Government Surplus Funds Trust Fund Pool (PRIME)	\$ 10,437	\$ 10,437	AAAm
Local Government Investment Pool Fund B	<u>1,795</u>	<u>1,795</u>	*
Total investments	<u>\$ 12,232</u>	<u>\$ 12,232</u>	

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

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

At September 30, 2010, accounts receivable, net is summarized as follows:

Total accounts receivable	\$ 72,649
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$ 72,649</u>

The Clerk considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2010.

**NOTE 4 – DEFINED BENEFIT PENSION PLAN**

**Plan Description** – The Clerk contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 or by calling 850-414-6346.

Bay County Clerk of Court and Comptroller  
Notes to Special-Purpose Financial Statements  
September 30, 2010

NOTE 4 – 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 for October 1, 2009 through June 30, 2010, were 9.85% and 16.53% for regular employees and elected county officials, respectively. Rates effective for July 1 through September 30, 2010, were 10.77% and 18.64% 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% October 1, 2009 through June 30, 2010, and 12.25% July 1 through September 30, 2010. The Clerk's contributions for the years ended September 30, 2010, 2009 and 2008 were \$396,544, \$426,792, and \$413,675, respectively, and all are equal to the required contributions for each year.

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## NONMAJOR GOVERNMENTAL FUNDS

Bay County Clerk of Court and Comptroller  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010

	Special Revenue			
	10/6/3	Family Mediation	Records Modernization - Records	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 663	\$ 63,132	\$ 63,795
Prepaid expenses	-	-	24,486	24,486
Total assets	<u>\$ -</u>	<u>\$ 663</u>	<u>\$ 87,618</u>	<u>\$ 88,281</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,040	\$ 1,040
Total liabilities	<u>-</u>	<u>-</u>	<u>1,040</u>	<u>1,040</u>
Fund balance				
Reserved for prepaid items	-	-	24,486	24,486
Unreserved	-	663	62,092	62,755
Total fund balance	<u>-</u>	<u>663</u>	<u>86,578</u>	<u>87,241</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 663</u>	<u>\$ 87,618</u>	<u>\$ 88,281</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, 2010

	Special Revenue			
	10/6/3	Family Mediation	Records Modernization - Records	Total
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 92,497	\$ 92,497
Total revenues	-	-	92,497	92,497
<b>EXPENDITURES</b>				
Current				
General government	29,296	6,469	94,247	130,012
Total expenditures	29,296	6,469	94,247	130,012
Excess (deficit) of revenues over (under) expenditures	(29,296)	(6,469)	(1,750)	(37,515)
Fund balance - beginning	29,296	7,132	88,328	124,756
Fund balance - ending	\$ -	\$ 663	\$ 86,578	\$ 87,241

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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, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>FINES AND FORFEITURES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,879,009	\$28,033,145	\$28,152,417	\$ 1,759,737
Total assets	<u>\$ 1,879,009</u>	<u>\$28,033,145</u>	<u>\$28,152,417</u>	<u>\$ 1,759,737</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,879,009	\$28,033,145	\$28,152,417	\$ 1,759,737
Total liabilities	<u>\$ 1,879,009</u>	<u>\$28,033,145</u>	<u>\$28,152,417</u>	<u>\$ 1,759,737</u>
<b>JURY AND WITNESS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 42,391	\$ 58,556	\$ 75,669	\$ 25,278
Total assets	<u>\$ 42,391</u>	<u>\$ 58,556</u>	<u>\$ 75,669</u>	<u>\$ 25,278</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 42,391	\$ 58,556	\$ 75,669	\$ 25,278
Total liabilities	<u>\$ 42,391</u>	<u>\$ 58,556</u>	<u>\$ 75,669</u>	<u>\$ 25,278</u>
<b>TAX DEED</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 137,584	\$ 563,118	\$ 570,063	\$ 130,639
Total assets	<u>\$ 137,584</u>	<u>\$ 563,118</u>	<u>\$ 570,063</u>	<u>\$ 130,639</u>
<b>LIABILITIES</b>				
Accounts payable and				
Accrued liabilities	\$ 137,584	\$ 563,118	\$ 570,063	\$ 130,639
Total liabilities	<u>\$ 137,584</u>	<u>\$ 563,118</u>	<u>\$ 570,063</u>	<u>\$ 130,639</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, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>SUPPORT</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 54,298	\$ 734,050	\$ 777,899	\$ 10,449
Accounts receivable, net	2,123	-	2,123	-
Total assets	<u>\$ 56,421</u>	<u>\$ 734,050</u>	<u>\$ 780,022</u>	<u>\$ 10,449</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 56,421	\$ 734,050	\$ 780,022	\$ 10,449
Total liabilities	<u>\$ 56,421</u>	<u>\$ 734,050</u>	<u>\$ 780,022</u>	<u>\$ 10,449</u>
<b>COURT REGISTRY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,108,146	\$ 56,277,985	\$ 56,325,059	\$ 1,061,072
Total assets	<u>\$ 1,108,146</u>	<u>\$ 56,277,985</u>	<u>\$ 56,325,059</u>	<u>\$ 1,061,072</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,108,146	\$ 56,277,985	\$ 56,325,059	\$ 1,061,072
Total liabilities	<u>\$ 1,108,146</u>	<u>\$ 56,277,985</u>	<u>\$ 56,325,059</u>	<u>\$ 1,061,072</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,228,877	\$ 2,897,743	\$ 2,833,357	\$ 1,293,263
Total assets	<u>\$ 1,228,877</u>	<u>\$ 2,897,743</u>	<u>\$ 2,833,357</u>	<u>\$ 1,293,263</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,228,877	\$ 2,897,743	\$ 2,833,357	\$ 1,293,263
Total liabilities	<u>\$ 1,228,877</u>	<u>\$ 2,897,743</u>	<u>\$ 2,833,357</u>	<u>\$ 1,293,263</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, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>RESTITUTION</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,096	\$ 693,682	\$ 693,679	\$ 10,099
Total assets	<u>\$ 10,096</u>	<u>\$ 693,682</u>	<u>\$ 693,679</u>	<u>\$ 10,099</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 10,096	\$ 693,682	\$ 693,679	\$ 10,099
Total liabilities	<u>\$ 10,096</u>	<u>\$ 693,682</u>	<u>\$ 693,679</u>	<u>\$ 10,099</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,460,401	\$ 89,258,279	\$ 89,428,143	\$ 4,290,537
Accounts receivable, net	2,123	-	2,123	-
Total assets	<u>\$ 4,462,524</u>	<u>\$ 89,258,279</u>	<u>\$ 89,430,266</u>	<u>\$ 4,290,537</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,312,247	\$ 58,268,835	\$ 58,368,823	\$ 1,212,259
Due to other governments	3,150,277	30,989,444	31,061,443	3,078,278
Total liabilities	<u>\$ 4,462,524</u>	<u>\$ 89,258,279</u>	<u>\$ 89,430,266</u>	<u>\$ 4,290,537</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, 2010, and have issued our report thereon dated March 25, 2011.

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 25, 2011, 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 09-01 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 10-01.

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 occurred, or are likely to have occurred, 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) deficiencies in internal control 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 the Bay County Clerk of Court and Comptroller, 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.

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

March 25, 2011

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, 2010, and have issued our report thereon dated March 25, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weaknesses:

10-01 (Prior Year 09-01) 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 *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

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.

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

March 25, 2011

**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, 2010, 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, 2010, 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 25, 2011, 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.

*Carr, Riggs & Ingram, L.L.C.*  
March 25, 2011

Bay County Property Appraiser  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2010

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$          90
Accounts receivable, net	712
Prepays	<u>         18,040</u>
Total assets	<u><u>         \$     18,842</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$          792
Due to other governments	<u>         18,050</u>
Total liabilities	<u>         18,842</u>
<b>FUND BALANCE</b>	
Unreserved	<u>                  -</u>
 Total liabilities and fund balance	 <u><u>         \$     18,842</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, 2010

	<u>General Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 97,969
Interest income	5,713
Total revenues	<u>103,682</u>
<b>EXPENDITURES</b>	
Current	
General government	2,664,795
Capital outlay	
General government	50,385
Debt service	
Principal retirement	35,984
Interest and fiscal charges	2,412
Total expenditures	<u>2,753,576</u>
Excess (deficit) of revenues over (under) expenditures	<u>(2,649,894)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget appropriations from Board of County Commissioners	2,651,971
Transfer out/return of excess fees	(30,738)
Debt issued	28,661
Total other financing sources (uses)	<u>2,649,894</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, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for services	\$ 96,497	\$ 96,505	\$ 97,969	\$ 1,464
Interest income	-	-	5,713	5,713
Total revenues	96,497	96,505	103,682	7,177
<b>EXPENDITURES</b>				
Current				
General government	2,681,188	2,681,414	2,664,795	16,619
Capital outlay				
General government	27,446	27,446	50,385	(22,939)
Debt service				
Principal retirement	36,250	36,250	35,984	266
Interest and fiscal charges	3,366	3,366	2,412	954
Total expenditures	2,748,250	2,748,476	2,753,576	(5,100)
Excess (deficit) of revenues over (under) expenditures	(2,651,753)	(2,651,971)	(2,649,894)	2,077
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	2,651,753	2,651,971	2,651,971	-
Transfer out/return of excess fees	-	-	(30,738)	(30,738)
Debt issued	-	-	28,661	28,661
Total other financing sources (uses)	2,651,753	2,651,971	2,649,894	(2,077)
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 Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2010

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, 2010

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 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

Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2010

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, 2010:

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
Capital Leases Payable	\$ 38,977	\$ 28,661	\$ 35,985	\$ 31,653

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

The total cost of equipment purchased under lease purchases is \$39,964. The accumulated depreciation of these assets is \$8,075. Total principal maturities are as follows:

Years Ended September 30,	
2011	\$ 14,284
2012	12,483
2013	10,682
2014	7,071
Total	44,520
Less: amount representing interest	(12,867)
Total	\$ 31,653

Bay County Property Appraiser  
Notes to Special-Purpose Financial Statements  
September 30, 2010

NOTE 4 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Bay County Property Appraiser contributes to the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes 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 October 1, 2009 through June 30, 2010, were 9.85%, 12.85%, and 16.53% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1 through September 30, 2010, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 10.91% October 1, 2009 through June 30, 2010 and 12.25% July 1 through September 30, 2010. The Property Appraiser's contributions for the years ended September 30, 2010, 2009 and 2008 were \$206,039, \$191,136, and \$178,915 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, 2010, and have issued our report thereon dated March 25, 2011.

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 25, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the 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 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 Property Appraiser complied with Section 218.415, Florida Statutes.

The Honorable Dan Sowell  
Bay County Property Appraiser  
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 occurred, or likely to have occurred, 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) deficiencies in internal control 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 the Bay County Property Appraiser, 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.

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

March 25, 2011

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, 2010, and have issued our report thereon dated March 25, 2011. 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in 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 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.*

March 25, 2011

## **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, 2010, 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, 2010, and the results of her operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2011, 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,

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Two

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.

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

March 25, 2011

Bay County Tax Collector  
Special-Purpose Balance Sheet  
Governmental Fund  
September 30, 2010

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,093,628
Investments	<u>197</u>
Total assets	<u><u>\$ 3,093,825</u></u>
 <b>LIABILITIES</b>	
Due to other governments	<u>\$ 3,093,825</u>
Total liabilities	3,093,825
 <b>FUND BALANCE</b>	
Unreserved	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 3,093,825</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, 2010

	<u>General Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 1,908,379
Total revenues	<u>1,908,379</u>
<b>EXPENDITURES</b>	
Current	
General government	2,667,092
Capital outlay	
General government	3,121
Total expenditures	<u>2,670,213</u>
Excess (deficit) of revenues over (under) expenditures	<u>(761,834)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Budget appropriations from Board of County Commissioners	3,815,728
Transfer out/ return of excess fees	<u>(3,053,894)</u>
Total other financing sources (uses)	<u>761,834</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 1,908,379	\$ 1,908,379
Total revenues	-	-	1,908,379	1,908,379
<b>EXPENDITURES</b>				
Current				
General government	2,695,629	3,809,178	2,667,092	1,142,086
Capital outlay				
General government	6,550	6,550	3,121	3,429
Total expenditures	2,702,179	3,815,728	2,670,213	1,145,515
Excess (deficit) of revenues over (under) expenditures	(2,702,179)	(3,815,728)	(761,834)	3,053,894
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	2,702,179	3,815,728	3,815,728	-
Transfer out/ return of excess fees	-	-	(3,053,894)	(3,053,894)
Total other financing sources (uses)	2,702,179	3,815,728	761,834	(3,053,894)
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, 2010

**ASSETS**

Cash and cash equivalents	\$ 1,862,632
Investments	76,637
Accounts receivable, net	<u>20,168</u>
Total assets	<u><u>\$ 1,959,437</u></u>

**LIABILITIES**

Due to other governments	\$ 1,959,080
Due to others	<u>357</u>
Total liabilities	<u><u>\$ 1,959,437</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, 2010

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, 2010

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, 2010

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 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 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, 2010

**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, 2010, was 0.707058094. 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, 2010, was 52 days. The weighted average life of Fund B at September 30, 2010, was 7.49 years. The Bay County Tax Collector does not have a formal policy relating to interest rate risk.

**Concentration of Credit Risk** – At September 30, 2010, the Bay County Tax Collector did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2010, the Tax Collector’s investments consisted of the following:

<b>Investment Type</b>	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Credit Rating</b>
Local Government Surplus Funds Trust Fund Pool (PRIME)	\$ 22,495	\$ 22,495	AAAm
Local Government Investment Pool Fund B	54,339	54,339	*
<b>Total investments</b>	<b>\$ 76,834</b>	<b>\$ 76,834</b>	

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

Bay County Tax Collector  
Notes to Special-Purpose Financial Statements  
September 30, 2010

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2010, accounts receivable, net, in the agency funds is summarized as follows:

Total accounts receivable	\$ 20,168
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$ 20,168</u>

The Bay County Tax Collector considers all amounts collectible; therefore, there is no provision for doubtful accounts at September 30, 2010.

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 1
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, 2010

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 for October 1, 2009 through June 30, 2010, were 9.85% and 16.53% for regular employees and elected county officials, respectively. Rates effective for July 1 through September 30, 2010, were 10.77% and 18.64% 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% October 1, 2009 through June 30, 2010, and 12.25% July 1 through September 30, 2010. The tax collector contributions for the years ended September 30, 2010, 2009 and 2008 were \$156,580, \$161,763, and \$158,935, 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, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>PROPERTY TAX FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,786,584	\$ 393,249,959	\$ 393,208,334	\$ 1,828,209
Investments	75,320	1,317	-	76,637
Total assets	<u>\$ 1,861,904</u>	<u>\$ 393,251,276</u>	<u>\$ 393,208,334</u>	<u>\$ 1,904,846</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,861,904	\$ 393,251,276	\$ 393,208,334	\$ 1,904,846
Total liabilities	<u>\$ 1,861,904</u>	<u>\$ 393,251,276</u>	<u>\$ 393,208,334</u>	<u>\$ 1,904,846</u>
<b>TAX CERTIFICATE FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 555	\$ 16,950,659	\$ 16,951,214	\$ -
Accounts receivable, net	-	357	-	357
Total assets	<u>\$ 555</u>	<u>\$ 16,951,016</u>	<u>\$ 16,951,214</u>	<u>\$ 357</u>
<b>LIABILITIES</b>				
Due to others	\$ 555	\$ 16,951,016	\$ 16,951,214	\$ 357
Total liabilities	<u>\$ 555</u>	<u>\$ 16,951,016</u>	<u>\$ 16,951,214</u>	<u>\$ 357</u>
<b>TAG FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,898	\$ 21,044,153	\$ 21,030,628	\$ 34,423
Accounts receivable, net	18,646	12,815	11,650	19,811
Total assets	<u>\$ 39,544</u>	<u>\$ 21,056,968</u>	<u>\$ 21,042,278</u>	<u>\$ 54,234</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 39,544	\$ 21,056,968	\$ 21,042,278	\$ 54,234
Total liabilities	<u>\$ 39,544</u>	<u>\$ 21,056,968</u>	<u>\$ 21,042,278</u>	<u>\$ 54,234</u>

Bay County Tax Collector  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended September 30, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>TOTAL-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,808,037	\$ 431,244,771	\$ 431,190,176	\$ 1,862,632
Investments	75,320	1,317	-	76,637
Accounts receivable, net	18,646	13,172	11,650	20,168
Total assets	<u>\$ 1,902,003</u>	<u>\$ 431,259,260</u>	<u>\$ 431,201,826</u>	<u>\$ 1,959,437</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,901,448	\$ 414,308,244	\$ 414,250,612	\$ 1,959,080
Due to others	555	16,951,016	16,951,214	357
Total liabilities	<u>\$ 1,902,003</u>	<u>\$ 431,259,260</u>	<u>\$ 431,201,826</u>	<u>\$ 1,959,437</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, 2010, and have issued our report thereon dated March 25, 2011.

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. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 25, 2011, 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 09-01, 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 10-01.

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 occurred, or are likely to have occurred, 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) deficiencies in internal control 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 the Bay County Tax Collector, 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.*

March 25, 2011

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, 2010, and have issued our report thereon dated March 25, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or

The Honorable Peggy Brannon  
Bay County Tax Collector  
Page Two

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weaknesses:

- 10-01 (Prior Year 09-01) 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 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.

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.

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

March 25, 2011

**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, 2010, 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, 2010, 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  
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In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2011, 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.

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

March 25, 2011

Bay County Sheriff  
Special-Purpose Balance Sheet  
Governmental Funds  
September 30, 2010

	General Fund	Crime Prevention	Inmate Welfare	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 299,180	\$ 275,112	\$ 258,863	\$ 221,484	\$ 1,054,639
Accounts receivable, net	58,858	-	40,637	-	99,495
Total assets	<u>\$ 358,038</u>	<u>\$ 275,112</u>	<u>\$ 299,500</u>	<u>\$ 221,484</u>	<u>\$ 1,154,134</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 266,740	\$ -	\$ 1,737	\$ -	\$ 268,477
Due to other governments	91,298	-	-	-	91,298
Total liabilities	358,038	-	1,737	-	359,775
<b>FUND BALANCE</b>					
Unreserved	-	275,112	297,763	221,484	794,359
Total liabilities and fund balance	<u>\$ 358,038</u>	<u>\$ 275,112</u>	<u>\$ 299,500</u>	<u>\$ 221,484</u>	<u>\$ 1,154,134</u>

Bay County Sheriff  
Special-Purpose Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Funds  
Year Ended September 30, 2010

	General Fund	Crime Prevention	Inmate Welfare	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Intergovernmental revenue	\$ 934,669	\$ 201,342	\$ -	\$ 297,794	\$ 1,433,805
Interest income	29,000	-	-	-	29,000
Charges for services	-	-	451,280	-	451,280
Miscellaneous	15,688	609	-	124	16,421
Total revenues	<u>979,357</u>	<u>201,951</u>	<u>451,280</u>	<u>297,918</u>	<u>1,930,506</u>
<b>EXPENDITURES</b>					
Current					
Public safety	35,738,759	187,418	276,550	206,247	36,408,974
Capital outlay					
Public safety	1,816,150	-	-	89,937	1,906,087
Debt service					
Principal retirement	108,424	-	-	-	108,424
Interest and fiscal charges	5,050	-	-	-	5,050
Total expenditures	<u>37,668,383</u>	<u>187,418</u>	<u>276,550</u>	<u>296,184</u>	<u>38,428,535</u>
Excess (deficit) of revenues over (under) expenditures	<u>(36,689,026)</u>	<u>14,533</u>	<u>174,730</u>	<u>1,734</u>	<u>(36,498,029)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Budget appropriations from					
Board of County Commissioners	36,705,399	-	-	-	36,705,399
Proceeds from the sale of surplus assets	74,925	-	-	-	74,925
Transfer out/return of excess fees	(91,298)	-	-	-	(91,298)
Total other financing sources (uses)	<u>36,689,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,689,026</u>
Net change in fund balance	-	14,533	174,730	1,734	190,997
Fund balance - beginning	-	260,579	123,033	219,750	603,362
Fund balance - ending	<u>\$ -</u>	<u>\$ 275,112</u>	<u>\$ 297,763</u>	<u>\$ 221,484</u>	<u>\$ 794,359</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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 83,037	\$ 727,694	\$ 934,669	\$ 206,975
Interest income	-	-	29,000	29,000
Miscellaneous	-	-	15,688	15,688
Total revenues	<u>83,037</u>	<u>727,694</u>	<u>979,357</u>	<u>251,663</u>
<b>EXPENDITURES</b>				
Current				
Public safety	34,822,812	35,503,469	35,738,759	(235,290)
Capital outlay				
Public safety	1,816,150	1,816,150	1,816,150	-
Debt service				
Principal retirement	108,424	108,424	108,424	-
Interest and fiscal charges	5,050	5,050	5,050	-
Total expenditures	<u>36,752,436</u>	<u>37,433,093</u>	<u>37,668,383</u>	<u>(235,290)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(36,669,399)</u>	<u>(36,705,399)</u>	<u>(36,689,026)</u>	<u>16,373</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budget appropriations from Board of County Commissioners	36,669,399	36,705,399	36,705,399	-
Proceeds from the sale of surplus assets	-	-	74,925	74,925
Transfer out/ return of excess fees	-	-	(91,298)	(91,298)
Total other financing sources (uses)	<u>36,669,399</u>	<u>36,705,399</u>	<u>36,689,026</u>	<u>(16,373)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Bay County Sheriff  
Special-Purpose Statement of Fiduciary Net Assets  
Agency Funds  
September 30, 2010

**ASSETS**

Cash and cash equivalents	\$ 91,799
Total assets	<u>\$ 91,799</u>

**LIABILITIES**

Accounts payable	\$ 12,210
Due to others	<u>79,589</u>
Total liabilities	<u>\$ 91,799</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, 2010

**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, 2010

**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 Sheriff's general fund 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. The Sheriff is not legally required to prepare a budget for the other governmental funds; therefore comparative budget and actual results are not presented for these funds.

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, 2010

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, 2010

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

At September 30, 2010, accounts receivable, net is summarized as follows:

	General Fund	Other Governmental Funds	Total
Total accounts receivable	\$ 58,858	\$ 40,637	\$ 99,495
Less: allowance for doubtful accounts	-	-	-
Accounts receivable, net	<u>\$ 58,858</u>	<u>\$ 40,637</u>	<u>\$ 99,495</u>

The Sheriff considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2010.

**NOTE 4 – CAPITAL ASSETS**

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2010, are summarized as follows:

	Balance September 30, 2009	Increases	Decreases	Balance September 30, 2010
Vehicles, furniture and equipment	\$ 11,984,674	\$ 2,047,264	\$ (391,492)	\$ 13,640,446
Property held under capital leases	549,664	-	(436,117)	113,547
Total	<u>12,534,338</u>	<u>2,047,264</u>	<u>(827,609)</u>	<u>13,753,993</u>
Less accumulated depreciation	(8,535,112)	(1,625,853)	523,678	(9,637,287)
Total	<u>\$ 3,999,226</u>	<u>\$ 421,411</u>	<u>\$ (303,931)</u>	<u>\$ 4,116,706</u>

**NOTE 5 – LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended September 30, 2010:

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
Capital leases payable	\$ 156,456	\$ -	\$ 108,425	\$ 48,031
Compensated absences	1,177,343	-	26,790	1,150,553
Total	<u>\$ 1,333,799</u>	<u>\$ -</u>	<u>\$ 135,215</u>	<u>\$ 1,198,584</u>

Bay County Sheriff  
Notes to Special-Purpose Financial Statements  
September 30, 2010

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

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 \$113,547. The accumulated depreciation of these assets is \$42,849. Future minimum lease payments at September 30, 2010, are summarized as follows:

<u>Years Ending September 30,</u>	
2011	\$ 41,595
2012	8,988
Total	<u>50,583</u>
Less: amount representing interest	<u>(2,552)</u>
Principal balance	<u>\$ 48,031</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, 2010

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 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 October 1, 2009 through June 30, 2010, were 9.85% and 20.92% for regular employees and special risk employees, respectively. Rates effective for July 1 through September 30, 2010, were 10.77% and 23.25% for regular employees and special risk employees, respectively. The Sheriff's contributions for the years ended September 30, 2010, 2009 and 2008 were \$3,773,271, \$3,521,713, and \$2,108,306, 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, 2010

Special Revenue

	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 30,766	\$ 52,836	\$ 6,090	\$ 47,725	\$ 84,067	\$ 221,484
Total assets	<u>\$ 30,766</u>	<u>\$ 52,836</u>	<u>\$ 6,090</u>	<u>\$ 47,725</u>	<u>\$ 84,067</u>	<u>\$ 221,484</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance						
Unreserved	30,766	52,836	6,090	47,725	84,067	221,484
Total fund balance	<u>30,766</u>	<u>52,836</u>	<u>6,090</u>	<u>47,725</u>	<u>84,067</u>	<u>221,484</u>
Total liabilities and fund balance	<u>\$ 30,766</u>	<u>\$ 52,836</u>	<u>\$ 6,090</u>	<u>\$ 47,725</u>	<u>\$ 84,067</u>	<u>\$ 221,484</u>

Bay County Sheriff  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2010

	Special Revenue					
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total
<b>REVENUES</b>						
Intergovernmental	\$ 46,508	\$ 117,498	\$ 10,847	\$ 59,502	\$ 63,439	\$ 297,794
Miscellaneous	-	-	-	117	7	124
Total revenues	<u>46,508</u>	<u>117,498</u>	<u>10,847</u>	<u>59,619</u>	<u>63,446</u>	<u>297,918</u>
<b>EXPENDITURES</b>						
Current						
Public safety	34,662	76,038	9,834	68,527	17,186	206,247
Capital outlay						
Public safety	-	-	-	86,797	3,140	89,937
Total expenditures	<u>34,662</u>	<u>76,038</u>	<u>9,834</u>	<u>155,324</u>	<u>20,326</u>	<u>296,184</u>
Net change in fund balance	11,846	41,460	1,013	(95,705)	43,120	1,734
Fund balance - beginning	<u>18,920</u>	<u>11,376</u>	<u>5,077</u>	<u>143,430</u>	<u>40,947</u>	<u>219,750</u>
Fund balance - ending	<u>\$ 30,766</u>	<u>\$ 52,836</u>	<u>\$ 6,090</u>	<u>\$ 47,725</u>	<u>\$ 84,067</u>	<u>\$ 221,484</u>

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## AGENCY FUNDS

Bay County Sheriff  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended September 30, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>OTHER SUSPENSE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 130,592	\$ 130,592	\$ -
Total assets	<u>\$ -</u>	<u>\$ 130,592</u>	<u>\$ 130,592</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 130,592	\$ 130,592	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 130,592</u>	<u>\$ 130,592</u>	<u>\$ -</u>
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,460	\$ 372,878	\$ 371,128	\$ 12,210
Total assets	<u>\$ 10,460</u>	<u>\$ 372,878</u>	<u>\$ 371,128</u>	<u>\$ 12,210</u>
<b>LIABILITIES</b>				
Due to Other Governments	-	-	-	-
Total liabilities	<u>\$ 10,460</u>	<u>\$ 372,878</u>	<u>\$ 371,128</u>	<u>\$ 12,210</u>

Bay County Sheriff  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended September 30, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<b>FOREFITURE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,828	\$ 145,881	\$ 96,120	\$ 79,589
Total assets	<u>\$ 29,828</u>	<u>\$ 145,881</u>	<u>\$ 96,120</u>	<u>\$ 79,589</u>
<b>LIABILITIES</b>				
Due to others	\$ 29,828	\$ 145,881	\$ 96,120	\$ 79,589
Total liabilities	<u>\$ 29,828</u>	<u>\$ 145,881</u>	<u>\$ 96,120</u>	<u>\$ 79,589</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 40,288	\$ 649,351	\$ 597,840	\$ 91,799
Total assets	<u>\$ 40,288</u>	<u>\$ 649,351</u>	<u>\$ 597,840</u>	<u>\$ 91,799</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 10,460	\$ 372,878	\$ 371,128	\$ 12,210
Due to other governments	-	130,592	130,592	-
Due to others	29,828	145,881	96,120	79,589
Total liabilities	<u>\$ 40,288</u>	<u>\$ 649,351</u>	<u>\$ 597,840</u>	<u>\$ 91,799</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, 2010, and have issued our report thereon dated March 25, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America: 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 25, 2011, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report related to finding 09-02. However, we disclosed in finding 09-01, that the Bay County Sheriff was not including all capital asset purchases in its property record additions. While current year audit procedures found improvements in these areas, there were still purchases of capital assets not included as additions. See current year comments 10-01.

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 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 occurred, or are likely to have occurred, 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) deficiencies in internal control 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.*

March 25, 2011

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, 2010, and have issued our report thereon dated March 25, 2011. 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting:

The Honorable Frank McKeithen  
Bay County Sheriff  
Page Two

10-01 (Prior Year 09-01) Several capital assets were not included as additions until after the year ended.

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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

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

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

March 25, 2011

