

BAY COUNTY

FLORIDA



P. Brent

***Comprehensive Annual
Financial Report***

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

BAY COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

PREPARED BY THE OFFICE

OF

**BILL KINSAUL
CLERK OF COURT AND COMPTROLLER**

**JOSEPH ROGERS
FINANCE OFFICER**

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March 12, 2012

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, 2011. 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, 2010, to September 30, 2011, 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 – To encourage economic growth and public safety, Bay County addressed the expansion of the Grand Lagoon Bridge which is located on Thomas Drive. Thomas Drive, a main thoroughfare within Bay County, is now entirely four lanes. This project was partially funded with the American Recovery and Reinvestment Act funds and was completed in 2011.

Bay County received a grant for approximately \$2.5 million from the U. S. Department of Housing and Urban Development for a Neighborhood Stabilization Program (NSP). Neighborhood Stabilization Program grant funds are used to acquire abandoned or foreclosed properties then rehabilitate the homes as necessary for resale to income-eligible families. This program helps stabilize neighborhoods that are experiencing blight conditions.

Panama City Beach continues to attract the attention of individuals from all over the United States as well as other countries. Bay County utilized funds from the BP Oil Spill settlement to promote tourism. Several beach concerts were held which attracted record crowds to the World's Most Beautiful Beaches.

Bay County and the Tourist Development Council also continued in their efforts to maintain Bay County's beaches through a renourishment program. Bay County and the Tourist Development Council succeeded in obtaining the continuation of a State cost-sharing grant to supplement Federal Emergency Management Agency funds. The \$1.9 million restoration project should cover approximately one mile of beaches located on the western end of Bay County.

The Bay County Traffic Safety Team (CTST) was approved for a \$2.5 million grant for the design and construction of safety improvements on 11th Street. The project includes the resurfacing of approximately 1.9 miles, the addition of sidewalks, bike lanes, traffic signal improvements and turn lane improvements. The project is expected to be completed 2012.

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.

Planning and Design is scheduled to begin for an addition to the Bay County Courthouse which will house the Circuit Judges and their staff. Additional parking for the new addition and some renovations will need to be made to the existing Courthouse.

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 to promote tourism and recreation.

With the continued efforts of various organizations and governmental entities, new industries are showing interest in Bay County as a place in which to operate. Efforts are continuing through the Bay County 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 sites 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, 2010. 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-two consecutive years (fiscal years ended September 30, 1989 through 2010). 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

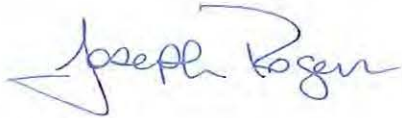
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Clerk's Division of Board Finance, the County Manager, the County's Legal Staff, the Office of Management and Budget, and the various directors of the County departments, 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, Guy M. Tunnell and Mike Thomas for their interest and support in administering the financial operations of the County during the fiscal year presented.

Respectfully submitted,

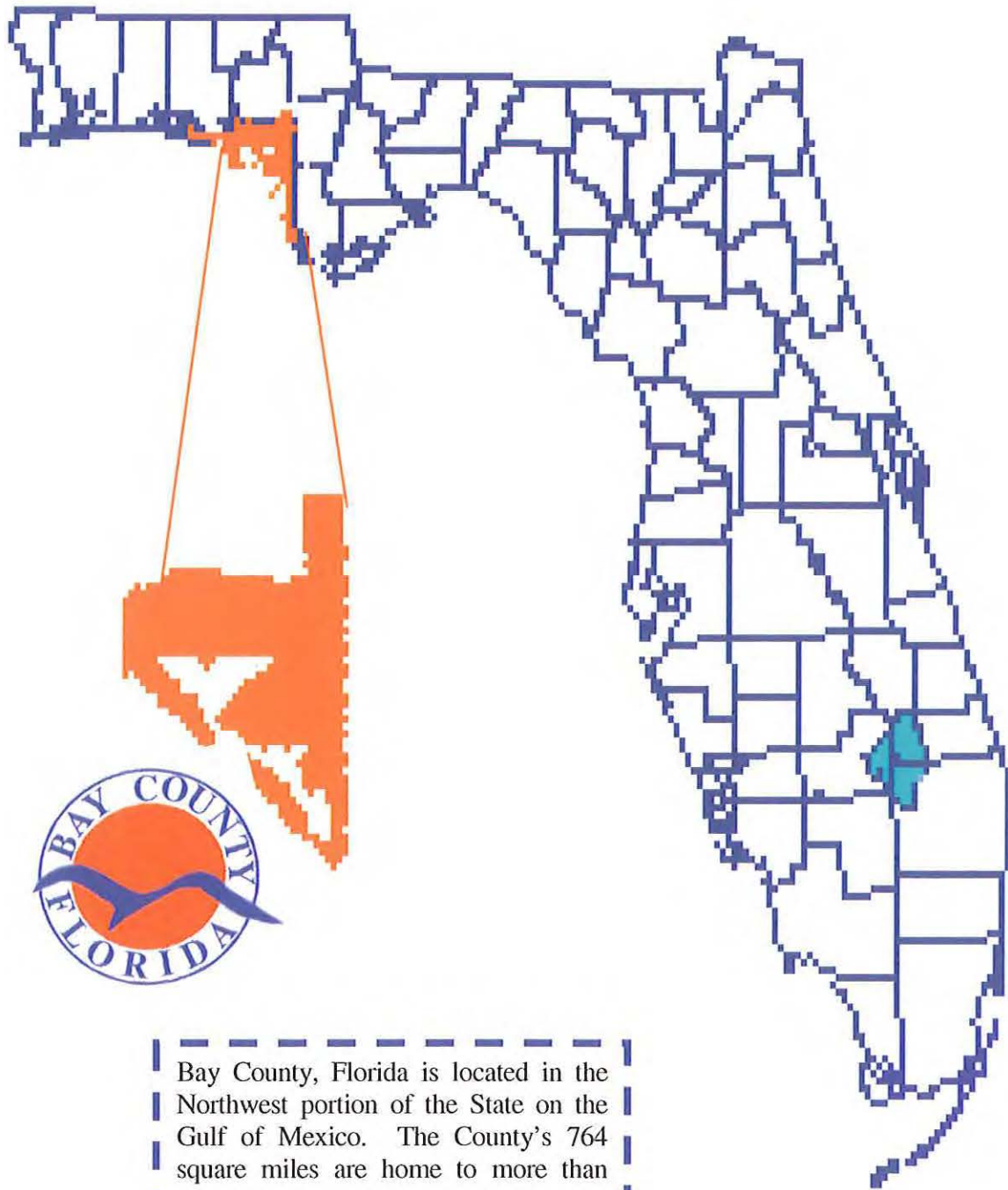
A handwritten signature in blue ink, appearing to read "Bill Kinsaul". The signature is fluid and cursive, with a large, stylized "K" at the end.

Bill Kinsaul
Clerk of Court & Comptroller

A handwritten signature in blue ink, appearing to read "Joseph Rogers". The signature is cursive and somewhat stylized, with a large "J" at the beginning.

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 168,850 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*



*Guy Tunnell
Commissioner
District IV*



*Mike Thomas
Commissioner
District V*

*County Officials
Bay County, Florida*



*Mark Anderson
Supervisor of
Elections*



*Bill Kinsaul
Clerk of Court
& Comptroller*



*Dan Sowell
Property Appraiser*



*Peggy Brannon
Tax Collector*

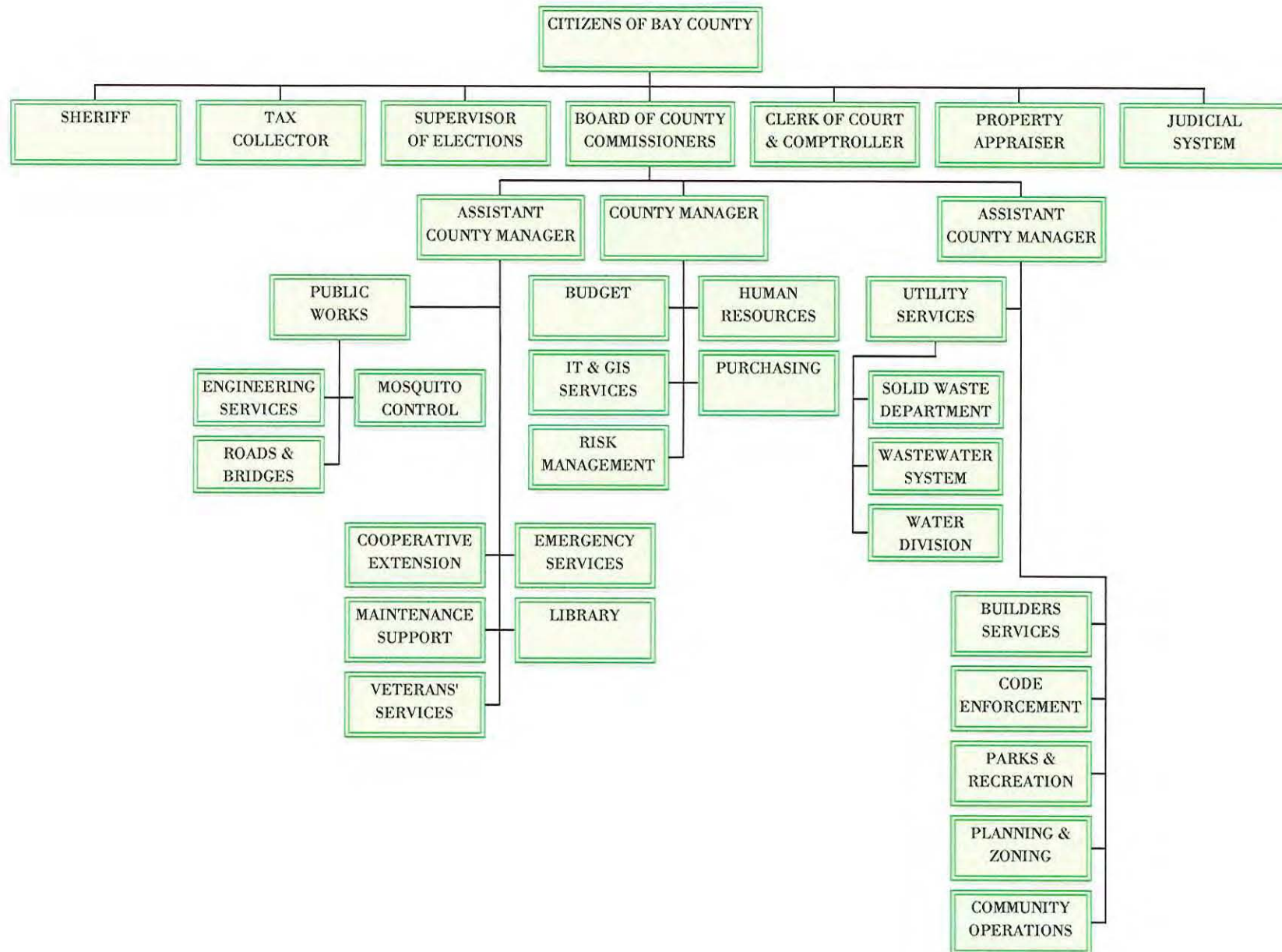


*Frank McKeithen
Sheriff*

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BAY COUNTY ORGANIZATIONAL CHART

Fiscal Year 2011



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, 2010.

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, 2010

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.



Linda C. Sandison

President

Jeffrey R. Enser

Executive Director

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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, 2011, 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, 2011, 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 12, 2012, 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-76 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 budgetary 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.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

Bay County, Florida
MANAGEMENT'S DISCUSSION and ANALYSIS
For the Year Ended September 30, 2011

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 \$350,351,538 (net assets). Of this amount, \$18,817,801 is unrestricted net assets for governmental activities and \$23,529,091 is unrestricted net assets for business-type activities, while \$43,752,095 is restricted net assets for governmental activities and \$12,291,303 is restricted net assets for business-type activities.
- Total net assets decreased by \$865,659. Of this amount, a decrease of \$1,118,666 is attributable to governmental activities and an increase of \$253,007 is attributable to business-type activities.
- As of September 30, 2011, general fund's unassigned fund balance was \$3,572,736 or 4 percent of total general fund expenditures.
- Governmental activities revenues decreased to \$134,058,773 or approximately 4 percent, while governmental activities expenses decreased 4 percent to \$135,420,538. Business-type activities revenues decreased to \$44,568,598 or 39 percent, while business-type activities expenses decreased .3 percent to \$44,072,492.
- The County's outstanding bonded debt increased by \$20,268,516 or 12 percent during fiscal year 2011. The key factor contributing to the increase in bonded debt was the issuance of two new bond series, one for the construction of the West End Fire Station and the second to restructure the financing of the County's water and wastewater system. The County also refunded the 2007 Capital Improvement Bonds in fiscal year 2011.

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 2011, 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 93,721,522	\$ 98,759,770	\$ 64,121,109	\$ 69,692,762	\$ 157,842,631	\$ 168,452,532
Capital assets	258,949,400	250,369,669	176,002,228	178,040,149	434,951,628	428,409,818
Total assets	<u>352,670,922</u>	<u>349,129,439</u>	<u>240,123,337</u>	<u>247,732,911</u>	<u>592,794,259</u>	<u>596,862,350</u>
Current and other liabilities	14,067,940	11,095,956	4,186,878	10,228,391	18,254,818	21,324,347
Long-term liabilities	100,248,128	98,559,963	123,939,775	125,760,843	224,187,903	224,320,806
Total liabilities	<u>114,316,068</u>	<u>109,655,919</u>	<u>128,126,653</u>	<u>135,989,234</u>	<u>242,442,721</u>	<u>245,645,153</u>
Net assets invested in capital assets, net of related debt	175,784,958	167,184,260	76,176,290	81,158,497	251,961,248	248,342,757
Net assets-restricted	43,752,095	12,510,353	12,291,303	6,566,100	56,043,398	19,076,453
Net assets-unrestricted	18,817,801	59,778,907	23,529,091	24,019,080	42,346,892	83,797,987
Total net assets	<u>\$ 238,354,854</u>	<u>\$ 239,473,520</u>	<u>\$ 111,996,684</u>	<u>\$ 111,743,677</u>	<u>\$ 350,351,538</u>	<u>\$ 351,217,197</u>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the County's largest portion of net assets (72 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 16 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 (\$42,346,892) may be used to help meet the government's ongoing obligations to citizens and creditors.

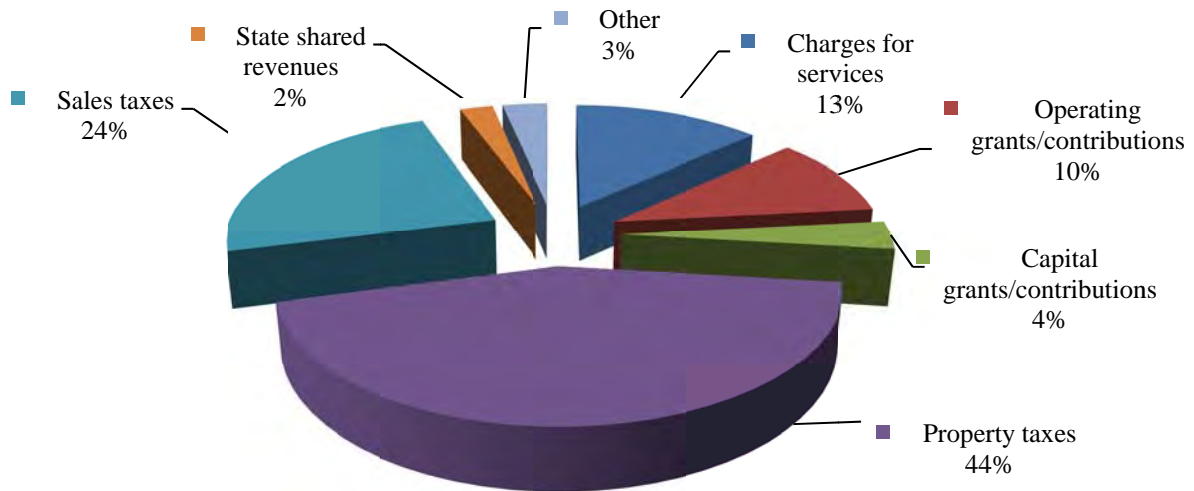
Governmental activities long-term liabilities, increased by \$1,688,165 during 2011, while business-type activities long-term liabilities decreased by \$1,821,068. The issuance of debt to construct the West End Fire Station was the major contributing factor to the increase in long-term liabilities for governmental activities during the fiscal year 2011, while the repayment of principal through semi-annual and annual debt service payments contributed to the decrease in long-term liabilities business-type activities, as well as, the restructuring of debt for the County's water and wastewater system at lower rates of interest.

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

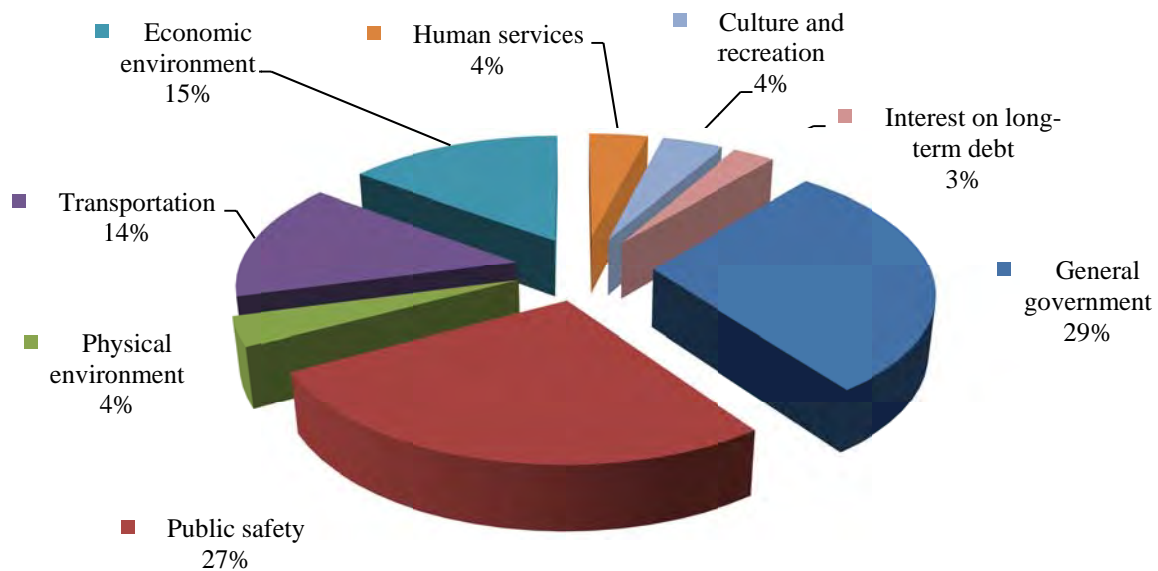
Bay County, Florida Changes in Net Assets

Year ended September 30,	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues						
Charges for services	\$ 17,759,917	\$ 18,057,731	\$ 41,829,545	\$ 40,097,405	\$ 59,589,462	\$ 58,155,136
Operating grants/contributions	13,486,584	16,953,017	315,000	315,000	13,801,584	17,268,017
Capital grants/contributions	4,790,164	7,040,323	235,134	871,811	5,025,298	7,912,134
General revenues						
Property taxes	59,025,047	63,269,038	-	-	59,025,047	63,269,038
Sales taxes	31,551,527	29,006,207	2,000	2,500	31,553,527	29,008,707
State shared revenues - unrestricted	3,080,852	2,954,621	-	-	3,080,852	2,954,621
Other	4,364,682	1,651,465	2,186,919	31,919,771	6,551,601	33,571,236
Total revenues	<u>134,058,773</u>	<u>138,932,402</u>	<u>44,568,598</u>	<u>73,206,487</u>	<u>178,627,371</u>	<u>212,138,889</u>
Expenses						
General government	39,434,666	44,216,781	-	-	39,434,666	44,216,781
Public safety	36,413,991	38,220,126	-	-	36,413,991	38,220,126
Physical environment	4,968,431	4,343,675	-	-	4,968,431	4,343,675
Transportation	19,604,133	20,903,717	-	-	19,604,133	20,903,717
Economic environment	19,839,456	18,601,704	-	-	19,839,456	18,601,704
Human services	5,443,839	5,552,240	-	-	5,443,839	5,552,240
Culture and recreation	5,806,043	5,098,294	-	-	5,806,043	5,098,294
Interest on long-term debt	3,909,979	3,956,673	-	-	3,909,979	3,956,673
Wholesale water system	-	-	12,237,921	12,230,344	12,237,921	12,230,344
Retail water and wastewater	-	-	11,009,770	9,774,380	11,009,770	9,774,380
Industrial wastewater	-	-	3,951,644	5,768,403	3,951,644	5,768,403
Solid waste	-	-	15,274,326	14,737,174	15,274,326	14,737,174
Building services	-	-	1,598,831	1,699,893	1,598,831	1,699,893
Total expenses	<u>135,420,538</u>	<u>140,893,210</u>	<u>44,072,492</u>	<u>44,210,194</u>	<u>179,493,030</u>	<u>185,103,404</u>
Increase (decrease) in net assets before transfers	(1,361,765)	(1,960,808)	496,106	28,996,293	(865,659)	27,035,485
Transfers	243,099	-	(243,099)	-	-	-
Changes in net assets	<u>(1,118,666)</u>	<u>(1,960,808)</u>	<u>253,007</u>	<u>28,996,293</u>	<u>(865,659)</u>	<u>27,035,485</u>
Net assets - beginning	239,473,520	244,311,053	111,743,677	81,247,384	351,217,197	325,558,437
Prior period adjustments	-	(2,876,725)	-	1,500,000	-	(1,376,725)
Net assets - beginning (restated)	<u>239,473,520</u>	<u>241,434,328</u>	<u>111,743,677</u>	<u>82,747,384</u>	<u>351,217,197</u>	<u>324,181,712</u>
Net assets - ending	<u>\$ 238,354,854</u>	<u>\$ 239,473,520</u>	<u>\$ 111,996,684</u>	<u>\$ 111,743,677</u>	<u>\$ 350,351,538</u>	<u>\$ 351,217,197</u>

Revenue - Governmental Activities Fiscal Year September 30, 2011



Expenses - Governmental Activities Fiscal Year Ended September 30, 2011



As reflected in the changes in net assets, the County's net assets decreased by \$865,659. The overall decrease in revenues without the corresponding decrease in expenses contributed to the decrease in the County's net assets. Total revenues decreased \$33,511,518 from the previous year due mainly to the fact that the County received in excess of \$37 million in insurance proceeds in 2010 to restore and enhance the incinerator which was damaged by fire in 2008. Governmental activities expenses exceeded revenues by \$1,361,765, while business-type activities revenues exceeded expenses by \$496,106. The continued decline of property values and decreases in funding through operating and capital grants contributed to the decrease in net assets in governmental activities. Total expenses decreased \$5,610,374 from the previous year. Decreased spending for general government and public safety were primarily responsible for the decrease in expenses.

44% of the revenues for governmental activities are generated by property taxes, while most of the governmental resources are expended for general government (29%), public safety (27%), transportation (14%), and economic environment (15%) activities. Charges for services provided 94% 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, 2011, total assets were \$34,478,260 and total liabilities were \$6,570,407. At the end of fiscal year 2011, unassigned fund balance of the general fund was \$3,572,736 while total fund balance equaled \$27,907,853. Due to the implementation of GASB 54 in fiscal year 2011, three funds previously classified as special revenue funds are now included in the general fund. Total assets of the general fund decreased \$10,198,916 from fiscal year 2010. Over \$5 million was transferred to the transportation and storm water funds to fund various projects in 2011, while \$2.9 million was used to purchase property next to the Naval Surface Warfare Center. General fund revenues decreased in fiscal year 2011, with property taxes falling over \$3.7 million from 2010. Revenues from contributions and donations declined \$3.8 million in 2011, 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 purchase of 8.4 acres of land adjacent to the Naval Surface Warfare Center, in hopes of obtaining federal funding for a Veteran's Clinic, as well as, the purchase of a building to be used by the County Health Department for a dental center, expenses associated with the construction of an emergency operations center, and increases in expenses associated with the construction of an emergency operations center, and increases in expenses related to Medicaid payments. Budget amendments were also made for increases in the amount transferred to the Transportation fund and land purchases related to the Neighborhood Stabilization program. Revenues collected from ad valorem taxes were slightly higher than the amount budgeted, while the local government half cent sales tax revenue came in at 4% above the amount budgeted. State revenue sharing proceeds also exceeded the amount budgeted by 4%. Excess fees returned to the County from the Tax Collector fell well below the budgeted amounts. Actual expenditures for general government and public safety were less than the final amount budgeted due to contracted services and projects scheduled for fiscal year 2011, but not completed during the year or delayed for various reasons.

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 \$887,072 in fiscal year 2011 due to a slight decline in gas taxes and a significantly lesser amount received from federal and state grants. 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 24% in 2011, due to a record breaking year in tourism on Panama City Beach. A very quiet hurricane season, along with beautiful weather and very little rainfall, contributed to the success of the 2011 tourism season. Tax revenues increased \$2,086,447 over 2010 due in part to special events funded by British Petroleum (BP) promotional funds and an enhanced enforcement and collection program.

Other Governmental Funds

The *MSTU-fire protection fund* accounts for the provision of fire services throughout the County. Its primary source of revenue is ad valorem taxes, which comprised 98% of its revenues in 2011. MSTU's fund balance decreased in 2011 due mainly to a decrease in ad valorem taxes and an increase in capital outlay expenditures.

Proprietary Funds

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

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

FUND	2011	2010
	Unrestricted Net Assets	Unrestricted Net Assets
Wholesale water system	\$ 8,234,238	\$ 4,046,355
Retail water and wastewater	1,573,274	4,424,176
Industrial wastewater	2,263,662	2,317,982
Solid waste fund	6,071,191	7,371,410
Building services	5,386,726	5,859,158
Total	<u>\$ 23,529,091</u>	<u>\$ 24,019,081</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 \$2,521,343 over fiscal year 2010. A slight increase in the wholesale water rate and increased consumption contributed to the increase in 2011. The wholesale water system fund's total assets increased \$3,159,168 in fiscal year 2011, due in part to increased revenues and decreased expenditures.

The County's *solid waste fund* accounts for the operations and maintenance of the County's landfill and incinerator. In fiscal year 2011, \$7,880,751 was generated by tip fees; this represents an increase of \$251,612 over the previous year's tip fee revenue. As required by the Department of Environmental Protection, the County has set aside as of the end of the current fiscal year \$3,039,116 for closure costs of its landfill. As of September 30, 2011, the County has accrued a total liability for landfill post closure care of \$4,970,182. As of September 30, 2011, total assets were \$92,133,495; total liabilities were \$34,187,897 and net assets were \$57,945,598.

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, 2011, was \$434,951,628 (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:

- Expansion of the County's Steelfield landfill began in 2011 with the engineering phase of a new 14 acre Class I landfill cell (Cell 5). The cost of the expansion is projected to be \$2,963,510, with \$162,885 of that cost being expensed in fiscal year 2011.
- Construction continued in 2011 on a new fire station located at the west end of Panama City Beach. The total project cost is estimated to be \$3,192,290, with \$2,428,370 of that cost being expensed in 2011.
- Construction on a new Road & Bridge Facility began in 2011 at a projected cost of \$1,060,189. \$747,714 of the total project cost was expensed in 2011. It is anticipated that the facility will be completed by the end of the second quarter of fiscal year 2012.
- Construction neared completion in 2011 on a new four lane replacement bridge over Grand Lagoon. \$7,170,420 of the total project cost of \$14,833,746 was expensed in 2011. The bridge is expected to be completed in 2012.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 19,009,354	\$ 15,978,745	\$ 5,727,643	\$ 3,027,643	\$ 24,736,997	\$ 19,006,388
Construction in progress	25,596,197	13,572,495	693,986	2,758,898	26,290,183	16,331,393
Books	456,967	463,850	-	-	456,967	463,850
Buildings and improvements	107,405,009	108,075,589	1,035,574	1,119,499	108,440,583	109,195,088
Furniture and equipment	13,247,127	15,053,343	4,217,435	2,533,627	17,464,562	17,586,970
Infrastructure	93,234,746	97,225,647	164,327,590	168,600,482	257,562,336	265,826,129
Total	<u>\$ 258,949,400</u>	<u>\$ 250,369,669</u>	<u>\$ 176,002,228</u>	<u>\$ 178,040,149</u>	<u>\$ 434,951,628</u>	<u>\$ 428,409,818</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 \$190,424,653. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
	<u>\$83,029,898</u>	<u>\$84,179,842</u>	<u>\$107,394,755</u>	<u>\$85,976,295</u>	<u>\$190,424,653</u>	<u>\$170,156,137</u>
Revenue Bonds						

The County's total bonded debt outstanding increased by \$20,268,516 during the fiscal year ended September 30, 2011. The key factor contributing to the increase in bonded debt was the issuance of two new bond series, one for the construction of the West End Fire Station and the second to restructure the financing of the County's water and wastewater system. The County also refunded the 2007 Capital Improvement Bonds in fiscal year 2011.

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 continued to feel the effects of the economic slowdown during the fiscal year ended September 30, 2011. Construction continued to be flat in 2011 with building permits issued on new single and multi-family residential units at 634, compared to 652 permits issued in 2010. 207 commercial building permits were issued in 2011, which represents an increase of 29%, compared to the 160 permits issued in 2010. Despite the economic downturn and the Deepwater Horizon oil spill of 2010, Bay County did enjoy one of the best tourism seasons ever recorded in 2011. While surrounding counties also experienced an increase in tourism, Bay County saw a significant increase of 16% in its tourist development bed tax collections. The County's unemployment rate for 2011 was 10.1%, slightly higher than the State's average unemployment rate of 9.7%. In 2012, the County will continue to focus on various transportation projects, including the completion of Grand Lagoon Bridge, various intersection upgrades, and the expansion of the County's Intelligent Transportation System (ITS). The County will also continue its work on expanding and enhancing the County's wastewater and water treatment and distribution capabilities. This expansion includes the installation of well fields in northern Bay County that will serve as a backup source of water for the County.

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, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
ASSETS					
Cash and cash equivalents	\$ 29,140,972	\$ 10,638,105	\$ 39,779,077	\$ 384,680	\$ 164,011
Investments	34,038,803	11,788,602	45,827,405	-	-
Accounts receivable, net	2,254,511	5,468,523	7,723,034	3,334,875	-
Special assessments receivable	670,397	-	670,397	-	-
Accrued interest receivable	-	51,922	51,922	-	-
Due from other governments	6,990,094	822,159	7,812,253	-	-
Prepaid expenses	1,147,591	-	1,147,591	123,317	-
Inventory	-	291,115	291,115	-	-
Notes receivable	104,479	15,172,414	15,276,893	-	-
Investment in joint venture	-	1,600,739	1,600,739	-	-
Unamortized bond costs	1,202,655	855,661	2,058,316	-	-
Restricted assets					
Cash and cash equivalents	7,158,191	7,481,708	14,639,899	-	-
Investments	11,013,829	9,950,161	20,963,990	-	-
Capital assets					
Nondepreciable	44,605,551	6,421,629	51,027,180	-	-
Depreciable, net	214,343,849	169,580,599	383,924,448	-	-
Total assets	<u>352,670,922</u>	<u>240,123,337</u>	<u>592,794,259</u>	<u>3,842,872</u>	<u>164,011</u>
LIABILITIES					
Accounts payable and accrued expenses	9,982,736	2,239,236	12,221,972	836,554	10,495
Internal balances	(9,753)	9,753	-	-	-
Due to other governments	106,021	789,509	895,530	-	-
Deferred revenues	3,698,145	-	3,698,145	832,244	70,998
Accrued interest payable	272,685	377,909	650,594	-	-
Customer deposits	18,106	770,471	788,577	-	-
Long-term liabilities					
Due within one year					
Estimated liability for self insured losses	444,373	-	444,373	-	-
Accrued compensated absences	815,256	141,161	956,417	-	-
Notes payable	-	962,401	962,401	-	-
Capital leases	46,400	-	46,400	-	-
Bonds payable	3,010,000	3,687,500	6,697,500	-	-
Due in more than one year					
Estimated liability for self insured losses	3,902,558	-	3,902,558	-	-
Accrued compensated absences	2,647,192	149,432	2,796,624	-	-
Net OPEB obligation	9,274,307	301,612	9,575,919	-	-
Notes payable	-	6,981,117	6,981,117	-	-
Capital leases	88,144	-	88,144	-	-
Bonds payable	80,019,898	103,707,255	183,727,153	-	-
Landfill postclosure liability	-	8,009,297	8,009,297	-	-
Total liabilities	<u>114,316,068</u>	<u>128,126,653</u>	<u>242,442,721</u>	<u>1,668,798</u>	<u>81,493</u>
NET ASSETS					
Invested in capital assets, net of related debt	175,784,958	76,176,290	251,961,248	-	-
Restricted for					
Debt service	5,820,177	8,249,372	14,069,549	-	-
Impact fees	2,224,643	4,041,931	6,266,574	-	-
Public safety	3,762,323	-	3,762,323	-	-
Court function	2,204,466	-	2,204,466	-	-
Transportation	2,327,092	-	2,327,092	-	-
Recreation	315,941	-	315,941	-	-
Economic environment	26,055,529	-	26,055,529	-	-
Physical environment	1,041,924	-	1,041,924	-	-
Unrestricted	18,817,801	23,529,091	42,346,892	2,174,074	82,518
Total net assets	<u>\$ 238,354,854</u>	<u>\$ 111,996,684</u>	<u>\$ 350,351,538</u>	<u>\$ 2,174,074</u>	<u>\$ 82,518</u>

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

Bay County, Florida
Statement of Activities
Year Ended September 30, 2011

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental activities				
General government	\$ 39,434,666	\$ 13,769,684	\$ 7,902,897	\$ 1,021,190
Public safety	36,413,991	1,308,519	808,342	102,386
Physical environment	4,968,431	1,805,016	1,815,267	1,132,255
Transportation	19,604,133	320,562	2,723,371	1,972,445
Economic environment	19,839,456	-	174,920	44,596
Human services	5,443,839	-	19,500	-
Culture and recreation	5,806,043	556,136	42,287	517,292
Interest on long-term debt	3,909,979	-	-	-
Total governmental activities	<u>135,420,538</u>	<u>17,759,917</u>	<u>13,486,584</u>	<u>4,790,164</u>
Business-type activities				
Wholesale water system	12,237,921	16,293,620	-	173,529
Retail water and wastewater	11,009,770	6,681,917	-	61,605
Industrial wastewater	3,951,644	3,855,587	-	-
Solid waste	15,274,326	14,197,632	315,000	-
Building services	1,598,831	800,789	-	-
Total business-type activities	<u>44,072,492</u>	<u>41,829,545</u>	<u>315,000</u>	<u>235,134</u>
Total primary government	<u>\$ 179,493,030</u>	<u>\$ 59,589,462</u>	<u>\$ 13,801,584</u>	<u>\$ 5,025,298</u>
Component Units				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 11,186,597	\$ 12,061,625	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	584,383	575,860	-	-
Total component units	<u>\$ 11,770,980</u>	<u>\$ 12,637,485</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Property taxes, levied for general purposes				
Sales taxes				
State shared revenues-unrestricted				
Investment earnings				
Miscellaneous				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
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.
\$ (16,740,895)	\$ -	\$ (16,740,895)	\$ -	\$ -
(34,194,744)	-	(34,194,744)	-	-
(215,893)	-	(215,893)	-	-
(14,587,755)	-	(14,587,755)	-	-
(19,619,940)	-	(19,619,940)	-	-
(5,424,339)	-	(5,424,339)	-	-
(4,690,328)	-	(4,690,328)	-	-
(3,909,979)	-	(3,909,979)	-	-
<u>(99,383,873)</u>	<u>-</u>	<u>(99,383,873)</u>	<u>-</u>	<u>-</u>
-	4,229,228	4,229,228	-	-
-	(4,266,248)	(4,266,248)	-	-
-	(96,057)	(96,057)	-	-
-	(761,694)	(761,694)	-	-
-	(798,042)	(798,042)	-	-
<u>-</u>	<u>(1,692,813)</u>	<u>(1,692,813)</u>	<u>-</u>	<u>-</u>
<u>(99,383,873)</u>	<u>(1,692,813)</u>	<u>(101,076,686)</u>	<u>-</u>	<u>-</u>
-	-	-	875,028	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,523)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>875,028</u>	<u>(8,523)</u>
59,025,047	-	59,025,047	-	-
31,551,527	2,000	31,553,527	-	-
3,080,852	-	3,080,852	-	-
430,320	1,238,259	1,668,579	894	433
3,934,362	948,660	4,883,022	-	-
98,022,108	2,188,919	100,211,027	894	433
243,099	(243,099)	-	-	-
98,265,207	1,945,820	100,211,027	894	433
(1,118,666)	253,007	(865,659)	875,922	(8,090)
239,473,520	111,743,677	351,217,197	1,298,152	90,608
<u>\$ 238,354,854</u>	<u>\$ 111,996,684</u>	<u>\$ 350,351,538</u>	<u>\$ 2,174,074</u>	<u>\$ 82,518</u>

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

Bay County, Florida
Balance Sheet
Governmental Funds
September 30, 2011

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,133,748	\$ 10,986,714	\$ 3,582,184	\$ 4,558,135	\$ 26,260,781
Accounts receivable, net	618,026	1,051,943	6,861	47,280	1,724,110
Special assessments receivable	147,954	-	522,443	-	670,397
Investments	7,412,051	15,903,430	3,971,029	3,560,345	30,846,855
Due from other funds	964,610	172,912	28,140	18,276	1,183,938
Due from other governments	2,553,262	32,805	4,090,074	313,953	6,990,094
Prepaid items	32,050	-	-	62,373	94,423
Notes receivable	104,479	-	-	-	104,479
Restricted assets					
Cash and cash equivalents	6,436,034	-	439,227	282,930	7,158,191
Investments	9,076,046	1,137,240	486,904	313,639	11,013,829
Total assets	<u>\$ 34,478,260</u>	<u>\$ 29,285,044</u>	<u>\$ 13,126,862</u>	<u>\$ 9,156,931</u>	<u>\$ 86,047,097</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 2,848,428	\$ 3,229,515	\$ 2,630,555	\$ 704,231	\$ 9,412,729
Deferred revenues	3,399,010	-	262,191	-	3,661,201
Due to other funds	269,897	-	123,579	57,138	450,614
Due to other governments	34,966	-	-	71,055	106,021
Customer deposits	18,106	-	-	-	18,106
Total liabilities	<u>6,570,407</u>	<u>3,229,515</u>	<u>3,016,325</u>	<u>832,424</u>	<u>13,648,671</u>
Fund balance					
Nonspendable	136,529	-	522,443	62,373	721,345
Restricted	9,997,588	26,055,529	2,327,092	5,371,886	43,752,095
Assigned	14,201,000	-	7,261,002	2,917,762	24,379,764
Unassigned	3,572,736	-	-	(27,514)	3,545,222
Total fund balance	<u>27,907,853</u>	<u>26,055,529</u>	<u>10,110,537</u>	<u>8,324,507</u>	<u>72,398,426</u>
Total liabilities and fund balance	<u>\$ 34,478,260</u>	<u>\$ 29,285,044</u>	<u>\$ 13,126,862</u>	<u>\$ 9,156,931</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.					257,817,115
Internal service funds are used by management to charge the costs of workers compensation and insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.					2,877,545
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(94,738,232)
Net assets of governmental activities					<u>\$ 238,354,854</u>

Bay County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2011

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 53,481,611	\$ 13,200,767	\$ 5,367,925	\$ 5,543,436	\$ 77,593,739
Licenses and permits	3,215	-	-	-	3,215
Intergovernmental	17,815,552	825,106	15,391,427	1,552,114	35,584,199
Charges for services	9,147,571	-	277,771	7,963,724	17,389,066
Fines and forfeitures	79,356	-	-	-	79,356
Special assessments	65,911	-	42,791	-	108,702
Investment earnings	240,471	135,478	60,379	51,739	488,067
Contributions and donations	23,815	-	-	220,686	244,501
Miscellaneous	440,668	2,071,465	26,569	42,622	2,581,324
Total revenues	<u>81,298,170</u>	<u>16,232,816</u>	<u>21,166,862</u>	<u>15,374,321</u>	<u>134,072,169</u>
EXPENDITURES					
Current					
General government	15,052,431	-	-	3,918,563	18,970,994
Public safety	41,403,777	-	-	7,603,313	49,007,090
Physical environment	492,872	-	-	3,928,368	4,421,240
Transportation	-	-	14,424,369	-	14,424,369
Economic environment	9,755,726	9,285,442	-	-	19,041,168
Human services	4,232,676	-	-	1,096,642	5,329,318
Culture and recreation	4,438,777	-	-	-	4,438,777
Capital outlay					
General government	5,326,563	-	-	183,729	5,510,292
Public safety	569,585	-	-	2,521,976	3,091,561
Physical environment	3,607	-	-	1,426,897	1,430,504
Transportation	-	-	9,684,341	-	9,684,341
Economic environment	-	1,902,706	-	-	1,902,706
Human services	-	-	-	194,405	194,405
Culture and recreation	366,150	-	-	-	366,150
Debt service					
Principal	1,557,505	-	970,000	1,161,956	3,689,461
Interest and fiscal charges	3,554,257	-	30,312	289,335	3,873,904
Bond issuance costs	118,864	-	-	-	118,864
Total expenditures	<u>86,872,790</u>	<u>11,188,148</u>	<u>25,109,022</u>	<u>22,325,184</u>	<u>145,495,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,574,620)</u>	<u>5,044,668</u>	<u>(3,942,160)</u>	<u>(6,950,863)</u>	<u>(11,422,975)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,285,000	-	2,866,533	2,951,192	7,102,725
Transfers out	(5,921,456)	-	-	-	(5,921,456)
Issuance of debt	26,147,973	-	-	2,340,000	28,487,973
Payment on refunded bond	(25,960,948)	-	-	-	(25,960,948)
Payment to refunded bond escrow agent	(350)	-	-	-	(350)
Proceeds from sale of capital assets	245,727	50	188,555	21,550	455,882
Total other financing sources (uses)	<u>(4,204,054)</u>	<u>50</u>	<u>3,055,088</u>	<u>5,312,742</u>	<u>4,163,826</u>
Net change in fund balance	(9,778,674)	5,044,718	(887,072)	(1,638,121)	(7,259,149)
Fund balance - beginning	<u>37,686,527</u>	<u>21,010,811</u>	<u>10,997,609</u>	<u>9,962,628</u>	<u>79,657,575</u>
Fund balance - ending	<u>\$ 27,907,853</u>	<u>\$ 26,055,529</u>	<u>\$ 10,110,537</u>	<u>\$ 8,324,507</u>	<u>\$ 72,398,426</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, 2011

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)	\$ (7,259,149)
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.	8,868,200
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to decrease net assets.	(170,231)
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.	(2,769,969)
Internal service funds are used by management to charge the costs of workers compensation and insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(962,352)
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>1,174,835</u>
Change in net assets of governmental activities (page B-17)	<u>\$ (1,118,666)</u>

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

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 52,882,882	\$ 52,882,882	\$ 53,481,611	\$ 598,729
Licenses and permits	2,800	4,575	3,215	(1,360)
Intergovernmental	15,077,318	17,871,609	17,298,260	(573,349)
Charges for services	9,518,216	9,673,238	8,653,354	(1,019,884)
Fines and forfeitures	124,500	124,500	79,356	(45,144)
Investment earnings	119,888	119,888	212,940	93,052
Contributions and donations	-	2,926,455	12,485	(2,913,970)
Miscellaneous	682,772	799,676	401,291	(398,385)
Total revenues	<u>78,408,376</u>	<u>84,402,823</u>	<u>80,142,512</u>	<u>(4,260,311)</u>
EXPENDITURES				
Current				
General government	15,647,864	16,933,621	14,868,702	2,064,919
Public safety	41,750,379	42,725,881	41,403,777	1,322,104
Physical environment	216,183	291,496	261,205	30,291
Economic environment	10,558,012	11,124,448	9,755,726	1,368,722
Human services	3,811,533	3,368,723	4,232,676	(863,953)
Culture and recreation	2,160,083	2,149,856	1,892,898	256,958
Capital outlay				
General government	625,571	5,801,180	5,510,292	290,888
Public safety	1,528,014	1,529,188	569,585	959,603
Physical environment	-	3,200	3,607	(407)
Culture and recreation	22,500	28,145	87,749	(59,604)
Debt service				
Principal	1,513,627	1,513,627	1,549,572	(35,945)
Interest and fiscal charges	3,555,942	3,555,942	3,554,129	1,813
Bond issuance costs	-	-	118,864	(118,864)
Total expenditures	<u>81,389,708</u>	<u>89,025,307</u>	<u>83,808,782</u>	<u>5,216,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,981,332)</u>	<u>(4,622,484)</u>	<u>(3,666,270)</u>	<u>956,214</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	4,796,164	1,285,000	(3,511,164)
Transfers out	(6,567,606)	(8,047,974)	(5,921,456)	2,126,518
Issuance of debt	-	-	26,147,973	26,147,973
Payment on refunded bond	-	-	(25,960,948)	(25,960,948)
Payment to refunded bond escrow agent	(1,100)	(1,100)	(350)	750
Proceeds from sale of capital assets	-	-	245,727	245,727
Total other financing sources (uses)	<u>(6,568,706)</u>	<u>(3,252,910)</u>	<u>(4,204,054)</u>	<u>(951,144)</u>
Net change in fund balance	(9,550,038)	(7,875,394)	(7,870,324)	5,070
Fund balance - beginning	<u>36,345,451</u>	<u>36,345,451</u>	<u>36,345,451</u>	<u>-</u>
Fund balance - ending	<u>\$ 26,795,413</u>	<u>\$ 28,470,057</u>	<u>\$ 28,475,127</u>	<u>\$ 5,070</u>

Note: The general fund includes funds that are maintained as special revenue funds for accounting purposes, but do not meet the criteria for separate reporting in these financial statements. Therefore the budgetary comparison statement above, only includes the legally adopted budget for the general fund. A reconciliation between the actual amounts on the budgetary basis above and the actual amounts on the GAAP basis for the general fund amount listed in the Statement of Revenues, Expenditures, and Changes in Fund balance- Governmental Funds is provided in note 3 of the Notes to Basic Financial Statements.

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Tourist Development Fund
Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 11,089,889	\$ 11,089,889	\$ 13,200,767	\$ 2,110,878
Intergovernmental	-	60,000	825,106	765,106
Investment earnings	78,854	78,854	135,478	56,624
Miscellaneous	49,864	49,864	2,071,465	2,021,601
Total revenues	11,218,607	11,278,607	16,232,816	4,954,209
EXPENDITURES				
Current				
Economic environment	9,768,255	9,880,405	9,285,442	594,963
Capital outlay				
Economic environment	-	1,900,000	1,902,706	(2,706)
Total expenditures	9,768,255	11,780,405	11,188,148	592,257
Excess (deficit) of revenues over (under) expenditures	1,450,352	(501,798)	5,044,668	5,546,466
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	50	50
Total other financing sources (uses)	-	-	50	50
Net change in fund balance	1,450,352	(501,798)	5,044,718	5,546,516
Fund balance - beginning	21,010,811	21,010,811	21,010,811	-
Fund balance - ending	\$ 22,461,163	\$ 20,509,013	\$ 26,055,529	\$ 5,546,516

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Transportation Fund
Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 5,458,282	\$ 5,458,282	\$ 5,367,925	\$ (90,357)
Intergovernmental	7,996,314	23,460,829	15,391,427	(8,069,402)
Charges for services	378,710	378,710	277,771	(100,939)
Special assessments	101,030	101,030	42,791	(58,239)
Investment earnings	47,003	47,003	60,379	13,376
Miscellaneous	660,350	841,815	26,569	(815,246)
Total revenues	14,641,689	30,287,669	21,166,862	(9,120,807)
EXPENDITURES				
Current				
Transportation	14,953,631	22,878,710	14,424,369	8,454,341
Capital outlay				
Transportation	1,652,080	14,647,727	9,684,341	4,963,386
Debt service				
Principal	970,000	970,000	970,000	-
Interest	30,813	30,813	30,312	501
Total expenditures	17,606,524	38,527,250	25,109,022	13,418,228
Excess (deficiency) of revenues over (under) expenditures	(2,964,835)	(8,239,581)	(3,942,160)	4,297,421
OTHER FINANCING SOURCES (USES)				
Transfers in	1,700,000	2,866,533	2,866,533	-
Proceeds from sale of capital assets	-	-	188,555	188,555
Total other financing sources (uses)	1,700,000	2,866,533	3,055,088	188,555
Net change in fund balance	(1,264,835)	(5,373,048)	(887,072)	4,485,976
Fund balance - beginning	10,997,609	10,997,609	10,997,609	-
Fund balance - ending	\$ 9,732,774	\$ 5,624,561	\$ 10,110,537	\$ 4,485,976

Bay County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2011

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
ASSETS							
Current assets							
Cash and cash equivalents	\$ 3,160,529	\$ 313,133	\$ 762,594	\$ 4,823,189	\$ 1,578,660	\$ 10,638,105	\$ 2,880,191
Accounts receivable, net	2,299,091	401,509	956,234	1,806,095	5,594	5,468,523	530,401
Accrued interest receivable	-	51,922	-	-	-	51,922	-
Prepaid expenses	-	-	-	-	-	-	1,053,168
Investments	3,503,605	345,848	845,373	5,344,306	1,749,470	11,788,602	3,191,948
Inventory	247,586	43,529	-	-	-	291,115	-
Due from other funds	53,695	17,065	2,412	31,818	11,250	116,240	366,475
Due from other governments	192,706	621,011	-	-	8,442	822,159	-
Total current assets	9,457,212	1,794,017	2,566,613	12,005,408	3,353,416	29,176,666	8,022,183
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	2,941,318	2,824,755	86,882	1,628,753	-	7,481,708	-
Investments	3,260,598	4,787,698	96,312	1,805,553	-	9,950,161	-
Notes receivable	1,316,397	13,856,017	-	-	-	15,172,414	-
Advances to other funds	-	-	-	-	2,455,649	2,455,649	-
Investment in joint venture	-	1,600,739	-	-	-	1,600,739	-
Unamortized bond costs	619,973	124,781	-	110,907	-	855,661	-
	8,138,286	23,193,990	183,194	3,545,213	2,455,649	37,516,332	-
Capital assets							
Land	261,192	4,714,000	-	752,451	-	5,727,643	-
Construction in progress	427,694	59,971	-	206,321	-	693,986	-
Buildings	2,373,739	4,766	134,702	840,874	-	3,354,081	1,225,148
Improvements	90,985	4,678	-	41,250	-	136,913	96,850
Furniture and equipment	1,356,318	716,076	158,795	5,521,929	582,123	8,335,241	916,930
Infrastructure	106,545,085	30,610,252	10,577,333	84,028,822	-	231,761,492	-
Less: accumulated depreciation	(41,162,926)	(7,371,622)	(10,100,733)	(14,808,773)	(563,074)	(74,007,128)	(1,106,643)
Total capital assets, net	69,892,087	28,738,121	770,097	76,582,874	19,049	176,002,228	1,132,285
Total noncurrent assets	78,030,373	51,932,111	953,291	80,128,087	2,474,698	213,518,560	1,132,285
Total assets	87,487,585	53,726,128	3,519,904	92,133,495	5,828,114	242,695,226	9,154,468
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	390,649	512,950	348,144	895,418	92,075	2,239,236	570,007
Deferred revenue	-	-	-	-	-	-	36,944
Due to other funds	10,692	32,415	38,001	42,292	2,593	125,993	1,090,046
Due to other governments	-	786,400	-	-	3,109	789,509	-
Accrued interest payable	180,090	135,567	-	62,252	-	377,909	-
Accrued compensated absences, current	43,803	34,773	-	30,670	31,915	141,161	63,166
Notes payable, current	-	962,401	-	-	-	962,401	-
Bonds payable, current	1,515,000	287,500	-	1,885,000	-	3,687,500	-
Total current liabilities	2,140,234	2,752,006	386,145	2,915,632	129,692	8,323,709	1,760,163
Noncurrent liabilities							
Estimated liability for self insured losses	-	-	-	-	-	-	4,346,931
Customer deposits	-	421,215	100,000	89,964	159,292	770,471	-
Accrued compensated absences:	30,830	37,641	-	40,805	40,156	149,432	67,231
Net OPEB obligation	47,057	72,159	-	89,197	93,199	301,612	102,598
Advances from other funds	2,455,649	-	-	-	-	2,455,649	-
Notes payable, net	-	6,981,117	-	-	-	6,981,117	-
Bonds payable, net	45,001,766	35,662,487	-	23,043,002	-	103,707,255	-
Landfill postclosure liability	-	-	-	8,009,297	-	8,009,297	-
Total noncurrent liabilities	47,535,302	43,174,619	100,000	31,272,265	292,647	122,374,833	4,516,760
Total liabilities	49,675,536	45,926,625	486,145	34,187,897	422,339	130,698,542	6,276,923
NET ASSETS							
Invested in capital assets, net of related deb	23,375,321	356,951	770,097	51,654,872	19,049	76,176,290	1,132,285
Restricted for							
Debt service	3,995,190	4,034,647	-	219,535	-	8,249,372	-
Impact fees	2,207,300	1,834,631	-	-	-	4,041,931	-
Unrestricted	8,234,238	1,573,274	2,263,662	6,071,191	5,386,726	23,529,091	1,745,260
Total net assets	\$ 37,812,049	\$ 7,799,503	\$ 3,033,759	\$ 57,945,598	\$ 5,405,775	\$ 111,996,684	\$ 2,877,545

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, 2011

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
OPERATING REVENUES							
Charges for services	\$ 16,293,620	\$ 6,681,917	\$ 3,855,587	\$ 14,197,632	\$ 800,789	\$ 41,829,545	\$ 9,173,422
Miscellaneous	31,317	100,528	-	55,546	17,233	204,624	100
Total operating revenues	16,324,937	6,782,445	3,855,587	14,253,178	818,022	42,034,169	9,173,522
OPERATING EXPENSES							
Personal services	1,388,388	1,777,638	234,743	1,079,325	1,274,653	5,754,747	2,546,183
Contracted services	1,309,053	1,052,651	1,961,575	5,961,444	139,868	10,424,591	307,718
Repairs and maintenance	369,409	258,441	96,961	2,714,282	38,101	3,477,194	197,127
Utilities	1,740,557	149,204	1,472,875	402,086	32,476	3,797,198	138,542
Depreciation	2,851,642	1,700,935	45,825	3,293,197	30,943	7,922,542	96,790
Amortization	42,767	12,037	-	9,307	-	64,111	-
Materials	-	-	-	-	-	-	3,240,509
Insurance claims	-	-	-	-	-	-	547,219
Other operating expenses	1,570,513	4,099,770	130,567	889,668	82,791	6,773,309	2,099,034
Total operating expenses	9,272,329	9,050,676	3,942,546	14,349,309	1,598,832	38,213,692	9,173,122
Operating income (loss)	7,052,608	(2,268,231)	(86,959)	(96,131)	(780,810)	3,820,477	400
NONOPERATING REVENUES (EXPENSES)							
Investment earnings	99,464	867,742	6,477	78,698	185,878	1,238,259	28,996
Interest and fiscal charges	(2,965,586)	(1,959,089)	-	(925,015)	-	(5,849,690)	-
Taxes	-	-	-	2,000	-	2,000	-
Gain (loss) on disposal of capital asset:	48	-	2,500	2,470	7,155	12,173	3,000
Contributions	-	-	-	315,000	-	315,000	-
Insurance proceeds	-	-	-	722,753	-	722,753	-
Total nonoperating revenues (expenses)	(2,866,074)	(1,091,347)	8,977	195,906	193,033	(3,559,505)	31,996
Income (loss) before contributions and transfers	4,186,534	(3,359,578)	(77,982)	99,775	(587,777)	260,972	32,396
Capital contributions	173,529	61,605	-	-	-	235,134	-
Transfers in	-	-	-	-	106,901	106,901	-
Transfers out	-	-	-	(350,000)	-	(350,000)	(994,748)
Change in net assets	4,360,063	(3,297,973)	(77,982)	(250,225)	(480,876)	253,007	(962,352)
Total net assets - beginning	33,451,986	11,097,476	3,111,741	58,195,823	5,886,651	111,743,677	3,839,897
Total net assets - ending	\$ 37,812,049	\$ 7,799,503	\$ 3,033,759	\$ 57,945,598	\$ 5,405,775	\$ 111,996,684	\$ 2,877,545

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2011

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 15,890,702	\$ 6,894,887	\$ 4,778,578	\$ 13,558,195	\$ 906,727	\$ 42,029,089	\$ 8,812,264
Cash received from miscellaneous operating activities	31,317	100,528	-	55,546	17,233	204,624	100
Cash paid to suppliers for goods and services	(5,320,598)	(5,738,085)	(4,412,680)	(10,789,102)	(255,876)	(26,516,341)	(5,369,460)
Cash paid to employees for services	(1,374,733)	(1,759,155)	(234,743)	(1,061,863)	(1,296,423)	(5,726,917)	(2,534,600)
Net cash provided by (used in) operating activities	<u>9,226,688</u>	<u>(501,825)</u>	<u>131,155</u>	<u>1,762,776</u>	<u>(628,339)</u>	<u>9,990,455</u>	<u>908,304</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	-	106,901	106,901	-
Transfers out	-	-	-	(350,000)	-	(350,000)	(938,170)
Advance to other fund	-	-	-	-	(2,455,649)	(2,455,649)	-
Taxes	-	-	-	2,000	-	2,000	-
Contributions	-	-	-	315,000	-	315,000	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,000)</u>	<u>(2,348,748)</u>	<u>(2,381,748)</u>	<u>(938,170)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest paid on long-term debt	(2,403,010)	(3,533,703)	-	(798,624)	-	(6,735,337)	-
Principal paid on long-term debt	(1,460,000)	(28,058,570)	-	(1,830,000)	-	(31,348,570)	-
Proceeds from long-term debt	-	29,545,000	-	-	-	29,545,000	-
Capital contributions	173,529	61,605	-	-	-	235,134	-
Bond issue costs	-	(125,303)	-	-	-	(125,303)	-
Proceeds from sale of capital assets	48	-	34,329	2,470	7,155	44,002	3,000
Purchase of capital assets	(155,263)	(3,042,451)	(53,993)	(2,642,245)	(22,499)	(5,916,451)	(35,408)
Net cash provided by (used in) capital and related financing activities	<u>(3,844,696)</u>	<u>(5,153,422)</u>	<u>(19,664)</u>	<u>(5,268,399)</u>	<u>(15,344)</u>	<u>(14,301,525)</u>	<u>(32,408)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale and maturities of investment securities	5,618,906	13,272,780	1,664,045	18,539,640	7,188,748	46,284,119	6,156,168
Purchase of investments	(5,116,950)	(6,285,902)	(947,863)	(8,770,450)	(2,854,139)	(23,975,304)	(3,422,546)
Return of investment	-	4,619	-	-	-	4,619	-
Interest and dividends on investments	103,540	547,102	6,663	64,814	180,477	902,596	24,619
Collections on loans	47,975	1,181,127	-	-	-	1,229,102	-
Net cash provided by (used in) investing activities	<u>653,471</u>	<u>8,719,726</u>	<u>722,845</u>	<u>9,834,004</u>	<u>4,515,086</u>	<u>24,445,132</u>	<u>2,758,241</u>
Net change in cash and cash equivalents	6,035,463	3,064,479	834,336	6,295,381	1,522,655	17,752,314	2,695,967
Cash and cash equivalents - beginning	<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>
Cash and cash equivalents - ending	<u>\$ 6,101,847</u>	<u>\$ 3,137,888</u>	<u>\$ 849,476</u>	<u>\$ 6,451,942</u>	<u>\$ 1,578,660</u>	<u>\$ 18,119,813</u>	<u>\$ 2,880,191</u>
Classified as							
Current assets	\$ 3,160,529	\$ 313,133	\$ 762,594	\$ 4,823,189	\$ 1,578,660	\$ 10,638,105	\$ 2,880,191
Restricted assets	2,941,318	2,824,755	86,882	1,628,753	-	7,481,708	-
Total	<u>\$ 6,101,847</u>	<u>\$ 3,137,888</u>	<u>\$ 849,476</u>	<u>\$ 6,451,942</u>	<u>\$ 1,578,660</u>	<u>\$ 18,119,813</u>	<u>\$ 2,880,191</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES							
Transfer of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,578</u>

Continued

Bay County, Florida
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2011

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	\$ 7,052,608	\$ (2,268,231)	\$ (86,959)	\$ (96,131)	\$ (780,810)	\$ 3,820,477	\$ 400
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	2,851,642	1,700,935	45,825	3,293,197	30,943	7,922,542	96,790
Amortization	42,767	12,037	-	9,307	-	64,111	-
(Increase) decrease in assets							
Accounts receivable	(156,522)	(63,962)	925,403	(612,763)	11,346	103,502	(323,871)
Prepaid expenses	-	-	-	-	-	-	38,735
Inventory	(13,935)	-	-	-	-	(13,935)	-
Due from other funds	(53,695)	(17,065)	(2,412)	(31,818)	(8,442)	(113,432)	(74,551)
Due from other governments	(192,706)	289,224	-	644	(11,250)	85,912	320
Increase (decrease) in liabilities							
Accounts payable and accrued liabilities	98,233	(135,205)	(762,762)	429,342	33,786	(336,606)	49,293
Deferred revenue	-	-	-	-	-	-	36,944
Due to other funds	(415,364)	(13,364)	12,060	(15,437)	465	(431,640)	1,072,661
Due to other governments	-	(29,450)	-	-	3,109	(26,341)	-
Customer deposits	-	4,773	-	4,500	114,284	123,557	-
Accrued compensated absences	(1,854)	(1,687)	-	444	(38,865)	(41,962)	(16,395)
Net OPEB obligation	15,514	20,170	-	17,020	17,095	69,799	27,978
Landfill postclosure liability	-	-	-	(1,235,529)	-	(1,235,529)	-
Total adjustments	2,174,080	1,766,406	218,114	1,858,907	152,471	6,169,978	907,904
Net cash provided by (used in) operating activities	\$ 9,226,688	\$ (501,825)	\$ 131,155	\$ 1,762,776	\$ (628,339)	\$ 9,990,455	\$ 908,304

Bay County, Florida
Statement of Fiduciary Net Assets
Agency Funds
September 30, 2011

ASSETS

Cash and cash equivalents	\$ 6,375,339
Investments	61,823
Accounts receivable, net	<u>35,012</u>
Total assets	<u><u>\$ 6,472,174</u></u>

LIABILITIES

Bank overdraft	\$ 24,689
Accounts payable and accrued liabilities	2,154,912
Due to others	152,557
Due to other governments	<u>4,140,016</u>
Total liabilities	<u><u>\$ 6,472,174</u></u>

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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.

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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2011

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 with the requirements for a “2a-7 like” pool and the fair value of the position in the pool is

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011

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.

When expenditures are incurred for which committed, assigned, or unassigned amounts could be used it is the County's policy to use them in that order.

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, 2011 and 2010, 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.

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. As of September 30, 2011, management estimates the allowance for uncollectible accounts receivable is \$211,536.

Prepaid Items

Certain payments to vendors for goods or services that will benefit periods beyond September 30, 2011, 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 an assigned fund balance 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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Infrastructure is capitalized when it exceeds \$100,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

The Board holds legal title to the capital assets used in the operations of the Board, Clerk of 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, 2011, the County capitalized interest in the amount of \$59,971 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, 2011

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, depending on closure date. 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

It is the County's policy to grant employees who resign or retire payment of vacation hours earned up to 240 hours and 318 hours, depending upon type of employment. The vacation policy allows for full-time employees to accumulate 8 to 21 hours a month depending on employment type. All part-time employees accumulate vacation leave at the same rate prorated for hours actually worked.

The County's and Mexico Beach Community Development Council'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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

It is the Bay County Supervisor of Elections' policy to grant employees who resign or retire payment of paid time off hours earned up to 480 hours based on a payout service schedule and the availability of the budget. The paid time off policy allows for full-time employees to accumulate 13 to 21 hours a month depending on the length of service. Part-time and temporary employees are not eligible for paid time off.

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; employees with two plus years of service receive a percentage of their paid time off based on the length of service upon termination.

It is the Bay County Property Appraiser's policy to grant employees who leave in good standing payment for up to 500 hours of earned unused paid time off. The paid time off policy allows for full-time employees to accumulate 16 to 20 hours a month depending on the length of service. Eligible part-time employees earn a pro-rated amount of leave.

It is the Bay County Tax Collector's policy to grant employees who leave with at least ten years of creditable service compensation for up to 480 hours of unused sick leave at their current regular hourly rate of pay.

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.

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 actually worked. Vacation time earned but not used is accrued by the Bureau up to 240 hours per employee. All unused sick leave is forfeited at termination of employment, therefore no amount is accrued.

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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund balances – The County has implemented GASB Statement 54 employing new terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2011, is \$721,345.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. The restricted fund balance as of September 30, 2011, is \$43,752,095.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of County Commissioners. Commitments may be established, modified, or rescinded only through ordinance approved by the Board of County Commissioners. There are no committed funds as of September 30, 2011.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose through action other than by ordinance by the Board of County Commissioners. The assigned fund balance as of September 30, 2011, \$24,379,764.

Unassigned – This category is the residual classification for County's fund balances. The unassigned fund balance as of September 30, 2011, is \$3,545,222.

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 2010 financial statement presentation to conform to the 2011 presentation.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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 \$(94,738,232) difference are as follows:

Bonds payable	\$ (82,819,000)
Less: deferred charge on refunding (to be amortized as interest expense)	490,993
Less: deferred charge for issuance costs (to be amortized over life of debt)	1,202,655
Plus: issuance premium (to be amortized as interest expense)	(701,891)
Accrued interest payable	(272,685)
Capital leases payable	(134,544)
Net OPEB obligation	(9,171,709)
Compensated absences	<u>(3,332,051)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (94,738,232)</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 \$257,817,115 difference are as follows:

Cost of capital assets	\$ 445,528,139
Less: accumulated depreciation	<u>(187,711,024)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 257,817,115</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 \$8,868,200 difference are as follows:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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

Capital outlay	\$ 22,179,959
Depreciation expense	<u>(13,311,759)</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>\$ 8,868,200</u>

Another element of that reconciliation states, "the net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to decrease net assets." The details of this \$(170,231) difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (400,518)
Donations of capital assets and transfers of capital assets from internal service funds increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>230,287</u>
Net adjustments 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>\$ (170,231)</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 \$1,174,835 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (3,973)
Bond proceeds	(28,484,000)
Principal repayments:	
Bonds and bond anticipation notes	29,594,263
Capital leases	57,980
Bond issuance cost	118,864
Amortization of deferred charge on refunding	41,080
Amortization of issuance costs	(113,829)
Amortization of bond premium	<u>(35,550)</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>\$ 1,174,835</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(2,769,969) difference are as follows:

OPEB expense	\$ (2,166,298)
Compensated absences	(647,277)
Accrued interest	<u>43,606</u>
Net adjustment to decrease <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u><u>\$ (2,769,969)</u></u>

NOTE 3 – BUDGETS

The County adopts budgets on a basis consistent with U.S. generally accepted accounting principles (U.S. GAAP) except as follows:

Special Revenue Funds

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

- Crime Prevention Fund
- Law Enforcement Training Fund
- Special Law Enforcement Trust Fund
- Special Contribution Fund
- Federal Seizure Account 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

The general fund includes funds that are maintained as special revenue funds for accounting purposes, but do not meet the criteria for separate reporting in the fund financial statements. Therefore the budgetary comparison statement only includes the legally adopted budget for the general fund. The information below provides the reconciliation between the actual amounts on the budgetary basis reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund on page B-20 and the actual amounts on the GAAP basis for the general fund per the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds on page B-19:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 3 – BUDGETS (Continued)

	Actual Amounts Budgetary Basis	GAAP to Budget Differences Over (Under)	Actual Amounts GAAP Basis
REVENUES			
Taxes	\$ 53,481,611	\$ -	\$ 53,481,611
Licenses and permits	3,215	-	3,215
Intergovernmental	17,298,260	517,292	17,815,552
Charges for services	8,653,354	494,217	9,147,571
Fines and forfeitures	79,356	-	79,356
Special assessments	-	65,911	65,911
Investment earnings	212,940	27,531	240,471
Contributions and donations	12,485	11,330	23,815
Miscellaneous	401,291	39,377	440,668
Total revenues	80,142,512	1,155,658	81,298,170
EXPENDITURES			
Current			
General government	14,868,702	-	14,868,702
Public safety	41,403,777	-	41,403,777
Physical environment	261,205	231,667	492,872
Economic environment	9,755,726	-	9,755,726
Human services	4,232,676	-	4,232,676
Culture and recreation	1,892,898	2,545,879	4,438,777
Capital outlay			
General government	5,510,292	-	5,510,292
Public safety	569,585	-	569,585
Physical environment	3,607	-	3,607
Culture and recreation	87,749	278,401	366,150
Debt service			
Principal	1,549,572	7,933	1,557,505
Interest and fiscal charges	3,554,129	128	3,554,257
Bond issuance costs	118,864	-	118,864
Total expenditures	83,808,782	3,064,008	86,872,790
Excess (deficiency) of revenues over (under) expenditures	(3,666,270)	(1,908,350)	(5,574,620)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,285,000	-	1,285,000
Transfers out	(5,921,456)	-	(5,921,456)
Issuance of debt	26,147,973	-	26,147,973
Payment on refunded bond	(25,960,948)	-	(25,960,948)
Payment to refunded bond escrow agent	(350)	-	(350)
Proceeds from sale of capital assets	245,727	-	245,727
Total other financing sources (uses)	(4,204,054)	-	(4,204,054)
Net change in fund balance	(7,870,324)	(1,908,350)	(9,778,674)
Fund balance – beginning	36,345,451	1,341,076	37,686,527
Fund balance - ending	\$ 28,475,127	\$ (567,274)	\$ 27,907,853

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 4 – RESTRICTED ASSETS

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,158,191	\$ 7,481,708	\$ 14,639,899
Investments	11,013,829	9,950,161	20,963,990
	<u>\$ 18,172,020</u>	<u>\$ 17,431,869</u>	<u>\$ 35,603,889</u>

The following amounts are payable from restricted assets:

	<u>Governmental Activities</u>	<u>Wholesale Water System</u>	<u>Retail Water & Wastewater</u>	<u>Industrial Wastewater</u>	<u>Solid Waste</u>	<u>Building Services</u>	<u>Total</u>
Customer deposits	\$ 18,106	\$ -	\$ 421,215	\$ 100,000	\$ 89,964	\$ 159,292	\$ 788,577
Accrued interest payable	272,685	180,090	83,645	-	62,252	-	598,672
Current maturities of bonds	162,250	126,250	-	-	157,083	-	445,583
Payable from restricted assets	<u>\$ 453,041</u>	<u>\$ 306,340</u>	<u>\$ 504,860</u>	<u>\$ 100,000</u>	<u>\$ 309,299</u>	<u>\$ 159,292</u>	<u>\$ 1,832,832</u>

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposit Policies

The County's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Custodial Credit Risk of Deposits

There is a risk that in the event of failure of the depository financial institution, the government will not be able to recover the deposits. All cash resources of the County are placed in banks 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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

Interest-bearing time deposits or savings accounts in state-certified qualified public depositories as defined in Florida Statutes, Section 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

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

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

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

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

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

Overnight repurchase agreements and term repurchase agreements 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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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 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, 2011, the County had the following investments as rated by Standard and Poors, Moody's and/or Fitch Investor Services:

Investment Type	Carrying Value	Fair Value	Weighted Average Maturity (months)	Credit Rating (if applicable)
U.S. Government Securities	\$ 5,008,535	\$ 5,008,535	Demand	N/A
Asset-backed Securities	5,008,670	5,008,670	3.88	N/A
Florida Local Governments Investment Trust	10,785,108	10,785,108	23.64	AAAf
Florida Local Governments Investment Trust Florida Trust Day to Day Fund	20,082,256	20,082,256	1.2	AAA
Mutual Funds	1,656,317	1,656,317	0.1	AAAm, Aaa
Local Government Surplus Funds Trust Fund Pool (PRIME)	17,396,545	17,396,545	1.27	AAAm
Local Government Investment Pool Fund B	632,647	632,647	57.84	*
Federated Money Market	4,221,317	4,221,317	Demand	AAAm, Aaa- mf, AAAmmf
Certificates of Deposit	2,000,000	2,000,000	Time Deposit	N/A
Total investments	\$ 66,791,395	\$ 66,791,395		

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2011, the County had investments for general and agency funds on deposit in a 2a7-like pool in the amount of \$18,029,192, with the Florida PRIME and \$20,082,256 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, 2011, was 0.7568386. The Fund B is annually certified for compliance with the requirements of Florida law by the Board of Trustees of the SBA. The Board of Trustees of the SBA consists of the Governor, the Chief Financial Officer, and the Attorney General.

Custodial Risk of Investments

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

Concentration of Credit Risk

The County limits investments in commercial paper to 25% of the total investment portfolio. The County did not have investments in commercial paper for the year ended September 30, 2011.

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 7 – NOTES RECEIVABLE

Notes receivable recorded by the County at September 30, 2011, are as follows:

Governmental Funds

Note receivable from individuals related to the sale of property.
Principal and interest payments, at a 5% interest rate to be made
over 30 years beginning on June 1, 2011.

\$ 104,479

Total notes receivable – governmental funds

\$ 104,479

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%.

\$ 13,856,017

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 33.10% of the principal balance and reductions for the bonds payable.

1,135,393

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 5.28% of the principal balance and reductions for the bonds payable.

181,004

Total notes receivable – enterprise funds

\$ 15,172,414

NOTE 8 – CAPITAL ASSETS

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

	September 30, 2010	Increases	Decreases	September 30, 2011
Capital assets, not being depreciated				
Land	\$ 15,978,745	\$ 3,098,109	\$ (67,500)	\$ 19,009,354
Construction in progress	13,572,495	13,407,733	(1,384,031)	25,596,197
Total capital assets, not being depreciated	<u>29,551,240</u>	<u>16,505,842</u>	<u>(1,451,531)</u>	<u>44,605,551</u>
Capital assets, being depreciated				
Books	1,812,406	264,094	-	2,076,500
Buildings and improvements	128,371,693	2,365,945	(1,377,560)	129,360,078
Furniture and equipment	47,258,618	2,807,048	(1,813,064)	48,252,602
Infrastructure	222,122,873	1,851,348	(501,885)	223,472,336
Total capital assets, being depreciated	<u>399,565,590</u>	<u>7,288,435</u>	<u>(3,692,509)</u>	<u>403,161,516</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 8 – CAPITAL ASSETS (Continued)

Less accumulated depreciation

Books	\$ (1,348,556)	\$ (270,977)	\$ -	\$ (1,619,533)
Buildings and improvements	(20,296,104)	(2,936,758)	1,277,793	(21,955,069)
Furniture and equipment	(32,205,275)	(4,359,318)	1,559,118	(35,005,475)
Infrastructure	(124,897,226)	(5,841,499)	501,135	(130,237,590)
Total accumulated depreciation	(178,747,161)	(13,408,552)	3,338,046	(188,817,667)
Total capital assets, being depreciated, net	220,818,429	(6,120,117)	(354,463)	214,343,849
Total governmental-type activities capital assets, net	\$ 250,369,669	\$ 10,385,725	\$ (1,805,994)	\$ 258,949,400

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2011:

	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total
Land	\$ 261,192	\$ 4,714,000	\$ -	\$ 752,451	\$ -	\$ 5,727,643
Buildings	2,373,739	4,766	134,702	840,874	-	3,354,081
Improvements	90,985	4,678	-	41,250	-	136,913
Furniture and equipment	1,356,318	716,076	158,795	5,521,929	582,123	8,335,241
Infrastructure	106,545,085	30,610,252	10,577,333	84,028,822	-	231,761,492
Construction in progress	427,694	59,971	-	206,321	-	693,986
Total	111,055,013	36,109,743	10,870,830	91,391,647	582,123	250,009,356
Less accumulated depreciation						
Buildings	(1,949,095)	(2,068)	(89,548)	(291,851)	-	(2,332,562)
Improvements	(80,984)	(624)	-	(41,250)	-	(122,858)
Furniture and equipment	(992,525)	(296,590)	(110,790)	(2,154,827)	(563,074)	(4,117,806)
Infrastructure	(38,140,322)	(7,072,340)	(9,900,395)	(12,320,845)	-	(67,433,902)
Total accumulated depreciation	(41,162,926)	(7,371,622)	(10,100,733)	(14,808,773)	(563,074)	(74,007,128)
Business-type activities capital assets, net	\$69,892,087	\$ 28,738,121	\$ 770,097	\$76,582,874	\$ 19,049	\$ 176,002,228

	September 30, 2010	Increases	Decreases	September 30, 2011
Capital assets, not being depreciated				
Land	\$ 3,027,643	\$ 2,700,000	\$ -	\$ 5,727,643
Construction in progress	2,758,898	200,151	(2,265,063)	693,986
Total capital assets, not being depreciated	5,786,541	2,900,151	(2,265,063)	6,421,629
Capital assets, being depreciated				
Buildings	3,600,161	-	(246,080)	3,354,081
Improvements	136,913	-	-	136,913
Furniture and equipment	6,331,823	2,268,927	(265,509)	8,335,241
Infrastructure	228,751,899	3,012,431	(2,838)	231,761,492
Total capital assets, being depreciated	238,820,796	5,281,358	(514,427)	243,587,727

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 8 – CAPITAL ASSETS (Continued)

Less accumulated depreciation				
Buildings	\$ (2,496,580)	\$ (82,062)	\$ 246,080	\$ (2,332,562)
Improvements	(120,995)	(1,863)	-	(122,858)
Furniture and equipment	(3,798,196)	(553,295)	233,685	(4,117,806)
Infrastructure	(60,151,417)	(7,285,322)	2,837	(67,433,902)
Total accumulated depreciation	(66,567,188)	(7,922,542)	482,602	(74,007,128)
Total capital assets, being depreciated, net	172,253,608	(2,641,184)	(31,825)	169,580,599
Total business-type activities capital assets, net	\$ 178,040,149	\$ 258,967	\$ (2,296,888)	\$ 176,002,228

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

Governmental activities	
General government	\$ 2,135,163
Public safety	3,382,150
Physical environment	471,191
Transportation	4,992,023
Economic environment	850,054
Human services	110,092
Culture and recreation	1,371,086
Internal service funds	96,790
Total depreciation expense - governmental activities	<u>\$ 13,408,549</u>
Business-type activities	
Wholesale water system	\$ 2,851,642
Retail water and wastewater	1,700,935
Industrial wastewater	45,825
Solid waste	3,293,197
Building services	30,943
Total depreciation expense - business-type activities	<u>\$ 7,922,542</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	\$ 33,547
Equipment	189,353
Total	222,900
Less: accumulated depreciation	(72,069)
Net	<u>\$ 150,831</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, are as follows:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 9 – CAPITAL LEASES (Continued)

<u>Year Ending September 30,</u>	
2012	\$ 55,567
2013	38,444
2014	34,161
2015	<u>28,102</u>
Total minimum lease payments	156,274
Less amount representing interest	<u>(21,730)</u>
Present value of minimum lease payments	<u>\$ 134,544</u>

NOTE 10 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description - The County contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability, and death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. FRS issues financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, P. O. Box 9000, Tallahassee, Florida 32315, by accessing the FRS website or by calling (850) 488-6491.

Funding Policy - FRS is funded through employee and employer contributions. The County is required to contribute at an actuarially determined rate. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.25% October 1, 2010 through June 30, 2011 and 4.42% July 1 through September 30, 2011.

The contribution requirements of plan members and the County are established and may be amended by the Florida Legislature. The County's contributions to the FRS for the years ending September 30, 2011, 2010, and 2009 were \$5,888,773, \$6,905,918, and \$6,678,489, respectively, and were equal to the required contributions for each year. The required employee contributions made to the plan for the year ending September 30, 2011, were \$287,777.

Defined Contribution Plan

Plan Description - Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a cost-sharing multiple-employer defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. This FRS Investment Plan is an alternative available to

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 10 – RETIREMENT PLANS (Continued)

members of the Florida Retirement System in lieu of the defined benefit plan. Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P. O. Box 56290, Jacksonville, FL 32241-6290 or by calling 866-377-2121.

Funding Policy - FRS Investment Plan is funded through employee and employer contributions. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011, employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$823,151 and \$54,055, respectively.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The County has established the Retiree's Health Insurance Other Postemployment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the County and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain employees (Sheriff) receive insurance coverage at a lower (explicitly subsidized) premium rate than all other 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 that are not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 monthly 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 monthly 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

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 \$418,247 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:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Description	Total
Normal cost (service cost for one year)	\$ 1,744,996
Amortization of unfunded actuarial accrued liability	972,207
Interest on normal cost and amortization	80,000
Annual required contribution	2,797,203
Interest on net OPEB obligation	300,793
Adjustment to annual required contribution	(415,673)
Annual OPEB cost (expense)	2,682,323
Contribution toward the OPEB cost	(418,247)
Increase in net OPEB obligation	2,264,076
Net OPEB obligation, beginning of year	7,311,843
Net OPEB obligation, end of year	<u>\$ 9,575,919</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, 2011, was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 3,535,687	14.00%	\$ 5,066,602
2010	\$ 2,594,987	13.50%	\$ 7,311,843
2011	\$ 2,682,323	14.95%	\$ 9,575,921

Funding Status and Funding Progress

As of September 30, 2011, the actuarial value of assets was \$0 and the actuarial accrued liability for benefits was \$16,942,232, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,942,232 and a funded ratio of 0%. The covered payroll was \$51,049,302, and the ratio of the UAAL to the covered payroll was 33.19%. 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, 2011. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 2011 is 6.6%. It is reduced each year reaching a future year's rate of 3.9%. For the Sheriff, the 2011 rate is 8%. It is reduced each year reaching a future year's rate of 4.9%. The inflation rate assumption used for the Sheriff and the County was 3%. 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 - GOVERNMENTAL ACTIVITIES

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

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011	Due Within One Year
Bonds payable	\$ 83,929,264	\$ 28,484,000	\$ (29,594,264)	\$ 82,819,000	\$ 3,010,000
Adjusted for deferred amounts on:					
Issuance discounts/premiums	742,971	-	(41,080)	701,891	-
Refunding	(492,393)	(34,150)	35,550	(490,993)	-
Total bonds payable	84,179,842	28,449,850	(29,599,794)	83,029,898	3,010,000
Capital leases payable	188,553	3,973	(57,982)	134,544	46,400
Other postemployment benefits	7,080,030	2,194,277	-	9,274,307	-
Accrued compensated absences	2,831,566	1,756,896	(1,126,014)	3,462,448	815,256
Estimated liability for self insured losses	4,279,972	633,333	(566,374)	4,346,931	444,733
Governmental activity long-term liabilities	\$ 98,559,963	\$ 33,038,329	\$ (31,350,164)	\$ 100,248,128	\$ 4,316,389

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, 2011:

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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

Sales Tax Revenue Bonds – Series 2002

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

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

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, 2011, totaled \$443,275. Annual principal and interest payments paid on the bond required 4.6% of local government half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$445,495 and \$9,691,564, respectively.

\$ 425,000

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.

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, 2011, totaled \$959,035. Annual principal and interest payments on the bond required 2.33% of the total of non-ad valorem revenues. Principal and interest payments paid for the current year and the total of non-ad valorem revenues were \$958,943 and \$41,197,496, respectively.

940,000

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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

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 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.

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, 2011, totaled \$69,402,470. Annual principal and interest payments paid on the bond required 20.0% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$1,936,385 and \$9,691,564, respectively.

\$ 37,840,000

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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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

The bonds are special obligations of the County and are payable solely from and secured on parity equally and ratably with the Bay County, Florida Sales Tax Revenue Bonds, Series 1998, Bay County, Florida Sales Tax Revenue Bonds, Series 2002, and Bay County, Florida Sales Tax Revenue Bonds, Series 2006 by a prior lien and pledge of a) the proceeds of the local government half-cent sales tax distributed to the County pursuant to Chapter 218, Part VI, Florida Statutes, and b) until applied in accordance with the provisions of the resolution, all cash, including investments thereof, in certain funds and accounts established under the resolution.

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.

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, 2011, totaled \$23,452,093. Annual principal and interest payments paid on the bond required 7.2% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$693,844 and \$9,691,564, respectively.

\$ 15,130,000

Capital Improvement Revenue Refunding Bonds, Series 2011

On September 21, 2011, the County issued \$26,144,000 Capital Improvement Revenue Refunding Bonds – Series 2011. The proceeds of the bonds were used to refund the outstanding Capital Improvement Revenue Bonds – Series 2007 (refunded \$26,025,136) 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 \$34,150. This difference is reported as a deferred amount on the refunding. The County completed the refunding to reduce its debt service payments over the next sixteen years by \$3,894,433 and obtain an economic gain of \$3,288,038. The bonds are special obligation bonds of the County payable solely from and secured by non-ad valorem revenues in accordance with Resolution No. 3069.

The refunding bonds interest rate is 2.64%, principal payable annually on September 1, commencing September 1, 2012. Interest is payable semi-annually, March 1 and September 1. Average remaining annual debt service is \$2,021,426.

This pledge remains in effect until extinguishment or maturity of the debt in 2027, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2011, totaled \$32,342,814. No interest and principal payments were made on this bond as of September 30, 2011. The total of non-ad valorem revenues were \$41,197,496.

26,144,000

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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

Capital Improvement Revenue Bonds, Series 2011

On July 12, 2011, the County issued \$2,340,000 Capital Improvement Revenue Bonds – Series 2011. The proceeds of the bonds to be used for certain capital improvements associated with a new fire station.

The interest rate is 3.26%, principal payable annually on September 1, commencing September 1, 2012. Interest is payable semi-annually, March 1 and September 1. Average remaining annual debt service is \$199,717.

The bonds are special obligation bonds of the County payable solely from and secured by non-ad valorem revenues in accordance with Resolution No. 3051. This pledge remains in effect until extinguishment or maturity of the debt in 2026, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2011, totaled \$2,995,749. Interest payments paid on the bond required .03% of non-ad valorem revenue. Interest payments paid for the current year and non-ad valorem revenue were \$10,383 and \$41,197,496, respectively. No principal payments were made on this bond in the current year.

	\$ 2,340,000
Total bonds payable – governmental activities	82,819,000
Less: current portion	(3,010,000)
Long-term portion governmental activities bonds payable	<u>\$ 79,809,000</u>

The annual debt service requirements to maturity for the governmental activities revenue bonds payable at September 30, 2011, are as follows:

Year ending September 30,	Principal	Interest	Total
2012	\$ 3,010,000	\$ 3,265,880	\$ 6,275,880
2013	2,079,000	3,221,026	5,300,026
2014	2,140,000	3,157,397	5,297,397
2015	2,211,000	3,091,855	5,302,855
2016	2,278,000	3,024,005	5,302,005
2017-2021	12,501,000	13,998,093	26,499,093
2022-2026	24,636,000	11,418,188	36,054,188
2027-2031	28,014,000	5,321,453	33,335,453
2032	5,950,000	278,538	6,228,538
Total	<u>\$ 82,819,000</u>	<u>\$ 46,776,435</u>	<u>\$ 129,595,435</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, 2011, there was no arbitrage liability for governmental activities.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 13 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES

Notes payable in the enterprise funds at September 30, 2011, 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. \$ 5,973,467

State Revolving Fund Program (SRF #2) consists of approved loans in the original amount of \$4,411,200 payable to the State of Florida Department of Environmental Protection State Revolving Fund Program. The interest rate is 3.03% per annum. The semi-annual loan payment is \$132,319 and the loan matures on November 15, 2019. The loans are collateralized by the anticipated net system revenues of MPAWTF. Bay County is liable for the total obligation. 1,970,051

Total notes payable-enterprise funds	7,943,518
Less: current portion	(962,401)
Long-term portion of enterprise funds notes payable	<u>\$ 6,981,117</u>

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

Year ending September 30,	Principal	Interest	Total
2012	\$ 962,401	\$ 191,594	\$ 1,153,995
2013	960,304	193,690	1,153,994
2014	988,030	165,964	1,153,994
2015	1,016,558	137,436	1,153,994
2016	1,045,910	108,084	1,153,994
2017-2020	2,970,315	141,220	3,111,535
Total	<u>\$ 7,943,518</u>	<u>\$ 937,988</u>	<u>\$ 8,881,506</u>

Enterprise Funds Bonds Payable:

	Wholesale Water System Series 2005	Wastewater System Series 2004	Solid Waste Series 2010	Water & Sewer Systems Series 2011	Total
Current portion	\$ 1,515,000	\$ 287,500	\$ 1,885,000	\$ -	\$ 3,687,500
Long-term portion	43,275,000	5,625,000	24,605,000	29,545,000	103,050,000
	44,790,000	5,912,500	26,490,000	29,545,000	106,737,500
Deferred amounts on:					
Issuance (discounts) and premiums	1,726,766	-	-	-	1,726,766
Refunding	-	-	(1,561,998)	492,487	(1,069,511)
Total bonds payable	<u>\$ 46,516,766</u>	<u>\$ 5,912,500</u>	<u>\$ 24,928,002</u>	<u>\$ 30,037,487</u>	<u>\$ 107,394,755</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 13 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)

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 \$557,623. Bay County is liable for one half of the total obligation.

\$ 5,912,500

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 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 \$2,632,803.

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, 2011, totaled \$31,593,636. Annual principal and interest payments on the bond required 6.4% of the total of non-ad valorem revenues. Principal and interest payments paid for the current year and the total of non-ad valorem revenues were \$2,628,624 and \$41,197,496, respectively.

26,490,000

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 13 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)

Water and Sewer System Revenue Bonds – Series 2011

On September 1, 2011, the County issued \$29,545,000 Capital Improvement Revenue Refunding Bonds – Series 2011. The proceeds of the bonds were used to refund the outstanding USDA Revenue Bond Series 2000 (refunded \$955,000), USDA Revenue Bond Series 2002 (refunded \$2,225,000), North Bay Water System Revenue Bond, (refunded \$2,165,000), Bond Anticipation Note Series 2007 (refunded \$21,360,000), Clean Water State Revolving Fund Loan Agreement (refunded \$135,000), to pay the cost of issuing the bonds and \$2,705,000 to reimburse the county for capital expenditures to the County's wastewater system. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$494,549. This difference is reported as a deferred amount on the refunding. The County completed the refunding to reduce its debt service payments over the next twenty years by \$2,055,149 and obtain an economic gain of \$327,409.

The bonds are special obligation bonds of the County payable solely from and secured by the net revenues derived from the water and sewer system and connection fees in accordance with Resolution No. 3064 and 3065 and moneys deposited into the reserve and rate stabilization funds as allowed per the bond agreement.

The refunding bonds interest rate is 3.36%, principal payable semi-annually on March 1 and September 1, commencing March 1, 2014. Interest is payable semi-annually, March 1 and September 1. Average remaining annual debt service is \$2,089,417.

This pledge remains in effect until extinguishment or maturity of the debt in 2031, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2012, totaled \$41,788,340. No interest and principal payments were made on this bond as of September 30, 2011. The total of the net revenues derived from the water system, connection fees, and allowable deposits were \$383,738. \$ 29,545,000

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

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 13 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)

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 \$3,674,311.

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, 2011, totaled \$69,811,903. Annual principal and interest payments on the bond required 34.1% of the total of impact fee revenue and wholesale water system net revenue. Principal and interest payments paid for the current year and the total of impact fee revenue and wholesale water system net revenue were \$3,343,290 and \$10,220,195, respectively.

\$ 44,790,000

Total bonds payable – business-type activities	106,737,500
Less: current portion	<u>(3,687,500)</u>
Long-term portion of business-type activities bonds payable	<u>\$ 103,050,000</u>

The annual debt service requirements to maturity for bonds payable at September 30, 2011, are as follows:

Year ending September 30,	Principal	Interest	Total
2012	\$ 3,687,500	\$ 4,187,487	\$ 7,874,987
2013	3,802,500	4,070,398	7,872,898
2014	5,130,000	3,938,625	9,068,625
2015	5,322,500	3,747,623	9,070,123
2016	5,515,000	3,552,290	9,067,290
2017-2021	30,905,000	14,474,208	45,379,208
2022-2026	29,165,000	8,293,073	37,458,073
2027-2031	23,210,000	2,557,015	25,767,015
Total	<u>\$ 106,737,500</u>	<u>\$ 44,820,719</u>	<u>\$ 151,558,219</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 13 – LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011	Due Within One Year
Bonds payable	\$ 86,509,234	\$ 29,545,000	\$ (9,316,734)	\$ 106,737,500	\$ 3,687,500
Adjusted for deferred amounts on:					
Issuance discounts/premiums	1,805,519	12,683	(91,436)	1,726,766	-
Refunding	(2,338,458)	(2,062)	1,271,009	(1,069,511)	-
Total bonds payable	85,976,295	29,555,621	(8,137,161)	107,394,755	3,687,500
Notes payable	29,975,354	-	(22,031,836)	7,943,518	962,401
Other post employment benefits	231,813	69,799	-	301,612	-
Accrued compensated absences	332,555	162,177	(204,139)	290,593	141,161
Landfill closure and postclosure liability	9,244,826	-	(1,235,529)	8,009,297	-
Business-type activity- long-term liabilities	<u>\$ 125,760,843</u>	<u>\$ 29,787,597</u>	<u>\$ (31,608,665)</u>	<u>\$ 123,939,775</u>	<u>\$ 4,791,062</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, 2011, there was no arbitrage liability for business activities.

NOTE 14 – COMPENSATED ABSENCES

The County's compensated absences at September 30, 2011, are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 815,256	\$ 141,161	\$ 956,417
Long-term	2,647,192	149,432	2,796,624
Total	<u>\$ 3,462,448</u>	<u>\$ 290,593</u>	<u>\$ 3,753,041</u>

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

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, 2011, were as follows:

	Transfer in				
<u>Transfer out</u>	Transportation	Nonmajor Governmental	General	Building Services	Total
General	\$ 2,866,533	\$ 2,951,192	\$ -	\$ 103,731	\$ 5,921,456
Transportation	-	-	-	-	-
Building Services	-	-	-	-	-
Solid Waste	-	-	350,000	-	350,000
Internal Service	-	-	935,000	3,170	938,170
Total	<u>\$ 2,866,533</u>	<u>\$ 2,951,192</u>	<u>\$ 1,285,000</u>	<u>\$ 106,901</u>	<u>\$ 7,209,626</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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

The table above is presented at the fund statement level; therefore it does not include a transfer of equipment for \$56,578 to the transportation fund from the internal service fund.

At September 30, 2011, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund		
General fund	Other nonmajor governmental funds	\$ 12,077	
	Transportation fund	1,000	
	Internal service funds	951,533	
			\$ 964,610
Transportation fund	Other nonmajor governmental funds	310	
	Industrial wastewater fund	47	
	Solid waste fund	290	
	Internal service funds	27,493	
			28,140
Tourist Development fund	General fund	172,912	
			172,912
Wholesale water system fund	Retail water and wastewater fund	17,250	
	Internal service funds	36,445	
			53,695
Retail water and wastewater fund	Internal service funds	17,065	
			17,065
Solid waste fund	Internal service funds	31,818	
			31,818
Builder service fund	General fund	11,250	
			11,250
Industrial wastewater fund	Internal service funds	2,412	
			2,412
Internal service funds	General fund	85,735	
	Transportation fund	122,579	
	Other nonmajor governmental funds	44,751	
	Retail water and wastewater fund	15,165	
	Wholesale water system fund	10,692	
	Solid waste fund	42,002	
	Industrial wastewater fund	37,954	
	Building services fund	2,593	
	Internal service funds	5,004	
			366,475
Other nonmajor governmental funds	Internal service funds	18,276	
			18,276
			<u>\$ 1,666,653</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. In fiscal year 2011, the advance was purchased by the builder services fund from the general fund. At September 30, 2011, this advance was expected to be repaid by the wholesale water system within five years. The balance of the advance as of September 30, 2011, was \$2,455,649.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 16 – FUND BALANCE

The detail related to fund balance classifications for governmental funds as of September 30, 2011, consist of the following:

Detail for Fund Balance	General	Transportation	Tourist Development	Nonmajor Governmental	Total
Nonspendable					
Not in spendable form for long term receivables	\$ 104,479	\$ 522,443	\$ -	\$ -	\$ 626,922
Not in spendable form for prepaids	32,050	-	-	62,373	94,423
Total Nonspendable	<u>\$ 136,529</u>	<u>\$ 522,443</u>	<u>\$ -</u>	<u>\$ 62,373</u>	<u>\$ 721,345</u>
Restricted					
Enabling Legislation	\$ 2,550,423	\$ 2,327,092	\$ 26,055,529	\$ 4,774,231	\$ 35,707,275
Debt Service	5,231,098	-	-	589,079	5,820,177
Impact Fees	2,216,067	-	-	8,576	2,224,643
Total Restricted	<u>\$ 9,997,588</u>	<u>\$ 2,327,092</u>	<u>\$ 26,055,529</u>	<u>\$ 5,371,886</u>	<u>\$ 43,752,095</u>
Assigned					
For use of year end cash carry forward	\$ 8,595,519	\$ -	\$ -	\$ -	\$ 8,595,519
For disaster cleanup	3,000,000	-	-	-	3,000,000
For workers compensation claims	1,941,381	-	-	-	1,941,381
For library	460,852	-	-	-	460,852
For neighborhood infrastructure and improvements	12,547	-	-	-	12,547
For utility regulatory authority	190,701	-	-	-	190,701
For purpose of special revenue fund	-	7,261,002	-	2,917,762	10,178,764
Total Assigned	<u>\$ 14,201,000</u>	<u>\$ 7,261,002</u>	<u>\$ -</u>	<u>\$ 2,917,762</u>	<u>\$ 24,379,764</u>

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 \$1,656,317. This amount represents unspent proceeds of debt issued.

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 20 to 30 years after closure, depending on closure date. As of September 30, 2011, the Majette Landfill has completed the required maintenance and monitoring for financial assurance.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

Management currently estimates that the cost to close the Steelfield Landfill will be approximately \$3,292,376 and the postclosure costs to maintain and monitor the Steelfield landfill will be approximately \$179,493 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. The Solid Waste Fund has reported a liability for landfill closure and postclosure care at September 30, 2011 in the amount of \$8,009,297. See note 12 for disclosure of the changes in this estimated liability.

These amounts are based on what it would cost to perform all closure and postclosure care in 2011. 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, 2011, \$3,039,116 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, 2011, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway's portion of note payable	\$ 5,973,467
Related interest expense	687,007
Wastewater System Revenue Refunding Bonds Series 2004 (see Note 13)	5,912,500
Related interest expense	2,451,841
Total contingent liability – joint venture	<u>\$ 15,024,815</u>

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments

Bay County has open construction contract commitments as follows:

Project	Contract Amount	Expended to Date	Remaining Commitment
EOC Logistics Warehouse	\$ 116,875	\$ 31,557	\$ 85,318
Grand Lagoon Bridge Replacement	18,559,718	18,038,951	520,767
Steelfield Landfill Expansion	262,500	196,321	66,179
IT Expansion	2,304,980	454,726	1,850,254
Roads & Bridges Admin/Maint Building	1,054,813	613,067	441,745
Thomas Drive Pedestrian	653,347	206,926	446,422
West End Fire Station	3,191,093	2,903,810	287,283
Total contract commitments	\$ 26,143,326	\$ 22,445,358	\$ 3,697,968

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, 2011, are summarized as follows:

Issue	Date of Issue	Amount Outstanding September 30, 2011
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) Series 2010 A & B	March 8, 2011	\$ 11,755,000

NOTE 19 – WORKERS' COMPENSATION – SELF INSURANCE

During fiscal year 1990, the County established a workers' compensation fund (an internal service fund) to account for and finance its uninsured risks of loss relating to workers' compensation claims. Under this program, the workers' compensation fund provides coverage for up to a maximum of \$350,000 for each workers' compensation claim through September 30, 2011. 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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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

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 \$4,346,931 reported in the workers' compensation fund at September 30, 2011, 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 2010 and 2011 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, 2009 - September 30, 2010	\$ 4,147,638	\$ 503,387	\$ (371,053)	\$ 4,279,972
October 1, 2010 - September 30, 2011	\$ 4,279,972	\$ 633,333	\$ (566,374)	\$ 4,346,931

NOTE 20 – INSURANCE

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

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

Changes in the self-insurers' fund's claims liability amount in fiscal years 2010 and 2011 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, 2009 - September 30, 2010	\$ 250,000	\$ 1,870,593	\$ (1,870,593)	\$ 250,000
October 1, 2010 - September 30, 2011	\$ 250,000	\$ 1,842,853	\$ (1,842,853)	\$ 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.

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

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, 2011, the County's investment in the joint venture was \$1,600,739. Complete financial statements for the joint venture may be obtained from the Operator at P.O. Box 2269, Panama City, Florida 32402.

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

Statement of Net Assets September 30, 2011	
Assets	\$ 36,828,327
Liabilities	\$ 24,951,270
Net assets	
Invested in capital assets, net of related debt	5,195,367
Restricted for owners rate reserve	2,668,046
Restricted for debt service	3,466,400
Unrestricted	547,244
Total net assets	11,877,057
Total liabilities and net assets	\$ 36,828,327

Bay County, Florida
Notes to Basic Financial Statements
September 30, 2011

NOTE 21 – JOINT VENTURE (Continued)

Statement of Activities
Year Ended September 30, 2011

Revenues	\$ 6,597,955
Expenses	<u>(4,305,781)</u>
Operating income	2,292,174
Nonoperating revenues (expenses), net	<u>(977,685)</u>
Income before distributions	1,314,489
Contributions from owners	<u>112,009</u>
Change in net assets	1,426,498
Net assets, beginning of year	<u>10,450,559</u>
Net assets, end of year	<u><u>\$ 11,877,057</u></u>

As of September 30, 2011, the County's portion of contributions and net assets in the joint venture is as follows:

County investment, at September 30, 2010	\$ 1,293,869
Add: 2011 reserve fee allocation	68,926
2011 County share of net income	242,563
2011 rate reserve	28,189
Less: 2011 service fee allocation	<u>(32,808)</u>
County investment in joint venture at September 30, 2011	<u><u>\$ 1,600,739</u></u>

NOTE 22 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2011, the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2011, billings for these services totaled \$1,782,437.

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 of the joint venture. Reimbursement for these expenses amounted to \$1,728,216 for the year ended September 30, 2011. In addition, during the current year the County recognized \$518,147 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$518,147, related to the State Revolving Fund Loan Program as discussed in Note 13.

NOTE 23 – SUBSEQUENT EVENTS

On February 12, 2012, the County's incinerator facility sustained damage due to a fire. The extent of damage to the facility and the related financial effect are not known as of the issuance of these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Bay County, Florida
Required Supplementary Information
September 30, 2011

Schedule of Funding Progress for the Retiree's Health Insurance Other Postemployment 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, 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%
September 30, 2011	-	\$ 16,942,232	\$ 16,942,232	0.0%	\$ 51,049,302	33.19%

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

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2009	\$ 498,822	\$ 3,568,059	14.00%
2010	\$ 349,746	\$ 2,675,161	13.07%
2011	\$ 418,247	\$ 2,797,203	14.95%

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 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.

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

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).

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.

Nonmajor Governmental Funds

Special Revenue Funds

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, 2011

	Special Revenue			
	Stormwater Management	Public Safety	Intergovernmental Radio Communications	District Mosquito Control
ASSETS				
Cash and cash equivalents	\$ 1,213,155	\$ 626,827	\$ 230,502	\$ 532,476
Accounts receivable, net	464	246	183	247
Investments	1,344,843	694,870	255,524	590,277
Prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	20,647	209,372	70,696	6,805
Restricted assets				
Cash and cash equivalents	-	-	30,704	-
Investments	-	-	34,036	-
Total assets	<u>\$ 2,579,109</u>	<u>\$ 1,531,315</u>	<u>\$ 621,645</u>	<u>\$ 1,129,805</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 133,130	\$ 27,777	\$ 54,355	\$ 80,955
Due to other funds	30,767	12,067	-	6,926
Due to other governments	-	-	-	-
Total liabilities	<u>163,897</u>	<u>39,844</u>	<u>54,355</u>	<u>87,881</u>
Fund balance				
Nonspendable	-	-	-	-
Restricted	-	1,491,471	64,740	1,041,924
Assigned	2,415,212	-	502,550	-
Unassigned	-	-	-	-
Total fund balance	<u>2,415,212</u>	<u>1,491,471</u>	<u>567,290</u>	<u>1,041,924</u>
Total liabilities and fund balance	<u>\$ 2,579,109</u>	<u>\$ 1,531,315</u>	<u>\$ 621,645</u>	<u>\$ 1,129,805</u>

MSTU Fire Protection	Court Fund	Family Mediation	Records Modernization - Records	Records Modernization - Court
\$ 608,751	\$ 126,671	\$ 8,144	\$ 79,109	\$ 64,429
709	4,188	-	-	-
674,831	-	-	-	-
1,485	27,514	-	26,935	2,529
18,276	-	-	-	-
6,433	-	-	-	-
252,226	-	-	-	-
279,603	-	-	-	-
<u>\$ 1,842,314</u>	<u>\$ 158,373</u>	<u>\$ 8,144</u>	<u>\$ 106,044</u>	<u>\$ 66,958</u>
\$ 289,781	\$ 87,318	\$ -	\$ -	\$ 4,942
7,378	-	-	-	-
-	71,055	-	-	-
<u>297,159</u>	<u>158,373</u>	<u>-</u>	<u>-</u>	<u>4,942</u>
1,485	27,514	-	26,935	2,529
1,543,670	-	8,144	79,109	59,487
-	-	-	-	-
-	(27,514)	-	-	-
<u>1,545,155</u>	<u>-</u>	<u>8,144</u>	<u>106,044</u>	<u>62,016</u>
<u>\$ 1,842,314</u>	<u>\$ 158,373</u>	<u>\$ 8,144</u>	<u>\$ 106,044</u>	<u>\$ 66,958</u>

Continued

Bay County, Florida
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2011

Special Revenue				
	10% Fine Records Modernization	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
ASSETS				
Cash and cash equivalents	\$ 331,137	\$ 30,783	\$ 56,810	\$ 15,259
Accounts receivable, net	-	-	-	-
Investments	-	-	-	-
Prepaid items	3,910	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Total assets	<u>\$ 335,047</u>	<u>\$ 30,783</u>	<u>\$ 56,810</u>	<u>\$ 15,259</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ -	\$ 7,400	\$ 1,643	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>7,400</u>	<u>1,643</u>	<u>-</u>
Fund balance				
Nonspendable	3,910	-	-	-
Restricted	331,137	23,383	55,167	15,259
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>335,047</u>	<u>23,383</u>	<u>55,167</u>	<u>15,259</u>
Total liabilities and fund balance	<u>\$ 335,047</u>	<u>\$ 30,783</u>	<u>\$ 56,810</u>	<u>\$ 15,259</u>

Special Revenue				
Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$ 180,127	\$ 59,108	\$ 84,547	\$ 310,300	\$ 4,558,135
-	-	-	41,243	47,280
-	-	-	-	3,560,345
-	-	-	-	62,373
-	-	-	-	18,276
-	-	-	-	313,953
-	-	-	-	282,930
-	-	-	-	313,639
<u>\$ 180,127</u>	<u>\$ 59,108</u>	<u>\$ 84,547</u>	<u>\$ 351,543</u>	<u>\$ 9,156,931</u>
\$ -	\$ -	\$ -	\$ 16,930	\$ 704,231
-	-	-	-	57,138
-	-	-	-	71,055
<u>-</u>	<u>-</u>	<u>-</u>	<u>16,930</u>	<u>832,424</u>
-	-	-	-	62,373
180,127	59,108	84,547	334,613	5,371,886
-	-	-	-	2,917,762
-	-	-	-	(27,514)
<u>180,127</u>	<u>59,108</u>	<u>84,547</u>	<u>334,613</u>	<u>8,324,507</u>
<u>\$ 180,127</u>	<u>\$ 59,108</u>	<u>\$ 84,547</u>	<u>\$ 351,543</u>	<u>\$ 9,156,931</u>

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2011

	Special Revenue			
	Stormwater Management	Public Safety	Intergovernmental Radio Communications	District Mosquito Control
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 928,015
Intergovernmental	1,132,255	-	-	19,500
Charges for services	1,726,432	854,980	649,200	-
Investment earnings	11,131	10,272	3,848	7,528
Contributions and donations	-	-	220,686	-
Miscellaneous	19,272	-	14	-
Total revenues	<u>2,889,090</u>	<u>865,252</u>	<u>873,748</u>	<u>955,043</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	595,257	605,874	-
Physical environment	3,928,368	-	-	-
Human services	-	-	-	1,096,642
Capital outlay				
General government	-	-	-	-
Public safety	-	16,923	7,410	-
Physical environment	1,426,897	-	-	-
Human services	-	-	-	194,405
Debt service				
Principal	-	-	743,712	-
Interest	-	-	35,717	-
Total expenditures	<u>5,355,265</u>	<u>612,180</u>	<u>1,392,713</u>	<u>1,291,047</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,466,175)</u>	<u>253,072</u>	<u>(518,965)</u>	<u>(336,004)</u>
OTHER FINANCING SOURCES				
Transfers in	2,500,000	-	451,192	-
Issuance of refunding bonds	-	-	-	-
Proceeds from sale of capital assets	-	-	750	20,800
Total other financing sources	<u>2,500,000</u>	<u>-</u>	<u>451,942</u>	<u>20,800</u>
Net change in fund balance	33,825	253,072	(67,023)	(315,204)
Fund balance - beginning	<u>2,381,387</u>	<u>1,238,399</u>	<u>634,313</u>	<u>1,357,128</u>
Fund balance - ending	<u>\$ 2,415,212</u>	<u>\$ 1,491,471</u>	<u>\$ 567,290</u>	<u>\$ 1,041,924</u>

Special Revenue

MSTU Fire Protection	Court Fund	Family Mediation	Records Modernization - Records	Records Modernization - Court
\$ 4,615,421	\$ -	\$ -	\$ -	\$ -
9,420	-	-	-	-
36,192	3,608,741	7,481	90,958	264,503
18,960	-	-	-	-
-	-	-	-	-
22,425	-	-	-	-
<u>4,702,418</u>	<u>3,608,741</u>	<u>7,481</u>	<u>90,958</u>	<u>264,503</u>
-	3,435,409	-	71,492	302,753
5,555,643	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	173,332	-	-	10,397
2,437,953	-	-	-	-
-	-	-	-	-
-	-	-	-	-
418,244	-	-	-	-
253,618	-	-	-	-
<u>8,665,458</u>	<u>3,608,741</u>	<u>-</u>	<u>71,492</u>	<u>313,150</u>
(3,963,040)	-	7,481	19,466	(48,647)
-	-	-	-	-
2,340,000	-	-	-	-
-	-	-	-	-
<u>2,340,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,623,040)	-	7,481	19,466	(48,647)
3,168,195	-	663	86,578	110,663
<u>\$ 1,545,155</u>	<u>\$ -</u>	<u>\$ 8,144</u>	<u>\$ 106,044</u>	<u>\$ 62,016</u>

Continued

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance (Continued)
Nonmajor Governmental Funds
Year Ended September 30, 2011

	Special Revenue			
	10% Fine Records Modernization	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	34,556	122,534	29,261
Charges for services	253,013	-	-	-
Investment earnings	-	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>253,013</u>	<u>34,556</u>	<u>122,534</u>	<u>29,261</u>
EXPENDITURES				
Current				
General government	108,909	-	-	-
Public safety	-	41,939	69,744	20,092
Physical environment	-	-	-	-
Human services	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	50,459	-
Physical environment	-	-	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>108,909</u>	<u>41,939</u>	<u>120,203</u>	<u>20,092</u>
Excess (deficiency) of revenues over (under) expenditures	<u>144,104</u>	<u>(7,383)</u>	<u>2,331</u>	<u>9,169</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	144,104	(7,383)	2,331	9,169
Fund balance - beginning	<u>190,943</u>	<u>30,766</u>	<u>52,836</u>	<u>6,090</u>
Fund balance - ending	<u>\$ 335,047</u>	<u>\$ 23,383</u>	<u>\$ 55,167</u>	<u>\$ 15,259</u>

Special Revenue

Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 5,543,436
140,000	26,898	37,690	-	1,552,114
-	-	-	472,224	7,963,724
-	-	-	-	51,739
-	-	-	-	220,686
841	70	-	-	42,622
<u>140,841</u>	<u>26,968</u>	<u>37,690</u>	<u>472,224</u>	<u>15,374,321</u>
-	-	-	-	3,918,563
235,826	15,585	27,979	435,374	7,603,313
-	-	-	-	3,928,368
-	-	-	-	1,096,642
-	-	-	-	183,729
-	-	9,231	-	2,521,976
-	-	-	-	1,426,897
-	-	-	-	194,405
-	-	-	-	1,161,956
-	-	-	-	289,335
<u>235,826</u>	<u>15,585</u>	<u>37,210</u>	<u>435,374</u>	<u>22,325,184</u>
<u>(94,985)</u>	<u>11,383</u>	<u>480</u>	<u>36,850</u>	<u>(6,950,863)</u>
-	-	-	-	2,951,192
-	-	-	-	2,340,000
-	-	-	-	21,550
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,312,742</u>
(94,985)	11,383	480	36,850	(1,638,121)
<u>275,112</u>	<u>47,725</u>	<u>84,067</u>	<u>297,763</u>	<u>9,962,628</u>
<u>\$ 180,127</u>	<u>\$ 59,108</u>	<u>\$ 84,547</u>	<u>\$ 334,613</u>	<u>\$ 8,324,507</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Stormwater Management
Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 1,765,920	\$ 1,765,920	\$ 1,726,432	\$ (39,488)
Intergovernmental	1,947,255	2,486,704	1,132,255	(1,354,449)
Investment earnings	5,001	5,001	11,131	6,130
Miscellaneous	-	-	19,272	19,272
Total revenues	<u>3,718,176</u>	<u>4,257,625</u>	<u>2,889,090</u>	<u>(1,368,535)</u>
EXPENDITURES				
Current				
Physical environment	6,248,478	6,758,100	3,928,368	2,829,732
Capital outlay				
Physical environment	911,222	1,698,741	1,426,897	271,844
Total expenditures	<u>7,159,700</u>	<u>8,456,841</u>	<u>5,355,265</u>	<u>3,101,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,441,524)</u>	<u>(4,199,216)</u>	<u>(2,466,175)</u>	<u>1,733,041</u>
OTHER FINANCING SOURCES				
Transfers in	2,500,000	2,500,000	2,500,000	-
Total other financing sources	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>-</u>
Net change in fund balance	(941,524)	(1,699,216)	33,825	1,733,041
Fund balance - beginning	<u>2,381,387</u>	<u>2,381,387</u>	<u>2,381,387</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,439,863</u>	<u>\$ 682,171</u>	<u>\$ 2,415,212</u>	<u>\$ 1,733,041</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Public Safety
Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 813,377	\$ 813,377	\$ 854,980	\$ 41,603
Investment earnings	1,003	1,003	10,272	9,269
Total revenues	<u>814,380</u>	<u>814,380</u>	<u>865,252</u>	<u>50,872</u>
EXPENDITURES				
Current				
Public safety	804,019	804,009	595,257	208,752
Capital outlay				
Public safety	<u>17,083</u>	<u>17,083</u>	<u>16,923</u>	<u>160</u>
Total expenditures	<u>821,102</u>	<u>821,092</u>	<u>612,180</u>	<u>208,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,722)</u>	<u>(6,712)</u>	<u>253,072</u>	<u>259,784</u>
Net change in fund balance	(6,722)	(6,712)	253,072	259,784
Fund balance - beginning	<u>1,238,399</u>	<u>1,238,399</u>	<u>1,238,399</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,231,677</u>	<u>\$ 1,231,687</u>	<u>\$ 1,491,471</u>	<u>\$ 259,784</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Intergovernmental Radio Communications
Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 692,039	\$ 692,039	\$ 649,200	\$ (42,839)
Investment earnings	30,375	30,375	3,848	(26,527)
Contributions and donations	221,801	221,801	220,686	(1,115)
Miscellaneous	-	-	14	14
Total revenues	<u>944,215</u>	<u>944,215</u>	<u>873,748</u>	<u>(70,467)</u>
EXPENDITURES				
Current				
Public safety	566,163	645,723	605,874	39,849
Capital outlay				
Public safety	-	7,410	7,410	-
Debt service				
Principal	746,549	746,549	743,712	2,837
Interest	36,308	36,308	35,717	591
Total expenditures	<u>1,349,020</u>	<u>1,435,990</u>	<u>1,392,713</u>	<u>43,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(404,805)</u>	<u>(491,775)</u>	<u>(518,965)</u>	<u>(27,190)</u>
OTHER FINANCING SOURCES				
Transfers in	451,191	451,191	451,192	1
Proceeds from sale of capital assets	-	-	750	750
Total other financing sources	<u>451,191</u>	<u>451,191</u>	<u>451,942</u>	<u>751</u>
Net change in fund balance	46,386	(40,584)	(67,023)	(26,439)
Fund balance - beginning	<u>634,313</u>	<u>634,313</u>	<u>634,313</u>	<u>-</u>
Fund balance - ending	<u>\$ 680,699</u>	<u>\$ 593,729</u>	<u>\$ 567,290</u>	<u>\$ (26,439)</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
District Mosquito Control
Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 916,554	\$ 916,554	\$ 928,015	\$ 11,461
Intergovernmental	17,500	17,500	19,500	2,000
Charges for services	3,380	3,380	-	(3,380)
Investment earnings	24,700	24,700	7,528	(17,172)
Total revenues	<u>962,134</u>	<u>962,134</u>	<u>955,043</u>	<u>(7,091)</u>
EXPENDITURES				
Current				
Human services	1,552,524	1,515,289	1,096,642	418,647
Capital outlay				
Human services	67,500	215,256	194,405	20,851
Total expenditures	<u>1,620,024</u>	<u>1,730,545</u>	<u>1,291,047</u>	<u>439,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(657,890)</u>	<u>(768,411)</u>	<u>(336,004)</u>	<u>432,407</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	20,800	20,800	-
Total other financing sources	<u>-</u>	<u>20,800</u>	<u>20,800</u>	<u>-</u>
Net change in fund balance	(657,890)	(747,611)	(315,204)	432,407
Fund balance - beginning	<u>1,357,128</u>	<u>1,357,128</u>	<u>1,357,128</u>	<u>-</u>
Fund balance - ending	<u>\$ 699,238</u>	<u>\$ 609,517</u>	<u>\$ 1,041,924</u>	<u>\$ 432,407</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
MSTU Fire Protection
Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 4,565,121	\$ 4,859,156	\$ 4,615,421	\$ (243,735)
Intergovernmental	5,101	5,101	9,420	4,319
Charges for services	60,000	60,000	36,192	(23,808)
Investment earnings	75,000	75,000	18,960	(56,040)
Miscellaneous	-	15,621	22,425	6,804
Total revenues	<u>4,705,222</u>	<u>5,014,878</u>	<u>4,702,418</u>	<u>(312,460)</u>
EXPENDITURES				
Current				
Public safety	6,022,809	6,310,904	5,555,643	755,261
Capital outlay				
Public safety	2,890,347	2,898,347	2,437,953	460,394
Debt service				
Principal	529,500	529,500	418,244	111,256
Interest	292,542	292,542	253,618	38,924
Total expenditures	<u>9,735,198</u>	<u>10,031,293</u>	<u>8,665,458</u>	<u>1,365,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,029,976)</u>	<u>(5,016,415)</u>	<u>(3,963,040)</u>	<u>1,053,375</u>
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,340,000</u>	<u>(260,000)</u>
Total other financing sources (uses)	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,340,000</u>	<u>(260,000)</u>
Net change in fund balance	(2,429,976)	(2,416,415)	(1,623,040)	793,375
Fund balance - beginning	<u>3,168,195</u>	<u>3,168,195</u>	<u>3,168,195</u>	<u>-</u>
Fund balance - ending	<u>\$ 738,219</u>	<u>\$ 751,780</u>	<u>\$ 1,545,155</u>	<u>\$ 793,375</u>

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Court Fund
Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 2,585,412	\$ 3,608,741	\$ 3,608,741	\$ -
Total revenues	<u>2,585,412</u>	<u>3,608,741</u>	<u>3,608,741</u>	<u>-</u>
EXPENDITURES				
Current				
General government	2,412,080	3,435,409	3,435,409	-
Capital outlay				
General government	<u>173,332</u>	<u>173,332</u>	<u>173,332</u>	<u>-</u>
Total expenditures	<u>2,585,412</u>	<u>3,608,741</u>	<u>3,608,741</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>

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Internal Service Funds

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

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

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

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

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, 2011

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 248,362	\$ 2,502,129	\$ 81,925	\$ 47,775	\$ 2,880,191
Accounts receivable, net	500,929	1,068	30	28,374	530,401
Prepaid expenses	-	50,000	1,003,168	-	1,053,168
Investments	274,491	2,773,734	90,817	52,906	3,191,948
Due from other funds	284,694	-	-	81,781	366,475
Total current assets	<u>1,308,476</u>	<u>5,326,931</u>	<u>1,175,940</u>	<u>210,836</u>	<u>8,022,183</u>
Capital assets					
Buildings	606,506	-	-	618,642	1,225,148
Improvements	96,850	-	-	-	96,850
Furniture and equipment	262,736	3,845	77,496	572,853	916,930
Less: accumulated depreciation	<u>(483,419)</u>	<u>(3,845)</u>	<u>(58,781)</u>	<u>(560,598)</u>	<u>(1,106,643)</u>
Total capital assets, net	<u>482,673</u>	<u>-</u>	<u>18,715</u>	<u>630,897</u>	<u>1,132,285</u>
Total assets	<u>1,791,149</u>	<u>5,326,931</u>	<u>1,194,655</u>	<u>841,733</u>	<u>9,154,468</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	134,649	34,094	343,842	57,422	570,007
Deferred revenue	-	36,944	-	-	36,944
Accrued compensated absences	34,235	3,265	1,261	24,405	63,166
Due to other funds	951,794	3	105,415	32,834	1,090,046
Total current liabilities	<u>1,120,678</u>	<u>74,306</u>	<u>450,518</u>	<u>114,661</u>	<u>1,760,163</u>
Noncurrent liabilities					
Estimated liability for self insured losses	-	4,346,931	-	-	4,346,931
Accrued compensated absences	39,930	5,146	-	22,155	67,231
Net OPEB obligation	79,117	2,203	-	21,278	102,598
Total noncurrent liabilities	<u>119,047</u>	<u>4,354,280</u>	<u>-</u>	<u>43,433</u>	<u>4,516,760</u>
Total liabilities	<u>1,239,725</u>	<u>4,428,586</u>	<u>450,518</u>	<u>158,094</u>	<u>6,276,923</u>
NET ASSETS					
Invested in capital assets, net of related debt	482,673	-	18,715	630,897	1,132,285
Unrestricted	68,751	898,345	725,422	52,742	1,745,260
Total net assets	<u>\$ 551,424</u>	<u>\$ 898,345</u>	<u>\$ 744,137</u>	<u>\$ 683,639</u>	<u>\$ 2,877,545</u>

Bay County, Florida
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
Year Ended September 30, 2011

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
OPERATING REVENUES					
Charges for services	\$ 4,758,435	\$ 781,641	\$ 1,967,224	\$ 1,666,122	\$ 9,173,422
Miscellaneous	-	100	-	-	100
Total operating revenues	<u>4,758,435</u>	<u>781,741</u>	<u>1,967,224</u>	<u>1,666,122</u>	<u>9,173,522</u>
OPERATING EXPENSES					
Personal services	1,067,162	101,929	95,987	1,281,105	2,546,183
Contracted services	53,616	101,166	8,869	144,067	307,718
Repairs and maintenance	162,599	1,941	2,580	30,007	197,127
Utilities	109,332	4,557	4,557	20,096	138,542
Depreciation	34,485	-	8,066	54,239	96,790
Materials	3,240,509	-	-	-	3,240,509
Insurance claims	-	547,219	-	-	547,219
Other operating expenses	90,561	24,929	1,847,165	136,379	2,099,034
Total operating expenses	<u>4,758,264</u>	<u>781,741</u>	<u>1,967,224</u>	<u>1,665,893</u>	<u>9,173,122</u>
Operating income	<u>171</u>	<u>-</u>	<u>-</u>	<u>229</u>	<u>400</u>
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets	3,000	-	-	-	3,000
Investment earnings	4,043	24,851	102	-	28,996
Total nonoperating revenues	<u>7,043</u>	<u>24,851</u>	<u>102</u>	<u>-</u>	<u>31,996</u>
Income (loss) before transfers	<u>7,214</u>	<u>24,851</u>	<u>102</u>	<u>229</u>	<u>32,396</u>
TRANSFERS					
Transfers out	(994,748)	-	-	-	(994,748)
Net transfers	<u>(994,748)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(994,748)</u>
Change in net assets	(987,534)	24,851	102	229	(962,352)
Total net assets - beginning	<u>1,538,958</u>	<u>873,494</u>	<u>744,035</u>	<u>683,410</u>	<u>3,839,897</u>
Total net assets - ending	<u>\$ 551,424</u>	<u>\$ 898,345</u>	<u>\$ 744,137</u>	<u>\$ 683,639</u>	<u>\$ 2,877,545</u>

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2011

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and others	\$ 4,258,808	\$ 817,698	\$ 2,056,780	\$ 1,678,978	\$ 8,812,264
Cash received from miscellaneous operating activities	-	100	-	-	100
Cash paid to suppliers for goods and services	(2,696,645)	(589,275)	(1,772,137)	(311,403)	(5,369,460)
Cash paid to employees for services	(1,052,490)	(105,896)	(96,259)	(1,279,955)	(2,534,600)
Net cash provided by operating activities	<u>509,673</u>	<u>122,627</u>	<u>188,384</u>	<u>87,620</u>	<u>908,304</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(938,170)	-	-	-	(938,170)
Net cash (used in) noncapital financing activities	<u>(938,170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(938,170)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	3,000	-	-	-	3,000
Purchase of capital assets	(1,400)	-	(15,745)	(18,263)	(35,408)
Net cash provided by (used in) capital and related financing activities	<u>1,600</u>	<u>-</u>	<u>(15,745)</u>	<u>(18,263)</u>	<u>(32,408)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturities of investment securities	1,104,580	5,000,983	42,295	8,310	6,156,168
Purchase of investments	(441,391)	(2,817,452)	(133,114)	(30,589)	(3,422,546)
Interest and dividends on investments	2,772	21,378	105	364	24,619
Net cash provided by (used in) investing activities	<u>665,961</u>	<u>2,204,909</u>	<u>(90,714)</u>	<u>(21,915)</u>	<u>2,758,241</u>
Net increase in cash and cash equivalents	239,064	2,327,536	81,925	47,442	2,695,967
Cash and cash equivalents - beginning	<u>9,298</u>	<u>174,593</u>	<u>-</u>	<u>333</u>	<u>184,224</u>
Cash and cash equivalents - ending	<u>\$ 248,362</u>	<u>\$ 2,502,129</u>	<u>\$ 81,925</u>	<u>\$ 47,775</u>	<u>\$ 2,880,191</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Transfer of capital assets	<u>\$ 56,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,578</u>

Continued

Bay County, Florida
Combining Statement of Cash Flows (Continued)
Internal Service Funds
Year Ended September 30, 2011

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 171	\$ -	\$ -	\$ 229	\$ 400
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	34,485	-	8,066	54,239	96,790
(Increase) decrease in assets					
Accounts receivable, net	(302,757)	(887)	(30)	(20,197)	(323,871)
Prepaid expenses	-	-	38,735	-	38,735
Due from other funds	(197,190)	-	89,586	33,053	(74,551)
Due from other governments	320	-	-	-	320
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	24,831	90,534	(53,046)	(13,026)	49,293
Deferred revenue	-	36,944	-	-	36,944
Accrued compensated absences	(2,614)	(4,818)	(272)	(8,691)	(16,395)
Due to other funds	935,141	3	105,345	32,172	1,072,661
Net OPEB obligation	17,286	851	-	9,841	27,978
Total adjustments	509,502	122,627	188,384	87,391	907,904
Net cash provided by operating activities	<u>\$ 509,673</u>	<u>\$ 122,627</u>	<u>\$ 188,384</u>	<u>\$ 87,620</u>	<u>\$ 908,304</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.

Bay County, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2011

	<u>Fines, Forfeitures and Other Fees</u>	<u>Jury and Witness</u>	<u>Tax Deed Assets</u>	<u>Support</u>
ASSETS				
Cash and cash equivalents	\$ 1,681,552	\$ 21,811	\$ 334,124	\$ 10,166
Investments	-	-	-	-
Accounts receivable, net	9,256	1,065	-	-
Total assets	<u>\$ 1,690,808</u>	<u>\$ 22,876</u>	<u>\$ 334,124</u>	<u>\$ 10,166</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	334,124	10,166
Due to others	-	-	-	-
Due to other governments	1,690,808	22,876	-	-
Total liabilities	<u>\$ 1,690,808</u>	<u>\$ 22,876</u>	<u>\$ 334,124</u>	<u>\$ 10,166</u>

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Assets (Continued)
Fiduciary Funds
September 30, 2011

	<u>Court Registry</u>	<u>Cash Bond</u>	<u>Restitution</u>	<u>Property Tax</u>
ASSETS				
Cash and cash equivalents	\$ 1,741,245	\$ 557,711	\$ 1,068	\$ 1,805,531
Investments	-	-	-	61,823
Accounts receivable, net	-	-	2	-
Total assets	<u>\$ 1,741,245</u>	<u>\$ 557,711</u>	<u>\$ 1,070</u>	<u>\$ 1,867,354</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	1,741,245	-	1,070	-
Due to others	-	-	-	-
Due to other governments	-	557,711	-	1,867,354
Total liabilities	<u>\$ 1,741,245</u>	<u>\$ 557,711</u>	<u>\$ 1,070</u>	<u>\$ 1,867,354</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets (Continued)
Fiduciary Funds
September 30, 2011

	<u>Tax Certificate</u>	<u>Tag</u>	<u>Other Suspense</u>
ASSETS			
Cash and cash equivalents	\$ 1,622	\$ -	\$ 1,267
Investments	-	-	-
Accounts receivable, net	-	24,689	-
Total assets	<u>\$ 1,622</u>	<u>\$ 24,689</u>	<u>\$ 1,267</u>
LIABILITIES			
Bank overdraft	\$ -	\$ 24,689	\$ -
Accounts payable and accrued liabilities	-	-	-
Due to others	1,622	-	-
Due to other governments	-	-	1,267
Total liabilities	<u>\$ 1,622</u>	<u>\$ 24,689</u>	<u>\$ 1,267</u>

Bay County, Florida
Combining Statement of Fiduciary Net Assets (Continued)
Fiduciary Funds
September 30, 2011

	<u>Individual Depositors</u>	<u>Forfeitures</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 68,307	\$ 150,935	\$ 6,375,339
Investments	-	-	61,823
Accounts receivable, net	-	-	35,012
Total assets	<u>\$ 68,307</u>	<u>\$ 150,935</u>	<u>\$ 6,472,174</u>
LIABILITIES			
Bank overdraft	\$ -	\$ -	\$ 24,689
Accounts payable and accrued liabilities	68,307	-	2,154,912
Due to others	-	150,935	152,557
Due to other governments	-	-	4,140,016
Total liabilities	<u>\$ 68,307</u>	<u>\$ 150,935</u>	<u>\$ 6,472,174</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
FINES, FORFEITURES, and OTHER FEES				
ASSETS				
Cash and cash equivalents	\$ 1,759,737	\$ 26,190,513	\$ 26,268,698	\$ 1,681,552
Accounts receivable, net	-	9,256	-	9,256
Total assets	<u>\$ 1,759,737</u>	<u>\$ 26,199,769</u>	<u>\$ 26,268,698</u>	<u>\$ 1,690,808</u>
LIABILITIES				
Due to other governments	\$ 1,759,737	\$ 26,199,769	\$ 26,268,698	\$ 1,690,808
Total liabilities	<u>\$ 1,759,737</u>	<u>\$ 26,199,769</u>	<u>\$ 26,268,698</u>	<u>\$ 1,690,808</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 25,278	\$ 69,076	\$ 72,543	\$ 21,811
Accounts receivable, net	-	1,065	-	1,065
Total assets	<u>\$ 25,278</u>	<u>\$ 70,141</u>	<u>\$ 72,543</u>	<u>\$ 22,876</u>
LIABILITIES				
Due to other governments	\$ 25,278	\$ 70,141	\$ 72,543	\$ 22,876
Total liabilities	<u>\$ 25,278</u>	<u>\$ 70,141</u>	<u>\$ 72,543</u>	<u>\$ 22,876</u>
TAX DEED ASSETS				
ASSETS				
Cash and cash equivalents	\$ 130,639	\$ 512,539	\$ 309,054	\$ 334,124
Total assets	<u>\$ 130,639</u>	<u>\$ 512,539</u>	<u>\$ 309,054</u>	<u>\$ 334,124</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 130,639	\$ 512,539	\$ 309,054	\$ 334,124
Total liabilities	<u>\$ 130,639</u>	<u>\$ 512,539</u>	<u>\$ 309,054</u>	<u>\$ 334,124</u>

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Fiduciary Funds
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 10,449	\$ 842,680	\$ 842,963	\$ 10,166
Total assets	<u>\$ 10,449</u>	<u>\$ 842,680</u>	<u>\$ 842,963</u>	<u>\$ 10,166</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,449	\$ 842,680	\$ 842,963	\$ 10,166
Total liabilities	<u>\$ 10,449</u>	<u>\$ 842,680</u>	<u>\$ 842,963</u>	<u>\$ 10,166</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,061,072	\$ 7,250,640	\$ 6,570,467	\$ 1,741,245
Total assets	<u>\$ 1,061,072</u>	<u>\$ 7,250,640</u>	<u>\$ 6,570,467</u>	<u>\$ 1,741,245</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,061,072	\$ 7,250,640	\$ 6,570,467	\$ 1,741,245
Total liabilities	<u>\$ 1,061,072</u>	<u>\$ 7,250,640</u>	<u>\$ 6,570,467</u>	<u>\$ 1,741,245</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 1,293,263	\$ 1,670,619	\$ 2,406,171	\$ 557,711
Total assets	<u>\$ 1,293,263</u>	<u>\$ 1,670,619</u>	<u>\$ 2,406,171</u>	<u>\$ 557,711</u>
LIABILITIES				
Due to other governments	\$ 1,293,263	\$ 1,670,619	\$ 2,406,171	\$ 557,711
Total liabilities	<u>\$ 1,293,263</u>	<u>\$ 1,670,619</u>	<u>\$ 2,406,171</u>	<u>\$ 557,711</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Fiduciary Funds
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 10,099	\$ 163,983	\$ 173,014	\$ 1,068
Accounts receivable, net	-	2	-	2
Total assets	<u>\$ 10,099</u>	<u>\$ 163,985</u>	<u>\$ 173,014</u>	<u>\$ 1,070</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,099	\$ 163,985	\$ 173,014	\$ 1,070
Total liabilities	<u>\$ 10,099</u>	<u>\$ 163,985</u>	<u>\$ 173,014</u>	<u>\$ 1,070</u>
PROPERTY TAX				
ASSETS				
Cash and cash equivalents	\$ 1,828,209	\$ 455,899,846	\$ 455,922,524	\$ 1,805,531
Investments	76,637	-	14,814	61,823
Total assets	<u>\$ 1,904,846</u>	<u>\$ 455,899,846</u>	<u>\$ 455,937,338</u>	<u>\$ 1,867,354</u>
LIABILITIES				
Due to other governments	\$ 1,904,846	\$ 455,899,846	\$ 455,937,338	\$ 1,867,354
Total liabilities	<u>\$ 1,904,846</u>	<u>\$ 455,899,846</u>	<u>\$ 455,937,338</u>	<u>\$ 1,867,354</u>
TAX CERTIFICATE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 17,978,026	\$ 17,976,404	\$ 1,622
Accounts receivable, net	357	-	357	-
Total assets	<u>\$ 357</u>	<u>\$ 17,978,026</u>	<u>\$ 17,976,761</u>	<u>\$ 1,622</u>
LIABILITIES				
Due to others	\$ 357	\$ 17,978,026	\$ 17,976,761	\$ 1,622
Total liabilities	<u>\$ 357</u>	<u>\$ 17,978,026</u>	<u>\$ 17,976,761</u>	<u>\$ 1,622</u>
TAG				
ASSETS				
Cash and cash equivalents	\$ 34,423	\$ 23,554,771	\$ 23,589,194	\$ -
Accounts receivable, net	19,811	10,450	5,572	24,689
Total assets	<u>\$ 54,234</u>	<u>\$ 23,565,221</u>	<u>\$ 23,594,766</u>	<u>\$ 24,689</u>
LIABILITIES				
Bank overdraft	\$ -	\$ 24,689	\$ -	\$ 24,689
Due to other governments	54,234	23,540,532	23,594,766	-
Total liabilities	<u>\$ 54,234</u>	<u>\$ 23,565,221</u>	<u>\$ 23,594,766</u>	<u>\$ 24,689</u>

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Fiduciary Funds
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 66,953	\$ 65,686	\$ 1,267
Total assets	<u>\$ -</u>	<u>\$ 66,953</u>	<u>\$ 65,686</u>	<u>\$ 1,267</u>
LIABILITIES				
Due to other governments	\$ -	\$ 66,953	\$ 65,686	\$ 1,267
Total liabilities	<u>\$ -</u>	<u>\$ 66,953</u>	<u>\$ 65,686</u>	<u>\$ 1,267</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 12,210	\$ 359,829	\$ 303,732	\$ 68,307
Total assets	<u>\$ 12,210</u>	<u>\$ 359,829</u>	<u>\$ 303,732</u>	<u>\$ 68,307</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 12,210	\$ 359,829	\$ 303,732	\$ 68,307
Total liabilities	<u>\$ 12,210</u>	<u>\$ 359,829</u>	<u>\$ 303,732</u>	<u>\$ 68,307</u>
FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 79,589	\$ 140,907	\$ 69,561	\$ 150,935
Total assets	<u>\$ 79,589</u>	<u>\$ 140,907</u>	<u>\$ 69,561</u>	<u>\$ 150,935</u>
LIABILITIES				
Due to others	\$ 79,589	\$ 140,907	\$ 69,561	\$ 150,935
Total liabilities	<u>\$ 79,589</u>	<u>\$ 140,907</u>	<u>\$ 69,561</u>	<u>\$ 150,935</u>
COMBINED TOTALS				
ASSETS				
Cash and cash equivalents	\$ 6,244,968	\$ 534,700,382	\$ 534,570,011	\$ 6,375,339
Investments	76,637	-	14,814	61,823
Accounts receivable, net	20,168	20,773	5,929	35,012
Total assets	<u>\$ 6,341,773</u>	<u>\$ 534,721,155</u>	<u>\$ 534,590,754</u>	<u>\$ 6,472,174</u>
LIABILITIES				
Bank overdraft	\$ -	\$ 24,689	\$ -	\$ 24,689
Accounts payable and accrued liabilities	1,224,469	9,129,673	8,199,230	2,154,912
Due to others	79,946	18,118,933	18,046,322	152,557
Due to other governments	5,037,358	507,447,860	508,345,202	4,140,016
Total liabilities	<u>\$ 6,341,773</u>	<u>\$ 534,721,155</u>	<u>\$ 534,590,754</u>	<u>\$ 6,472,174</u>

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BAY COUNTY, FLORIDA STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	C-2
<i>These schedules contain trend information to help the reader understand how the county's financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	C-12
<i>These schedules contain information to help the reader assess the factors affecting the county's ability to generate its property and sales taxes.</i>	
Debt Capacity	C-18
<i>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.</i>	
Demographic and Economic Information	C-26
<i>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.</i>	
Operating Information	C-29
<i>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.</i>	

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 Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

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

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 109,592,599	\$ 130,031,134	\$ 146,149,695	\$ 161,775,959	\$ 167,184,260	\$ 175,784,958
18,043,292	19,924,887	18,091,072	12,256,875	12,510,353	43,752,095
56,527,122	62,053,258	65,061,054	70,278,219	59,778,907	18,817,801
<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>	<u>\$ 238,354,854</u>
\$ 37,518,571	\$ 46,446,331	\$ 51,130,331	\$ 53,453,268	\$ 81,158,497	\$ 76,176,290
7,862,907	2,999,323	3,066,336	6,271,620	6,566,100	12,291,303
39,375,268	29,535,560	26,183,800	21,522,496	24,019,080	23,529,091
<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>	<u>\$ 111,996,684</u>
\$ 147,111,170	\$ 176,477,465	\$ 197,280,026	\$ 215,229,227	\$ 248,342,757	\$ 251,961,248
25,906,199	22,924,210	21,157,408	18,528,495	19,076,453	56,043,398
95,902,390	91,588,818	91,244,854	91,800,715	83,797,987	42,346,892
<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>	<u>\$ 350,351,538</u>

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses				
Governmental activities:				
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>
Business-type activities:				
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>
Total primary government expenses	<u>\$ 113,339,592</u>	<u>\$ 125,352,738</u>	<u>\$ 140,416,398</u>	<u>\$ 139,945,003</u>
Program Revenues				
Governmental activities:				
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>
Business-type activities:				
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>
Total primary government program revenues	<u>\$ 52,926,576</u>	<u>\$ 46,276,068</u>	<u>\$ 55,716,882</u>	<u>\$ 66,677,270</u>

Schedule 2
continued

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 21,899,647	\$ 22,123,284	\$ 23,769,102	\$ 43,306,782	\$ 44,216,781	\$ 39,434,666
45,667,025	47,595,636	51,587,681	35,244,894	38,220,126	36,413,991
4,846,055	4,411,573	4,504,251	4,492,133	4,343,675	4,968,431
13,023,819	14,053,021	15,122,222	16,091,014	20,903,717	19,604,133
14,186,061	16,957,645	16,862,278	21,343,831	18,601,704	19,839,456
4,591,809	5,594,624	5,042,410	5,680,622	5,552,240	5,443,839
3,943,961	4,473,399	5,349,023	5,882,640	5,098,294	5,806,043
1,691,167	2,974,935	4,185,220	4,096,732	3,956,673	3,909,979
<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>	<u>135,420,538</u>
10,871,172	12,060,032	13,131,437	13,753,543	12,230,344	12,237,921
4,135,864	5,808,833	5,700,378	8,460,073	9,774,380	11,009,770
3,902,819	2,218,595	6,643,917	6,047,598	5,768,403	3,951,644
17,574,763	17,209,523	15,477,882	15,107,160	14,737,174	15,274,326
2,011,650	2,126,578	2,139,805	1,934,416	1,699,893	1,598,831
<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>	<u>44,072,492</u>
<u>\$ 148,345,812</u>	<u>\$ 157,607,678</u>	<u>\$ 169,515,606</u>	<u>\$ 181,441,438</u>	<u>\$ 185,103,404</u>	<u>\$ 179,493,030</u>
\$ 16,455,481	\$ 16,819,772	\$ 15,239,392	\$ 14,480,938	\$ 13,748,179	\$ 13,769,684
2,041,634	1,953,947	1,739,995	1,413,940	1,419,092	1,308,519
1,602,888	1,523,655	1,597,427	1,656,563	1,832,155	1,805,016
764,439	1,541,359	1,045,906	271,986	464,965	320,562
3,640	3,900	1,040	780	-	-
824,209	645,918	519,422	564,222	593,340	556,136
3,590,815	3,076,826	4,722,856	18,887,680	16,953,017	13,486,584
5,602,631	5,880,132	11,085,254	9,955,607	7,040,323	4,790,164
<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>	<u>36,036,665</u>
11,461,915	10,361,087	13,876,827	13,317,211	13,772,277	16,293,620
3,863,260	4,189,192	3,987,039	5,677,074	6,421,773	6,681,917
3,826,936	2,280,293	6,695,497	5,928,887	5,873,324	3,855,587
12,217,568	9,475,368	10,726,249	11,744,325	13,336,670	14,197,632
3,335,953	2,099,218	1,657,191	1,126,424	693,361	800,789
7,505	202,351	535,000	985,000	315,000	315,000
-	18,603	824,906	5,900,163	871,811	235,134
<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>	<u>42,379,679</u>
<u>\$ 65,598,874</u>	<u>\$ 60,071,621</u>	<u>\$ 74,254,001</u>	<u>\$ 91,910,800</u>	<u>\$ 83,335,287</u>	<u>\$ 78,416,344</u>

continued

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net (Expense) Revenue				
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>
General Revenue and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	39,571,968	42,615,587	47,569,663	53,349,589
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>
Total primary government	<u>\$ 85,287,709</u>	<u>\$ 82,122,934</u>	<u>\$ 79,042,435</u>	<u>\$ 87,050,535</u>
Change in Net Assets				
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>
Total primary government	<u>\$ 24,874,693</u>	<u>\$ 3,046,264</u>	<u>\$ (5,657,081)</u>	<u>\$ 13,782,802</u>

Schedule 2

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ (78,963,807)	\$ (86,738,608)	\$ (90,470,895)	\$ (88,906,932)	(98,842,139)	(99,383,873)
<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>(1,692,813)</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>	<u>(101,076,686)</u>
73,729,204	77,146,885	73,436,473	69,757,473	63,269,038	59,025,047
24,215,778	24,982,006	24,569,697	28,794,256	29,006,207	31,551,527
3,491,084	3,379,522	3,136,583	2,921,458	2,954,621	3,080,852
3,262,306	7,007,059	4,855,754	1,604,764	654,378	430,320
-	-	-	-	-	-
2,681,029	1,710,623	1,795,724	1,559,634	997,087	3,934,362
<u>8,143</u>	<u>-</u>	<u>-</u>	<u>(233,781)</u>	<u>-</u>	<u>243,099</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>	<u>98,265,207</u>
1,900	1,500	1,100	2,200	2,500	2,000
-	-	-	-	-	-
3,366,297	3,629,698	2,612,599	1,658,856	1,257,174	1,238,259
1,081,040	1,390,719	6,014,516	359,831	30,662,597	948,660
<u>(8,143)</u>	<u>-</u>	<u>-</u>	<u>233,781</u>	<u>-</u>	<u>(243,099)</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>	<u>1,945,820</u>
<u>\$ 111,828,638</u>	<u>\$ 119,248,012</u>	<u>\$ 116,422,446</u>	<u>\$ 106,658,472</u>	<u>\$ 128,803,602</u>	<u>\$ 100,211,027</u>
\$ 28,423,737	\$ 27,487,487	\$ 17,292,542	\$ 15,496,872	(1,960,808)	(1,118,666)
<u>657,963</u>	<u>(5,775,532)</u>	<u>3,868,299</u>	<u>1,630,962</u>	<u>28,996,293</u>	<u>253,007</u>
<u>\$ 29,081,700</u>	<u>\$ 21,711,955</u>	<u>\$ 21,160,841</u>	<u>\$ 17,127,834</u>	<u>\$ 27,035,485</u>	<u>\$ (865,659)</u>

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

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

Note: With the implementation of GASB 54 in Fiscal Year 2011, fund balance classifications are not comparable to prior years' classifications.

Schedule 3

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 44,351,137	\$ 36,949,309	\$ 39,966,000	\$ 12,111,996	\$ 12,134,054	\$ -
31,933,944	33,598,429	30,700,762	35,025,941	24,211,397	-
-	-	-	-	-	136,529
-	-	-	-	-	9,997,588
-	-	-	-	-	14,201,000
-	-	-	-	-	3,572,736
<u>\$ 76,285,081</u>	<u>\$ 70,547,738</u>	<u>\$ 70,666,762</u>	<u>\$ 47,137,937</u>	<u>\$ 36,345,451</u>	<u>\$ 27,907,853</u>
\$ 17,404,849	\$ 13,524,528	\$ 15,840,847	\$ 19,022,170	\$ 20,293,685	\$ -
18,100,472	26,960,435	28,261,408	27,435,348	23,018,439	-
-	-	-	-	-	584,816
-	-	-	-	-	33,754,507
-	-	-	-	-	10,178,764
-	-	-	-	-	(27,514)
<u>\$ 35,505,321</u>	<u>\$ 40,484,963</u>	<u>\$ 44,102,255</u>	<u>\$ 46,457,518</u>	<u>\$ 43,312,124</u>	<u>\$ 44,490,573</u>

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Taxes	\$ 48,969,611	\$ 51,921,256	\$ 57,136,660	\$ 63,186,101
Licenses and permits	3,617,158	3,965	2,840	2,390
Intergovernmental revenue	22,285,905	21,614,035	25,922,701	25,365,652
Charges for services	10,278,906	12,469,323	14,287,418	19,689,697
Fines and forfeitures	927,851	892,312	790,062	157,495
Special assessments	684,320	378,649	170,651	367,096
Investment earnings	3,023,424	1,027,868	863,064	1,445,604
Contributions and donations	-	-	-	-
Miscellaneous	1,880,670	1,919,556	3,443,934	1,568,016
Total revenues	<u>91,667,845</u>	<u>90,226,964</u>	<u>102,617,330</u>	<u>111,782,051</u>
Expenditures				
General government	18,481,999	18,494,302	22,531,969	21,472,908
Public safety	29,516,458	35,492,011	37,281,629	39,787,836
Physical environment	4,724,728	3,922,018	4,322,124	4,662,334
Transportation	7,026,131	9,968,297	11,285,504	10,759,085
Economic environment	6,231,736	7,671,623	8,023,780	9,169,691
Human services	2,892,219	3,530,404	4,005,771	3,808,169
Culture and recreation	2,918,689	2,898,414	3,001,093	3,247,079
Capital Outlay	11,825,861	19,975,254	8,826,066	11,349,510
Debt service				
Principal retirement	2,428,799	3,096,446	9,070,909	3,224,333
Interest and fiscal charges	1,667,378	1,911,428	1,910,439	1,339,802
Bond issuance costs	-	63,673	-	-
Total expenditures	<u>87,713,998</u>	<u>107,023,870</u>	<u>110,259,284</u>	<u>108,820,747</u>
Excess of revenues over (under) expenditures	<u>3,953,847</u>	<u>(16,796,906)</u>	<u>(7,641,954)</u>	<u>2,961,304</u>
Other Financing Sources (Uses)				
Operating transfers in	9,540,558	8,056,538	7,615,705	7,837,156
Operating transfers out	(6,864,694)	(8,108,487)	(7,764,251)	(8,425,713)
Debt issuance	19,397,691	16,149,931	452,859	-
Premium on bonds issued	-	65,470	-	-
Payment to refunded bond escrow agent	-	(6,298,195)	-	-
Reversion to State of Florida	-	-	-	(608,687)
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>
Net change in fund balance	<u>\$ 26,027,402</u>	<u>\$ (6,931,649)</u>	<u>\$ (7,337,641)</u>	<u>\$ 1,764,060</u>
Debt service as a percentage of noncapital expenditures	5.40%	5.83%	10.83%	4.68%

Schedule 4

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 85,896,879	\$ 90,307,436	\$ 86,781,507	\$ 87,851,490	\$ 81,578,570	\$ 77,593,739
2,230	1,899	2,412	8,454	1,705	3,215
24,673,396	23,889,913	28,962,899	28,949,201	35,852,434	35,584,199
19,781,978	19,801,852	17,444,872	15,609,839	15,528,324	17,389,066
137,019	63,081	139,198	137,711	281,047	79,356
254,505	359,198	346,583	81,722	313,167	108,702
3,079,818	6,725,924	4,931,754	1,903,556	952,199	488,067
-	190,797	75,901	1,345,301	4,081,268	244,501
3,078,727	1,946,036	1,300,099	1,074,105	554,748	2,581,324
<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>	<u>134,072,169</u>
20,262,747	6,967,890	20,108,027	20,834,114	21,734,774	18,970,994
43,970,630	57,386,591	47,521,961	49,292,375	51,029,913	49,007,090
4,363,508	3,967,883	4,024,785	5,903,593	3,896,101	4,421,240
8,686,780	9,306,583	10,989,649	9,505,479	15,766,696	14,424,369
13,618,153	16,404,349	16,300,499	22,198,357	19,931,304	19,041,168
4,516,240	5,538,168	4,970,430	5,598,800	5,473,781	5,329,318
3,604,503	3,843,006	4,449,189	4,161,662	4,070,360	4,438,777
17,619,434	32,780,705	49,905,995	32,533,103	23,353,424	22,179,959
3,601,370	3,883,937	3,827,285	4,133,143	3,684,931	3,689,461
1,532,684	2,963,339	4,033,487	4,053,918	3,915,039	3,873,904
-	(344,945)	120,628	-	-	118,864
<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>	<u>145,495,144</u>
15,128,503	588,630	(26,266,710)	(21,253,165)	(13,712,861)	(11,422,975)
9,247,671	7,911,020	8,779,078	12,717,062	7,240,834	7,102,725
(9,820,775)	(8,856,914)	(8,816,092)	(12,950,843)	(7,450,840)	(5,921,456)
39,666,217	16,103,376	30,572,236	92,095	165,950	28,487,973
951,964	(71,732)	-	-	-	(25,960,948)
-	(15,095,929)	-	-	(350)	(350)
(796,010)	(1,005,046)	(532,196)	-	-	-
-	-	-	-	205,086	455,882
<u>39,249,067</u>	<u>(1,015,225)</u>	<u>30,003,026</u>	<u>(141,686)</u>	<u>160,680</u>	<u>4,163,826</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>	<u>\$ (7,259,149)</u>
4.93%	5.92%	6.86%	6.51%	5.87%	6.23%

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

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>	<u>Industrial Property</u>	<u>Agricultural Property</u>	<u>Centrally Assessed Property</u>	<u>Other Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
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%
2011	13,126,565	2,631,955	1,988,678	299,898	68,006	29,322	2,436,427	(6,307,312)	14,273,539	4.6653	21,684,375	65.82%

Source: Bay County Property Appraiser

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

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

	<u>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>	<u>2011</u>
County Direct Rates:										
General	5.6620	5.6620	5.6620	5.6620	4.1620	3.7915	3.6500	3.6500	3.6500	3.6500
Mosquito Control	0.1852	0.1852	0.1852	0.1852	0.1852	0.1525	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>0.7500</u>	<u>0.7238</u>	<u>0.7238</u>	<u>0.7815</u>	<u>0.7815</u>	<u>1.0000</u>
Total Direct Rate	6.8472	6.8472	6.8472	6.8472	5.0972	4.6678	4.5263	4.5840	4.5840	4.8025
Municipalities:										
City of Panama City	5.0000	5.0000	5.0000	5.0000	4.7122	3.7610	3.8493	3.8493	3.8152	3.8152
Panama City Downtown Improvement Board	3.0000	3.0000	3.0000	3.0000	3.0000	2.4700	2.6832	2.6832	2.7180	2.7180
City of Lynn Haven	4.0000	4.0000	4.0000	4.0000	3.2500	2.8266	3.0887	3.0887	3.0887	3.0887
City of Mexico Beach	4.6000	4.5500	4.5000	4.3500	3.7900	3.7200	3.7000	4.0000	4.1060	4.6160
City of Callaway	--	--	2.0000	2.0000	2.0000	2.0000	2.2500	2.2500	2.2500	2.2500
Town of Cedar Grove	--	--	--	1.5000	1.5000	1.5000	1.5000	--	--	--
School Districts	8.6550	8.5690	8.1480	7.9350	6.8080	6.4710	6.7630	7.6230	7.4030	7.1180
Northwest Florida Water Management District	0.0500	0.0500	0.0500	0.0500	0.0500	0.0450	0.0450	0.0450	0.0450	0.0400
Special District:										
Beach Mosquito Control	0.2990	0.2990	0.2590	0.2365	0.1410	0.1438	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 2011			Fiscal Year 2002		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Gulf Power Company	\$ 238,035,628	1	1.67%	\$ 145,782,312	1	2.34%
St. Joe Land & Development	162,234,916	2	1.14%	82,491,583	5	1.32%
Laketown Wharf Marketing Corp.	81,960,415	3	0.57%	-	-	-
Shores of Panama Collateral	66,862,120	4	0.47%	-	-	-
Smurfit-Stone Container	55,821,723	5	0.39%	86,904,312	2	1.39%
Pier Park, LLC	52,466,704	6	0.37%	-	-	-
Marriott Ownership Resorts	43,251,080	7	0.30%	-	-	-
Arizona Chemical Company	41,034,491	8	0.29%	41,717,356	4	0.67%
Gulf Coast Electric Co-Op	36,797,064	9	0.26%	22,396,135	9	0.36%
Hilton Company	34,340,792	10	0.24%	-	-	-
BellSouth Telecommunications	-	-	-	79,107,621	3	1.27%
Berg Pipe	-	-	-	27,944,891	6	0.45%
Hospital Corp. of America	-	-	-	26,590,169	7	0.43%
Wal-Mart Stores	-	-	-	21,943,228	8	0.35%
Bay Point Hotel Associates	-	-	-	19,046,915	10	0.31%
Total	\$ 812,804,933		5.70%	\$ 553,924,522		8.89%

Total Taxable Assessed Value 2011 14,273,539,112
Total Taxable Assessed Value 2002 6,240,041,000

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
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%
2011	60,654,870	140,131	60,795,001	58,455,794	96%	149,057	58,604,851	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 2002-2011
(Unaudited)

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

Fiscal Year Ending	Total Distributions To Cities and Counties	Percentage Change	Total Distributions Bay County	Percentage Change
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%
2011	\$ 1,473,480,308	4.23%	\$ 9,335,451	3.02%

Source: Florida Department of Revenue

**Distribution of Half-Cent
Sales Tax in Bay County, Florida
For Ten Year Period 2002-2011
(Amounts in Thousands)
(Unaudited)**

Fiscal Year 2002 - 2011 distribution of Sales Tax Revenues is represented in the following chart.

Fiscal Year Ending	Distributions To The County	Percentage Of County to Total	Distributions To The Cities	Percentage Of Cities to Total
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%
2011	\$ 9,335,451	58%	\$ 6,651,078	42%

Source: Florida Department of Revenue

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities				
Revenue bonds	\$ 29,880,000	\$ 36,100,000	\$ 33,610,000	\$ 30,835,000
Capital leases	643,076	750,190	757,759	301,748
Notes payable	<u>6,862,216</u>	<u>7,585,259</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>37,385,292</u>	<u>44,435,449</u>	<u>34,367,759</u>	<u>31,136,748</u>
Business-type Activities				
Revenue bonds	\$ 99,764,967	\$ 97,801,087	\$ 95,744,707	\$ 93,512,439
Notes payable	<u>15,522,266</u>	<u>14,701,885</u>	<u>13,885,513</u>	<u>13,012,811</u>
Total Business-type Activities	<u>115,287,233</u>	<u>112,502,972</u>	<u>109,630,220</u>	<u>106,525,250</u>
Total Primary Government	<u>\$ 152,672,525</u>	<u>\$ 156,938,421</u>	<u>\$ 143,997,979</u>	<u>\$ 137,661,998</u>
Debt as a Percentage of Personal Income	2.5%	2.6%	3.3%	3.7%
Amount of Debt per Capita	\$ 645	\$ 699	\$ 976	\$ 1,185

*Information not available

Note: Details regarding the County's debt can be found in Notes 12 and 13 of the financial statements.
See Schedule 15 for personal income and population data.

Schedule 11

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 66,190,000	\$ 63,950,000	\$ 90,810,191	\$ 87,434,420	\$ 83,929,264	\$ 82,819,000
1,011,596	982,910	867,670	202,379	188,553	134,544
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>82,953,544</u>
\$ 91,652,333	\$ 89,669,727	\$ 91,930,734	\$ 90,626,234	\$ 86,509,234	\$ 106,737,500
12,359,204	11,418,271	31,586,315	30,730,339	29,975,354	7,943,518
<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>	<u>114,681,018</u>
<u>\$ 171,213,133</u>	<u>\$ 166,020,908</u>	<u>\$ 215,194,910</u>	<u>\$ 208,993,372</u>	<u>\$ 200,602,405</u>	<u>\$ 197,634,562</u>
3.8%	3.5%	2.8%	2.9%	*	*
\$ 1,285	\$ 1,238	\$ 1,010	\$ 1,040	*	*

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Water System Revenue Bonds				
Series 2005				
Revenue - sale of goods and services	\$ 9,384,080	\$ 9,056,785	\$ 10,120,295	\$ 12,075,741
Less: Operating expenses	(4,431,741)	(4,362,444)	(4,746,910)	(4,995,463)
Net available revenue	<u>\$ 4,952,339</u>	<u>\$ 4,694,341</u>	<u>\$ 5,373,385</u>	<u>\$ 7,080,278</u>
Debt service				
Principal				\$ 135,000
Interest				\$ 631,907
Coverage*	N/A	N/A	N/A	9.2
Sales Tax Revenue Refunding Bonds				
Series 2007				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ 8,060,208	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458
Less: Operating expenses	-	-	-	-
Net available revenue	<u>\$ 8,060,208</u>	<u>\$ 8,423,968</u>	<u>\$ 8,968,674</u>	<u>\$ 9,689,458</u>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
Sales Tax Revenue Bonds				
Series 2002				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ 8,060,208	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458
Less: Operating expenses	-	-	-	-
Net available revenue	<u>\$ 8,060,208</u>	<u>\$ 8,423,968</u>	<u>\$ 8,968,674</u>	<u>\$ 9,689,458</u>
Debt service				
Principal	\$ -	\$ 310,000	\$ 320,000	\$ 325,000
Interest	\$ 289,230	\$ 867,689	\$ 858,389	\$ 848,789
Coverage*	27.9	7.2	7.6	8.3
Sales Tax Revenue Bonds				
Series 2006				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ 8,060,208	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458
Less: Operating expenses	-	-	-	-
Net available revenue	<u>\$ 8,060,208</u>	<u>\$ 8,423,968</u>	<u>\$ 8,968,674</u>	<u>\$ 9,689,458</u>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A
Water and Sewer System Revenue Bonds				
Series 2011				
Revenue - sales of goods and services	\$ -	\$ -	\$ -	\$ -
Plus: Allowable deposits	-	-	-	-
Less: Operating expenses	-	-	-	-
Net available revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 12,433,674	\$ 11,321,362	\$ 14,961,574	\$ 14,341,003	\$ 14,137,828	\$ 16,597,930
(5,232,544)	(6,643,470)	(6,928,970)	(7,689,352)	(6,274,367)	(6,377,920)
<u>\$ 7,201,130</u>	<u>\$ 4,677,892</u>	<u>\$ 8,032,604</u>	<u>\$ 6,651,651</u>	<u>\$ 7,863,461</u>	<u>\$ 10,220,010</u>
\$ 105,000	\$ 110,000	\$ 115,000	\$ 115,000	\$ 470,000	\$ 1,145,000
\$ 2,226,210	\$ 2,223,060	\$ 2,219,760	\$ 2,216,310	\$ 2,212,860	\$ 2,198,290
3.1	2.0	3.4	2.9	2.9	3.1
\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564
-	-	-	-	-	-
<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>	<u>\$ 9,691,564</u>
\$ -	\$ 95,000	\$ 45,000	\$ 50,000	\$ 50,000	\$ 50,000
\$ -	\$ 255,556	\$ 649,064	\$ 647,444	\$ 645,644	\$ 643,844
N/A	28.2	13.7	13.1	12.9	14.0
\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564
-	-	-	-	-	-
<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>	<u>\$ 9,691,564</u>
\$ 335,000	\$ 350,000	\$ 360,000	\$ 375,000	\$ 390,000	\$ 410,000
\$ 839,039	\$ 94,108	\$ 80,983	\$ 66,582	\$ 51,583	\$ 35,495
8.6	22.3	21.6	20.7	20.4	21.8
\$ 10,066,787	\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564
-	-	-	-	-	-
<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>	<u>\$ 9,691,564</u>
\$ -	\$ 70,000	\$ 75,000	\$ 75,000	\$ 80,000	\$ 75,000
\$ 260,241	\$ 1,873,735	\$ 1,870,585	\$ 1,867,585	\$ 1,864,585	\$ 1,861,385
38.7	5.1	4.9	4.7	4.6	5.0
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,782,445.00
-	-	-	-	-	939,000.00
-	-	-	-	-	(7,337,707.00)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,738.00</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A	N/A	N/A	N/A

Bay County, Florida
Wholesale Water System
Historical Revenues, Expenses and Debt Service Coverage
Last Nine 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	-	-	-
Gross Revenues	<u>\$ 9,056,785</u>	<u>\$ 10,120,295</u>	<u>\$ 12,075,741</u>	<u>\$ 12,433,674</u>
Operating Expenses	\$ 4,362,444	\$ 4,746,910	\$ 4,995,463	\$ 5,232,544
Net Revenue	<u>\$ 4,694,341</u>	<u>\$ 5,373,385</u>	<u>\$ 7,080,278</u>	<u>\$ 7,201,130</u>
Debt Service 1997 Issue	\$ 1,209,747	\$ 1,209,747	\$ 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 Other Funds	-	-	-	-
Total Debt Service	<u>\$ 3,852,531</u>	<u>\$ 3,850,795</u>	<u>\$ 3,982,984</u>	<u>\$ 3,669,435</u>
Coverage Factor	<u>1.219</u>	<u>1.395</u>	<u>1.778</u>	<u>1.962</u>

Note: Information not available prior to 2003.

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 10,367,239	\$ 13,878,255	\$ 13,317,212	\$ 13,800,335	\$ 16,324,937
754,123	253,913	152,920	88,721	99,464
200,000	150,000	600,000	-	-
\$ 11,321,362	\$ 14,282,168	\$ 14,070,132	\$ 13,889,056	\$ 16,424,401
\$ 6,643,470	\$ 6,928,970	\$ 7,689,352	\$ 6,274,367	\$ 6,377,920
\$ 4,677,892	\$ 7,353,198	\$ 6,380,780	\$ 7,614,689	\$ 10,046,481
\$ 482,260	\$ 483,170	477,725	\$ 131,125	\$ -
860,870	856,468	865,217	861,718	331,065
2,333,060	2,334,760	2,331,310	2,682,860	3,343,290
-	252,566	214,979	176,135	155,886
\$ 3,676,190	\$ 3,926,964	\$ 3,889,231	\$ 3,851,838	\$ 3,830,241
1.272	1.872	1.641	1.977	2.623

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Half-Cent Sales Tax Receipts (1)	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787
Series 1998 Bond (2)	\$ 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
Series 2006 Bond (4)	-	-	-	5,134,488
Series 2007 Bond (5)	-	-	-	-
Total Maximum Annual Debt Service	<u>\$ 4,373,576</u>	<u>\$ 4,373,576</u>	<u>\$ 4,373,576</u>	<u>\$ 9,508,064</u>
Coverage of Maximum Annual Debt Service by Sales Tax Revenues	<u>1.93</u>	<u>2.05</u>	<u>2.22</u>	<u>1.06</u>

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

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564
\$ 3,194,875	\$ 3,194,875	\$ 3,194,875	\$ -	\$ -
445,495	445,495	445,495	445,495	445,495
5,134,488	5,134,488	5,134,488	5,134,488	5,134,488
1,141,450	1,141,450	1,141,450	1,141,450	1,141,450
<u>\$ 9,916,308</u>	<u>\$ 9,916,308</u>	<u>\$ 9,916,308</u>	<u>\$ 6,721,433</u>	<u>\$ 6,721,433</u>
<u>1.00</u>	<u>0.96</u>	<u>0.92</u>	<u>1.34</u>	<u>1.44</u>

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

Year	Estimated Population	Personal Income ⁽¹⁾	Per Capita Personal Income	Unemployment Rate
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	163,188	5,505,789	33,613	3.2%
2007	165,952	5,793,131	35,475	3.6%
2008	168,297	5,965,743	36,420	5.5%
2009	168,424	5,983,630	36,316	8.9%
2010	168,852	*	*	10.3%
2011	*	*	*	*

* Information not yet available

Note: Information updated annually based on most current data.

(1) In thousands of dollars.

Source: *Florida Statistical Abstract 2011*

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

<u>Employer</u>	2011			2002		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Tyndall Air Force Base	4,791	1	5.31%	6,666	1	10.25%
Naval Support Activity	3,062	2	3.39%	2,449	3	3.77%
Bay District Schools	3,062	3	3.39%	3,297	2	5.07%
Bay Medical Center	2,000	4	2.21%	1,895	4	2.91%
Eastern Shipbuilding	823	5	0.91%	-	-	-
Gulf Coast Medical Center	600	6	0.67%	750	6	1.15%
City of Panama City	515	7	0.57%	527	9	0.81%
Bay County Board	508	8	0.56%	-	-	-
BookIt.com	500	9	0.55%	-	-	-
Gulf Coast State College	400	10	0.44%	-	-	-
Sallie Mae	-	-	-	1,080	5	1.66%
Smurfit-Stone Container	-	-	-	588	7	0.90%
Trane Company	-	-	-	580	8	0.89%
Peoples First Community Bank	-	-	-	520	10	0.80%
	<u>16,261</u>		<u>18.00%</u>	<u>18,352</u>		<u>28.21%</u>
Total Bay County Labor Force	<u>90,215</u>			<u>65,013</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)

<u>Function/Program</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>	<u>2011</u>
General Government	67	64	62	59	63	74	71	72	63	60
Public Safety	77	86	92	99	109	123	122	115	115	101
Physical Environment	101	114	112	109	111	118	126	124	129	129
Transportation	125	120	118	121	124	128	118	116	118	119
Economic Environment	3	2	2	2	3	2	2	2	2	2
Human Services	10	10	10	9	10	9	12	12	14	14
Culture/Recreation	18	18	18	18	20	81	81	80	82	75
Judicial System	11	11	9	10	9	9	9	9	10	8
Total	<u>412</u>	<u>425</u>	<u>423</u>	<u>427</u>	<u>449</u>	<u>544</u>	<u>541</u>	<u>530</u>	<u>533</u>	<u>508</u>

Source: County personnel department

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

<u>Function/Program</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>	<u>2011</u>
General Government										
Assessed properties	93,478	95,709	98,044	103,104	107,007	110,279	112,624	112,911	112,934	113,163
Court cases:										
Circuit Criminal	4,719	5,230	4,718	4,461	4,449	4,846	4,510	4,578	4,366	4,384
County Criminal	12,554	12,522	12,153	9,824	8,882	11,882	9,971	13,794	8,490	10,066
Public Safety										
E-911 calls	105,000	108,846	115,000	113,548	118,000	124,977	116,149	116,427	146,603	132,790
Building permits issued*										
Commercial	352	393	345	435	274	256	231	227	160	207
Residential	1,576	1,421	2,192	2,213	1,424	1,018	820	653	652	634
Physical Environment										
Landfill and Incinerator Collections	220,965	219,413	213,468	223,462	237,825	238,506	248,820	237,663	223,550	217,027
Transportation										
Roads miles maintained	710.40	712.67	714.79	711.25	712.72	712.07	712.87	731.77	741.07	741.07
Economic Environment										
Tourist Development Tax Registered Units**	344	394	500	632	843	1,109	1,582	15,492	16,926	17,090
Human Services										
Baker Act admissions	279	279	328	377	348	372	455	466	547	483

* 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 Ten Fiscal Years
(Unaudited)

<u>Function/Program</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>	<u>2011</u>
Public Safety										
Correction facility capacities	662	662	662	662	662	662	1,098	1,098	1,098	1,098
Fire stations	13	13	13	13	13	13	13	13	13	13
Culture & Recreation										
Parks	29	29	29	30	30	30	26	28	30	30
Park acreage	378	378	378	413	413	413	302	303	318	318
Boat ramps	19	19	19	19	19	19	19	19	19	19
Transportation										
Road miles	710.4	712.67	714.79	711.25	712.72	712.07	712.87	731.77	741.07	741.07
Bridges	50	53	53	53	53	53	53	53	53	53
Traffic signals	18	18	18	18	18	17	16	18	16	16
Physical Environment										
Water mains (miles)	*	*	*	*	105	108	147	270	282	282

*Information not available

Sources: County finance office and individual county departments

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, 2011, and have issued our report thereon dated March 12, 2012.

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, Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major 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 12, 2012, 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.

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.

The Honorable County Commissioners
Bay County, Florida
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 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, 2011, 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, 2011. 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.

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.

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

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 12, 2012. 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

Management of the County is responsible for establishing and maintaining effective 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 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.

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.

The Honorable County Commissioners
Bay County, Florida
Page Two

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*.

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.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011. 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, 2011.

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 or state project 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 or state project 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.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2011

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 Program

14.228

Community Development Block Grant

20.205

Highway Planning and Construction Grant

97.039

Hazard Mitigation Grant

(Continued)

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2011

<u>CSFA Number</u>	<u>Name of State Projects</u>
37.003	Beach Erosion Control Program
45.030	State Aid to Libraries
52.901	State Housing Initiatives Partnership Program
55.023	State Highway Project Reimbursement

Dollar threshold used to distinguish between Type A and Type B programs:	<u>Federal</u> \$ 429,975	<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

There were no findings.

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

There were no findings.

Bay County, Florida
Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2011

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, 2011

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
U.S. Department of Defense			
Community Planning Assistance Funds	12.614	EN0723-10-02	\$ 136,412
U.S. Department of Housing and Urban Development			
Passed through Florida Department of Community Affairs			
Community Development Grant Program	14.228	10DB-4X-01-13-01-F-03	896,409
Community Development Grant Program	14.228	10DB-K4-01-13-01-K-03	42,183
Total U.S. Department of Housing and Urban Development			938,592
U.S. Department of Justice			
Bulletproof Vest Partnership	16.607	-----	11,000
COPS Hiring Recovery Program	16.710	2010UMX0067	210,746
Edward Byrne Memorial Justice Assistance Program ARRA	16.804	2010-DJ-BX-1602	39,461
Passed through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Program	16.738	2011-JAGC-BAY-5-B2-080	55,496
Edward Byrne Memorial Justice Assistance Program	16.738	2011-JAGC-BAY-6-B2-091	16,356
Passed through State of Florida Office of Attorney General			
Victims of Crime Act	16.575	V10004	27,750
Total U.S. Department of Justice			360,809
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
11th Street Resurfacing ARRA	20.205	APU51	727,705
11th Street Shoulder/Sidewalk Project	20.205	APX80	1,556,854
County Road 2327/Game Farm Road	20.205	APT68	438,812
CR 390 Preliminary Engineering	20.205	AQ640	119,853
Grand Lagoon Bridge - Construction ARRA	20.205	API26	7,404,340
Grand Lagoon Storm water Mitigation	20.205	APY62	1,132,255
Thomas Drive Sidewalks - Phase IV	20.205	APT98	243,191
West Bay Bridge Improvement Project	20.205	AQA74	393
Total U.S. Department of Transportation			11,623,403
Federal Election Assistance Commission			
Passed through Florida Department of State and Secretary of State			
M.O.V.E.	90.401	2009-2010-0001a	4,138
Federal Election Activities FY 2011	90.401	-----	7,978
Total Federal Election of Assistance Commission			12,116
U.S. Department of Homeland Security			
Passed through Florida Department of Emergency Management			
Hazard Mitigation Program	97.039	11HM-3G-01-13-01-012	37,157
Hazard Mitigation Program	97.039	08HM-2G-01-13-01-032	1,008,705
Emergency Management Performance	97.042	12-FG-R3-01-13-01-070	19,994
Emergency Management Performance	97.042	11-FG-7W-01-13-01-022	42,974
State Homeland Security Program	97.067	10-DS-39-01-13-01-418	1,543
State Homeland Security Program	97.067	2009-SS-T9-0081	79,803
State Homeland Security Program	97.067	09-DS-51-01-13-01-360	36,000
State Homeland Security Program	97.067	09-DS-51-13-00-16-409	33,499
State Homeland Security Program	97.067	08DS-60-13-00-16-373	1,504
Total U.S. Department of Homeland Security			1,261,179
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 14,332,511

(Continued)

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2011

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<u>STATE OF FLORIDA</u>			
Department of Environmental Protection			
Carillon Beach/Pinnacle Port Dune Restoration Project	37.003	H6BA1	\$ 819,907
Beach Management Funding Assistance	37.003	07BA2	43,489
Total Department of Environmental Protection			863,396
Department of Agriculture and Consumer Services			
Mosquito Control	42.003	015031	19,500
Department of State			
State Aid to Library Grant	45.030	11-ST-42	226,687
State Aid to Library Grant	45.030	10-ST-42	142,118
State Aid to Library Grant	45.030	11-ST-45	35,968
State Aid to Library Grant	45.030	10-ST-45	16,946
State Aid to Library Grant	45.030	11-ST-43	34,693
State Aid to Library Grant	45.030	10-ST-43	35,339
State Aid to Library Grant	45.030	11-ST-44	19,214
State Aid to Library Grant	45.030	10-ST-44	6,327
Total Department of State			517,292
Department of Economic Opportunity			
Passed Through Florida Housing Finance Corporation			
State Housing Initiatives Partnership Program	52.901	-----	273,840
Department of Transportation			
Traffic Signal Grant	55.013	AOS05	435,704
Bay County Intelligent Transportation System Improvements	55.023	APX45	447,261
Bay County Intelligent Transportation System Phase III	55.023	AQ676	455,113
Total Department of Transportation			1,338,078
Department of Health			
Emergency Medical Services	64.005	C0003	31,344
Division of Emergency Management			
Emergency Management Preparedness	52.008	12-BG-05-01-13-01-003	45,241
Emergency Management Preparedness	52.008	11-BG-05-01-13-01-122	77,043
Total Division of Emergency Management			122,284
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 3,165,734

Notes to Schedule

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

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BAY COUNTY, FLORIDA

September 30, 2011

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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September 30, 2011
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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, 2011, 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 Bay County 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 of America.

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, 2011, 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 12, 2012, on our consideration of the Bay County Supervisor of Elections' internal control over financial reporting and our tests of his compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

Bay County Supervisor of Elections
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2011

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 86,743
Accounts receivable, net	<u>18</u>
Total assets	<u><u>\$ 86,761</u></u>
 LIABILITIES	
Accounts payable and accrued liabilities	\$ 59,783
Due to other governments	<u>26,978</u>
Total liabilities	86,761
 FUND BALANCE	
Unassigned	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 86,761</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, 2011

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 15,070
Charges for services	7,940
Interest	<u>255</u>
Total revenues	<u>23,265</u>
EXPENDITURES	
Current	
General government	1,158,861
Capital outlay	
General government	<u>4,995</u>
Total expenditures	<u>1,163,856</u>
Excess (deficit) of revenues over (under) expenditures	<u>(1,140,591)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	1,167,569
Transfer out/return of excess fees	<u>(26,978)</u>
Total other financing sources (uses)	<u>1,140,591</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 12,144	\$ 15,070	\$ 2,926
Charges for services	-	7,364	7,940	576
Interest	-	-	255	255
Total revenues	-	19,508	23,265	3,757
EXPENDITURES				
Current				
General government	1,163,069	1,182,577	1,158,861	23,716
Capital outlay				
General government	4,500	4,500	4,995	(495)
Total expenditures	1,167,569	1,187,077	1,163,856	23,221
Excess (deficit) of revenues over (under) expenditures	(1,167,569)	(1,167,569)	(1,140,591)	26,978
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,167,569	1,167,569	1,167,569	-
Transfer out/return of excess fees	-	-	(26,978)	(26,978)
Total other financing sources (uses)	1,167,569	1,167,569	1,140,591	(26,978)
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, 2011

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 any unexpended appropriations are remitted to the Board of County Commissioners after the end of the fiscal year.

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 Bay County 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.

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 Supervisor of Elections
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund balances – The Bay County Supervisor of Elections has implemented GASB Statement 54 employing new terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2011.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. There are no restricted funds as of September 30, 2011.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of County Commissioners. Commitments maybe established, modified, or rescinded only through ordinance approved by the Board of County Commissioners. There are no committed funds as of September 30, 2011.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose through action other than by ordinance by the Board of County Commissioners. There are no assigned funds as of September 30, 2011.

Unassigned – This category is the residual classification for the Supervisor of Elections fund balances. There are no unassigned funds as of September 30, 2011.

When both restricted and unrestricted resources are available for use, it is the Supervisor of Elections' policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for which committed, assigned, or unassigned amounts could be used it is the Supervisor of Elections' policy to use them in that order.

Budgets – The preparation, adoption, and amendment of the Bay County Supervisor of Elections' budget is governed by Chapter 129, Florida Statutes. The budget is prepared and adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America. 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.

Bay County Supervisor of Elections
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Leave Benefits – It is the Bay County Supervisor of Elections' policy to grant employees who resign or retire payment of paid time off hours earned up to 480 hours based on a payout service schedule and the availability of the budget. The paid time off policy allows for full-time employees to accumulate 13 to 21 hours a month depending on the length of service. Part-time and temporary employees are not eligible for paid time off.

Capital Assets – Capital assets of the Bay County 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 Bay County 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 accounting principles generally accepted in the United States of America 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 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 to ensure that the Bay County 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.

Bay County Supervisor of Elections
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 3 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description - The Bay County Supervisor of Elections contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability, and death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. FRS issues financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, P. O. Box 9000, Tallahassee, Florida 32315, by accessing the FRS website or by calling (850) 488-6491.

Funding Policy - FRS is funded through employee and employer contributions. The Bay County Supervisor of Elections is required to contribute at an actuarially determined rate. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.25% October 1, 2010 through June 30, 2011 and 4.42% July 1 through September 30, 2011.

The contribution requirements of plan members and the Bay County Supervisor of Elections are established and may be amended by the Florida Legislature. The Supervisor of Elections' contributions to the plan for the years ending September 30, 2011, 2010, and 2009 were \$45,982, \$52,782, and \$52,838, respectively, and were equal to the required contributions for each year. The required employee contributions made to the plan for the year ending September 30, 2011, were \$2,457.

Defined Contribution Plan

Plan Description - Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a cost-sharing multiple-employer defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. This FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P. O. Box 56290, Jacksonville, FL 32241-6290 or by calling 866-377-2121.

Bay County Supervisor of Elections
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 3 – RETIREMENT PLANS (Continued)

Funding Policy - FRS Investment Plan is funded through employee and employer contributions. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$6,196 and \$427, respectively.

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, 2011, and have issued our report thereon dated March 12, 2012.

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 12, 2012, 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.

The Honorable Mark Andersen
Bay County Supervisor of Elections
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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 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.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, and have issued our report thereon dated March 12, 2012. 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

Management of the Bay County Supervisor of Elections is responsible for establishing and maintaining effective 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
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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.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, 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 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.

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 of America.

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, 2011, 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
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In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2012, 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.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

Bay County Clerk of Court and Comptroller
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Court Fund	Records Modernization - Records	10% Fine Records Modernization	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 247,630	\$ 126,671	\$ 79,109	\$ 331,137	\$ 72,573	\$ 857,120
Investments	12,512	-	-	-	-	12,512
Accounts receivable, net	104,941	4,188	-	-	-	109,129
Prepaid items	15,050	27,514	26,935	3,910	2,529	75,938
Total assets	<u>\$ 380,133</u>	<u>\$ 158,373</u>	<u>\$ 106,044</u>	<u>\$ 335,047</u>	<u>\$ 75,102</u>	<u>\$ 1,054,699</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 103,824	\$ 87,318	\$ -	\$ -	\$ 4,942	\$ 196,084
Deferred revenue	8,424	-	-	-	-	8,424
Due to other governments	267,885	71,055	-	-	-	338,940
Total liabilities	<u>380,133</u>	<u>158,373</u>	<u>-</u>	<u>-</u>	<u>4,942</u>	<u>543,448</u>
FUND BALANCE						
Nonspendable	15,050	27,514	26,935	3,910	2,529	75,938
Restricted	-	-	79,109	331,137	67,631	477,877
Unassigned	(15,050)	(27,514)	-	-	-	(42,564)
Total fund balance	<u>-</u>	<u>-</u>	<u>106,044</u>	<u>335,047</u>	<u>70,160</u>	<u>511,251</u>
Total liabilities and fund balance	<u>\$ 380,133</u>	<u>\$ 158,373</u>	<u>\$ 106,044</u>	<u>\$ 335,047</u>	<u>\$ 75,102</u>	<u>\$ 1,054,699</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, 2011

	General Fund	Court Fund	Records Modernization - Records	10% Fine Records Modernization	Other Governmental Funds	Total Governmental Funds
REVENUES						
Intergovernmental revenue	\$ 457,990	\$ -	\$ -	\$ -	\$ -	\$ 457,990
Charges for services	926,012	3,608,741	90,958	253,013	271,984	5,150,708
Miscellaneous	45,147	-	-	-	-	45,147
Total revenues	<u>1,429,149</u>	<u>3,608,741</u>	<u>90,958</u>	<u>253,013</u>	<u>271,984</u>	<u>5,653,845</u>
EXPENDITURES						
Current						
General government	2,480,848	3,435,409	71,492	108,909	302,753	6,399,411
Capital outlay						
General government	346,625	173,332	-	-	10,397	530,354
Total expenditures	<u>2,827,473</u>	<u>3,608,741</u>	<u>71,492</u>	<u>108,909</u>	<u>313,150</u>	<u>6,929,765</u>
Excess (deficit) of revenues over (under) expenditures	<u>(1,398,324)</u>	<u>-</u>	<u>19,466</u>	<u>144,104</u>	<u>(41,166)</u>	<u>(1,275,920)</u>
OTHER FINANCING SOURCES (USES)						
Budget appropriations from Board of County Commissioners	1,493,297	-	-	-	-	1,493,297
Transfer out/return of excess fees	(94,973)	-	-	-	-	(94,973)
Total other financing sources (uses)	<u>1,398,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,398,324</u>
Net change in fund balance	-	-	19,466	144,104	(41,166)	122,404
Fund balance - beginning	-	-	86,578	190,943	111,326	388,847
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,044</u>	<u>\$ 335,047</u>	<u>\$ 70,160</u>	<u>\$ 511,251</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 124,512	\$ 461,340	\$ 457,990	\$ (3,350)
Charges for services	916,468	919,468	926,012	6,544
Miscellaneous	48,820	48,820	45,147	(3,673)
Total revenues	<u>1,089,800</u>	<u>1,429,628</u>	<u>1,429,149</u>	<u>(479)</u>
EXPENDITURES				
Current				
General government	2,356,294	2,762,005	2,480,848	281,157
Capital outlay				
General government	160,429	160,927	346,625	(185,698)
Total expenditures	<u>2,516,723</u>	<u>2,922,932</u>	<u>2,827,473</u>	<u>95,459</u>
Excess (deficit) of revenues over (under) expenditures	<u>(1,426,923)</u>	<u>(1,493,304)</u>	<u>(1,398,324)</u>	<u>94,980</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,426,923	1,493,304	1,493,297	(7)
Transfer out/return of excess fees	-	-	(94,973)	(94,973)
Total other financing sources (uses)	<u>1,426,923</u>	<u>1,493,304</u>	<u>1,398,324</u>	<u>(94,980)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 2,585,412	\$ 3,608,741	\$ 3,608,741	\$ -
Total revenues	<u>2,585,412</u>	<u>3,608,741</u>	<u>3,608,741</u>	<u>-</u>
EXPENDITURES				
Current				
General government	2,412,080	3,435,409	3,435,409	-
Capital outlay				
General government	<u>173,332</u>	<u>173,332</u>	<u>173,332</u>	<u>-</u>
Total expenditures	<u>2,585,412</u>	<u>3,608,741</u>	<u>3,608,741</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, 2011

ASSETS

Cash and cash equivalents	\$ 4,347,677
Accounts receivable, net	<u>10,323</u>
Total assets	<u><u>\$ 4,358,000</u></u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 2,086,605
Due to other governments	<u>2,271,395</u>
Total liabilities	<u><u>\$ 4,358,000</u></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, 2011

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 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.

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

Bay County Clerk of Court and Comptroller
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund balances – The Bay County Clerk of Court has implemented GASB Statement 54 employing new terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2011, is \$75,938.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. The restricted fund balance as of September 30, 2011, is \$477,877.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of County Commissioners. Commitments may be established, modified, or rescinded only through ordinance approved by the Board of County Commissioners. There are no committed funds as of September 30, 2011.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose through action other than by ordinance by the Board of County Commissioners. There are no assigned funds as of September 30, 2011.

Unassigned – This category is the residual classification for the Clerk's fund balances. The unassigned fund balance as of September 30, 2011, is a deficit of \$(42,564).

When both restricted and unrestricted resources are available for use, it is the Clerk's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for which committed, assigned, or unassigned amounts could be used it is the Clerk's policy to use them in that order.

Bay County Clerk of Court and Comptroller
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounting principles generally accepted in the United States of America. 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; employees with two plus years of service receive a percentage of their paid time off based on the length of service upon termination.

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 accounting principles generally accepted in the United States of America 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

Bay County Clerk of Court and Comptroller
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

At September 30, 2011, the Clerk had investments on deposit in a 2a-7-like pool for general and agency funds in the amount of \$10,987 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, 2011, was 0.7568386. 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

Bay County Clerk of Court and Comptroller
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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, 2011, was 38 days or 1.27 months. The weighted average life of Fund B at September 30, 2011, was 4.82 years or 57.84 months. The Clerk does not have a formal policy relating to interest rate risk.

Concentration of Credit Risk – At September 30, 2011, the Clerk did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2011, the Clerk's investments consisted of the following:

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity (months)	Credit Rating (if applicable)
Local Government Surplus Funds Trust Fund				
Pool (PRIME)	\$ 10,987	\$ 10,987	1.27	AAAm
Local Government Investment Pool Fund B	<u>1,525</u>	<u>1,525</u>	57.84	*
Total investments	<u>\$ 12,512</u>	<u>\$ 12,512</u>		

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

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2011, accounts receivable, net is summarized as follows:

Total accounts receivable	\$ 109,129
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$ 109,129</u>

The Clerk considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2011.

NOTE 4 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description - The Bay County Clerk of Court contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability, and death benefits to retirees or heir designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for

Bay County Clerk of Court and Comptroller
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 4 – RETIREMENT PLANS (Continued)

benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. FRS issues financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, P. O. Box 9000, Tallahassee, Florida 32315, by accessing the FRS website or by calling (850) 488-6491.

Funding Policy - FRS is funded through employee and employer contributions. The Bay County Clerk of Court is required to contribute at an actuarially determined rate. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.25% October 1, 2010 through June 30, 2011 and 4.42% July 1 through September 30, 2011.

The contribution requirements of plan members and the Bay County Clerk of Court are established and may be amended by the Florida Legislature. The Clerk's contributions to the FRS for the years ending September 30, 2011, 2010, and 2009 were \$348,245, \$396,544, and \$426,792, respectively, and were equal to the required contributions for each year. The required employee contributions made to the plan for the year ending September 30, 2011, were \$22,998.

Defined Contribution Plan

Plan Description - Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a cost-sharing multiple-employer defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. This FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P. O. Box 56290, Jacksonville, FL 32241-6290 or by calling 866-377-2121.

Funding Policy - FRS is funded through employee and employer contributions. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011, employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$32,333 and \$2,429, respectively.

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NONMAJOR GOVERNMENTAL FUNDS

Bay County Clerk of Court and Comptroller
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011

	Special Revenue		
	Family Mediation	Records Modernization - Court	Total
ASSETS			
Cash and cash equivalents	\$ 8,144	\$ 64,429	\$ 72,573
Prepaid items	-	2,529	2,529
Total assets	<u>\$ 8,144</u>	<u>\$ 66,958</u>	<u>\$ 75,102</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 4,942	\$ 4,942
Total liabilities	<u>-</u>	<u>4,942</u>	<u>4,942</u>
Fund balance			
Nonspendable	-	2,529	2,529
Restricted	8,144	59,487	67,631
Total fund balance	<u>8,144</u>	<u>62,016</u>	<u>70,160</u>
Total liabilities and fund balance	<u>\$ 8,144</u>	<u>\$ 66,958</u>	<u>\$ 75,102</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, 2011

	Special Revenue		
	Family Mediation	Records Modernization - Court	Total
REVENUES			
Charges for services	\$ 7,481	\$ 264,503	\$ 271,984
Total revenues	<u>7,481</u>	<u>264,503</u>	<u>271,984</u>
EXPENDITURES			
Current			
General government	-	302,753	302,753
Capital outlay			
General government	-	10,397	10,397
Total expenditures	<u>-</u>	<u>313,150</u>	<u>313,150</u>
Excess (deficit) of revenues over (under) expenditures	7,481	(48,647)	(41,166)
Fund balance - beginning	<u>663</u>	<u>110,663</u>	<u>111,326</u>
Fund balance - ending	<u><u>\$ 8,144</u></u>	<u><u>\$ 62,016</u></u>	<u><u>\$ 70,160</u></u>

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AGENCY FUNDS

Bay County Clerk of Court and Comptroller
Combining Statement of Changes
in Assets and Liabilities
Agency Funds
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 1,759,737	\$26,190,513	\$26,268,698	\$ 1,681,552
Accounts receivable, net	-	9,256	-	9,256
Total assets	<u>\$ 1,759,737</u>	<u>\$26,199,769</u>	<u>\$26,268,698</u>	<u>\$ 1,690,808</u>
LIABILITIES				
Due to other governments	<u>\$ 1,759,737</u>	<u>\$26,199,769</u>	<u>\$26,268,698</u>	<u>\$ 1,690,808</u>
Total liabilities	<u>\$ 1,759,737</u>	<u>\$26,199,769</u>	<u>\$26,268,698</u>	<u>\$ 1,690,808</u>
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 25,278	\$ 69,076	\$ 72,543	\$ 21,811
Accounts receivable, net	-	1,065	-	1,065
Total assets	<u>\$ 25,278</u>	<u>\$ 70,141</u>	<u>\$ 72,543</u>	<u>\$ 22,876</u>
LIABILITIES				
Due to other governments	<u>\$ 25,278</u>	<u>\$ 70,141</u>	<u>\$ 72,543</u>	<u>\$ 22,876</u>
Total liabilities	<u>\$ 25,278</u>	<u>\$ 70,141</u>	<u>\$ 72,543</u>	<u>\$ 22,876</u>
TAX DEED				
ASSETS				
Cash and cash equivalents	\$ 130,639	\$ 512,539	\$ 309,054	\$ 334,124
Total assets	<u>\$ 130,639</u>	<u>\$ 512,539</u>	<u>\$ 309,054</u>	<u>\$ 334,124</u>
LIABILITIES				
Accounts payable and				
Accrued liabilities	<u>\$ 130,639</u>	<u>\$ 512,539</u>	<u>\$ 309,054</u>	<u>\$ 334,124</u>
Total liabilities	<u>\$ 130,639</u>	<u>\$ 512,539</u>	<u>\$ 309,054</u>	<u>\$ 334,124</u>

(Continued)

Bay County Clerk of Court and Comptroller
Combining Statement of Changes
in Assets and Liabilities
Agency Funds (Continued)
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 10,449	\$ 842,680	\$ 842,963	\$ 10,166
Total assets	<u>\$ 10,449</u>	<u>\$ 842,680</u>	<u>\$ 842,963</u>	<u>\$ 10,166</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,449	\$ 842,680	\$ 842,963	\$ 10,166
Total liabilities	<u>\$ 10,449</u>	<u>\$ 842,680</u>	<u>\$ 842,963</u>	<u>\$ 10,166</u>
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,061,072	\$ 7,250,640	\$ 6,570,467	\$ 1,741,245
Total assets	<u>\$ 1,061,072</u>	<u>\$ 7,250,640</u>	<u>\$ 6,570,467</u>	<u>\$ 1,741,245</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,061,072	\$ 7,250,640	\$ 6,570,467	\$ 1,741,245
Total liabilities	<u>\$ 1,061,072</u>	<u>\$ 7,250,640</u>	<u>\$ 6,570,467</u>	<u>\$ 1,741,245</u>
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 1,293,263	\$ 1,670,619	\$ 2,406,171	\$ 557,711
Total assets	<u>\$ 1,293,263</u>	<u>\$ 1,670,619</u>	<u>\$ 2,406,171</u>	<u>\$ 557,711</u>
LIABILITIES				
Due to other governments	\$ 1,293,263	\$ 1,670,619	\$ 2,406,171	\$ 557,711
Total liabilities	<u>\$ 1,293,263</u>	<u>\$ 1,670,619</u>	<u>\$ 2,406,171</u>	<u>\$ 557,711</u>

(Continued)

Bay County Clerk of Court and Comptroller
Combining Statement of Changes
in Assets and Liabilities
Agency Funds (Continued)
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 10,099	\$ 163,983	\$ 173,014	\$ 1,068
Accounts receivable, net	-	2	-	2
Total assets	<u>\$ 10,099</u>	<u>\$ 163,985</u>	<u>\$ 173,014</u>	<u>\$ 1,070</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 10,099</u>	<u>\$ 163,985</u>	<u>\$ 173,014</u>	<u>\$ 1,070</u>
Total liabilities	<u>\$ 10,099</u>	<u>\$ 163,985</u>	<u>\$ 173,014</u>	<u>\$ 1,070</u>
TOTAL - AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 4,290,537	\$ 36,700,050	\$ 36,642,910	\$ 4,347,677
Accounts receivable, net	-	10,323	-	10,323
Total assets	<u>\$ 4,290,537</u>	<u>\$ 36,710,373</u>	<u>\$ 36,642,910</u>	<u>\$ 4,358,000</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,212,259	\$ 8,769,844	\$ 7,895,498	\$ 2,086,605
Due to other governments	3,078,278	27,940,529	28,747,412	2,271,395
Total liabilities	<u>\$ 4,290,537</u>	<u>\$ 36,710,373</u>	<u>\$ 36,642,910</u>	<u>\$ 4,358,000</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, 2011, and have issued our report thereon dated March 12, 2012.

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 12, 2012, 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 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 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 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 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.

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

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, and have issued our report thereon dated March 12, 2012. 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

Management of the Bay County Clerk of Court and Comptroller is responsible for establishing and maintaining effective 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 Bay County Clerk of Court and Comptroller'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 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.

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

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*.

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.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, 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 of America.

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, 2011, 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 12, 2012, on our consideration of the Bay County Property Appraiser's internal control over financial reporting and our tests of his compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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.

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

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

Bay County Property Appraiser
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2011

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 70,209</u>
Total assets	<u><u>\$ 70,209</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 70,204
Due to other governments	<u> 5</u>
Total liabilities	<u>70,209</u>
FUND BALANCE	
Unassigned	<u>-</u>
 Total liabilities and fund balance	 <u><u>\$ 70,209</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, 2011

	<u>General Fund</u>
REVENUES	
Charges for services	\$ 28,473
Interest income	2,251
Total revenues	<u>30,724</u>
EXPENDITURES	
Current	
General government	2,670,444
Capital outlay	
General government	27,754
Debt service	
Principal retirement	9,461
Interest and fiscal charges	2,346
Total expenditures	<u>2,710,005</u>
Excess (deficit) of revenues over (under) expenditures	<u>(2,679,281)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	2,675,313
Transfer out/return of excess fees	(5)
Debt issued	<u>3,973</u>
Total other financing sources (uses)	<u>2,679,281</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 25,160	\$ 25,160	\$ 28,473	\$ 3,313
Interest income	-	-	2,251	2,251
Total revenues	<u>25,160</u>	<u>25,160</u>	<u>30,724</u>	<u>5,564</u>
EXPENDITURES				
Current				
General government	2,676,883	2,676,917	2,670,444	6,473
Capital outlay				
General government	11,749	11,749	27,754	(16,005)
Debt service				
Principal retirement	9,461	9,461	9,461	-
Interest and fiscal charges	2,346	2,346	2,346	-
Total expenditures	<u>2,700,439</u>	<u>2,700,473</u>	<u>2,710,005</u>	<u>(9,532)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(2,675,279)</u>	<u>(2,675,313)</u>	<u>(2,679,281)</u>	<u>(3,968)</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,675,279	2,675,313	2,675,313	-
Transfer out/return of excess fees	-	-	(5)	(5)
Debt issued	-	-	3,973	3,973
Total other financing sources (uses)	<u>2,675,279</u>	<u>2,675,313</u>	<u>2,679,281</u>	<u>3,968</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2011

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 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.

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.

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balances – The Bay County Property Appraiser has implemented GASB Statement 54 employing new terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2011.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. There are no restricted funds as of September 30, 2011.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of County Commissioners. Commitments maybe established, modified, or rescinded only through ordinance approved by the Board of County Commissioners. There are no committed funds as of September 30, 2011.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose through action other than by ordinance by the Board of County Commissioners. There are no assigned funds as of September 30, 2011.

Unassigned – This category is the residual classification for the Property Appraiser's fund balances. There are no unassigned funds as of September 30, 2011.

When both restricted and unrestricted resources are available for use, it is the Property Appraiser's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for which committed, assigned, or unassigned amounts could be used it is the Property Appraiser's policy to use them in that order.

Budgets – Florida Statutes, Chapter 195.087 governs the preparation, adoption and administration of the annual budget of the Property Appraiser. The budget and subsequent budget amendments of the Property Appraiser are submitted to the Florida Department of Revenue for approval. A copy of the budget is also provided to the Board. The budget is prepared and adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America. 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.

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.

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Leave Benefits – It is the Bay County Property Appraiser’s policy to grant employees who leave in good standing payment for up to 500 hours of earned unused paid time off. The paid time off policy allows for full-time employees to accumulate 16 to 20 hours a month depending on the length of service. Eligible part-time employees earn a prorated amount of leave.

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 accounting principles generally accepted in the United States of America 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 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, 2011:

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
Capital Leases Payable	\$ 31,653	\$ 3,973	\$ 10,836	\$ 24,790

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.

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 3 – LONG-TERM LIABILITIES (Continued)

The total cost of equipment purchased under capital leases are \$32,640. The accumulated depreciation of these assets is \$10,151. Total principal maturities are as follows:

<u>Year Ending September 30,</u>	
2012	\$ 10,915
2013	10,169
2014	6,557
2015	500
Total	28,141
Less interest	(3,351)
Total	<u>\$ 24,790</u>

NOTE 4 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description - The Bay County Property Appraiser contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability, and death benefits to retirees or heir designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. FRS issues financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, P. O. Box 9000, Tallahassee, Florida 32315, by accessing the FRS website or by calling (850) 488-6491.

Funding Policy - FRS is funded through employee and employer contributions. The Bay County Property Appraiser is required to contribute at an actuarially determined rate. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.25% October 1, 2010 through June 30, 2011 and 4.42% July 1 through September 30, 2011.

The contribution requirements of plan members and the Bay County Property Appraiser are established and may be amended by the Florida Legislature. The Property Appraiser's contributions to the FRS for the years ending September 30, 2011, 2010, and 2009 were \$169,126, \$206,039, and \$191,136, respectively, and were equal to the required contributions for each year. The required employee contributions made to the plan for the year ending September 30, 2011, were \$10,153.

Bay County Property Appraiser
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 4 – RETIREMENT PLANS (Continued)

Defined Contribution Plan

Plan Description - Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (“FRS Investment Plan”), a cost-sharing multiple-employer defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. This FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P. O. Box 56290, Jacksonville, FL 32241-6290 or by calling 866-377-2121.

Funding Policy - FRS is funded through employee and employer contributions. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$20,256 and \$968, respectively.

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, 2011, and have issued our report thereon dated March 12, 2012.

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 12, 2012, 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. There are no findings or recommendations made in the preceding 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.

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

The Honorable Dan Sowell
Bay County Property Appraiser
Page Two

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have 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.

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

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, and have issued our report thereon dated March 12, 2012. 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

Management of the Bay County Property Appraiser is responsible for establishing and maintaining effective 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.

The Honorable Dan Sowell
Bay County Property Appraiser
Page Two

Compliance and Other Matters

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

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

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, 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 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 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 opinions.

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 of America.

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, 2011, and the results of her operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Peggy Brannon
Bay County Tax Collector
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2012, on our consideration of the Bay County Tax Collector's internal control over financial reporting and our tests of her compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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.

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

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

Bay County Tax Collector
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2011

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,646,944
Investments	<u>197</u>
Total assets	<u><u>\$ 2,647,141</u></u>
LIABILITIES	
Accrued liabilities	\$ 19,901
Due to other governments	<u>2,627,240</u>
Total liabilities	<u>2,647,141</u>
FUND BALANCE	
Unassigned	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 2,647,141</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, 2011

	<u>General Fund</u>
REVENUES	
Charges for services	\$ 1,767,586
Total revenues	<u>1,767,586</u>
EXPENDITURES	
Current	
General government	2,664,782
Capital outlay	
General government	2,433
Total expenditures	<u>2,667,215</u>
Excess (deficit) of revenues over (under) expenditures	<u>(899,629)</u>
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	3,518,089
Transfer out/ return of excess fees	<u>(2,618,460)</u>
Total other financing sources (uses)	<u>899,629</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,767,586	\$ 1,767,586
Total revenues	-	-	1,767,586	1,767,586
EXPENDITURES				
Current				
General government	2,820,519	2,820,519	2,664,782	155,737
Capital outlay				
General government	3,600	3,600	2,433	1,167
Total expenditures	2,824,119	2,824,119	2,667,215	156,904
Excess (deficit) of revenues over (under) expenditures	(2,824,119)	(2,824,119)	(899,629)	1,924,490
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,824,119	2,824,119	3,518,089	693,970
Transfer out/ return of excess fees	-	-	(2,618,460)	(2,618,460)
Total other financing sources (uses)	2,824,119	2,824,119	899,629	(1,924,490)
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, 2011

ASSETS

Cash and cash equivalents	\$ 1,807,153
Investments	61,823
Accounts receivable, net	24,689
Total assets	<u>\$ 1,893,665</u>

LIABILITIES

Bank overdraft	\$ 24,689
Due to other governments	1,867,354
Due to others	1,622
Total liabilities	<u>\$ 1,893,665</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, 2011

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 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.

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

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund balances – The Bay County Tax Collector has implemented GASB Statement 54 employing new terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2011.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. There are no restricted funds as of September 30, 2011.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of County Commissioners. Commitment maybe established, modified, or rescinded only through ordinance approved by the Board of County Commissioners. There are no committed funds as of September 30, 2011.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose through action other than by ordinance by the Board of County Commissioners. There are no assigned funds as of September 30, 2011.

Unassigned – This category is the residual classification for the Tax Collector's fund balances. There are no unassigned funds as of September 30, 2011.

When both restricted and unrestricted resources are available for use, it is the Tax Collector's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for which committed, assigned, or unassigned amounts could be used it is the Tax Collector's policy to use them in that order.

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounting principles generally accepted in the United States of America. 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 – It is the Bay County Tax Collector's policy to grant employees who leave with at least ten years of creditable service compensation for up to 480 hours of unused sick leave at their current regular hourly rate of pay.

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from these estimates.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposit Policies – The 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.

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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 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, 2011, was 0.75683860. 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.

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average days to maturity of the PRIME fund at September 30, 2011, was 38 days. The weighted average life of Fund B at September 30, 2011, was 4.82 years. The Bay County Tax Collector does not have a formal policy relating to interest rate risk.

Concentration of Credit Risk – At September 30, 2011, the Bay County Tax Collector did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2011, the Tax Collector's investments consisted of the following:

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity (months)	Credit Rating (if applicable)
Local Government Surplus Funds Trust Fund Pool (PRIME)	\$ 15,814	\$ 15,814	1.27	AAAm
Local Government Investment Pool Fund B	<u>46,206</u>	<u>46,206</u>	57.84	*
Total investments	<u>\$ 62,020</u>	<u>\$ 62,020</u>		

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

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2011, accounts receivable, net, in the agency funds is summarized as follows:

Total accounts receivable	\$ 24,689
Less: allowance for doubtful accounts	<u>-</u>
Accounts receivable, net	<u>\$ 24,689</u>

The Bay County Tax Collector considers all amounts collectible; therefore, there is no provision for doubtful accounts at September 30, 2011.

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

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 5 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description - The Bay County Tax Collector contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability, and death benefits to retirees or heir designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. FRS issues financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, P. O. Box 9000, Tallahassee, Florida 32315, by accessing the FRS website or by calling (850) 488-6491.

Funding Policy - FRS is funded through employee and employer contributions. The Bay County Tax Collector is required to contribute at an actuarially determined rate. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.25% October 1, 2010 through June 30, 2011 and 4.42% July 1 through September 30, 2011.

The contribution requirements of plan members and the Bay County Tax Collector are established and may be amended by the Florida Legislature. The Bay County Tax Collector's contributions to the FRS for the years ending September 30, 2011, 2010, and 2009 were \$136,920, \$156,580, and \$161,763, respectively, and were equal to the required contributions for each year. The required employee contributions made to the plan for the year ending September 30, 2011, were \$7,388.

Defined Contribution Plan

Plan Description - Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a cost-sharing multiple-employer defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. This FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P. O. Box 56290, Jacksonville, FL 32241-6290 or by calling 866-377-2121.

Bay County Tax Collector
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 5 – RETIREMENT PLANS (Continued)

Funding Policy - FRS Investment Plan is funded through employee and employer contributions. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$9,025 and \$506, respectively.

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AGENCY FUNDS

Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 1,828,209	\$ 455,899,846	\$ 455,922,524	\$ 1,805,531
Investments	76,637	-	14,814	61,823
Total assets	<u>\$ 1,904,846</u>	<u>\$ 455,899,846</u>	<u>\$ 455,937,338</u>	<u>\$ 1,867,354</u>
LIABILITIES				
Due to other governments	\$ 1,904,846	\$ 455,899,846	\$ 455,937,338	\$ 1,867,354
Total liabilities	<u>\$ 1,904,846</u>	<u>\$ 455,899,846</u>	<u>\$ 455,937,338</u>	<u>\$ 1,867,354</u>
TAX CERTIFICATE FUND				
ASSETS				
Cash and cash equivalents	\$ -	\$ 17,978,026	\$ 17,976,404	\$ 1,622
Accounts receivable, net	357	-	357	-
Total assets	<u>\$ 357</u>	<u>\$ 17,978,026</u>	<u>\$ 17,976,761</u>	<u>\$ 1,622</u>
LIABILITIES				
Due to others	\$ 357	\$ 17,978,026	\$ 17,976,761	\$ 1,622
Total liabilities	<u>\$ 357</u>	<u>\$ 17,978,026</u>	<u>\$ 17,976,761</u>	<u>\$ 1,622</u>
TAG FUND				
ASSETS				
Cash and cash equivalents	\$ 34,423	\$ 23,554,771	\$ 23,589,194	\$ -
Accounts receivable, net	19,811	10,450	5,572	24,689
Total assets	<u>\$ 54,234</u>	<u>\$ 23,565,221</u>	<u>\$ 23,594,766</u>	<u>\$ 24,689</u>
LIABILITIES				
Bank overdraft	\$ -	\$ 24,689	\$ -	\$ 24,689
Due to other governments	54,234	23,540,532	23,594,766	-
Total liabilities	<u>\$ 54,234</u>	<u>\$ 23,565,221</u>	<u>\$ 23,594,766</u>	<u>\$ 24,689</u>

(Continued)

Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
TOTAL-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,862,632	\$ 497,432,643	\$ 497,488,122	\$ 1,807,153
Investments	76,637	-	14,814	61,823
Accounts receivable, net	20,168	10,450	5,929	24,689
Total assets	<u>\$ 1,959,437</u>	<u>\$ 497,443,093</u>	<u>\$ 497,508,865</u>	<u>\$ 1,893,665</u>
LIABILITIES				
Bank overdraft	\$ -	\$ 24,689	\$ -	\$ 24,689
Due to other governments	1,959,080	479,440,378	479,532,104	1,867,354
Due to others	357	17,978,026	17,976,761	1,622
Total liabilities	<u>\$ 1,959,437</u>	<u>\$ 497,443,093</u>	<u>\$ 497,508,865</u>	<u>\$ 1,893,665</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, 2011, and have issued our report thereon dated March 12, 2012.

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 12, 2012, 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. 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 Tax Collector 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 Peggy Brannon
Bay County Tax Collector
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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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, and have issued our report thereon dated March 12, 2012. 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

Management of the Bay County Tax Collector is responsible for establishing and maintaining effective 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.

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 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 Peggy Brannon
Bay County Tax Collector
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Compliance and Other Matters

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

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.

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

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, 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 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 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 opinions.

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 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 of America.

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, 2011, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Frank McKeithen
Bay County Sheriff
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated, March 12, 2012, 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.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

Bay County Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Crime Prevention	Inmate Welfare	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 843,205	\$ 180,127	\$ 310,300	\$ 246,507	\$ 1,580,139
Accounts receivable, net	103,182	-	41,243	-	144,425
Total assets	<u>\$ 946,387</u>	<u>\$ 180,127</u>	<u>\$ 351,543</u>	<u>\$ 246,507</u>	<u>\$ 1,724,564</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 332,667	\$ -	\$ 16,930	\$ 9,043	\$ 358,640
Due to other governments	613,720	-	-	-	613,720
Total liabilities	<u>946,387</u>	<u>-</u>	<u>16,930</u>	<u>9,043</u>	<u>972,360</u>
FUND BALANCE					
Restricted	<u>-</u>	<u>180,127</u>	<u>334,613</u>	<u>237,464</u>	<u>752,204</u>
Total liabilities and fund balance	<u>\$ 946,387</u>	<u>\$ 180,127</u>	<u>\$ 351,543</u>	<u>\$ 246,507</u>	<u>\$ 1,724,564</u>

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

Bay County Sheriff
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2011

	General Fund	Crime Prevention	Inmate Welfare	Other Governmental Funds	Total Governmental Funds
REVENUES					
Intergovernmental revenue	\$ 558,212	\$ 140,000	\$ -	\$ 250,939	\$ 949,151
Interest income	17,005	-	-	-	17,005
Charges for services	-	-	472,224	-	472,224
Miscellaneous	34,993	841	-	70	35,904
Total revenues	<u>610,210</u>	<u>140,841</u>	<u>472,224</u>	<u>251,009</u>	<u>1,474,284</u>
EXPENDITURES					
Current					
Public safety	35,350,064	235,826	435,374	175,339	36,196,603
Capital outlay					
Public safety	395,863	-	-	59,690	455,553
Debt service					
Principal retirement	39,211	-	-	-	39,211
Interest and fiscal charges	2,384	-	-	-	2,384
Total expenditures	<u>35,787,522</u>	<u>235,826</u>	<u>435,374</u>	<u>235,029</u>	<u>36,693,751</u>
Excess (deficit) of revenues over (under) expenditures	<u>(35,177,312)</u>	<u>(94,985)</u>	<u>36,850</u>	<u>15,980</u>	<u>(35,219,467)</u>
OTHER FINANCING SOURCES (USES)					
Budget appropriations from					
Board of County Commissioners	35,791,032	-	-	-	35,791,032
Transfer out/return of excess fees	(613,720)	-	-	-	(613,720)
Total other financing sources (uses)	<u>35,177,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,177,312</u>
Net change in fund balance	-	(94,985)	36,850	15,980	(42,155)
Fund balance - beginning	<u>-</u>	<u>275,112</u>	<u>297,763</u>	<u>221,484</u>	<u>794,359</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 180,127</u>	<u>\$ 334,613</u>	<u>\$ 237,464</u>	<u>\$ 752,204</u>

Bay County Sheriff
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2011

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue	\$ 86,699	\$ 426,469	\$ 558,212	\$ 131,743
Interest income	-	-	17,005	17,005
Miscellaneous	-	-	34,993	34,993
Total revenues	<u>86,699</u>	<u>426,469</u>	<u>610,210</u>	<u>183,741</u>
EXPENDITURES				
Current				
Public safety	35,493,629	35,780,043	35,350,064	429,979
Capital outlay				
Public safety	395,863	395,863	395,863	-
Debt service				
Principal retirement	39,211	39,211	39,211	-
Interest and fiscal charges	2,384	2,384	2,384	-
Total expenditures	<u>35,931,087</u>	<u>36,217,501</u>	<u>35,787,522</u>	<u>429,979</u>
Excess (deficit) of revenues over (under) expenditures	<u>(35,844,388)</u>	<u>(35,791,032)</u>	<u>(35,177,312)</u>	<u>613,720</u>
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	35,844,388	35,791,032	35,791,032	-
Transfer out/ return of excess fees	-	-	(613,720)	(613,720)
Total other financing sources (uses)	<u>35,844,388</u>	<u>35,791,032</u>	<u>35,177,312</u>	<u>(613,720)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
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, 2011

ASSETS

Cash and cash equivalents	\$ 220,509
Total assets	<u>\$ 220,509</u>

LIABILITIES

Accounts payable	\$ 68,307
Due to other governments	1,267
Due to others	<u>150,935</u>
Total liabilities	<u>\$ 220,509</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, 2011

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 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.

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

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund balances – The Bay County Sheriff has implemented GASB Statement 54 employing new terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2011.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. The restricted funds balance as of September 30, 2011, is \$752,204.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of County Commissioners. Commitments maybe established, modified, or rescinded only through ordinance approved by the Board of County Commissioners. There are no committed funds as of September 30, 2011.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose through action other than by ordinance by the Board of County Commissioners. There are no assigned funds as of September 30, 2011.

Unassigned – This category is the residual classification for the Sheriff's fund balances. There are no unassigned funds as of September 30, 2011.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the Sheriff's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for which committed, assigned, or unassigned amounts could be used it is the Sheriff's policy to use them in that order.

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 accounting principles generally accepted in the United States of America. 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 any funds other than the general fund; 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.

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.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2011, accounts receivable, net is summarized as follows:

	General Fund	Inmate Welfare Fund	Total
Total accounts receivable	\$ 103,182	\$ 41,243	\$ 144,425
Less: allowance for doubtful accounts	-	-	-
Accounts receivable, net	<u>\$ 103,182</u>	<u>\$ 41,243</u>	<u>\$ 144,425</u>

The Sheriff considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2011.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 4 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2011, are summarized as follows:

	Balance September 30, 2010	Increases	Decreases	Balance September 30, 2011
Vehicles, furniture and equipment	\$ 13,640,446	\$ 709,261	\$ (681,376)	\$ 13,668,331
Property held under capital leases	113,547	-	(80,000)	33,547
Total	13,753,993	709,261	(761,376)	13,701,878
Less accumulated depreciation	(9,637,287)	(1,443,650)	633,679	(10,447,258)
Total	<u>\$ 4,116,706</u>	<u>\$ (734,389)</u>	<u>\$ (127,697)</u>	<u>\$ 3,254,620</u>

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2011:

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
Capital leases payable	\$ 48,031	\$ -	\$ 39,211	\$ 8,820
Compensated absences	1,150,553	533,405	-	1,683,958
Total	<u>\$ 1,198,584</u>	<u>\$ 533,405</u>	<u>\$ 39,211</u>	<u>\$ 1,692,778</u>

Capital leases payable consist of lease purchase agreements on automobiles and office equipment. The leased automobiles are accounted for at the present value of the minimum lease payments in the capital assets of the Bay County Board of County Commissioners. The Sheriff's long-term liabilities are accounted for in the County's long-term liabilities.

The total cost of vehicles and equipment purchased under lease purchases is \$33,547. The accumulated depreciation of these assets is \$19,569. Future minimum lease payments at September 30, 2011, are summarized as follows:

Year Ending September 30,	
2012	\$ 8,988
Total	8,988
Less interest	(168)
Total	<u>\$ 8,820</u>

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 6 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description - The Bay County Sheriff contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability, and death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. FRS issues financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315, by accessing the FRS website or by calling (850) 488-6491.

Funding Policy - FRS is funded through employee and employer contributions. The Bay County Sheriff is required to contribute at an actuarially determined rate. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants. The rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 12.25% October 1, 2010 through June 30, 2011 and 4.42% July 1 through September 30, 2011.

The contribution requirements of plan members and the Bay County Sheriff are established and may be amended by the Florida Legislature. The Sheriff's contributions to the FRS for the years ending September 30, 2011, 2010, and 2009 were \$3,141,223, \$3,773,271, and \$3,521,713, respectively, and were equal to the required contributions for each year. The required employee contributions made to the plan for the year ending September 30, 2011, were \$130,287.

Defined Contribution Plan

Plan Description - Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a cost-sharing multiple-employer defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. This FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P. O. Box 56290, Jacksonville, FL 32241-6290 or by calling 866-377-2121.

Bay County Sheriff
Notes to Special-Purpose Financial Statements
September 30, 2011

NOTE 6 – RETIREMENT PLANS (Continued)

Funding Policy - FRS is funded through employee and employer contributions. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 14.57%, and 18.64% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Starting on July 1, 2011, employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$340,205 and \$19,641, respectively.

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NONMAJOR GOVERNMENTAL FUNDS

Bay County Sheriff
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011

Special Revenue						
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total
ASSETS						
Cash and cash equivalents	\$ 30,783	\$ 56,809	\$ 15,259	\$ 59,108	\$ 84,548	\$ 246,507
Total assets	<u>\$ 30,783</u>	<u>\$ 56,809</u>	<u>\$ 15,259</u>	<u>\$ 59,108</u>	<u>\$ 84,548</u>	<u>\$ 246,507</u>
LIABILITIES AND FUND BALANCE						
Accounts payable	\$ 7,400	\$ 1,643	\$ -	\$ -	\$ -	\$ 9,043
Total liabilities	<u>7,400</u>	<u>1,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,043</u>
Fund balance						
Restricted	23,383	55,166	15,259	59,108	84,548	237,464
Total liabilities and fund balance	<u>\$ 30,783</u>	<u>\$ 56,809</u>	<u>\$ 15,259</u>	<u>\$ 59,108</u>	<u>\$ 84,548</u>	<u>\$ 246,507</u>

Bay County Sheriff
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2011

	Special Revenue					
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total
REVENUES						
Intergovernmental	\$ 34,556	\$ 122,534	\$ 29,261	\$ 26,898	\$ 37,690	\$ 250,939
Miscellaneous	-	-	-	70	-	70
Total revenues	<u>34,556</u>	<u>122,534</u>	<u>29,261</u>	<u>26,968</u>	<u>37,690</u>	<u>251,009</u>
EXPENDITURES						
Current						
Public safety	41,939	69,745	20,092	15,585	27,978	175,339
Capital outlay						
Public safety	-	50,459	-	-	9,231	59,690
Total expenditures	<u>41,939</u>	<u>120,204</u>	<u>20,092</u>	<u>15,585</u>	<u>37,209</u>	<u>235,029</u>
Net change in fund balance	(7,383)	2,330	9,169	11,383	481	15,980
Fund balance - beginning	<u>30,766</u>	<u>52,836</u>	<u>6,090</u>	<u>47,725</u>	<u>84,067</u>	<u>221,484</u>
Fund balance - ending	<u>\$ 23,383</u>	<u>\$ 55,166</u>	<u>\$ 15,259</u>	<u>\$ 59,108</u>	<u>\$ 84,548</u>	<u>\$ 237,464</u>

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AGENCY FUNDS

Bay County Sheriff
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 66,953	\$ 65,686	\$ 1,267
Total assets	<u>\$ -</u>	<u>\$ 66,953</u>	<u>\$ 65,686</u>	<u>\$ 1,267</u>
LIABILITIES				
Due to other governments	\$ -	\$ 66,953	\$ 65,686	\$ 1,267
Total liabilities	<u>\$ -</u>	<u>\$ 66,953</u>	<u>\$ 65,686</u>	<u>\$ 1,267</u>
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 12,210	\$ 359,829	\$ 303,732	\$ 68,307
Total assets	<u>\$ 12,210</u>	<u>\$ 359,829</u>	<u>\$ 303,732</u>	<u>\$ 68,307</u>
LIABILITIES				
Accounts payable	\$ 12,210	\$ 359,829	\$ 303,732	\$ 68,307
Total liabilities	<u>\$ 12,210</u>	<u>\$ 359,829</u>	<u>\$ 303,732</u>	<u>\$ 68,307</u>

Bay County Sheriff
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
FOREFITURE				
ASSETS				
Cash and cash equivalents	\$ 79,589	\$ 140,907	\$ 69,561	\$ 150,935
Total assets	<u>\$ 79,589</u>	<u>\$ 140,907</u>	<u>\$ 69,561</u>	<u>\$ 150,935</u>
LIABILITIES				
Due to others	\$ 79,589	\$ 140,907	\$ 69,561	\$ 150,935
Total liabilities	<u>\$ 79,589</u>	<u>\$ 140,907</u>	<u>\$ 69,561</u>	<u>\$ 150,935</u>
TOTAL - AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 91,799	\$ 567,689	\$ 438,979	\$ 220,509
Total assets	<u>\$ 91,799</u>	<u>\$ 567,689</u>	<u>\$ 438,979</u>	<u>\$ 220,509</u>
LIABILITIES				
Accounts payable	\$ 12,210	\$ 359,829	\$ 303,732	\$ 68,307
Due to other governments	-	66,953	65,686	1,267
Due to others	79,589	140,907	69,561	150,935
Total liabilities	<u>\$ 91,799</u>	<u>\$ 567,689</u>	<u>\$ 438,979</u>	<u>\$ 220,509</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, 2011, and have issued our report thereon dated March 12, 2012.

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 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*. Disclosures in that report, which is dated, March 12, 2012 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.

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.

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 Frank McKeithen
Bay County Sheriff
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 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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, 2011, and have issued our report thereon dated March 12, 2012. 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 Sheriff is an integral part of Bay County, the primary government for financial reporting purposes.

Internal Control Over Financial Reporting

Management of the Bay County Sheriff is responsible for establishing and maintaining effective 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 Bay County 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.

The Honorable Frank McKeithen
Bay County Sheriff
Page Two

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 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 Sheriff, 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 12, 2012

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