

BAY COUNTY

FLORIDA



R MCKINNEY

**Comprehensive Annual
Financial Report
FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

Our front cover is from an original oil painting by local artist, Rick McKinney. Rick also works for the County and has been an employee for over 10 years.

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
BAY COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

JOSEPH ROGERS
FINANCE OFFICER

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INTRODUCTORY SECTION	Page
Letter of Transmittal	A-1
Location of Government	A-8
Listing of County Officials	A-10
Organizational Chart	A-13
Certificate of Achievement for Excellence in Financial Reporting	A-14
FINANCIAL SECTION	
Independent Auditor's Report	B-1
Management's Discussion and Analysis	B-5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	B-16
Statement of Activities	B-18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	B-20
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	B-21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	B-22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	B-23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Tourist Development Fund	B-24
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Transportation Fund	B-25
Statement of Net Assets – Proprietary Funds	B-26
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	B-27
Statement of Cash Flows – Proprietary Funds	B-28

	Page
Statement of Fiduciary Net Assets – Agency Funds	B-30
Notes to Basic Financial Statements	B-31
Required Supplementary Information:	
Schedule of Funding Progress for the Retiree’s Health Insurance Other Postemployment Benefits Plan	B-80
Schedule of Employer Contributions for the Retiree’s Health Insurance Other Postemployment Benefits Plan	B-80
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	B-84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	B-88
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Public Safety	B-92
Intergovernmental Radio Communications	B-93
District Mosquito Control	B-94
MSTU Fire Protection	B-95
Court Fund	B-96
Combining Statement of Net Assets – Internal Service Funds	B-98
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	B-99
Combining Statement of Cash Flows – Internal Service Funds	B-100
Combining Statement of Fiduciary Net Assets – Fiduciary Funds	B-104
Combining Statement of Changes in Assets and Liabilities – Fiduciary Funds	B-108

STATISTICAL SECTION	Page
Statistical Section Descriptions	C-1
Schedule 1 – Net Assets By Component – Last Ten Fiscal Years	C-2
Schedule 2 – Changes in Net Assets – Last Ten Fiscal Years	C-4
Schedule 3 – Fund Balance, Governmental Funds – Last Ten Fiscal Years	C-8
Schedule 4 – Changes in Fund Balance, Governmental Funds – Last Ten Fiscal Years	C-10
Schedule 5 – Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	C-12
Schedule 6 – Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	C-13
Schedule 7 – Principal Property Taxpayers – Current Year and Nine Years Ago	C-14
Schedule 8 – Property Tax Levies and Collections – Last Ten Fiscal Years	C-15
Schedule 9 – State of Florida and Bay County Total Historical Half Cent Sales Tax Distributions – For Ten Year Period 2003-2012	C-16
Schedule 10 – Distribution of Half-Cent Sales Tax in Bay County Florida – For Ten Year Period 2003-2012	C-17
Schedule 11 – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	C-18
Schedule 12 – Pledged Revenue Coverage – Last Ten Fiscal Years	C-20
Schedule 13 – Wholesale Water System Historical Revenues, Expenses and Debt Service Coverage – Last Ten Fiscal Years	C-22
Schedule 14 – Historical Coverage of Projected Maximum Annual Debt Service By Sales Tax Revenues – Last Ten Fiscal Years	C-24
Schedule 15 – Demographic and Economic Statistics – Last Ten Fiscal Years	C-26
Schedule 16 – Principal Employers – Current Year and Nine Years Ago	C-27
Schedule 17 – Full-time Equivalent County Employees by Function – Last Ten Fiscal Years	C-28
Schedule 18 – Operating Indicators by Function – Last Ten Fiscal Years	C-29
Schedule 19 – Capital Asset Statistics by Function – Last Ten Fiscal Years	C-30

COMPLIANCE SECTION	Page
Independent Auditor's Management Letter	D-1
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	D-5
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	D-7
Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance	D-9
Summary of Schedule of Prior Year Audit Findings	D-11
Schedule of Expenditures of Federal Awards and State Financial Assistance	D-12

March 22, 2013

Honorable George Gainer, 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, 2012. 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 complementary information offered in the Management's Discussion and Analysis on Page B-5.

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, 2011, to September 30, 2012, 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. The project was completed in 2012.

Bay County continued its efforts to revitalize and stabilize neighborhoods through funds received 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 resell to income-eligible families.

The sugar white sands of Panama City Beach continue to attract the attention of individuals from all over the United States as well as other countries. Bay County, along with the Tourist Development Council (TDC), work together to promote tourism throughout the world. Construction began in 2012 on a new state of the art amphitheater. Concerts hosting well known musical talent are already being scheduled. These concerts will attract thousands of tourists to the area during the peak season, as well as, the slower off season.

Bay County and the Tourist Development Council also continued in their efforts to maintain and protect Bay County's beaches. Bay County succeeded in securing a \$1.8 million grant from the Department of Environmental Protection (DEP), to preserve and protect 17.8 miles of shoreline along the Gulf of Mexico and the "world's most beautiful beaches."

The Bay County Intelligent Traffic System (ITS) was approved for a \$2.5 million grant to extend the ITS infrastructure to critical intersections located west of the Hathaway Bridge. The project will enhance safety and improve traffic flow along the Panama City Beach Parkway corridor.

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 in 2013 for an addition to the Bay County Courthouse. The new three story 40,000 square foot addition will include courtrooms, chambers and administrative staff office space, with secured parking on the ground floor. The new addition will be joined to the existing courthouse via a secured walkway. It is anticipated that the addition will be completed in 2014.

The completion of the 10,920 square foot Emergency Operations Logistics warehouse is scheduled for 2013. The warehouse will be utilized for housing and staging of emergency needs during disasters and recovery periods.

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, 2011. 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.

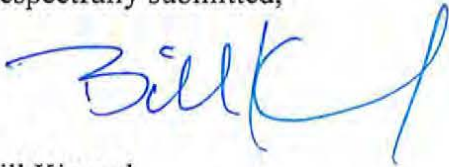
A Certificate of Achievement is valid for a period of one year only. Bay County has been awarded the Certificate of Achievement for twenty-three consecutive years (fiscal years ended September 30, 1989 through 2011). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA for approval.

Acknowledgments

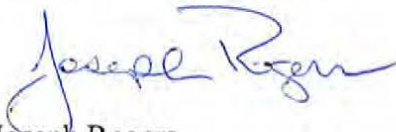
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Clerk's Division of Board Finance, the County Manager, the County's Legal Staff, the Office of Management and Budget, and the various directors of the County departments,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

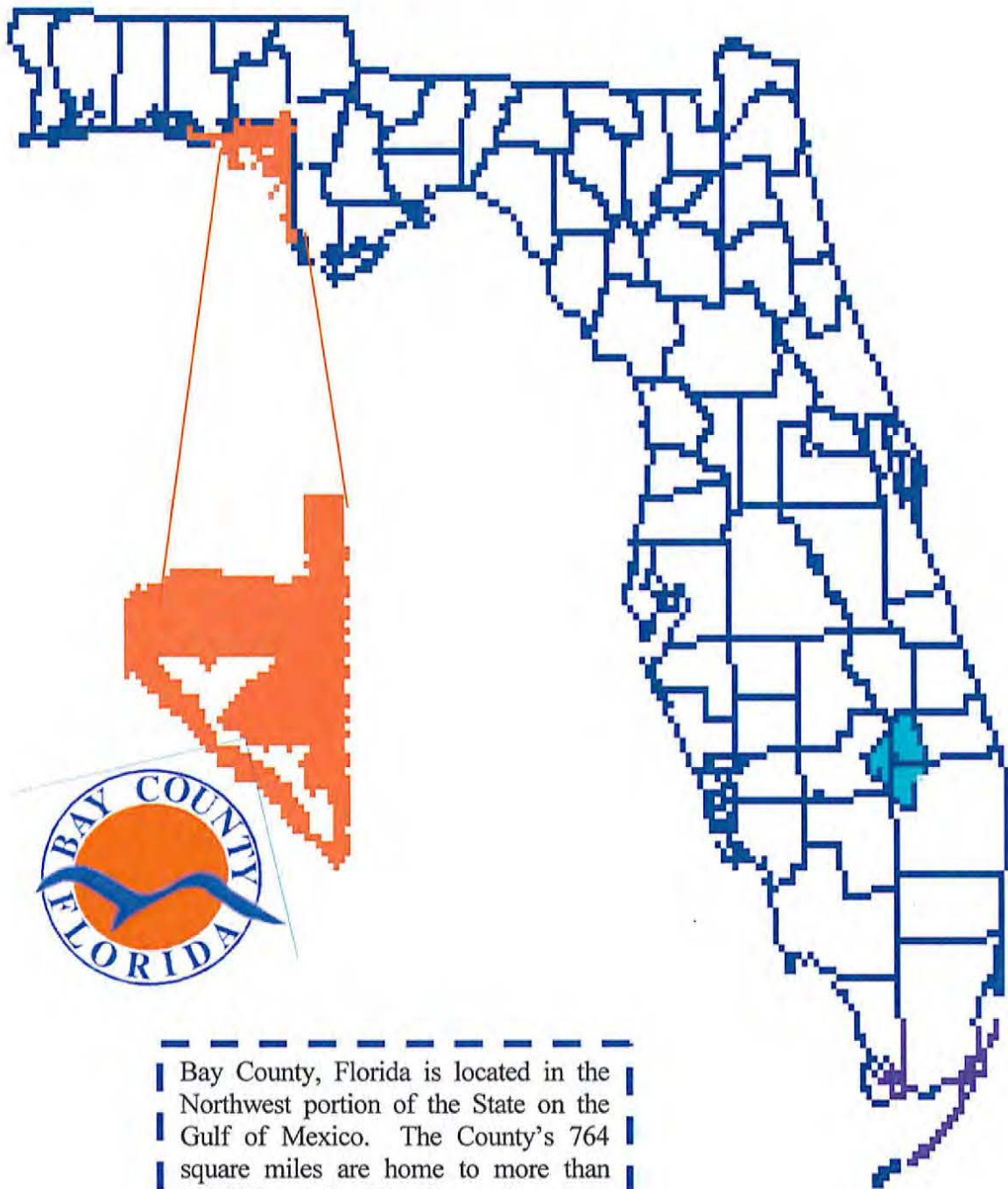


Bill Kinsaul
Clerk of Court & Comptroller



Joseph Rogers
Finance Officer

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Bay County, Florida is located in the Northwest portion of the State on the Gulf of Mexico. The County's 764 square miles are home to more than 169,270 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*



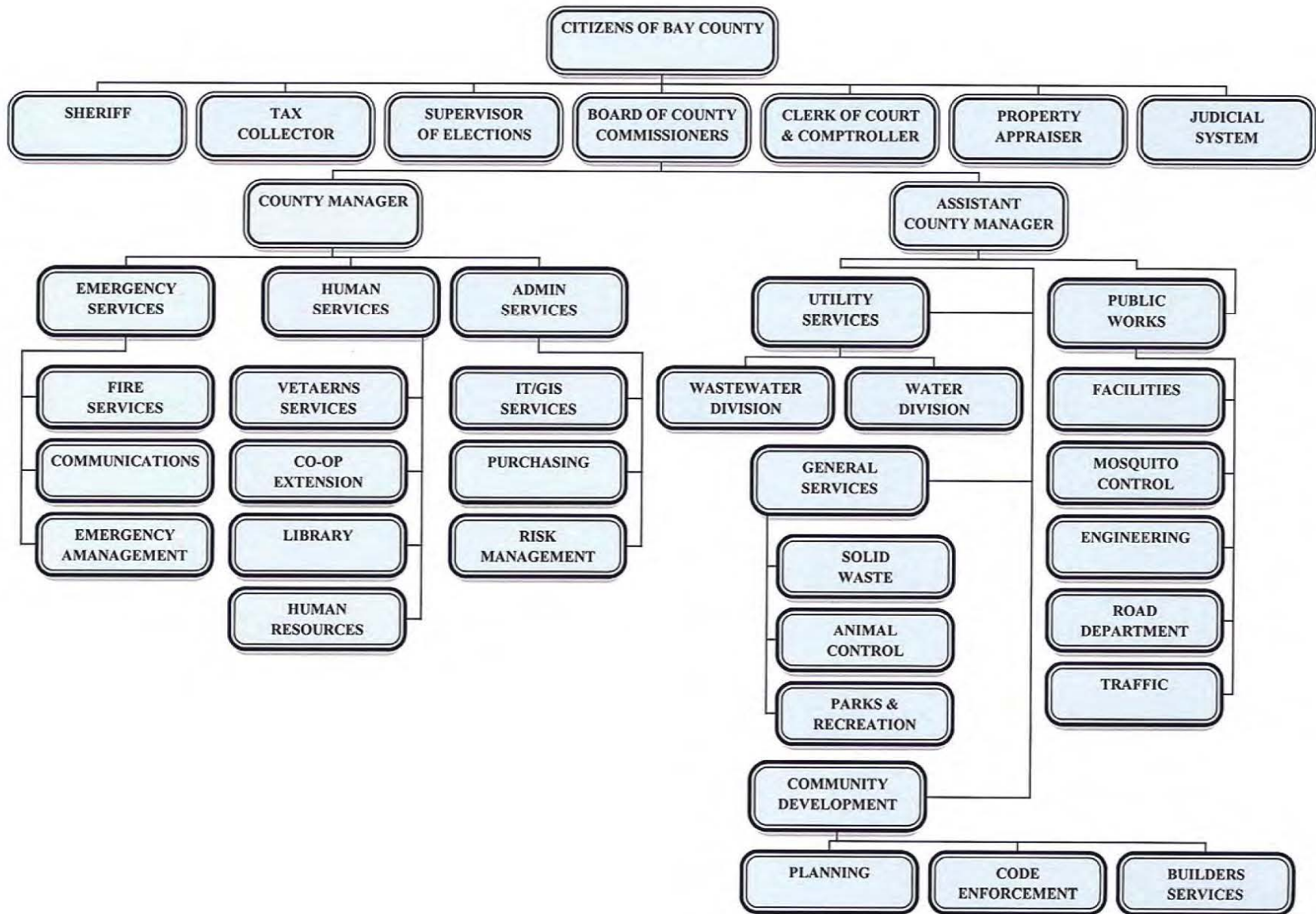
*Peggy Brannon
Tax Collector*



*Frank McKeithen
Sheriff*

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**BAY COUNTY
ORGANIZATIONAL CHART
Fiscal Year 2012**





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, 2011.

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, 2011

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.



Christopher P. Moynell

President

Jeffrey R. Enen

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, 2012, 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, 2012, 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 22, 2013, on our consideration of Bay County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages B-5 through B-14 and the schedules of funding progress and of employer contributions for the retiree's health insurance other postemployment benefits plan on page B-80 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. The 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 to 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 Honorable County Commissioners
Bay County, Florida
Page Three

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The information identified in the table of contents as the introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 22, 2013

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Bay County, Florida
MANAGEMENT'S DISCUSSION and ANALYSIS
For the Year Ended September 30, 2012

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 \$343,022,636 (net assets). Of this amount, \$7,666,565 is unrestricted net assets for governmental activities and \$21,719,503 is unrestricted net assets for business-type activities, while \$49,440,926 is restricted net assets for governmental activities and \$11,142,041 is restricted net assets for business-type activities.
- Total net assets decreased by \$7,328,902. Of this amount, a decrease of \$4,346,236 is attributable to governmental activities and a decrease of \$2,982,666 is attributable to business-type activities.
- As of September 30, 2012, general fund's unassigned fund balance was \$2,715,250 or 3 percent of total general fund expenditures.
- Governmental activities revenues decreased to \$126,976,592 or approximately 5 percent, while governmental activities expenses decreased 3 percent to \$131,272,828. Business-type activities revenues decreased to \$41,844,846 or 6 percent, while business-type activities expenses increased 2 percent to \$44,877,512.
- The County's outstanding bonded debt decreased by \$6,692,264 or 4 percent during fiscal year 2012. The key factor contributing to the decrease in bonded debt was the repayment of principal through semi-annual and annual debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The *government-wide financial statements* include the ***statement of net assets*** and ***statement of activities***. These statements are designed to provide readers with a broad overview of the County's financial position in a manner similar to that of private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities, as well as the change in net assets. Governmental activities are primarily supported by property taxes, sales taxes, federal and state grants, charges for services, and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water, sewer, and solid waste disposal charges.

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

The ***statement of activities*** presents information on all revenues and expenses of the County and the change in net assets for the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Expenses are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the County. In order to better understand the County's operations, governmental activities expenses, include among others, general government services, public safety, culture and recreation, transportation, and economic environment. Business-type activities expenses, which are financed by user fees and charges, include water and sewer services, solid waste disposal and industrial waste treatment and disposal.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the following legally separate component units: Mexico Beach Community Development Council, Inc. and Panama City Beach Convention and Visitor's Bureau, Inc. Financial information for these component units is reported separately from the County's financial information.

Fund Financial Statements

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

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

Fund financial statements for all governmental funds include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balance**. The County's general fund and major special revenue funds include a **statement of revenues, expenditures, and changes in fund balance-budget and actual**. For the proprietary funds, which includes internal service funds in addition to business-type activities, a **statement of net assets**, a **statement of revenues, expenses, and changes in fund net assets**, and a **statement of cash flows** are presented. A **statement of fiduciary net assets** is presented for the County's agency fund.

The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The enterprise funds account for the fiscal activities relating to solid waste disposal, industrial waste treatment and disposal, and water and sewer utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions. Because these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within *governmental activities* in the government-wide financial statements.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the County's financial position. Categorized by governmental activities and business-type activities, the government-wide financial statements provide an overall picture of the County's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the County's overall financial health and present the means used to pay for various activities, or functions provided by the County. All assets of the County, including buildings, land, roads, and bridges are reported in the **statement of net assets**, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the County. The **statement of activities** includes depreciation on all long lived assets of the County, but all transactions between different functions of the County have been eliminated to avoid "doubling up" the revenues and expenditures.

The *fund financial statements* provide a presentation of the County's major funds, along with a column for all nonmajor funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

Notes to the financial statements provide additional detail concerning the financial activities and financial balances of the County. Additional information about the accounting practices of the County, investments of the County, and long-term debt are just a few of the items included in the notes to the financial statements.

FINANCIAL ANALYSIS OF THE COUNTY

The following schedule provides a summary of the assets, liabilities and net assets of the County. At the end of fiscal year 2012, 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 90,118,700	\$ 93,721,522	\$ 70,732,444	\$ 64,121,109	\$ 160,851,144	\$ 157,842,631
Capital assets	256,998,818	258,949,400	171,400,357	176,002,228	428,399,175	434,951,628
Total assets	347,117,518	352,670,922	242,132,801	240,123,337	589,250,319	592,794,259
Current and other liabilities	13,306,422	14,067,940	13,168,468	4,186,878	26,474,890	18,254,818
Long-term liabilities	99,802,478	100,248,128	119,950,315	123,939,775	219,752,793	224,187,903
Total liabilities	113,108,900	114,316,068	133,118,783	128,126,653	246,227,683	242,442,721
Net assets invested in capital assets, net of related debt	176,901,127	175,784,958	76,152,474	76,176,290	253,053,601	251,961,248
Net assets-restricted	49,440,926	43,752,095	11,142,041	12,291,303	60,582,967	56,043,398
Net assets-unrestricted	7,666,565	18,817,801	21,719,503	23,529,091	29,386,068	42,346,892
Total net assets	\$ 234,008,618	\$ 238,354,854	\$ 109,014,018	\$ 111,996,684	\$ 343,022,636	\$ 350,351,538

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 (74 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 18 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 (\$29,386,068) may be used to help meet the government's ongoing obligations to citizens and creditors.

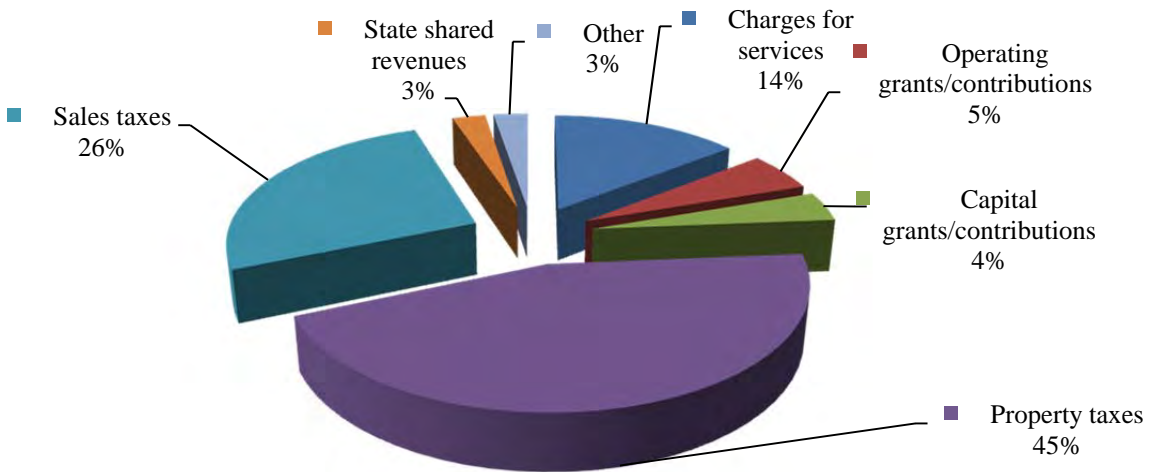
Governmental activities long-term liabilities, decreased by \$445,650 during 2012, while business-type activities long-term liabilities decreased by \$3,989,460. The repayment of principal through semi-annual and annual debt service payments contributed to the decrease in long-term liabilities for both governmental and business-type activities.

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

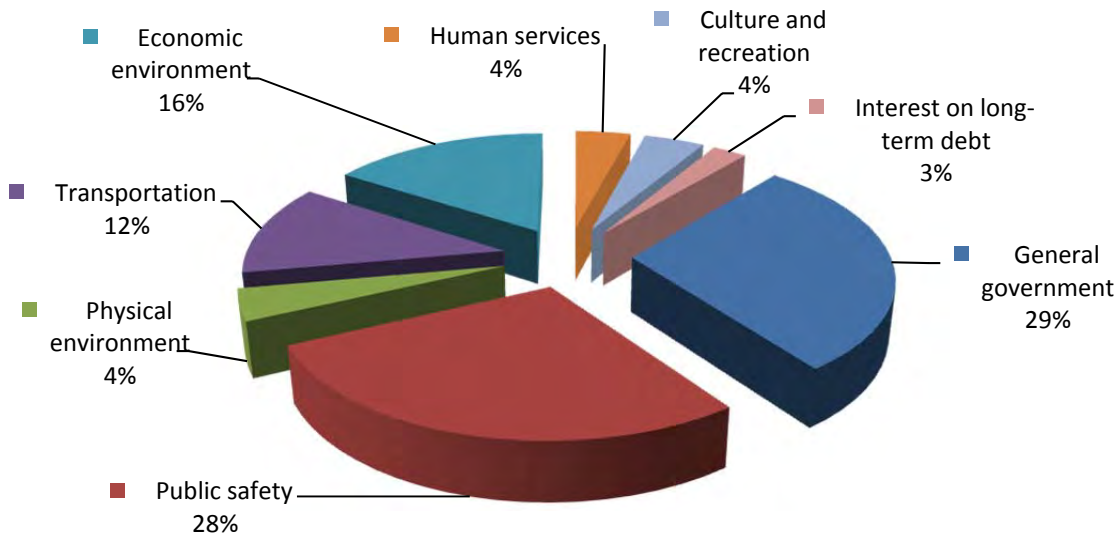
Bay County, Florida Changes in Net Assets

Year ended September 30,	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues						
Charges for services	\$ 18,235,766	\$ 17,759,917	\$ 37,004,142	\$ 41,829,545	\$ 55,239,908	\$ 59,589,462
Operating grants/contributions	6,756,304	13,486,584	315,000	315,000	7,071,304	13,801,584
Capital grants/contributions	5,073,251	4,790,164	706,041	235,134	5,779,292	5,025,298
General revenues						
Property taxes	56,937,944	59,025,047	-	-	56,937,944	59,025,047
Sales taxes	33,318,347	31,551,527	1,400	2,000	33,319,747	31,553,527
State shared revenues - unrestricted	3,211,349	3,080,852	-	-	3,211,349	3,080,852
Other	3,443,631	4,364,682	3,818,263	2,186,919	7,261,894	6,551,601
Total revenues	126,976,592	134,058,773	41,844,846	44,568,598	168,821,438	178,627,371
Expenses						
General government	37,957,601	39,434,666	-	-	37,957,601	39,434,666
Public safety	36,745,373	36,413,991	-	-	36,745,373	36,413,991
Physical environment	5,397,684	4,968,431	-	-	5,397,684	4,968,431
Transportation	15,750,626	19,604,133	-	-	15,750,626	19,604,133
Economic environment	20,951,183	19,839,456	-	-	20,951,183	19,839,456
Human services	5,321,884	5,443,839	-	-	5,321,884	5,443,839
Culture and recreation	5,856,186	5,806,043	-	-	5,856,186	5,806,043
Interest on long-term debt	3,292,291	3,909,979	-	-	3,292,291	3,909,979
Wholesale water system	-	-	11,271,371	12,237,921	11,271,371	12,237,921
Retail water and wastewater	-	-	11,164,990	11,009,770	11,164,990	11,009,770
Industrial wastewater	-	-	3,602,863	3,951,644	3,602,863	3,951,644
Solid waste	-	-	17,622,969	15,274,326	17,622,969	15,274,326
Building services	-	-	1,215,319	1,598,831	1,215,319	1,598,831
Total expenses	131,272,828	135,420,538	44,877,512	44,072,492	176,150,340	179,493,030
Increase (decrease) in net assets before transfers	(4,296,236)	(1,361,765)	(3,032,666)	496,106	(7,328,902)	(865,659)
Transfers	(50,000)	243,099	50,000	(243,099)	-	-
Changes in net assets	(4,346,236)	(1,118,666)	(2,982,666)	253,007	(7,328,902)	(865,659)
Net assets - beginning	238,354,854	239,473,520	111,996,684	111,743,677	350,351,538	351,217,197
Net assets - ending	\$ 234,008,618	\$ 238,354,854	\$ 109,014,018	\$ 111,996,684	\$ 343,022,636	\$ 350,351,538

Revenue - Governmental Activities Fiscal Year Ended September 30, 2012



Expenses - Governmental Activities Fiscal Year Ended September 30, 2012



As reflected in the changes in net assets, the County's net assets decreased by \$7,328,902. While total revenues decreased 5%, total expenses decreased at a rate of 2%, thus contributing to the decrease in the County's net assets. Total revenues decreased \$9,805,933 from the previous year due mainly to a decline in funds received from operating grants/contributions for governmental activities and a decrease in charges for services in the business-type activities. The decrease in charges for services can be contributed to damage caused by a fire at the County's incinerator in February of 2012. Governmental activities expenses exceeded revenues by \$4,296,236, while business-type activities expenses exceeded revenues by \$3,032,666. 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 by \$3,342,690 from the previous year. The major factor contributing to the increase in total expenses was the repairs to the fire damaged solid waste incinerator

45% 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 (28%), transportation (12%), and economic environment (16%) activities. Charges for services provided 88% 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, 2012, total assets were \$28,661,105 and total liabilities were \$5,823,371. At the end of fiscal year 2012, unassigned fund balance of the general fund was \$2,715,250 while total fund balance equaled \$22,837,734. Total assets of the general fund decreased \$5,817,155 from fiscal year 2011. The general fund transferred \$3.3 million to the transportation fund to fund various projects in 2012 and \$1.6 million to the library for general operations. General fund revenues decreased in fiscal year 2012, with property taxes falling over \$3 million from 2011. General fund expenditures also decreased in fiscal year 2012, with the largest decrease being attributed to general government capital outlay.

The general fund's budget was amended during the year to reflect adjustments to expenditures for the purchase of equipment and contractual services to advance technological efficiency for information services' department, as well as, expenses associated with the construction of a new Emergency Operations Center logistics warehouse. Budget amendments were also made for increases in intergovernmental revenue to reflect amounts received for capital grants related to the construction of an Emergency Operations Center logistics warehouse and the development of growth support strategies to coincide with the Naval Support Activity facility. Revenues collected from ad valorem taxes were slightly higher than the amount budgeted, while the proceeds received from state revenue sharing came in at 10% above the amount budgeted. Local government half cent sales tax revenue exceeded the budget by only 1%. Excess fees returned to the County from the Tax Collector fell well below the budgeted amount. Current expenditures for general government exceeded the amount budgeted, while current expenditures for public safety were less than the final amount budgeted. General government capital outlay expenditures were well under the amount budgeted for fiscal year 2012 due to the postponement or delay of scheduled projects.

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, and stormwater management. Fund balance decreased \$1,222,833 in fiscal year 2012 due to a slight decline in gas taxes and a significantly lesser amount received from federal and state grants. These funds provide 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. Three of the five cents collected are designated for tourism promotion, while one cent is designated for maintenance and protection of the local beaches and the remaining cent designated for securing and supporting a low cost air carrier at the County's airport. Fund balance increased 12% in 2012, 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 2012 tourism season. Tax revenues increased \$1,649,195 over 2011 due in part to special events 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 2012. The decrease in MSTU's fund balance can be contributed to the continued excess of reoccurring expenditures over revenues.

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	2012		2011	
	Unrestricted Net Assets		Unrestricted Net Assets	
Wholesale water system	\$	13,968,453	\$	8,234,238
Retail water and wastewater		251,279		1,573,274
Industrial wastewater		2,239,111		2,263,662
Solid waste fund		(142,385)		6,071,191
Building services		5,403,045		5,386,726
Total	\$	21,719,503	\$	23,529,091

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 decreased by \$640,844 over fiscal year 2011. A slight decrease in consumption contributed to the

decrease in 2012. The wholesale water system fund's total net assets increased \$4,950,484 in fiscal year 2012, due in part to an increase in the wholesale water rate and a decrease in expenditures.

The County's *solid waste fund* accounts for the operations and maintenance of the County's landfill and incinerator. In fiscal year 2012, \$7,920,240 was generated by tip fees; this represents an increase of \$39,489 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, \$3,229,468 for closure costs of its landfill. As of September 30, 2012, the County has accrued a total liability for landfill post closure care of \$8,513,261. As of September 30, 2012, total assets were \$95,535,745; total liabilities were \$42,315,571 and net assets were \$53,220,174.

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, 2012, was \$428,399,175 (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 final cost of the expansion project, which was completed in fiscal year 2012, was \$2,897,329, with \$2,691,008 of that cost being expensed in 2012.
- Construction began in 2012 on a new 10,920 square foot Emergency Operations Center logistics warehouse. The total project is estimated to cost \$919,475. The cost incurred in fiscal year 2012 was \$121,675. It is anticipated that construction will be completed during the second quarter of 2013.
- Construction was completed during 2012 on the new Roads and Bridges facility, which included an addition for vehicle maintenance. Moving the facility from its current residential location will enhance safety and improve efficiency for the County. The total project cost was \$1,551,893, with \$804,179 of that cost being expensed in fiscal year 2012.
- The four lane Grand Lagoon replacement bridge was completed in 2012. The total cost of the project was \$18,973,202, with \$924,922 of that cost being expensed in fiscal year 2012.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 18,897,099	\$ 19,009,354	\$ 5,727,643	\$ 5,727,643	\$ 24,624,742	\$ 24,736,997
Construction in progress	3,751,930	25,596,197	475,993	693,986	4,227,923	26,290,183
Books	457,995	456,967	-	-	457,995	456,967
Buildings and improvements	109,986,003	107,405,009	951,649	1,035,574	110,937,652	108,440,583
Furniture and equipment	12,670,394	13,247,127	4,246,855	4,217,435	16,917,249	17,464,562
Infrastructure	111,235,397	93,234,746	159,998,217	164,327,590	271,233,614	257,562,336
Total	\$ 256,998,818	\$ 258,949,400	\$ 171,400,357	\$ 176,002,228	\$ 428,399,175	\$ 434,951,628

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 \$183,732,389. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue Bonds	\$80,010,219	\$83,029,898	\$103,722,170	\$107,394,755	\$183,732,389	\$190,424,653

The County's total bonded debt outstanding decreased by \$6,692,264 during the fiscal year ended September 30, 2012. The key factor contributing to the decrease in bonded debt was the repayment of principal through semi-annual and annual debt service payments.

All of the County's insured debt maintains an "AAA" rating from Standard & Poor's, an "AAA" rating from Moody's Investors Service, and/or an "AAA" rating from Fitch. Most of the County's issues are rated by one or a combination of two rating agencies.

The Florida Constitution and Bay County set no legal debt limits on revenue bonds. More detailed information about the County's liabilities is presented in notes 12 and 13 of the notes to basic financial statements.

OTHER FINANCIAL INFORMATION

The County's economy continued to feel the effects of the economic slowdown during the fiscal year ended September 30, 2012. Construction continued to be flat in 2012 with building permits issued on new single and multi-family residential units at 613, compared to 634 permits issued in 2011. 214 commercial building permits were issued in 2012, which represents a slight increase of 3%, compared to the 207 permits issued in 2011. Despite the economic downturn, Bay County did enjoy one of the best tourism seasons ever recorded in 2012. While surrounding counties also experienced an increase in tourism, Bay County saw a significant increase of 11% over fiscal year 2011, in its tourist development bed tax collections. The County's unemployment rate for 2012 was 8%, slightly lower than the State's average unemployment rate of 8.6%. In 2012, the County will continue to focus on various transportation projects, including the expansion of its Intelligent Transportation System (Phase III) along Panama City Beach Parkway, U.S. 231 and S.R. 22 and various other intersection and road upgrades. The County will also continue its work on expanding and enhancing the County's wastewater and water treatment and distribution capabilities. An addition to the County courthouse is also planned for the upcoming year, which will provide additional courtrooms and office space for the judiciary.

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

Bay County, Florida
Statement of Net Assets
September 30, 2012

	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	\$ 48,620,100	\$ 25,472,018	\$ 74,092,118	\$ 225,174	\$ 173,552
Investments	13,238,373	5,013,370	18,251,743	-	-
Accounts receivable, net	3,032,491	6,178,446	9,210,937	4,375,592	35,281
Special assessments receivable	583,713	-	583,713	-	-
Accrued interest receivable	-	47,855	47,855	-	-
Due from other governments	5,561,335	1,062,581	6,623,916	-	-
Prepaid expenses	1,182,928	792,087	1,975,015	259,697	-
Inventory	-	288,402	288,402	-	-
Notes receivable	236,870	13,865,214	14,102,084	-	-
Investment in joint venture	-	1,863,432	1,863,432	-	-
Unamortized bond costs	1,136,856	807,260	1,944,116	-	-
Restricted assets					
Cash and cash equivalents	12,893,756	12,984,569	25,878,325	-	-
Investments	3,632,278	2,357,210	5,989,488	-	-
Capital assets					
Nondepreciable	22,649,029	6,203,636	28,852,665	-	-
Depreciable, net	234,349,789	165,196,721	399,546,510	-	-
Total assets	347,117,518	242,132,801	589,250,319	4,860,463	208,833
LIABILITIES					
Accounts payable and accrued expenses	9,302,326	5,227,233	14,529,559	1,476,023	15,655
Internal balances	288,088	(288,088)	-	-	-
Due to other governments	95,364	695,650	791,014	-	-
Deferred revenues	3,331,699	6,485,073	9,816,772	245,139	51,160
Accrued interest payable	268,419	364,723	633,142	-	-
Customer deposits	20,526	683,877	704,403	-	-
Long-term liabilities					
Due within one year					
Estimated liability for self insured losses	481,949	-	481,949	-	-
Accrued compensated absences	806,641	145,505	952,146	-	-
Notes payable	-	986,471	986,471	-	-
Capital leases	31,222	-	31,222	-	-
Bonds payable	2,079,000	3,802,500	5,881,500	-	-
Due in more than one year					
Estimated liability for self insured losses	3,996,056	-	3,996,056	-	-
Accrued compensated absences	2,686,323	147,948	2,834,271	-	-
Net OPEB obligation	11,733,818	410,212	12,144,030	-	-
Notes payable	-	6,024,748	6,024,748	-	-
Capital leases	56,250	-	56,250	-	-
Bonds payable	77,931,219	99,919,670	177,850,889	-	-
Landfill postclosure liability	-	8,513,261	8,513,261	-	-
Total liabilities	113,108,900	133,118,783	246,227,683	1,721,162	66,815

Continued

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

Bay County, Florida
Statement of Net Assets (Continued)
September 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.
NET ASSETS					
Invested in capital assets, net of related debt	\$ 176,901,127	\$ 76,152,474	\$ 253,053,601	\$ -	\$ -
Restricted for					
Debt service	6,825,229	7,048,919	13,874,148	-	-
Impact fees	2,395,388	4,093,122	6,488,510	-	-
Public safety	3,502,673	-	3,502,673	-	-
Court function	2,945,311	-	2,945,311	-	-
Transportation	3,164,894	-	3,164,894	-	-
Recreation	354,101	-	354,101	-	-
Economic environment	29,516,032	-	29,516,032	-	-
Physical environment	737,298	-	737,298	-	-
Unrestricted	7,666,565	21,719,503	29,386,068	3,139,301	142,018
Total net assets	\$ 234,008,618	\$ 109,014,018	\$ 343,022,636	\$ 3,139,301	\$ 142,018

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

		Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
Functions/Programs	Expenses		Contributions	Contributions
Primary Government				
Governmental activities				
General government	\$ 37,957,601	\$ 14,100,604	\$ 2,350,411	\$ 2,755
Public safety	36,745,373	1,377,953	3,009,629	164,470
Physical environment	5,397,684	44,533	879,106	-
Transportation	15,750,626	2,094,221	317,053	4,402,441
Economic environment	20,951,183	-	163,214	46,643
Human services	5,321,884	-	9,167	-
Culture and recreation	5,856,186	618,455	27,724	456,942
Interest on long-term debt	3,292,291	-	-	-
Total governmental activities	131,272,828	18,235,766	6,756,304	5,073,251
Business-type activities				
Wholesale water system	11,271,371	15,652,776	-	373,476
Retail water and wastewater	11,164,990	6,665,219	-	332,565
Industrial wastewater	3,602,863	3,535,687	-	-
Solid waste	17,622,969	10,181,513	315,000	-
Building services	1,215,319	968,947	-	-
Total business-type activities	44,877,512	37,004,142	315,000	706,041
Total primary government	\$ 176,150,340	\$ 55,239,908	\$ 7,071,304	\$ 5,779,292
Component Units				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 11,401,691	\$ 12,366,093	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	622,792	681,843	-	-
Total component units	\$ 12,024,483	\$ 13,047,936	\$ -	\$ -

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

Bay County, Florida
Statement of Activities
Year Ended September 30, 2012

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.	
\$ (21,503,831)	\$ -	\$ (21,503,831)	\$ -	\$ -	
(32,193,321)	-	(32,193,321)	-	-	
(4,474,045)	-	(4,474,045)	-	-	
(8,936,911)	-	(8,936,911)	-	-	
(20,741,326)	-	(20,741,326)	-	-	
(5,312,717)	-	(5,312,717)	-	-	
(4,753,065)	-	(4,753,065)	-	-	
(3,292,291)	-	(3,292,291)	-	-	
(101,207,507)	-	(101,207,507)	-	-	
-	4,754,881	4,754,881	-	-	
-	(4,167,206)	(4,167,206)	-	-	
-	(67,176)	(67,176)	-	-	
-	(7,126,456)	(7,126,456)	-	-	
-	(246,372)	(246,372)	-	-	
-	(6,852,329)	(6,852,329)	-	-	
(101,207,507)	(6,852,329)	(108,059,836)	-	-	
-	-	-	964,402	-	
-	-	-	-	59,051	
-	-	-	964,402	59,051	
56,937,944	-	56,937,944	-	-	
33,318,347	1,400	33,319,747	-	-	
3,211,349	-	3,211,349	-	-	
454,346	1,320,560	1,774,906	825	449	
2,989,285	2,497,703	5,486,988	-	-	
96,911,271	3,819,663	100,730,934	825	449	
(50,000)	50,000	-	-	-	
96,861,271	3,869,663	100,730,934	825	449	
(4,346,236)	(2,982,666)	(7,328,902)	965,227	59,500	
238,354,854	111,996,684	350,351,538	2,174,074	82,518	
\$ 234,008,618	\$ 109,014,018	\$ 343,022,636	\$ 3,139,301	\$ 142,018	

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

Bay County, Florida
Balance Sheet
Governmental Funds
September 30, 2012

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,386,857	\$ 23,175,031	\$ 7,278,214	\$ 4,910,880	\$ 43,750,982
Accounts receivable, net	806,008	1,159,590	72,924	82,194	2,120,716
Special assessments receivable	105,148	-	478,565	-	583,713
Investments	2,034,935	8,243,476	1,395,080	631,574	12,305,065
Due from other funds	22,538	191,009	17,117	22,341	253,005
Due from other governments	2,949,406	51,229	2,328,635	230,124	5,559,394
Prepaid items	265,846	-	233,614	366,050	865,510
Notes receivable	236,870	-	-	-	236,870
Restricted assets					
Cash and cash equivalents	11,625,194	-	782,003	486,559	12,893,756
Investments	2,228,303	1,160,817	149,894	93,264	3,632,278
Total assets	\$ 28,661,105	\$ 33,981,152	\$ 12,736,046	\$ 6,822,986	82,201,289
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 2,311,404	\$ 4,702,991	\$ 1,101,038	\$ 552,231	8,667,664
Deferred revenues	3,157,520	-	142,855	31,324	3,331,699
Due to other funds	289,994	-	189,237	39,958	519,189
Advance from other funds	-	-	-	300,000	300,000
Due to other governments	43,927	-	-	51,437	95,364
Customer deposits	20,526	-	-	-	20,526
Total liabilities	5,823,371	4,702,991	1,433,130	974,950	12,934,442
Fund balance					
Nonspendable	265,846	-	233,614	366,050	865,510
Restricted	12,074,604	29,278,161	3,164,894	4,923,267	49,440,926
Assigned	7,782,034	-	7,904,408	572,491	16,258,933
Unassigned	2,715,250	-	-	(13,772)	2,701,478
Total fund balance	22,837,734	29,278,161	11,302,916	5,848,036	69,266,847
Total liabilities and fund balance	\$ 28,661,105	\$ 33,981,152	\$ 12,736,046	\$ 6,822,986	
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.					255,853,759
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.					3,091,003
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(94,202,991)
Net assets of governmental activities					\$ 234,008,618

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

Bay County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2012

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 50,472,827	\$ 14,849,962	\$ 5,295,742	\$ 6,465,117	\$ 77,083,648
Licenses and permits	3,565	-	-	-	3,565
Intergovernmental	18,522,513	756,095	9,433,869	364,222	29,076,699
Charges for services	9,144,345	-	2,094,221	6,358,951	17,597,517
Fines and forfeitures	179,329	-	-	-	179,329
Special assessments	44,481	-	-	-	44,481
Investment earnings	285,498	262,182	51,374	41,630	640,684
Contributions and donations	30,479	-	-	221,606	252,085
Miscellaneous	1,153,802	105,701	82,713	52,648	1,394,864
Total revenues	79,836,839	15,973,940	16,957,919	13,504,174	126,272,872
EXPENDITURES					
Current					
General government	14,580,975	-	-	3,842,798	18,423,773
Public safety	42,225,062	-	-	6,908,816	49,133,878
Physical environment	220,646	-	483,186	-	703,832
Transportation	-	-	14,414,376	-	14,414,376
Economic environment	8,237,514	11,920,756	-	-	20,158,270
Human services	4,011,449	-	-	1,191,470	5,202,919
Culture and recreation	4,232,151	-	-	-	4,232,151
Capital outlay					
General government	785,577	-	-	158,936	944,513
Public safety	949,198	-	-	377,635	1,326,833
Physical environment	4,611	-	1,121,134	-	1,125,745
Transportation	-	-	5,568,818	-	5,568,818
Economic environment	-	830,552	-	-	830,552
Human services	-	-	-	59,907	59,907
Culture and recreation	1,635,961	-	-	-	1,635,961
Debt service					
Principal	1,845,945	-	-	1,211,128	3,057,073
Interest and fiscal charges	2,968,916	-	-	300,325	3,269,241
Total expenditures	81,698,005	12,751,308	21,587,514	14,051,015	130,087,842
Excess (deficit) of revenues over (under) expenditures	(1,861,166)	3,222,632	(4,629,595)	(546,841)	(3,814,970)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	3,300,000	452,030	3,752,030
Transfers out	(3,802,030)	-	(13,572)	-	(3,815,602)
Payment to refunded bond escrow agent	(350)	-	-	(262)	(612)
Proceeds from sale of capital assets	593,427	-	120,334	33,814	747,575
Total other financing sources (uses)	(3,208,953)	-	3,406,762	485,582	683,391
Net change in fund balance	(5,070,119)	3,222,632	(1,222,833)	(61,259)	(3,131,579)
Fund balance - beginning	27,907,853	26,055,529	12,525,749	5,909,295	72,398,426
Fund balance - ending	\$ 22,837,734	\$ 29,278,161	\$ 11,302,916	\$ 5,848,036	\$ 69,266,847

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

Bay County, Florida
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2012

Amounts reported for governmental activities in the statement of activities (page B-19)
are different because:

Net change in fund balance - total governmental funds (page B-21)	\$ (3,131,579)
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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 depreciation exceeded capital outlays in the current period.	(1,408,209)
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The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to decrease net assets.	(555,143)
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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.	(2,465,711)
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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.	213,456
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,000,950
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Change in net assets of governmental activities (page B-19)	\$ (4,346,236)
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Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	Budgetary Basis	Positive (Negative)
REVENUES				
Taxes	\$ 49,538,254	\$ 49,538,254	\$ 50,472,827	\$ 934,573
Licenses and permits	1,200	1,200	3,565	2,365
Intergovernmental	17,710,712	19,278,836	18,065,571	(1,213,265)
Charges for services	9,105,616	9,324,596	8,977,961	(346,635)
Fines and forfeitures	109,500	109,500	179,329	69,829
Investment earnings	243,000	243,000	271,859	28,859
Contributions and donations	-	-	2,755	2,755
Miscellaneous	608,306	629,465	1,118,527	489,062
Total revenues	77,316,588	79,124,851	79,092,394	(32,457)
EXPENDITURES				
Current				
General government	16,398,075	12,389,367	14,580,975	(2,191,608)
Public safety	43,108,472	44,357,774	42,225,062	2,132,712
Physical environment	276,036	320,662	208,274	112,388
Economic environment	9,465,572	9,465,057	8,237,514	1,227,543
Human services	4,068,851	4,171,358	4,011,449	159,909
Culture and recreation	1,859,338	1,845,458	1,476,793	368,665
Capital outlay				
General government	625,571	5,801,180	785,577	5,015,603
Public safety	1,528,014	1,529,188	949,198	579,990
Physical environment	-	3,200	4,611	(1,411)
Culture and recreation	22,500	28,145	1,635,961	(1,607,816)
Debt service				
Principal	1,764,640	1,764,640	1,837,262	(72,622)
Interest and fiscal charges	3,066,468	3,066,468	2,968,871	97,597
Total expenditures	82,183,537	84,742,497	78,921,547	5,820,950
Excess (deficit) of revenues over (under) expenditures	(4,866,949)	(5,617,646)	170,847	5,788,493
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,447,033)	(5,697,191)	(5,586,681)	110,510
Payment to refunded bond escrow agent	(725)	(725)	(350)	375
Proceeds from sale of capital assets	-	-	593,427	593,427
Total other financing sources (uses)	(5,447,758)	(5,697,916)	(4,993,604)	704,312
Net change in fund balance	(10,314,707)	(11,315,562)	(4,822,757)	6,492,805
Fund balance - beginning	28,475,127	28,475,127	28,475,127	-
Fund balance - ending	\$ 18,160,420	\$ 17,159,565	\$ 23,652,370	\$ 6,492,805

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 11,248,000	\$ 11,248,000	\$ 14,849,962	\$ 3,601,962
Intergovernmental	-	-	756,095	756,095
Investment earnings	74,800	74,800	262,182	187,382
Miscellaneous	76,500	76,500	105,701	29,201
Total revenues	11,399,300	11,399,300	15,973,940	4,574,640
EXPENDITURES				
Current				
Economic environment	9,976,931	14,515,952	11,920,756	2,595,196
Capital outlay				
Economic environment	-	833,238	830,552	2,686
Total expenditures	9,976,931	15,349,190	12,751,308	2,597,882
Excess (deficit) of revenues over (under) expenditures	1,422,369	(3,949,890)	3,222,632	7,172,522
Net change in fund balance	1,422,369	(3,949,890)	3,222,632	7,172,522
Fund balance - beginning	26,055,529	26,055,529	26,055,529	-
Fund balance - ending	\$ 27,477,898	\$ 22,105,639	\$ 29,278,161	\$ 7,172,522

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
Transportation Fund
Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes	\$ 5,142,570	\$ 5,142,570	\$ 5,295,742	\$ 153,172
Intergovernmental	4,476,727	13,601,205	9,433,869	(4,167,336)
Charges for services	2,141,788	2,141,788	2,094,221	(47,567)
Special assessments	101,030	101,030	-	(101,030)
Investment earnings	53,082	53,082	51,374	(1,708)
Miscellaneous	842,044	967,741	82,713	(885,028)
Total revenues	12,757,241	22,007,416	16,957,919	(5,049,497)
EXPENDITURES				
Current				
Physical environment	797,661	801,361	483,186	318,175
Transportation	12,535,048	22,700,476	14,414,376	8,286,100
Capital outlay				
Physical environment	521,075	2,575,060	1,121,134	1,453,926
Transportation	5,525,594	7,800,440	5,568,818	2,231,622
Total expenditures	19,379,378	33,877,337	21,587,514	12,289,823
Excess (deficit) of revenues over (under) expenditures	(6,622,137)	(11,869,921)	(4,629,595)	7,240,326
OTHER FINANCING SOURCES (USES)				
Transfers in	3,300,000	3,300,000	3,300,000	-
Transfers out	-	-	(13,572)	(13,572)
Proceeds from sale of capital assets	-	-	120,334	120,334
Total other financing sources	3,300,000	3,300,000	3,406,762	106,762
Net change in fund balance	(3,322,137)	(8,569,921)	(1,222,833)	7,347,088
Fund balance - beginning	12,525,749	12,525,749	12,525,749	-
Fund balance - ending	\$ 9,203,612	\$ 3,955,828	\$ 11,302,916	\$ 7,347,088

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

Bay County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2012

	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	\$ 9,707,922	\$ 1,261,694	\$ 1,199,091	\$ 10,591,387	\$ 2,711,924	\$ 25,472,018	\$ 4,869,117
Accounts receivable, net	2,506,383	414,182	719,781	2,532,874	5,226	6,178,446	911,775
Accrued interest receivable	-	47,855	-	-	-	47,855	-
Prepaid expenses	388,623	-	-	403,464	-	792,087	317,418
Investments	1,860,804	328,052	249,008	2,046,144	529,362	5,013,370	933,308
Inventory	244,873	43,529	-	-	-	288,402	-
Due from other funds	8,362	4,938	18,430	8,481	18,225	58,436	348,740
Due from other governments	273,101	784,038	-	22	5,420	1,062,581	1,942
Total current assets	14,990,068	2,884,288	2,186,310	15,582,372	3,270,157	38,913,195	7,382,300
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	5,481,490	4,130,626	340,327	2,981,839	50,287	12,984,569	-
Investments	1,050,686	705,322	46,066	555,136	-	2,357,210	-
Notes receivable	1,228,997	12,636,217	-	-	-	13,865,214	-
Advances to other funds	-	-	-	-	2,363,714	2,363,714	-
Investment in joint venture	-	1,863,432	-	-	-	1,863,432	-
Unamortized bond costs	587,144	118,516	-	101,600	-	807,260	-
	8,348,317	19,454,113	386,393	3,638,575	2,414,001	34,241,399	-
Capital assets							
Land	261,192	4,714,000	-	752,451	-	5,727,643	-
Construction in progress	427,694	-	-	48,299	-	475,993	-
Buildings	2,373,739	4,766	134,702	840,874	-	3,354,081	1,453,743
Improvements	90,985	4,678	-	41,250	-	136,913	96,850
Furniture and equipment	1,447,648	907,414	129,431	5,809,721	452,773	8,746,987	984,254
Infrastructure	106,558,163	30,681,313	10,553,043	86,909,604	-	234,702,123	-
Less: accumulated depreciation	(43,987,187)	(9,148,697)	(10,077,996)	(18,087,401)	(442,102)	(81,743,383)	(1,389,788)
Total capital assets, net	67,172,234	27,163,474	739,180	76,314,798	10,671	171,400,357	1,145,059
Total noncurrent assets	75,520,551	46,617,587	1,125,573	79,953,373	2,424,672	205,641,756	1,145,059
Total assets	90,510,619	49,501,875	3,311,883	95,535,745	5,694,829	244,554,951	8,527,359
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	438,809	729,897	221,461	3,788,586	48,480	5,227,233	634,663
Deferred revenue	-	-	-	6,485,073	-	6,485,073	-
Due to other funds	17,997	16,103	12,131	21,179	2,938	70,348	70,645
Due to other governments	-	695,650	-	-	-	695,650	-
Accrued interest payable	175,860	131,041	-	57,822	-	364,723	-
Accrued compensated absences, current	41,911	41,619	-	33,598	28,377	145,505	52,495
Notes payable, current	-	986,471	-	-	-	986,471	-
Bonds payable, current	1,565,000	297,500	-	1,940,000	-	3,802,500	-
Total current liabilities	2,239,577	2,898,281	233,592	12,326,258	79,795	17,777,503	757,803
Noncurrent liabilities							
Estimated liability for self insured losses	-	-	-	-	-	-	4,478,005
Customer deposits	-	447,924	100,000	85,666	50,287	683,877	-
Accrued compensated absences	29,624	44,276	-	41,193	32,855	147,948	55,150
Net OPEB obligation	69,841	107,081	-	115,114	118,176	410,212	145,400
Advances from other funds	2,063,714	-	-	-	-	2,063,714	-
Notes payable, net	-	6,024,748	-	-	-	6,024,748	-
Bonds payable, net	43,345,330	35,340,261	-	21,234,079	-	99,919,670	-
Landfill postclosure liability	-	-	-	8,513,261	-	8,513,261	-
Total noncurrent liabilities	45,508,509	41,964,290	100,000	29,989,313	201,318	117,763,430	4,678,555
Total liabilities	47,748,086	44,862,571	333,592	42,315,571	281,113	135,540,933	5,436,358
NET ASSETS							
Invested in capital assets, net of related debt	22,261,904	-	739,180	53,140,719	10,671	76,152,474	1,145,059
Restricted for							
Debt service	4,015,330	2,811,749	-	221,840	-	7,048,919	-
Impact fees	2,516,846	1,576,276	-	-	-	4,093,122	-
Unrestricted	13,968,453	251,279	2,239,111	(142,385)	5,403,045	21,719,503	1,945,942
Total net assets	\$ 42,762,533	\$ 4,639,304	\$ 2,978,291	\$ 53,220,174	\$ 5,413,716	\$ 109,014,018	\$ 3,091,001

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, 2012

	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	\$ 15,652,776	\$ 6,665,219	\$ 3,535,687	\$ 10,181,513	\$ 968,947	\$ 37,004,142	\$ 9,407,027
Miscellaneous	26,984	116,927	-	35,756	19,774	199,441	46,401
Total operating revenues	15,679,760	6,782,146	3,535,687	10,217,269	988,721	37,203,583	9,453,428
OPERATING EXPENSES							
Personal services	1,350,244	1,906,325	262,289	1,409,812	978,532	5,907,202	2,316,091
Contracted services	1,007,747	999,244	1,633,694	5,671,311	96,101	9,408,097	209,730
Repairs and maintenance	452,409	392,795	19,763	3,664,980	21,152	4,551,099	264,786
Utilities	1,590,146	175,268	1,507,707	444,840	27,199	3,745,160	144,119
Depreciation	2,854,369	1,779,273	34,304	3,537,301	12,857	8,218,104	113,536
Amortization	32,829	6,266	-	9,307	-	48,402	-
Materials	-	-	-	-	-	-	3,456,282
Insurance claims	-	-	-	-	-	-	531,683
Other operating expenses	1,783,670	4,442,930	145,057	1,963,112	79,403	8,414,172	2,256,116
Total operating expenses	9,071,414	9,702,101	3,602,814	16,700,663	1,215,244	40,292,236	9,292,343
Operating income (loss)	6,608,346	(2,919,955)	(67,127)	(6,483,394)	(226,523)	(3,088,653)	161,085
Investment earnings	163,407	890,083	11,707	95,350	160,013	1,320,560	37,549
Interest and fiscal charges	(2,199,952)	(1,462,892)	-	(873,665)	-	(4,536,509)	-
Taxes	-	-	-	1,400	-	1,400	-
Gain (loss) on disposal of capital assets	4,300	-	(48)	(47,532)	24,451	(18,829)	1,250
Contributions	-	-	-	315,000	-	315,000	-
Insurance proceeds	-	-	-	2,268,324	-	2,268,324	-
Total nonoperating revenues (expenses)	(2,032,245)	(572,809)	11,659	1,758,877	184,464	(650,054)	38,799
Income (loss) before contributions and transfers	4,576,101	(3,492,764)	(55,468)	(4,724,517)	(42,059)	(3,738,707)	199,884
Capital contributions	373,476	332,565	-	-	-	706,041	-
Transfers in	907	-	-	-	50,000	50,907	13,572
Transfers out	-	-	-	(907)	-	(907)	-
Change in net assets	4,950,484	(3,160,199)	(55,468)	(4,725,424)	7,941	(2,982,666)	213,456
Total net assets - beginning	37,812,049	7,799,503	3,033,759	57,945,598	5,405,775	111,996,684	2,877,545
Total net assets - ending	\$ 42,762,533	\$ 4,639,304	\$ 2,978,291	\$ 53,220,174	\$ 5,413,716	\$ 109,014,018	\$ 3,091,001

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2012

	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	\$ 15,410,427	\$ 6,528,355	\$ 3,756,122	\$ 15,958,824	\$ 856,357	\$ 42,510,085	\$ 9,004,502
Cash received from miscellaneous operating activities	26,984	116,927	-	35,756	19,774	199,441	46,401
Cash paid to suppliers for goods and services	(5,164,417)	(5,900,352)	(3,458,774)	(8,771,688)	(270,214)	(23,565,445)	(6,949,775)
Cash paid to employees for services	(1,330,563)	(1,857,922)	(262,289)	(1,380,579)	(964,394)	(5,795,747)	(2,296,041)
Net cash provided by (used in) operating activities	8,942,431	(1,112,992)	35,059	5,842,313	(358,477)	13,348,334	(194,913)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	907	-	-	-	50,000	50,907	13,572
Transfers out	-	-	-	(907)	-	(907)	-
Advance to other fund	-	-	-	-	91,935	91,935	-
Advance from other fund	(391,935)	-	-	-	-	(391,935)	-
Taxes	-	-	-	1,400	-	1,400	-
Contributions	-	-	-	315,000	-	315,000	-
Net cash provided by (used in) noncapital financing activities	(391,028)	-	-	315,493	141,935	66,400	13,572
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest paid on long-term debt	(2,295,618)	(1,492,145)	-	(747,018)	-	(4,534,781)	-
Principal paid on long-term debt	(1,515,000)	(1,219,799)	-	(1,885,000)	-	(4,619,799)	-
Capital contributions	373,476	332,565	-	-	-	706,041	-
Proceeds from sale of capital assets	4,300	-	-	-	24,525	28,825	1,250
Purchase of capital assets	(134,516)	(204,626)	(3,437)	(3,316,757)	(4,552)	(3,663,888)	(127,173)
Proceeds from insurance	-	-	-	2,268,324	-	2,268,324	-
Net cash provided by (used in) capital and related financing activities	(3,567,358)	(2,584,005)	(3,437)	(3,680,451)	19,973	(9,815,278)	(125,923)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale and maturities of investment securities	3,877,978	4,109,923	650,244	4,578,601	1,230,846	14,447,592	2,403,542
Purchase of investments	(5,390)	(3,435)	(689)	(5,432)	(1,269)	(16,215)	(135,322)
Return of investment	-	122,307	-	-	-	122,307	-
Interest and dividends on investments	143,532	502,834	8,765	70,760	150,543	876,434	27,970
Collections on loans	87,400	1,219,800	-	-	-	1,307,200	-
Net cash provided by investing activities	4,103,520	5,951,429	658,320	4,643,929	1,380,120	16,737,318	2,296,190
Net change in cash and cash equivalents	9,087,565	2,254,432	689,942	7,121,284	1,183,551	20,336,774	1,988,926
Cash and cash equivalents - beginning	6,101,847	3,137,888	849,476	6,451,942	1,578,660	18,119,813	2,880,191
Cash and cash equivalents - ending	\$ 15,189,412	\$ 5,392,320	\$ 1,539,418	\$ 13,573,226	\$ 2,762,211	\$ 38,456,587	\$ 4,869,117
Classified as							
Current assets	\$ 9,707,922	\$ 1,261,694	\$ 1,199,091	\$ 10,591,387	\$ 2,711,924	\$ 25,472,018	\$ 4,869,117
Restricted assets	5,481,490	4,130,626	340,327	2,981,839	50,287	12,984,569	-
Total	\$ 15,189,412	\$ 5,392,320	\$ 1,539,418	\$ 13,573,226	\$ 2,762,211	\$ 38,456,587	\$ 4,869,117

Continued

	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)	\$ 6,608,346	\$ (2,919,955)	\$ (67,127)	\$ (6,483,394)	\$ (226,523)	\$ (3,088,653)	\$ 161,085	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities								
Depreciation	2,854,369	1,779,273	34,304	3,537,301	12,857	8,218,104	113,536	
Amortization	32,829	6,266	-	9,307	-	48,402	-	
(Increase) decrease in assets								
Accounts receivable	(207,292)	(12,673)	236,453	(726,779)	368	(709,923)	(381,374)	
Prepaid expenses	(388,623)	-	-	(403,464)	-	(792,087)	735,750	
Inventory	2,713	-	-	-	-	2,713	-	
Due from other funds	45,333	12,127	(16,018)	23,337	3,022	67,801	17,735	
Due from other governments	(80,395)	(163,027)	-	(22)	(6,975)	(250,419)	(1,942)	
Increase (decrease) in liabilities								
Accounts payable and accrued liabilities	48,160	216,947	(126,683)	2,893,168	(43,595)	2,987,997	195,730	
Deferred revenue	-	-	-	6,485,073	-	6,485,073	(36,944)	
Due to other funds	7,305	(16,312)	(25,870)	(21,113)	345	(55,645)	(1,018,539)	
Due to other governments	-	(90,750)	-	-	(3,109)	(93,859)	-	
Customer deposits	-	26,709	-	(4,298)	(109,005)	(86,594)	-	
Accrued compensated absences	(3,098)	13,481	-	3,316	(10,839)	2,860	(22,752)	
Net OPEB obligation	22,784	34,922	-	25,917	24,977	108,600	42,802	
Landfill postclosure liability	-	-	-	503,964	-	503,964	-	
Total adjustments	2,334,085	1,806,963	102,186	12,325,707	(131,954)	16,436,987	(355,998)	
Net cash provided by (used in) operating activities	\$ 8,942,431	\$ (1,112,992)	\$ 35,059	\$ 5,842,313	\$ (358,477)	\$ 13,348,334	\$ (194,913)	

Bay County, Florida
Statement of Fiduciary Net Assets
Agency Funds
September 30, 2012

ASSETS

Cash and cash equivalents	\$ 7,354,199
Investments	58,299
Accounts receivable, net	24,577
<hr/>	
Total assets	\$ 7,437,075
<hr/>	

LIABILITIES

Accounts payable and accrued liabilities	\$ 2,818,415
Due to others	54,123
Due to other governments	4,564,537
<hr/>	
Total liabilities	\$ 7,437,075
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The accompanying notes are an integral part of the basic financial statements

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.

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Because the County appoints a voting majority and is able to impose its will on and is obligated to provide specific financial benefits to the Council, the Council is considered a component unit and the discrete presentation method has been used to report the Council's financial position and results of operations.

Blended Component Units

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. There are no blended component units included in the County's financial reporting entity.

Measurement Focus and Basis of Accounting

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. The County eliminates indirect expenses between governmental activities to avoid duplicating revenues and expenditures. Direct expenses are not eliminated from the various functional categories.

Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statement includes financial information for the agency fund. The agency funds of the County primarily represent assets held by the County in a custodial capacity for other individuals or governments.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds

The County’s enterprise funds and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

GASB 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 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. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

Governmental Major Funds

General Fund – The general fund is the general operating fund of the County. It is used to account for all financial resources, except those accounted for in another fund.

Tourist Development Fund – The tourist development fund is used to account for the local option 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, bridge and stormwater departments. Financing is provided principally by ad valorem taxes, gasoline taxes and stormwater assessment. Effective fiscal year 2012, activity previously recorded in the stormwater management fund was collapsed into this fund.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgets

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

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 equal to the value of the pool shares. 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. 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and Poor's and an "AAA" credit rating which is the highest credit rating issued by Standard and Poor's.

Management has adhered to the County's investment policy requirements to monitor such investment activity on a periodic basis.

The articles of incorporation and the by-laws of the Panama City Beach Convention and Visitors Bureau, Inc. (Bureau) do not include investment policies. The Bureau had no investment activity in the current year.

The articles of incorporation and the by-laws of the Mexico Beach Community Development Council, Inc. (Council) do not include investment policies. The Council had no investment activity in the current year.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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, 2012 and 2011, 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, 2012, management estimates that the allowance for uncollectible accounts receivable is \$53,332.

Prepaid Items

Certain payments to vendors for goods or services that will benefit periods beyond September 30, 2012, are recorded as prepaid items or expenses depending on the statement and fund type.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 government-wide financial statements. Capital assets are defined by the County as computers with an individual cost of \$600 or more and other assets with an 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Buildings	20-50 Years
Improvements	20-50 Years
Utility Plants	35-50 Years
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, 2012, no interest costs were capitalized.

Unamortized Bond Costs

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

Unamortized Bond Discounts

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

Deferred Revenues

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 post-closure maintenance over the active life of each landfill area, based on landfill capacity used during the period. Required obligations for closure and post-closure 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.

Accrued Compensated Absences

It is the County's policy to grant employees who resign or retire payment of annual leave earned up to 240 hours and 318 hours, depending upon type of employment. The annual leave 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance classifications are defined below.

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, 2012, is \$865,510.

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, 2012, is \$49,440,926.

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, 2012.

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, 2012, \$16,258,933.

Unassigned – This category is the residual classification for County's fund balances. The unassigned fund balance as of September 30, 2012, is \$2,701,478.

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.

Date of Management's Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 22, 2013, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2011 financial statement presentation to conform to the 2012 presentation.

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

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(94,202,991) difference are as follows:

Bonds payable	\$ (79,809,000)
Less: deferred charge on refunding (to be amortized as interest expense)	467,104
Less: deferred charge for issuance costs (to be amortized over life of debt)	1,136,856
Plus: issuance premium (to be amortized as interest expense)	(668,323)
Accrued interest payable	(268,419)
Capital leases payable	(87,472)
Net OPEB obligation	(11,588,418)
Compensated absences	(3,385,319)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ (94,202,991)

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 \$255,853,759 difference are as follows:

Cost of capital assets	\$ 453,717,122
Less: accumulated depreciation	(197,863,363)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 255,853,759

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 \$(1,408,209) difference are as follows:

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

Capital outlay	\$ 11,492,329
Depreciation expense	(12,900,538)
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>	\$ (1,408,209)

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 \$(555,143) 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.	\$ (990,091)
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.	434,948
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>	\$ (555,143)

Another element of that reconciliation states, "the issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$3,000,950 difference are as follows:

Principal repayments:	
Bonds	\$ 3,010,000
Capital leases	47,072
Amortization of deferred charge on refunding	33,566
Amortization of issuance costs	(65,799)
Amortization of bond premium	(23,889)
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>	\$ 3,000,950

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 \$(2,465,711) difference are as follows:

OPEB expense	\$ (2,416,709)
Compensated absences	(53,268)
Accrued interest	4,266
<hr/>	
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>	\$ (2,465,711)

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-23 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-21:

NOTE 3 – BUDGETS (Continued)

	Actual Amounts Budgetary Basis	GAAP to Budget Differences Over (Under)	Actual Amounts GAAP Basis
REVENUES			
Taxes	\$ 50,472,827	\$ -	\$ 50,472,827
Licenses and permits	3,565	-	3,565
Intergovernmental	18,065,571	456,942	18,522,513
Charges for services	8,977,961	166,384	9,144,345
Fines and forfeitures	179,329	-	179,329
Special assessments	-	44,481	44,481
Investment earnings	271,859	13,639	285,498
Contributions and donations	2,755	27,724	30,479
Miscellaneous	1,118,527	35,275	1,153,802
Total revenues	79,092,394	744,445	79,836,839
EXPENDITURES			
Current			
General government	14,580,975	-	14,580,975
Public safety	42,225,062	-	42,225,062
Physical environment	208,274	12,372	220,646
Economic environment	8,237,514	-	8,237,514
Human services	4,011,449	-	4,011,449
Culture and recreation	1,476,793	2,755,358	4,232,151
Capital outlay			
General government	785,577	-	785,577
Public safety	949,198	-	949,198
Physical environment	4,611	-	4,611
Culture and recreation	1,635,961	-	1,635,961
Debt service			
Principal	1,837,262	8,683	1,845,945
Interest and fiscal charges	2,968,871	45	2,968,916
Total expenditures	78,921,547	2,776,458	81,698,005
Excess (deficit) of revenues over (under) expenditures	170,847	(2,032,013)	(1,861,166)
OTHER FINANCING SOURCES (USES)			
Transfers out	(5,586,681)	1,784,651	(3,802,030)
Payment to refunded bond escrow agent	(350)	-	(350)
Proceeds from sale of capital assets	593,427	-	593,427
Total other financing sources (uses)	(4,993,604)	1,784,651	(3,208,953)
Net change in fund balance	(4,822,757)	(247,362)	(5,070,119)
Fund balance – beginning	28,475,127	(567,274)	27,907,853
Fund balance - ending	\$ 23,652,370	\$ (814,636)	\$ 22,837,734

NOTE 4 – RESTRICTED ASSETS

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

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 12,893,756	\$ 12,984,569	\$ 25,878,325
Investments	3,632,278	2,357,210	5,989,488
Total	\$ 16,526,034	\$ 15,341,779	\$ 31,867,813

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater	Solid Waste	Building Services	Total
Customer deposits	\$ 20,526	\$ -	\$ 447,924	\$ 100,000	\$ 85,666	\$ 50,287	\$ 704,403
Accrued interest payable	268,419	175,860	83,186	-	57,822	-	585,287
Current maturities of bonds	173,250	130,417	-	-	161,666	-	465,333
Payable from restricted assets	\$ 462,195	\$ 306,277	\$ 531,110	\$ 100,000	\$ 305,154	\$ 50,287	\$ 1,755,023

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.

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:

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

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

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

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.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Auction Rate Securities rated AAA/aaa.

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, 2012, 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)
Florida Local Governments Investment Trust	\$ 5,990,422	\$ 5,990,422	24.96	AAAf
Local Government Surplus Funds Trust				
Fund Pool (PRIME)	17,597,990	17,597,990	1.3	AAAm
Local Government Investment Pool Fund B	652,819	652,819	48.96	*
Total investments	\$ 24,241,231	\$ 24,241,231		

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

As of September 30, 2012, the County had investments for general and agency funds on deposit in a 2a7-like pool in the amount of \$18,250,809 with the Florida State Board of Administration.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments are stated at fair value. There are two options for accounting and reporting for money market investment pools as either “2a-7 like” or fluctuating net asset value (“NAV”). A “2a-7 like” pool is described 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), is considered to be a SEC 2a-7 like fund and therefore shown at share value. In addition, the County invests funds in Fund B Surplus Trust Fund, which is also administered by the Florida State Board of Administration. The Fund B is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2012, was 0.94896811. 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, 2012.

NOTE 6 – PROPERTY TAXES

Property tax revenue is recognized when received. The property tax calendar is as follows:

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

NOTE 7 – NOTES RECEIVABLE

Notes receivable recorded by the County at September 30, 2012, 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.

	\$	236,870
Total notes receivable – governmental funds	\$	236,870

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%.

\$ 12,636,217

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.

1,060,010

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.

168,987

Total notes receivable – enterprise funds	\$	13,865,214
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NOTE 8 – CAPITAL ASSETS

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

	September 30, 2011	Increases	Decreases	September 30, 2012
Capital assets, not being depreciated				
Land	\$ 19,009,354	\$ 36,377	\$ (148,632)	\$ 18,897,099
Construction in progress	25,596,197	5,274,685	(27,118,952)	3,751,930
Total capital assets, not being depreciated	44,605,551	5,311,062	(27,267,584)	22,649,029
Capital assets, being depreciated				
Books	2,076,500	243,628	-	2,320,128
Buildings and improvements	129,360,078	6,184,052	(955,459)	134,588,671
Furniture and equipment	48,252,602	3,587,873	(2,464,444)	49,376,031
Infrastructure	223,472,336	23,845,775	-	247,318,111
Total capital assets, being depreciated	403,161,516	33,861,328	(3,419,903)	433,602,941

NOTE 8 – CAPITAL ASSETS (Continued)

Less accumulated depreciation

Books	\$ (1,619,533)	\$ (242,600)	\$ -	\$ (1,862,133)
Buildings and improvements	(21,955,069)	(2,971,844)	324,245	(24,602,668)
Furniture and equipment	(35,005,475)	(3,954,506)	2,254,344	(36,705,637)
Infrastructure	(130,237,590)	(5,845,124)	-	(136,082,714)
Total accumulated depreciation	(188,817,667)	(13,014,074)	2,578,589	(199,253,152)
Total capital assets, being depreciated, net	214,343,849	20,847,254	(841,314)	234,349,789
Total governmental-type activities capital assets, net	\$ 258,949,400	\$ 26,158,316	\$ (28,108,898)	\$ 256,998,818

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2012:

	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	1,447,648	907,414	129,431	5,809,721	452,773	8,746,987
Infrastructure	106,558,163	30,681,313	10,553,043	86,909,604	-	234,702,123
Construction in progress	427,694	-	-	48,299	-	475,993
Total	111,159,421	36,312,171	10,817,176	94,402,199	452,773	253,143,740
Less accumulated depreciation						
Buildings	(1,995,080)	(2,245)	(92,662)	(324,637)	-	(2,414,624)
Improvements	(82,379)	(1,092)	-	(41,250)	-	(124,721)
Furniture and equipment	(1,078,484)	(442,208)	(93,013)	(2,444,325)	(442,102)	(4,500,132)
Infrastructure	(40,831,244)	(8,703,152)	(9,892,321)	(15,277,189)	-	(74,703,906)
Total accumulated depreciation	(43,987,187)	(9,148,697)	(10,077,996)	(18,087,401)	(442,102)	(81,743,383)
Business-type activities capital assets, net	\$67,172,234	\$ 27,163,474	\$ 739,180	\$76,314,798	\$ 10,671	\$ 171,400,357

	September 30, 2011	Increases	Decreases	September 30, 2012
Capital assets, not being depreciated				
Land	\$ 5,727,643	\$ -	\$ -	\$ 5,727,643
Construction in progress	693,986	48,299	(266,292)	475,993
Total capital assets, not being depreciated	6,421,629	48,299	(266,292)	6,203,636
Capital assets, being depreciated				
Buildings	3,354,081	-	-	3,354,081
Improvements	136,913	-	-	136,913
Furniture and equipment	8,335,241	900,109	(488,363)	8,746,987
Infrastructure	231,761,492	2,984,158	(43,527)	234,702,123
Total capital assets, being depreciated	243,587,727	3,884,267	(531,890)	246,940,104

NOTE 8 – CAPITAL ASSETS (Continued)

Less accumulated depreciation

Buildings	\$ (2,332,562)	\$ (82,062)	\$ -	\$ (2,414,624)
Improvements	(122,858)	(1,863)	-	(124,721)
Furniture and equipment	(4,117,806)	(837,195)	454,869	(4,500,132)
Infrastructure	(67,433,902)	(7,296,984)	26,980	(74,703,906)
Total accumulated depreciation	(74,007,128)	(8,218,104)	481,849	(81,743,383)
Total capital assets, being depreciated, net	169,580,599	(4,333,837)	(50,041)	165,196,721
Total business-type activities capital assets, net	\$ 176,002,228	\$ (4,285,538)	\$ (316,333)	\$ 171,400,357

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

Governmental activities	
General government	\$ 1,927,866
Public safety	3,293,340
Physical environment	249,179
Transportation	5,210,063
Economic environment	805,614
Human services	120,842
Culture and recreation	1,293,634
Internal service funds	113,536
Total depreciation expense - governmental activities	\$ 13,014,074

Business-type activities	
Wholesale water system	\$ 2,854,369
Retail water and wastewater	1,779,273
Industrial wastewater	34,304
Solid waste	3,537,301
Building services	12,857
Total depreciation expense - business-type activities	\$ 8,218,104

NOTE 9 – CAPITAL LEASES

The County has entered into lease agreements to finance 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:

Equipment	\$ 152,415
Total	152,415
Less: accumulated depreciation	(41,272)
Net	\$ 111,143

NOTE 9 – CAPITAL LEASES (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, are as follows:

Year Ending September 30,		
2013	\$	37,744
2014		34,161
2015		28,132
Total minimum lease payments		100,037
Less amount representing interest		(12,565)
Present value of minimum lease payments		\$ 87,472

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, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. 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 4.42% October 1, 2011 through June 30, 2012 and 5.44% July 1 through September 30, 2012.

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, 2012, 2011, and 2010 were \$3,559,782, \$5,888,773, and \$6,905,918, 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, 2012, were \$1,203,800.

NOTE 10 – 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 Investment Plan is funded through employee and employer contributions. Rates effective for October 1, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$469,542 and \$219,130, 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 1,147 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.

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

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.

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	\$ 492.01	\$ 450.77	\$ 344.54	\$ 473.05	\$ 464.81
Retiree and Spouse or Retiree and Child(ren)	\$ 1,267.32	\$ 1,163.05	\$ 888.96	\$ 1,241.25	\$ 1,160.28
Retiree -Family	\$ 1,697.07	\$ 1,532.92	\$ 1,209.25	\$ 1,523.92	\$ 1,510.96

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

Coverage	Blue Options Family 1351
Retiree	\$ 396.41
Retiree and Spouse	\$ 961.60

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 \$387,574 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

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

Annual OPEB Cost and Net OPEB Obligation

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

Description	Total
Normal cost (service cost for one year)	\$ 1,970,353
Amortization of unfunded actuarial accrued liability	1,153,484
Interest on normal cost and amortization	-
Annual required contribution	3,123,837
Interest on net OPEB obligation	393,486
Adjustment to annual required contribution	(561,268)
Annual OPEB cost (expense)	2,956,055
Contribution toward the OPEB cost	(387,574)
Increase in net OPEB obligation	2,568,481
Net OPEB obligation, beginning of year	9,575,921
Net OPEB obligation, end of year	\$ 12,144,402

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, 2012, was as follows:

Year ended September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 2,594,987	13.48%	\$ 7,311,843
2011	\$ 2,682,323	15.59%	\$ 9,575,921
2012	\$ 2,956,055	13.11%	\$ 12,144,402

Funding Status and Funding Progress

As of September 30, 2012, the actuarial value of assets was \$0 and the actuarial accrued liability for benefits was \$20,052,594, resulting in an unfunded actuarial accrued liability (UAAL) of \$20,052,594 and a funded ratio of 0%. The covered payroll was \$44,187,397, and the ratio of the UAAL to the covered payroll was 45.38%. 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, 2012. 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.

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

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

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial liability was determined for the County using the projected unit credit cost method and the entry age actuarial cost method for the Sheriff. These methods are used to estimate the actuarial liabilities and costs. These methods were selected because it produced the best estimate of the OPEB liability and annual cost for each group of County employees. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4% and 4.5% rate of return on investments for the Sheriff and County, respectively. The actuarial assumptions also include an annual healthcare cost trend rate. For the County, the rate for 2012 is 6.6%. It is reduced each year reaching a future year's rate of 4.7%. For the Sheriff, the 2012 rate is 7.3%. It is reduced each year reaching a future year's rate of 5.0%. The inflation rate assumption used for the Sheriff and the County was 3% and 2.75%, respectively. For both valuations, 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, 2011	Additions	Deductions	Balance September 30, 2012	Due Within One Year
Bonds payable	\$ 82,819,000	\$ -	\$ (3,010,000)	\$ 79,809,000	\$ 2,079,000
Adjusted for deferred amounts on:					
Issuance discounts/premiums	701,891	-	(33,568)	668,323	-
Refunding	(490,993)	-	23,889	(467,104)	-
Total bonds payable	83,029,898	-	(3,019,679)	80,010,219	2,079,000
Capital leases payable	134,544	-	(47,072)	87,472	31,222
Other postemployment benefits	9,274,307	2,459,511	-	11,733,818	-
Accrued compensated absences	3,462,448	845,772	(815,256)	3,492,964	806,641
Estimated liability for self-insured losses	4,346,931	520,484	(389,410)	4,478,005	481,949
Governmental activity long-term liabilities	\$ 100,248,128	\$ 3,825,767	\$ (4,271,417)	\$ 99,802,478	\$ 3,398,812

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

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, 2012:

Sales Tax Revenue Bonds, Series 2006

Authorized and issued \$38,215,000, interest from 4.0% to 5.0%, principal payable annually on September 1, commencing September 1, 2007, interest payable semi-annually on September 1 and March 1, commencing on March 1, 2006.

The bonds are special obligations of the County and are payable solely from and secured on parity equally and ratably with the Bay County, Florida Sales Tax Revenue Bonds, Series 1998 and Bay County, Florida Sales Tax Revenue Bonds, Series 2002 by a prior lien and pledge of a) the proceeds of the local government half-cent sales tax distributed to the County pursuant to Chapter 218, Part VI, Florida Statutes, and b) until applied in accordance with the provisions of Resolution No. 2123, all moneys, including investments thereof, in certain funds and accounts established under the resolution.

The Series 2006 Bonds were issued primarily to provide funds to construct an addition to the County's criminal justice facility.

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, 2012, totaled \$67,459,085. Annual principal and interest payments paid on the bond required 19.6% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$1,943,385 and \$9,916,743, respectively. \$ 37,755,000

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.

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

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

The bonds are special obligations of the County and are payable solely from and secured on parity equally and ratably with the Bay County, Florida Sales Tax Revenue Bonds, Series 1998, Bay County, Florida Sales Tax Revenue Bonds, Series 2002, and Bay County, Florida Sales Tax Revenue Bonds, Series 2006 by a prior lien and pledge 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, 2012, totaled \$22,755,049. Annual principal and interest payments paid on the bond required 7.0% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$697,044 and \$9,916,743, respectively.

\$ 15,075,000

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 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 \$2,020,597.

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

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, 2012, totaled \$30,308,957. Interest payments paid on the bond required 3.56% of non-ad valorem revenue. Interest payments paid for the current year and non-ad valorem revenue were \$2,033,857 and \$57,069,264, respectively.

\$ 24,762,000

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 \$199,747.

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, 2012, totaled \$2,796,464. Interest payments paid on the bond required 0.35% of non-ad valorem revenue. Interest payments paid for the current year and non-ad valorem revenue were \$199,284 and \$57,069,264, respectively. No principal payments were made on this bond in the current year.

	2,217,000
Total bonds payable – governmental activities	79,809,000
Less: current portion	(2,079,000)
Long-term portion governmental activities bonds payable	\$ 77,730,000

The annual debt service requirements to maturity for the governmental activities revenue bonds payable at September 30, 2012, are as follows:

Year ending September 30,	Principal	Interest	Total
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	2,347,000	2,954,021	5,301,021
2018-2022	12,892,000	13,604,552	26,496,552
2023-2027	28,597,000	10,448,834	39,045,834
2028-2032	27,265,000	4,008,865	31,273,865
Total	\$ 79,809,000	\$ 43,510,555	\$ 123,319,555

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

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the County to rebate excess arbitrage earnings from bond proceeds to the federal government. As of September 30, 2012, there was no arbitrage liability for governmental activities.

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

Notes payable in the enterprise funds at September 30, 2012, 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. \$ 5,247,666

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. 1,763,553

Total notes payable-enterprise funds	7,011,219
Less: current portion	(986,471)
Long-term portion of enterprise funds notes payable	\$ 6,024,748

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

Year ending September 30,	Principal	Interest	Total
2013	\$ 986,471	\$ 167,523	\$ 1,153,994
2014	987,912	166,082	1,153,994
2015	1,016,436	137,558	1,153,994
2016	1,045,785	108,209	1,153,994
2017	1,075,981	78,013	1,153,994
2018-2020	1,898,634	63,649	1,962,283
Total	\$ 7,011,219	\$ 721,034	\$ 7,732,253

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

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	\$ 1,565,000	\$ 297,500	\$ 1,940,000	\$ -	\$ 3,802,500
Long-term portion	41,710,000	5,327,500	22,665,000	29,545,000	99,247,500
	43,275,000	5,625,000	24,605,000	29,545,000	103,050,000
Deferred amounts on:					
Issuance (discounts)					
and premiums	1,635,330	-	-	-	1,635,330
Refunding	-	-	(1,430,921)	467,761	(963,160)
Total bonds payable	\$ 44,910,330	\$ 5,625,000	\$ 23,174,079	\$ 30,012,761	\$ 103,722,170

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 \$520,447. Bay County is liable for one half of the total obligation.

\$ 5,625,000

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 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.

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

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 \$2,632,874.

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, 2012, totaled \$28,961,618. Annual principal and interest payments on the bond required 4.61% 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 \$2,632,018 and \$57,069,264 respectively. \$ 24,605,000

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 \$2,705,0000 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 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 \$2,146,268.

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 \$40,779,082. No principal payments were made on this bond as of September 30, 2012. Interest payments paid for the current year were \$1,009,257. The annual interest payment required 210.44% of the net revenues derived from the water system, connection fees, and allowable deposits of \$479,587. 29,545,000

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

Water System Revenue Refunding Bonds – Series 2005

On April 28, 2005 the County issued \$46,985,000 of Water System Revenue Refunding Bonds – Series 2005 at a premium of \$2,308,756. The proceeds of the bonds were used to partially refund the outstanding Water System Refunding Revenue Bonds – Series 1997 (refunded \$14,275,000) and Water System Revenue Bonds – Series 2000 (refunded \$31,520,000), and to pay the cost of issuing the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,425,281. This difference is reported as a deferred amount on refunding. The County completed the refunding to reduce its debt service payments over 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 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 \$3,674,213.

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, 2012, totaled \$66,135,825. Annual principal and interest payments on the bond required 36.64% 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 \$3,676,078 and \$10,032,421, respectively.

	\$ 43,275,000
Total bonds payable – business-type activities	103,050,000
Less: current portion	(3,802,500)
Long-term portion of business-type activities bonds payable	\$ 99,247,500

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

The annual debt service requirements to maturity for bonds payable at September 30, 2012, are as follows:

Year ending September 30,	Principal	Interest	Total
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	5,732,500	3,348,825	9,081,325
2018-2022	32,075,000	13,291,533	45,366,533
2023-2027	27,192,500	7,085,678	34,278,178
2028-2031	18,280,000	1,598,260	19,878,260
Total	\$ 103,050,000	\$ 40,633,232	\$ 143,683,232

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012	Due Within One Year
Bonds payable	\$ 106,737,500	\$ -	\$ (3,687,500)	\$ 103,050,000	\$ 3,802,500
Adjusted for deferred amounts on:					
Issuance discounts/premiums	1,726,766	-	(91,436)	1,635,330	-
Refunding	(1,069,511)	-	106,351	(963,160)	-
Total bonds payable	107,394,755	-	(3,672,585)	103,722,170	3,802,500
Notes payable	7,943,518	-	(932,299)	7,011,219	986,471
Other post-employment benefits	301,612	108,600	-	410,212	-
Accrued compensated absences	290,593	165,037	(162,177)	293,453	145,505
Landfill closure and post-closure liability	8,009,297	503,964	-	8,513,261	-
Business-type activity- long-term liabilities	\$ 123,939,775	\$ 777,601	\$ (4,767,061)	\$ 119,950,315	\$ 4,934,476

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, 2012, there was no arbitrage liability for business-type activities.

NOTE 14 – COMPENSATED ABSENCES

The County's compensated absences at September 30, 2012, are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 806,641	\$ 145,505	\$ 952,146
Long-term	2,686,323	147,948	2,834,271
Total	\$ 3,492,964	\$ 293,453	\$ 3,786,417

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, 2012, were as follows:

Transfer Out	Transfer In		
General fund	Transportation fund	\$ 3,300,000	
	Other nonmajor governmental funds	452,030	
	Builder service fund	50,000	
		<u> </u>	\$ 3,802,030
Transportation fund	Internal service funds	13,572	
		<u> </u>	13,572
Solid waste fund	Wholesale water system fund	907	
		<u> </u>	907
		<u> </u>	<u>\$ 3,816,509</u>

At September 30, 2012, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund		
General fund	Other nonmajor governmental funds	\$ 16,966	
	Internal service funds	5,572	
		<u> </u>	\$ 22,538
Transportation fund	General fund	1,500	
	Other nonmajor governmental funds	275	
	Solid waste fund	290	
	Internal service funds	15,052	
		<u> </u>	17,117
Tourist Development fund	General fund	191,009	
		<u> </u>	191,009
Other nonmajor governmental funds	General fund	4,500	
	Transportation fund	11,295	
	Builder service fund	1,200	
	Internal service funds	5,346	
		<u> </u>	22,341
Wholesale water system fund	General fund	1,500	
	Industrial wastewater fund	750	
	Internal service funds	6,112	
		<u> </u>	8,362
Retail water and wastewater fund	Internal service funds	4,938	
		<u> </u>	4,938
Industrial wastewater fund	Internal service funds	18,430	
		<u> </u>	\$ 18,430

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

Solid waste fund	General fund	\$ 1,000	
	Internal service funds	<u>7,481</u>	
			\$ 8,481
Builder service fund	General fund	8,850	
	Transportation fund	2,775	
	Internal service funds	<u>6,600</u>	
			18,225
Internal service funds	General fund	81,635	
	Transportation fund	175,167	
	Other nonmajor governmental funds	22,717	
	Wholesale water system fund	17,997	
	Retail water and wastewater fund	16,103	
	Industrial wastewater fund	11,381	
	Solid waste fund	20,889	
	Builder service fund	1,738	
	Internal service funds	<u>1,114</u>	
			<u>348,741</u>
			\$ <u>660,182</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, 2012, this advance is expected to be repaid by the wholesale water system within five years. The balance of this advance as of September 30, 2012, was \$2,063,714.

An interfund advance was made to the MSTU fire protection fund from the builder service fund in 2012 to provide funds for operations. This advance is expected to be repaid within five years. The balance of this advance as of September 30, 2012, was \$300,000.

NOTE 16 – FUND BALANCE

The detail related to fund balance classifications for governmental funds as of September 30, 2012, consist of the following:

Detail for Fund Balance	General	Transportation	Tourist Development	Nonmajor Governmental	Total
Nonspendable					
Not in spendable form for prepaids	\$ 265,846	\$ 233,614	\$ -	\$ 366,050	\$ 865,510
Total Nonspendable	\$ 265,846	\$ 233,614	\$ -	\$ 366,050	\$ 865,510

NOTE 16 – FUND BALANCE (Continued)

Detail for Fund Balance	General	Transportation	Tourist Development	Nonmajor Governmental	Total
Restricted					
Enabling legislation	\$ 3,433,609	\$ 3,164,894	\$ 29,278,161	\$ 4,343,645	\$ 40,220,309
Debt service	6,315,534	-	-	509,695	6,825,229
Impact fees	2,325,461	-	-	69,927	2,395,388
Total Restricted	\$ 12,074,604	\$ 3,164,894	\$ 29,278,161	\$ 4,923,267	\$ 49,440,926
Assigned					
For use of year end cash carry forward	\$ 6,284,873	\$ -	\$ -	\$ -	\$ 6,284,873
For disaster cleanup	1,000,000	-	-	-	1,000,000
For library	441,303	-	-	-	441,303
For neighborhood infrastructure and improvements	55,638	-	-	-	55,638
For utility regulatory authority	220	-	-	-	220
For purpose of special revenue fund	-	7,904,408	-	572,491	8,476,899
Total Assigned	\$ 7,782,034	\$ 7,904,408	\$ -	\$ 572,491	\$ 16,258,933

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 \$1,659,729. 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, 2012, the Majette Landfill has completed the required maintenance and monitoring for financial assurance.

Management currently estimates that the cost to close the Steelfield Landfill will be approximately \$3,358,223 and the post-closure costs to maintain and monitor the Steelfield landfill will be approximately \$183,084 per year. Although closure and post-closure 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 post-closure 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 post-closure care at September 30, 2012, in the amount of \$8,513,261. See note 13 for disclosure of the changes in this estimated liability.

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

These amounts are based on what it would cost to perform all closure and post-closure care in 2012. 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 post-closure care. The County was in compliance with these requirements and at September 30, 2012, \$3,229,468 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 post-closure 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, 2012, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway's portion of note payable	\$ 5,247,666
Related interest expense	524,464
Wastewater System Revenue Refunding Bonds Series 2004 (see note 13)	5,625,000
Related interest expense	2,181,706
Total contingent liability – joint venture	\$ 13,578,836

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	\$ 919,475	\$ 149,707	\$ 769,768
Bay County Jail Roof	1,096,997	33,490	1,063,507
Total contract commitments	\$ 2,016,472	\$ 183,197	\$ 1,833,275

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, 2012, are summarized as follows:

Issue	Date of Issue	Amount Outstanding September 30, 2012
Bay County, Florida Educational Facilities Revenue Bonds (Bay Haven Charter Academy) Series 2010 A & B	March 8, 2011	\$ 11,575,000

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, 2012. 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.

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 \$4,478,005 reported in the workers' compensation fund at September 30, 2012, is based on the requirements of GASB, 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 2011 and 2012 were as follows:

Fiscal Year	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
October 1, 2010 – September 30, 2011	\$ 4,279,972	\$ 633,333	\$ (566,374)	\$ 4,346,931
October 1, 2011 – September 30, 2012	\$ 4,346,931	\$ 520,484	\$ (389,410)	\$ 4,478,005

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 GASB.

Changes in the self-insurers' fund's claims liability amount in fiscal years 2011 and 2012 were as follows:

Fiscal Year	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
October 1, 2010 – September 30, 2011	\$ 250,000	\$ 1,842,853	\$ (1,842,853)	\$ 250,000
October 1, 2011 – September 30, 2012	\$ 250,000	\$ 1,970,688	\$ (1,970,688)	\$ 250,000

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

NOTE 21 – JOINT VENTURE

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

The joint venture is owned and governed by Bay County, Florida; and the cities of Callaway, Parker, and Springfield. One owner is selected by the others to be responsible for operating the System. The owner designated to be the Operator is Bay County, Florida. The Operator of the System, in accordance with the interlocal agreement, prepares the system's annual budget, sets treatment rates and collects funds sufficient to pay debt service, cost of operations and maintenance, renewal and replacement, and any enhancements to reserves. The results of operations and cash flows are accounted for in total within the financial statements of the joint venture. The County's interest in equity is reported within the County's Retail Water and Wastewater Fund. As of September 30, 2012, the County's investment in the joint venture was \$1,863,432. 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, 2012

Assets	\$ 36,239,022
Liabilities	\$ 23,020,171
Net assets	
Invested in capital assets, net of related debt	5,900,195
Restricted for owners rate reserve	2,636,953
Restricted for debt service	3,466,400
Unrestricted	1,215,303
Total net assets	13,218,851
Total liabilities and net assets	\$ 36,239,022

NOTE 21 – JOINT VENTURE (Continued)

Statement of Activities Year Ended September 30, 2012	
Revenues	\$ 6,699,242
Expenses	(4,097,312)
Operating income	2,601,930
Nonoperating revenues (expenses), net	(898,404)
Income before distributions	1,703,526
Distributions to owners	(361,732)
Change in net assets	1,341,794
Net assets, beginning of year	11,877,057
Net assets, end of year	\$ 13,218,851

As of September 30, 2012, the County's portion of contributions and net assets in the joint venture is as follows:

County investment, at September 30, 2011	\$ 1,600,739
Add: 2012 County share of net income	710,660
Less: 2012 distributions payable	(122,307)
2012 other adjustments	(325,660)
County investment in joint venture at September 30, 2012	\$ 1,863,432

NOTE 22 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2012, the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2012, billings for these services totaled \$1,751,586.

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 \$1,500,020 for the year ended September 30, 2012. In addition, during the current year the County recognized \$478,821 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$478,821, related to the State Revolving Fund Loan Program as discussed in note 13.

NOTE 23 – ASSET IMPAIRMENT

On February 12, 2012, the County's incinerator facility sustained significant damage due to a fire and was impaired. The cost to restore the facility includes repairs, replacements and a provision for building code upgrades. The repairs are not expected to be complete until fiscal year 2013. As such, both the final insurance proceeds and the total costs to repair, replace and upgrade are not known at the time of issuance of these financial statements. Therefore, the final impairment gain or loss cannot be computed. As of September 30, 2012, insurance proceeds and an asset impairment of \$13,276,274 were recognized related to the incinerator fire. In addition, \$6,485,073 is reported as deferred revenue in the Solid Waste Fund until the final information is known. There is also a claim for a business interruption loss that has been requested. The total amount of business interruption loss amount has not been determined. As of September 30, 2012, business interruption loss amount received was \$2,254,833.

NOTE 24 – SUBSEQUENT EVENTS

Transfer of Industrial Wastewater Facility

In September 2012, the County approved the transfer to RockTenn the responsibility for the operation, permits, costs and liabilities associated with the operation of the industrial wastewater facility. The anticipated date of the transfer is early January 2013. The County currently operates the facility, which receives and treats processed wastewater generated by RockTenn's Panama City, Florida pulp and paper mill and Arizona Chemical Company's chemical manufacturing plant in Panama City, Florida. The facility also serves as the emergency backup for the County's advanced wastewater treatment plant (AWT). The current costs of operating the facility are shared on a proportional basis between RockTenn and Arizona Chemical. Once the transfer is completed the County will no longer maintain the industrial wastewater fund.

Debt Issuance for Courthouse Addition

On December 7, 2012, Bay County closed on the \$13,700,000, 2012 Capital Improvement Revenue Note, issued to construct an addition to the Bay County Courthouse. The 3 story, 40,000 square foot addition, will include courtrooms and chambers, as well as, additional office space needed by the judiciary for administrative staff. The new addition will join the existing courthouse via a secure walkway connection.

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REQUIRED SUPPLEMENTARY INFORMATION

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, 2010	-	\$ 16,535,173	\$ 16,535,173	0.0%	\$ 44,435,453	37.21%
September 30, 2011	-	\$ 16,942,232	\$ 16,942,232	0.0%	\$ 44,562,220	38.02%
September 30, 2012	-	\$ 20,052,594	\$ 20,052,594	0.0%	\$ 44,187,397	45.38%

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
2010	\$ 349,746	\$ 2,675,161	13.07%
2011	\$ 418,247	\$ 2,797,203	14.95%
2012	\$ 387,574	\$ 3,123,837	12.41%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

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.

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.

	Public Safety	Intergovernmental Radio Communications	District Mosquito Control	MSTU Fire Protection
ASSETS				
Cash and cash equivalents	\$ 1,376,168	\$ 470,435	\$ 659,973	\$ 788,381
Accounts receivable, net	596	14,997	313	1,037
Investments	263,782	90,173	126,503	151,116
Prepaid items	64,526	-	-	255,966
Due from other funds	3,200	-	19,141	-
Due from other governments	209,769	6,237	2,062	12,056
Restricted assets				
Cash and cash equivalents	-	-	-	486,559
Investments	-	-	-	93,264
Total assets	\$ 1,918,041	\$ 581,842	\$ 807,992	\$ 1,788,379
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 8,554	\$ 9,351	\$ 60,730	\$ 201,410
Deferred revenue	-	-	-	31,324
Due to other funds	16,966	-	9,964	13,028
Advance from other funds	-	-	-	300,000
Due to other governments	-	-	-	-
Total liabilities	25,520	9,351	70,694	545,762
Fund balance				
Nonspendable	64,526	-	-	255,966
Restricted	1,827,995	-	737,298	986,651
Assigned	-	572,491	-	-
Unassigned	-	-	-	-
Total fund balance	1,892,521	572,491	737,298	1,242,617
Total liabilities and fund balance	\$ 1,918,041	\$ 581,842	\$ 807,992	\$ 1,788,379

Bay County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012

Special Revenue			
Court Fund	Family Mediation	Records Modernization - Records	Records Modernization - Court
\$ 223,087	\$ 16,048	\$ 121,366	\$ 131,617
5,467	-	3,060	1,980
-	-	-	-
13,772	-	27,581	295
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 242,326</u>	<u>\$ 16,048</u>	<u>\$ 152,007</u>	<u>\$ 133,892</u>
\$ 190,889	\$ 1,094	\$ -	\$ 19,488
-	-	-	-
-	-	-	-
-	-	-	-
51,437	-	-	-
<u>242,326</u>	<u>1,094</u>	<u>-</u>	<u>19,488</u>
13,772	-	27,581	295
-	14,954	124,426	114,109
-	-	-	-
(13,772)	-	-	-
<u>-</u>	<u>14,954</u>	<u>152,007</u>	<u>114,404</u>
<u>\$ 242,326</u>	<u>\$ 16,048</u>	<u>\$ 152,007</u>	<u>\$ 133,892</u>

Continued

	10% Fine Records Modernization	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
ASSETS				
Cash and cash equivalents	\$ 414,553	\$ 34,589	\$ 53,574	\$ 17,431
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	\$ 418,463	\$ 34,589	\$ 53,574	\$ 17,431
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 36,703	\$ 18,737	\$ 1,409	\$ -
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	36,703	18,737	1,409	-
Fund balance				
Nonspendable	3,910	-	-	-
Restricted	377,850	15,852	52,165	17,431
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	381,760	15,852	52,165	17,431
Total liabilities and fund balance	\$ 418,463	\$ 34,589	\$ 53,574	\$ 17,431

Bay County, Florida
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2012

Special Revenue					
Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds	
\$ 108,078	\$ 92,518	\$ 31,590	\$ 371,472	\$ 4,910,880	
-	-	-	54,744	82,194	
-	-	-	-	631,574	
-	-	-	-	366,050	
-	-	-	-	22,341	
-	-	-	-	230,124	
-	-	-	-	486,559	
-	-	-	-	93,264	
<u>\$ 108,078</u>	<u>\$ 92,518</u>	<u>\$ 31,590</u>	<u>\$ 426,216</u>	<u>\$ 6,822,986</u>	
\$ -	\$ -	\$ -	\$ 3,866	\$ 552,231	
-	-	-	-	31,324	
-	-	-	-	39,958	
-	-	-	-	300,000	
-	-	-	-	51,437	
-	-	-	3,866	974,950	
-	-	-	-	366,050	
108,078	92,518	31,590	422,350	4,923,267	
-	-	-	-	572,491	
-	-	-	-	(13,772)	
<u>108,078</u>	<u>92,518</u>	<u>31,590</u>	<u>422,350</u>	<u>5,848,036</u>	
<u>\$ 108,078</u>	<u>\$ 92,518</u>	<u>\$ 31,590</u>	<u>\$ 426,216</u>	<u>\$ 6,822,986</u>	

	Public Safety	Intergovernmental Radio Communications	District Mosquito Control	MSTU Fire Protection
REVENUES				
Taxes	\$ -	\$ -	\$ 895,271	\$ 5,569,846
Intergovernmental	-	-	9,167	8,831
Charges for services	893,045	687,371	-	61,541
Investment earnings	13,159	3,898	7,375	16,652
Contributions and donations	-	221,606	-	-
Miscellaneous	766	-	4,324	44,498
Total revenues	906,970	912,875	916,137	5,701,368
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	505,548	580,200	-	4,975,902
Human services	-	-	1,191,470	-
Capital outlay				
General government	-	-	-	-
Public safety	3,572	-	-	295,793
Human services	-	-	59,907	-
Debt service				
Principal	-	764,032	-	447,096
Interest	-	15,472	-	284,853
Total expenditures	509,120	1,359,704	1,251,377	6,003,644
Excess (deficit) of revenues over (under) expenditures	397,850	(446,829)	(335,240)	(302,276)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	452,030	-	-
Payment to refunded bond escrow agent	-	-	-	(262)
Proceeds from sale of capital assets	3,200	-	30,614	-
Total other financing sources (uses)	3,200	452,030	30,614	(262)
Net change in fund balance	401,050	5,201	(304,626)	(302,538)
Fund balance - beginning	1,491,471	567,290	1,041,924	1,545,155
Fund balance - ending	\$ 1,892,521	\$ 572,491	\$ 737,298	\$ 1,242,617

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2012

Special Revenue			
Court Fund	Family Mediation	Records Modernization - Records	Records Modernization - Court
\$ -	\$ -	\$ -	\$ -
-	-	-	-
3,506,782	19,000	101,760	298,741
-	-	-	-
-	-	-	-
-	-	3,060	-
3,506,782	19,000	104,820	298,741
3,355,285	12,190	58,857	244,818
-	-	-	-
-	-	-	-
151,497	-	-	1,535
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,506,782	12,190	58,857	246,353
-	6,810	45,963	52,388
-	-	-	-
-	-	-	-
-	-	-	-
-	6,810	45,963	52,388
-	8,144	106,044	62,016
\$ -	\$ 14,954	\$ 152,007	\$ 114,404

Continued

	10% Fine Records Modernization	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	31,324	61,989	46,691
Charges for services	224,265	-	-	-
Investment earnings	-	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	224,265	31,324	61,989	46,691
EXPENDITURES				
Current				
General government	171,648	-	-	-
Public safety	-	38,855	45,353	44,519
Human services	-	-	-	-
Capital outlay				
General government	5,904	-	-	-
Public safety	-	-	19,638	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	177,552	38,855	64,991	44,519
Excess (deficit) of revenues over (under) expenditures	46,713	(7,531)	(3,002)	2,172
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	46,713	(7,531)	(3,002)	2,172
Fund balance - beginning	335,047	23,383	55,167	15,259
Fund balance - ending	\$ 381,760	\$ 15,852	\$ 52,165	\$ 17,431

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance (Continued)
Nonmajor Governmental Funds
Year Ended September 30, 2012

Special Revenue				
Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 6,465,117
110,000	74,123	22,097	-	364,222
-	-	-	566,446	6,358,951
466	80	-	-	41,630
-	-	-	-	221,606
-	-	-	-	52,648
110,466	74,203	22,097	566,446	13,504,174
-	-	-	-	3,842,798
182,515	32,624	24,591	478,709	6,908,816
-	-	-	-	1,191,470
-	-	-	-	158,936
-	8,169	50,463	-	377,635
-	-	-	-	59,907
-	-	-	-	1,211,128
-	-	-	-	300,325
182,515	40,793	75,054	478,709	14,051,015
(72,049)	33,410	(52,957)	87,737	(546,841)
-	-	-	-	452,030
-	-	-	-	(262)
-	-	-	-	33,814
-	-	-	-	485,582
(72,049)	33,410	(52,957)	87,737	(61,259)
180,127	59,108	84,547	334,613	5,909,295
\$ 108,078	\$ 92,518	\$ 31,590	\$ 422,350	\$ 5,848,036

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Public Safety
Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 942,000	\$ 942,000	\$ 893,045	\$ (48,955)
Investment earnings	3,500	3,500	13,159	9,659
Miscellaneous	-	-	766	766
Total revenues	945,500	945,500	906,970	(38,530)
EXPENDITURES				
Current				
Public safety	643,389	642,864	505,548	137,316
Capital outlay				
Public safety	-	-	3,572	(3,572)
Total expenditures	643,389	642,864	509,120	133,744
Excess of revenues over expenditures	302,111	302,636	397,850	95,214
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	3,200	3,200
Total other financing sources	-	-	3,200	3,200
Net change in fund balance	302,111	302,636	401,050	98,414
Fund balance - beginning	1,491,471	1,491,471	1,491,471	-
Fund balance - ending	\$ 1,793,582	\$ 1,794,107	\$ 1,892,521	\$ 98,414

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Intergovernmental Radio Communications
Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 659,249	\$ 659,249	\$ 687,371	\$ 28,122
Investment earnings	2,200	2,200	3,898	1,698
Contributions and donations	222,526	222,526	221,606	(920)
Total revenues	883,975	883,975	912,875	28,900
EXPENDITURES				
Current				
Public safety	583,824	592,672	580,200	12,472
Debt service				
Principal	766,946	766,946	764,032	2,914
Interest	15,761	15,761	15,472	289
Total expenditures	1,366,531	1,375,379	1,359,704	15,675
Excess (deficit) of revenues over (under) expenditures	(482,556)	(491,404)	(446,829)	44,575
OTHER FINANCING SOURCES				
Transfers in	452,033	452,033	452,030	(3)
Total other financing sources	452,033	452,033	452,030	(3)
Net change in fund balance	(30,523)	(39,371)	5,201	44,572
Fund balance - beginning	567,290	567,290	567,290	-
Fund balance - ending	\$ 536,767	\$ 527,919	\$ 572,491	\$ 44,572

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
District Mosquito Control
Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 877,053	\$ 877,053	\$ 895,271	\$ 18,218
Intergovernmental	9,198	9,198	9,167	(31)
Investment earnings	6,175	6,175	7,375	1,200
Miscellaneous	-	-	4,324	4,324
Total revenues	892,426	892,426	916,137	23,711
EXPENDITURES				
Current				
Human services	1,415,277	1,402,947	1,191,470	211,477
Capital outlay				
Human services	55,000	62,440	59,907	2,533
Total expenditures	1,470,277	1,465,387	1,251,377	214,010
Excess (deficit) of revenues over (under) expenditures	(577,851)	(572,961)	(335,240)	237,721
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	30,614	30,614
Total other financing sources	-	-	30,614	30,614
Net change in fund balance	(577,851)	(572,961)	(304,626)	268,335
Fund balance - beginning	1,041,924	1,041,924	1,041,924	-
Fund balance - ending	\$ 464,073	\$ 468,963	\$ 737,298	\$ 268,335

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
MSTU Fire Protection
Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,473,783	\$ 5,473,783	\$ 5,569,846	\$ 96,063
Intergovernmental	5,101	61,561	8,831	(52,730)
Charges for services	60,000	60,000	61,541	1,541
Investment earnings	75,000	75,000	16,652	(58,348)
Miscellaneous	-	7,266	44,498	37,232
Total revenues	5,613,884	5,677,610	5,701,368	23,758
EXPENDITURES				
Current				
Public safety	5,358,080	5,418,206	4,975,902	442,304
Capital outlay				
Public safety	-	254,038	295,793	(41,755)
Debt service				
Principal	427,209	427,209	447,096	(19,887)
Interest	312,747	312,982	284,853	28,129
Total expenditures	6,098,036	6,412,435	6,003,644	408,791
Excess (deficit) of revenues over (under) expenditures	(484,152)	(734,825)	(302,276)	432,549
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,000	-	(300,000)
Payment to refunded bond escrow agent	-	(262)	(262)	-
Total other financing sources (uses)	300,000	299,738	(262)	(300,000)
Net change in fund balance	(184,152)	(435,087)	(302,538)	132,549
Fund balance - beginning	1,545,155	1,545,155	1,545,155	-
Fund balance - ending	\$ 1,361,003	\$ 1,110,068	\$ 1,242,617	\$ 132,549

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Court Fund
Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 3,522,421	\$ 3,522,421	\$ 3,506,782	\$ (15,639)
Total revenues	3,522,421	3,522,421	3,506,782	(15,639)
EXPENDITURES				
Current				
General government	3,370,924	3,370,924	3,355,285	15,639
Capital outlay				
General government	151,497	151,497	151,497	-
Total expenditures	3,522,421	3,522,421	3,506,782	15,639
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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, 2012

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ -	\$ 4,382,155	\$ 366,575	\$ 120,387	\$ 4,869,117
Accounts receivable, net	295,745	118,714	489,911	7,405	911,775
Prepaid expenses	-	89,065	228,353	-	317,418
Investments	-	839,967	70,265	23,076	933,308
Due from other governments	1,942	-	-	-	1,942
Due from other funds	263,822	-	47,536	37,382	348,740
Total current assets	561,509	5,429,901	1,202,640	188,250	7,382,300
Capital assets					
Buildings	835,101	-	-	618,642	1,453,743
Improvements	96,850	-	-	-	96,850
Furniture and equipment	273,947	6,817	73,610	629,880	984,254
Less: accumulated depreciation	(718,158)	(4,106)	(61,825)	(605,699)	(1,389,788)
Total capital assets, net	487,740	2,711	11,785	642,823	1,145,059
Total assets	1,049,249	5,432,612	1,214,425	831,073	8,527,359
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	306,973	8,883	258,739	60,068	634,663
Accrued compensated absences	27,441	5,116	1,915	18,023	52,495
Due to other funds	30,861	-	-	39,784	70,645
Total current liabilities	365,275	13,999	260,654	117,875	757,803
Noncurrent liabilities					
Estimated liability for self insured losses	-	4,478,005	-	-	4,478,005
Accrued compensated absences	38,789	7,072	31	9,258	55,150
Net OPEB obligation	108,194	2,203	-	35,003	145,400
Total noncurrent liabilities	146,983	4,487,280	31	44,261	4,678,555
Total liabilities	512,258	4,501,279	260,685	162,136	5,436,358
NET ASSETS					
Invested in capital assets, net of related debt	487,740	2,711	11,785	642,823	1,145,059
Unrestricted	49,251	928,622	941,955	26,114	1,945,942
Total net assets	\$ 536,991	\$ 931,333	\$ 953,740	\$ 668,937	\$ 3,091,001

Bay County, Florida
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
Year Ended September 30, 2012

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
OPERATING REVENUES					
Charges for services	\$ 4,970,759	\$ 669,163	\$ 2,302,053	\$ 1,465,052	\$ 9,407,027
Miscellaneous	5,620	37,278	-	3,503	46,401
Total operating revenues	4,976,379	706,441	2,302,053	1,468,555	9,453,428
OPERATING EXPENSES					
Personal services	1,049,203	113,320	96,033	1,057,535	2,316,091
Contracted services	20,355	33,917	9,006	146,452	209,730
Repairs and maintenance	236,823	1,717	1,729	24,517	264,786
Utilities	115,521	4,547	4,547	19,504	144,119
Depreciation	32,848	261	8,597	71,830	113,536
Materials	3,456,282	-	-	-	3,456,282
Insurance claims	-	531,683	-	-	531,683
Other operating expenses	98,684	20,998	1,973,015	163,419	2,256,116
Total operating expenses	5,009,716	706,443	2,092,927	1,483,257	9,292,343
Operating income (loss)	(33,337)	(2)	209,126	(14,702)	161,085
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets	1,250	-	-	-	1,250
Investment earnings	4,082	32,990	477	-	37,549
Total nonoperating revenues	5,332	32,990	477	-	38,799
Income (loss) before transfers	(28,005)	32,988	209,603	(14,702)	199,884
TRANSFERS					
Transfers in	13,572	-	-	-	13,572
Net transfers	13,572	-	-	-	13,572
Change in net assets	(14,433)	32,988	209,603	(14,702)	213,456
Total net assets - beginning	551,424	898,345	744,137	683,639	2,877,545
Total net assets - ending	\$ 536,991	\$ 931,333	\$ 953,740	\$ 668,937	\$ 3,091,001

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2012

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and others	\$ 5,194,873	\$ 514,573	\$ 1,764,636	\$ 1,530,420	\$ 9,004,502
Cash received from miscellaneous operating activities	5,620	37,278	-	3,503	46,401
Cash paid to suppliers for goods and services	(4,676,274)	(526,067)	(1,403,138)	(344,296)	(6,949,775)
Cash paid to employees for services	(1,028,061)	(109,543)	(95,348)	(1,063,089)	(2,296,041)
Net cash provided by (used in) operating activities	(503,842)	(83,759)	266,150	126,538	(194,913)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	13,572	-	-	-	13,572
Net cash provided by noncapital financing activities	13,572	-	-	-	13,572
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	1,250	-	-	-	1,250
Purchase of capital assets	(37,915)	(2,972)	(2,530)	(83,756)	(127,173)
Net cash (used in) capital and related financing activities	(36,665)	(2,972)	(2,530)	(83,756)	(125,923)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturities of investment securities	275,818	1,944,006	153,846	29,872	2,403,542
Purchase of investments	(153)	(2,013)	(133,114)	(42)	(135,322)
Interest and dividends on investments	2,908	24,764	298	-	27,970
Net cash provided by investing activities	278,573	1,966,757	21,030	29,830	2,296,190
Net increase (decrease) in cash and cash equivalents	(248,362)	1,880,026	284,650	72,612	1,988,926
Cash and cash equivalents - beginning	248,362	2,502,129	81,925	47,775	2,880,191
Cash and cash equivalents - ending	\$ -	\$ 4,382,155	\$ 366,575	\$ 120,387	\$ 4,869,117

Continued

Bay County, Florida
Combining Statement of Cash Flows (Continued)
Internal Service Funds
Year Ended September 30, 2012

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ (33,337)	\$ (2)	\$ 209,126	\$ (14,702)	\$ 161,085
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	32,848	261	8,597	71,830	113,536
(Increase) decrease in assets					
Accounts receivable, net	205,184	(117,646)	(489,881)	20,969	(381,374)
Prepaid expenses	-	(39,065)	774,815	-	735,750
Due from other funds	20,872	-	(47,536)	44,399	17,735
Due from other governments	(1,942)	-	-	-	(1,942)
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	172,324	105,863	(85,103)	2,646	195,730
Deferred revenue	-	(36,944)	-	-	(36,944)
Accrued compensated absences	(7,935)	3,777	685	(19,279)	(22,752)
Due to other funds	(920,933)	(3)	(104,553)	6,950	(1,018,539)
Net OPEB obligation	29,077	-	-	13,725	42,802
Total adjustments	(470,505)	(83,757)	57,024	141,240	(355,998)
Net cash provided by (used in) operating activities	\$ (503,842)	\$ (83,759)	\$ 266,150	\$ 126,538	\$ (194,913)

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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, 2012

	Fines, Forfeitures and Other Fees	Jury and Witness	Tax Deed Assets	Support
ASSETS				
Cash and cash equivalents	\$ 2,082,700	\$ 22,570	\$ 485,320	\$ 17,702
Investments	-	-	-	-
Accounts receivable, net	862	-	-	-
Total assets	\$ 2,083,562	\$ 22,570	\$ 485,320	\$ 17,702
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 485,320	\$ 17,702
Due to others	-	-	-	-
Due to other governments	2,083,562	22,570	-	-
Total liabilities	\$ 2,083,562	\$ 22,570	\$ 485,320	\$ 17,702

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Assets (Continued)
Fiduciary Funds
September 30, 2012

	Court Registry	Cash Bond	Restitution	Property Tax
ASSETS				
Cash and cash equivalents	\$ 2,250,230	\$ 573,675	\$ 1,696	\$ 1,738,129
Investments	-	-	-	58,299
Accounts receivable, net	-	-	-	-
Total assets	\$ 2,250,230	\$ 573,675	\$ 1,696	\$ 1,796,428
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,250,230	\$ -	\$ 1,696	\$ -
Due to others	-	-	-	-
Due to other governments	-	573,675	-	1,796,428
Total liabilities	\$ 2,250,230	\$ 573,675	\$ 1,696	\$ 1,796,428

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Assets (Continued)
Fiduciary Funds
September 30, 2012

	Tax Certificate		Tag		Other Suspense	
ASSETS						
Cash and cash equivalents	\$	-	\$	64,587	\$	-
Investments		-		-		-
Accounts receivable, net		-		23,715		-
<hr/>						
Total assets	\$	-	\$	88,302	\$	-
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LIABILITIES						
Accounts payable and accrued liabilities	\$	-	\$	-	\$	-
Due to others		-		-		-
Due to other governments		-		88,302		-
<hr/>						
Total liabilities	\$	-	\$	88,302	\$	-
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Continued

Bay County, Florida
Combining Statement of Fiduciary Net Assets (Continued)
Fiduciary Funds
September 30, 2012

	Individual Depositors	Forfeitures	Total
ASSETS			
Cash and cash equivalents	\$ 63,467	\$ 54,123	\$ 7,354,199
Investments	-	-	58,299
Accounts receivable, net	-	-	24,577
Total assets	\$ 63,467	\$ 54,123	\$ 7,437,075
LIABILITIES			
Accounts payable and accrued liabilities	\$ 63,467	\$ -	\$ 2,818,415
Due to others	-	54,123	54,123
Due to other governments	-	-	4,564,537
Total liabilities	\$ 63,467	\$ 54,123	\$ 7,437,075

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2012

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
FINES, FORFEITURES, and OTHER FEES				
ASSETS				
Cash and cash equivalents	\$ 1,681,552	\$ 30,209,822	\$ 29,808,674	\$ 2,082,700
Accounts receivable, net	9,256	-	8,394	862
Total assets	\$ 1,690,808	\$ 30,209,822	\$ 29,817,068	\$ 2,083,562
LIABILITIES				
Due to other governments	\$ 1,690,808	\$ 30,209,822	\$ 29,817,068	\$ 2,083,562
Total liabilities	\$ 1,690,808	\$ 30,209,822	\$ 29,817,068	\$ 2,083,562
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 21,811	\$ 67,956	\$ 67,197	\$ 22,570
Accounts receivable, net	1,065	-	1,065	-
Total assets	\$ 22,876	\$ 67,956	\$ 68,262	\$ 22,570
LIABILITIES				
Due to other governments	\$ 22,876	\$ 67,956	\$ 68,262	\$ 22,570
Total liabilities	\$ 22,876	\$ 67,956	\$ 68,262	\$ 22,570
TAX DEED ASSETS				
ASSETS				
Cash and cash equivalents	\$ 334,124	\$ 703,623	\$ 552,427	\$ 485,320
Total assets	\$ 334,124	\$ 703,623	\$ 552,427	\$ 485,320
LIABILITIES				
Accounts payable and accrued liabilities	\$ 334,124	\$ 703,623	\$ 552,427	\$ 485,320
Total liabilities	\$ 334,124	\$ 703,623	\$ 552,427	\$ 485,320

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Fiduciary Funds
Year Ended September 30, 2012

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 10,166	\$ 438,753	\$ 431,217	\$ 17,702
Total assets	\$ 10,166	\$ 438,753	\$ 431,217	\$ 17,702
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,166	\$ 438,753	\$ 431,217	\$ 17,702
Total liabilities	\$ 10,166	\$ 438,753	\$ 431,217	\$ 17,702
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,741,245	\$ 14,286,105	\$ 13,777,120	\$ 2,250,230
Total assets	\$ 1,741,245	\$ 14,286,105	\$ 13,777,120	\$ 2,250,230
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,741,245	\$ 14,286,105	\$ 13,777,120	\$ 2,250,230
Total liabilities	\$ 1,741,245	\$ 14,286,105	\$ 13,777,120	\$ 2,250,230
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 557,711	\$ 997,078	\$ 981,114	\$ 573,675
Total assets	\$ 557,711	\$ 997,078	\$ 981,114	\$ 573,675
LIABILITIES				
Due to other governments	\$ 557,711	\$ 997,078	\$ 981,114	\$ 573,675
Total liabilities	\$ 557,711	\$ 997,078	\$ 981,114	\$ 573,675

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Fiduciary Funds
Year Ended September 30, 2012

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 1,068	\$ 157,595	\$ 156,967	\$ 1,696
Accounts receivable, net	2	-	2	-
Total assets	\$ 1,070	\$ 157,595	\$ 156,969	\$ 1,696
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,070	\$ 157,595	\$ 156,969	\$ 1,696
Total liabilities	\$ 1,070	\$ 157,595	\$ 156,969	\$ 1,696
PROPERTY TAX				
ASSETS				
Cash and cash equivalents	\$ 1,805,531	\$ 357,029,168	\$ 357,096,570	\$ 1,738,129
Investments	61,823	-	3,524	58,299
Total assets	\$ 1,867,354	\$ 357,029,168	\$ 357,100,094	\$ 1,796,428
LIABILITIES				
Due to other governments	\$ 1,867,354	\$ 357,029,168	\$ 357,100,094	\$ 1,796,428
Total liabilities	\$ 1,867,354	\$ 357,029,168	\$ 357,100,094	\$ 1,796,428
TAX CERTIFICATE				
ASSETS				
Cash and cash equivalents	\$ 1,622	\$ 25	\$ 1,647	\$ -
Total assets	\$ 1,622	\$ 25	\$ 1,647	\$ -
LIABILITIES				
Due to others	\$ 1,622	\$ 25	\$ 1,647	\$ -
Total liabilities	\$ 1,622	\$ 25	\$ 1,647	\$ -
TAG				
ASSETS				
Cash and cash equivalents	\$ -	\$ 24,036,832	\$ 23,972,245	\$ 64,587
Accounts receivable, net	24,689	9,999	10,973	23,715
Total assets	\$ 24,689	\$ 24,046,831	\$ 23,983,218	\$ 88,302
LIABILITIES				
Bank overdraft	\$ 24,689	\$ -	\$ 24,689	\$ -
Due to other governments	-	24,046,831	23,958,529	88,302
Total liabilities	\$ 24,689	\$ 24,046,831	\$ 23,983,218	\$ 88,302

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Fiduciary Funds
Year Ended September 30, 2012

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ 1,267	\$ 145,602	\$ 146,869	\$ -
Total assets	\$ 1,267	\$ 145,602	\$ 146,869	\$ -
LIABILITIES				
Due to other governments	\$ 1,267	\$ 145,602	\$ 146,869	\$ -
Total liabilities	\$ 1,267	\$ 145,602	\$ 146,869	\$ -
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 68,307	\$ 324,709	\$ 329,549	\$ 63,467
Total assets	\$ 68,307	\$ 324,709	\$ 329,549	\$ 63,467
LIABILITIES				
Accounts payable and accrued liabilities	\$ 68,307	\$ 324,709	\$ 329,549	\$ 63,467
Total liabilities	\$ 68,307	\$ 324,709	\$ 329,549	\$ 63,467
FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 150,935	\$ 55,774	\$ 152,586	\$ 54,123
Total assets	\$ 150,935	\$ 55,774	\$ 152,586	\$ 54,123
LIABILITIES				
Due to others	\$ 150,935	\$ 55,774	\$ 152,586	\$ 54,123
Total liabilities	\$ 150,935	\$ 55,774	\$ 152,586	\$ 54,123
COMBINED TOTALS				
ASSETS				
Cash and cash equivalents	\$ 6,375,339	\$ 428,453,042	\$ 427,474,182	\$ 7,354,199
Investments	61,823	-	3,524	58,299
Accounts receivable, net	35,012	9,999	20,434	24,577
Total assets	\$ 6,472,174	\$ 428,463,041	\$ 427,498,140	\$ 7,437,075
LIABILITIES				
Bank overdraft	\$ 24,689	-	\$ 24,689	\$ -
Accounts payable and accrued liabilities	2,154,912	15,910,785	15,247,282	2,818,415
Due to others	152,557	55,799	154,233	54,123
Due to other governments	4,140,016	412,496,457	412,071,936	4,564,537
Total liabilities	\$ 6,472,174	\$ 428,463,041	\$ 427,498,140	\$ 7,437,075

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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.

	Page
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.*

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

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

Schedule 1

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 130,031,134	\$ 146,149,695	\$ 161,775,959	\$ 167,184,260	\$ 175,784,958	\$ 176,901,127
19,924,887	18,091,072	12,256,875	12,510,353	43,752,095	49,440,926
62,053,258	65,061,054	70,278,219	59,778,907	18,817,801	7,666,565
<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>	<u>\$ 234,008,618</u>
\$ 46,446,331	\$ 51,130,331	\$ 53,453,268	\$ 81,158,497	\$ 76,176,290	\$ 76,152,474
2,999,323	3,066,336	6,271,620	6,566,100	12,291,303	11,142,041
29,535,560	26,183,800	21,522,496	24,019,080	23,529,091	21,719,503
<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>	<u>\$ 109,014,018</u>
\$ 176,477,465	\$ 197,280,026	\$ 215,229,227	\$ 248,342,757	\$ 251,961,248	\$ 253,053,601
22,924,210	21,157,408	18,528,495	19,076,453	56,043,398	60,582,967
91,588,818	91,244,854	91,800,715	83,797,987	42,346,892	29,386,068
<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>	<u>\$ 343,022,636</u>

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

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

Schedule 2

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 22,123,284	\$ 23,769,102	\$ 43,306,782	\$ 44,216,781	\$ 39,434,666	\$ 37,957,601
47,595,636	51,587,681	35,244,894	38,220,126	36,413,991	36,745,373
4,411,573	4,504,251	4,492,133	4,343,675	4,968,431	5,397,684
14,053,021	15,122,222	16,091,014	20,903,717	19,604,133	15,750,626
16,957,645	16,862,278	21,343,831	18,601,704	19,839,456	20,951,183
5,594,624	5,042,410	5,680,622	5,552,240	5,443,839	5,321,884
4,473,399	5,349,023	5,882,640	5,098,294	5,806,043	5,856,186
2,974,935	4,185,220	4,096,732	3,956,673	3,909,979	3,292,291
<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>	<u>131,272,828</u>
12,060,032	13,131,437	13,753,543	12,230,344	12,237,921	11,271,371
5,808,833	5,700,378	8,460,073	9,774,380	11,009,770	11,164,990
2,218,595	6,643,917	6,047,598	5,768,403	3,951,644	3,602,863
17,209,523	15,477,882	15,107,160	14,737,174	15,274,326	17,622,969
2,126,578	2,139,805	1,934,416	1,699,893	1,598,831	1,215,319
39,423,561	43,093,419	45,302,790	44,210,194	44,072,492	44,877,512
<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>	<u>\$ 176,150,340</u>
\$ 16,819,772	\$ 15,239,392	\$ 14,480,938	\$ 13,748,179	\$ 13,769,684	\$ 14,100,604
1,953,947	1,739,995	1,413,940	1,419,092	1,308,519	1,377,953
1,523,655	1,597,427	1,656,563	1,832,155	1,805,016	44,533
1,541,359	1,045,906	271,986	464,965	320,562	2,094,221
3,900	1,040	780	-	-	-
645,918	519,422	564,222	593,340	556,136	618,455
3,076,826	4,722,856	18,887,680	16,953,017	13,486,584	6,756,304
5,880,132	11,085,254	9,955,607	7,040,323	4,790,164	5,073,251
<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>	<u>30,065,321</u>
10,361,087	13,876,827	13,317,211	13,772,277	16,293,620	15,652,776
4,189,192	3,987,039	5,677,074	6,421,773	6,681,917	6,665,219
2,280,293	6,695,497	5,928,887	5,873,324	3,855,587	3,535,687
9,475,368	10,726,249	11,744,325	13,336,670	14,197,632	10,181,513
2,099,218	1,657,191	1,126,424	693,361	800,789	968,947
202,351	535,000	985,000	315,000	315,000	315,000
18,603	824,906	5,900,163	871,811	235,134	706,041
<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>38,025,183</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>	<u>\$ 68,090,504</u>

Continued

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

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

Schedule 2

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ (86,738,608)	\$ (90,470,895)	\$ (88,906,932)	\$ (98,842,139)	\$ (99,383,873)	\$ (101,207,507)
(10,797,449)	(4,790,710)	(623,706)	(2,925,978)	(1,692,813)	(6,852,329)
<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>	<u>\$ (108,059,836)</u>
\$ 77,146,885	\$ 73,436,473	\$ 69,757,473	\$ 63,269,038	\$ 59,025,047	\$ 56,937,944
24,982,006	24,569,697	28,794,256	29,006,207	31,551,527	33,318,347
3,379,522	3,136,583	2,921,458	2,954,621	3,080,852	3,211,349
7,007,059	4,855,754	1,604,764	654,378	430,320	454,346
-	-	-	-	-	-
1,710,623	1,795,724	1,559,634	997,087	3,934,362	2,989,285
-	-	(233,781)	-	243,099	(50,000)
<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>	<u>96,861,271</u>
1,500	1,100	2,200	2,500	2,000	1,400
-	-	-	-	-	-
3,629,698	2,612,599	1,658,856	1,257,174	1,238,259	1,320,560
1,390,719	6,014,516	359,831	30,662,597	948,660	2,497,703
-	-	233,781	-	(243,099)	50,000
<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>3,869,663</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>	<u>\$ 100,730,934</u>
\$ 27,487,487	\$ 17,292,542	\$ 15,496,872	\$ (1,960,808)	\$ (1,118,666)	\$ (4,346,236)
(5,775,532)	3,868,299	1,630,962	28,996,293	253,007	(2,982,666)
<u>\$ 21,711,955</u>	<u>\$ 21,160,841</u>	<u>\$ 17,127,834</u>	<u>\$ 27,035,485</u>	<u>\$ (865,659)</u>	<u>\$ (7,328,902)</u>

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved	\$ 9,371,988	\$ 5,570,545	\$ 4,706,248	\$ 44,351,137
Unreserved	17,433,083	20,467,296	24,261,074	31,933,944
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 26,805,071</u>	<u>\$ 26,037,841</u>	<u>\$ 28,967,322</u>	<u>\$ 76,285,081</u>
 All Other Governmental Funds				
Reserved	\$ 17,977,555	\$ 10,698,530	\$ 10,837,255	\$ 17,404,849
Unreserved:				
Special revenue funds	17,756,167	18,464,781	17,608,253	18,100,472
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 35,733,722</u>	<u>\$ 29,163,311</u>	<u>\$ 28,445,508</u>	<u>\$ 35,505,321</u>

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

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

Schedule 3

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 36,949,309	\$ 39,966,000	\$ 12,111,996	\$ 12,134,054	\$ -	\$ -
33,598,429	30,700,762	35,025,941	24,211,397	-	-
-	-	-	-	136,529	265,846
-	-	-	-	9,997,588	12,074,604
-	-	-	-	14,201,000	7,782,034
-	-	-	-	3,572,736	2,715,250
<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>	<u>\$ 22,837,734</u>
\$ 13,524,528	\$ 15,840,847	\$ 19,022,170	\$ 20,293,685	\$ -	\$ -
26,960,435	28,261,408	27,435,348	23,018,439	-	-
-	-	-	-	584,816	599,664
-	-	-	-	33,754,507	37,366,322
-	-	-	-	10,178,764	8,476,899
-	-	-	-	(27,514)	(13,772)
<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>	<u>\$ 46,429,113</u>

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
Taxes	\$ 51,921,256	\$ 57,136,660	\$ 63,186,101	\$ 85,896,879
Licenses and permits	3,965	2,840	2,390	2,230
Intergovernmental revenue	21,614,035	25,922,701	25,365,652	24,673,396
Charges for services	12,469,323	14,287,418	19,689,697	19,781,978
Fines and forfeitures	892,312	790,062	157,495	137,019
Special assessments	378,649	170,651	367,096	254,505
Investment earnings	1,027,868	863,064	1,445,604	3,079,818
Contributions and donations	-	-	-	-
Miscellaneous	1,919,556	3,443,934	1,568,016	3,078,727
Total revenues	<u>90,226,964</u>	<u>102,617,330</u>	<u>111,782,051</u>	<u>136,904,552</u>
Expenditures				
General government	18,494,302	22,531,969	21,472,908	20,262,747
Public safety	35,492,011	37,281,629	39,787,836	43,970,630
Physical environment	3,922,018	4,322,124	4,662,334	4,363,508
Transportation	9,968,297	11,285,504	10,759,085	8,686,780
Economic environment	7,671,623	8,023,780	9,169,691	13,618,153
Human services	3,530,404	4,005,771	3,808,169	4,516,240
Culture and recreation	2,898,414	3,001,093	3,247,079	3,604,503
Capital Outlay	19,975,254	8,826,066	11,349,510	17,619,434
Debt service				
Principal retirement	3,096,446	9,070,909	3,224,333	3,601,370
Interest and fiscal charges	1,911,428	1,910,439	1,339,802	1,532,684
Bond issuance costs	63,673	-	-	-
Total expenditures	<u>107,023,870</u>	<u>110,259,284</u>	<u>108,820,747</u>	<u>121,776,049</u>
Excess of revenues over (under) expenditures	<u>(16,796,906)</u>	<u>(7,641,954)</u>	<u>2,961,304</u>	<u>15,128,503</u>
Other Financing Sources (Uses)				
Operating transfers in	8,056,538	7,615,705	7,837,156	9,247,671
Operating transfers out	(8,108,487)	(7,764,251)	(8,425,713)	(9,820,775)
Debt issuance	16,149,931	452,859	-	39,666,217
Premium on bonds issued	65,470	-	-	951,964
Payment to refunded bond escrow agent	(6,298,195)	-	-	-
Reversion to State of Florida	-	-	(608,687)	(796,010)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>9,865,257</u>	<u>304,313</u>	<u>(1,197,244)</u>	<u>39,249,067</u>
Net change in fund balance	<u>\$ (6,931,649)</u>	<u>\$ (7,337,641)</u>	<u>\$ 1,764,060</u>	<u>\$ 54,377,570</u>
Debt service as a percentage of noncapital expenditures	5.75%	10.83%	4.68%	4.93%

Note: 2003-2011, Debt service as a percentage of noncapital expenditures has been adjusted to include principal and interest only; issuances costs are excluded.

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

Schedule 4

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 90,307,436	\$ 86,781,507	\$ 87,851,490	\$ 81,578,570	\$ 77,593,739	\$ 77,083,648
1,899	2,412	8,454	1,705	3,215	3,565
23,889,913	28,962,899	28,949,201	35,852,434	35,584,199	29,076,699
19,801,852	17,444,872	15,609,839	15,528,324	17,389,066	17,597,517
63,081	139,198	137,711	281,047	79,356	179,329
359,198	346,583	81,722	313,167	108,702	44,481
6,725,924	4,931,754	1,903,556	952,199	488,067	640,684
190,797	75,901	1,345,301	4,081,268	244,501	252,085
<u>1,946,036</u>	<u>1,300,099</u>	<u>1,074,105</u>	<u>554,748</u>	<u>2,581,324</u>	<u>1,394,864</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>	<u>126,272,872</u>
6,967,890	20,108,027	20,834,114	21,734,774	18,970,994	18,423,773
57,386,591	47,521,961	49,292,375	51,029,913	49,007,090	49,133,878
3,967,883	4,024,785	5,903,593	3,896,101	4,421,240	703,832
9,306,583	10,989,649	9,505,479	15,766,696	14,424,369	14,414,376
16,404,349	16,300,499	22,198,357	19,931,304	19,041,168	20,158,270
5,538,168	4,970,430	5,598,800	5,473,781	5,329,318	5,202,919
3,843,006	4,449,189	4,161,662	4,070,360	4,438,777	4,232,151
32,780,705	49,905,995	32,533,103	23,353,424	22,179,959	11,492,329
3,883,937	3,827,285	4,133,143	3,684,931	3,689,461	3,057,073
2,963,339	4,033,487	4,053,918	3,915,039	3,873,904	3,269,241
<u>(344,945)</u>	<u>120,628</u>	<u>-</u>	<u>-</u>	<u>118,864</u>	<u>-</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>	<u>130,087,842</u>
<u>588,630</u>	<u>(26,266,710)</u>	<u>(21,253,165)</u>	<u>(13,712,861)</u>	<u>(11,422,975)</u>	<u>(3,814,970)</u>
7,911,020	8,779,078	12,717,062	7,240,834	7,102,725	3,752,030
(8,856,914)	(8,816,092)	(12,950,843)	(7,450,840)	(5,921,456)	(3,815,602)
16,103,376	30,572,236	92,095	165,950	28,487,973	-
(71,732)	-	-	-	(25,960,948)	-
(15,095,929)	-	-	(350)	(350)	(612)
(1,005,046)	(532,196)	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>205,086</u>	<u>455,882</u>	<u>747,575</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>683,391</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>	<u>\$ (3,131,579)</u>
6.23%	6.76%	6.51%	5.87%	6.13%	5.33%

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

Schedule 5

<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>
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	4.8025	21,684,375	65.82%
2012	12,528,433	2,600,654	2,001,351	289,885	71,788	29,237	2,369,385	(6,097,275)	13,793,458	4.8025	20,560,360	67.09%

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)

Schedule 6

	Fiscal Year									
	<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>	<u>2012</u>
County Direct Rates:										
General	5.6620	5.6620	5.6620	4.1620	3.7915	3.6500	3.6500	3.6500	3.6500	3.6500
Mosquito Control	0.1852	0.1852	0.1852	0.1852	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525
MSTU	<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>	<u>1.0000</u>
Total Direct Rate	6.8472	6.8472	6.8472	5.0972	4.6678	4.5263	4.5840	4.5840	4.8025	4.8025
Municipalities:										
City of Panama City	5.0000	5.0000	5.0000	4.7122	3.7610	3.8493	3.8493	3.8152	3.8152	3.8723
Panama City Downtown Improvement Board	3.0000	3.0000	3.0000	3.0000	2.4700	2.6832	2.6832	2.7180	2.7180	2.7578
City of Lynn Haven	4.0000	4.0000	4.0000	3.2500	2.8266	3.0887	3.0887	3.0887	3.0887	3.0887
City of Mexico Beach	4.5500	4.5000	4.3500	3.7900	3.7200	3.7000	4.0000	4.1060	4.1060	5.0290
City of Callaway	--	2.0000	2.0000	2.0000	2.0000	2.2500	2.2500	2.2500	2.2500	2.2500
Town of Cedar Grove	--	--	1.5000	1.5000	1.5000	1.5000	--	--	--	--
School Districts	8.5690	8.1480	7.9350	6.8080	6.4710	6.7630	7.6230	7.4030	7.1180	6.8580
Northwest Florida Water Management District	0.0500	0.0500	0.0500	0.0500	0.0450	0.0450	0.0450	0.0450	0.0400	0.0400
Special District:										
Beach Mosquito Control	0.2990	0.2590	0.2365	0.1410	0.1438	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)

Schedule 7

	Fiscal Year 2012			Fiscal Year 2003		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Gulf Power Company	\$ 249,419,234	1	1.81%	\$ 348,416,710	1	4.39%
St. Joe Land & Development	150,082,684	2	1.09%	60,869,672	5	0.77%
Laketown Wharf Marketing Corp.	66,622,640	3	0.48%	-	-	-
Pier Park, LLC	65,882,365	4	0.48%	-	-	-
Rocktenn (Smurfit-Stone Container)	62,076,590	5	0.45%	145,925,654	2	1.84%
Arizona Chemical Company	46,164,001	6	0.33%	38,121,386	7	0.48%
Marriott Ownership Resorts	42,061,767	7	0.30%	-	-	-
Hilton Company	38,027,243	8	0.28%	42,567,754	6	0.54%
Gulf Coast Electric Co-Op	37,650,347	9	0.27%	-	-	-
Wyndham Vacation Resorts, Inc.	36,482,818	10	0.26%	-	-	-
BellSouth Telecommunications	-	-	-	78,399,768	3	0.99%
Peoples First Community Bank Resort	-	-	-	-	-	-
Hospitality Enterprises	-	-	-	76,355,871	4	0.96%
Hospital Corp. of America	-	-	-	30,445,791	8	0.38%
Wal-Mart Stores	-	-	-	25,210,174	9	0.32%
Eagles Landing, Ltd	-	-	-	23,112,462	10	0.29%
Total	\$ 794,469,689		5.75%	\$ 869,425,242		10.96%
Total Taxable Assessed Value 2012	\$ 13,793,458,002					
Total Taxable Assessed Value 2003	\$ 7,935,911,000					

Source: Bay County Property Appraiser

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

Schedule 8

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
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%
2012	58,802,491	211,920	59,014,411	56,727,927	96%	175,572	56,903,499	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 2003-2012
(Unaudited)

Schedule 9

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
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%
2012	\$ 1,533,688,015	4.09%	\$ 9,751,593	4.46%

Source: Florida Department of Revenue

Distribution of Half-Cent
Sales Tax in Bay County, Florida
For Ten Year Period 2003-2012
(Amounts in Thousands)
(Unaudited)

Schedule 10

Fiscal Year 2003 - 2012 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
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%
2012	\$ 9,751,593	59%	\$ 6,887,764	41%

Source: Florida Department of Revenue

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities				
Revenue bonds	\$ 36,100,000	\$ 33,610,000	\$ 30,835,000	\$ 66,190,000
Capital leases	750,190	757,759	301,748	1,011,596
Notes payable	<u>7,585,259</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>44,435,449</u>	<u>34,367,759</u>	<u>31,136,748</u>	<u>67,201,596</u>
Business-type Activities				
Revenue bonds	\$ 97,801,087	\$ 95,744,707	\$ 93,512,439	\$ 91,652,333
Notes payable	<u>14,701,885</u>	<u>13,885,513</u>	<u>13,012,811</u>	<u>12,359,204</u>
Total Business-type Activities	<u>112,502,972</u>	<u>109,630,220</u>	<u>106,525,250</u>	<u>104,011,537</u>
Total Primary Government	<u>\$ 156,938,421</u>	<u>\$ 143,997,979</u>	<u>\$ 137,661,998</u>	<u>\$ 171,213,133</u>
Debt as a Percentage of Personal Income	2.6%	3.3%	3.7%	3.8%
Amount of Debt per Capita	\$ 699	\$ 976	\$ 1,185	\$ 1,285

*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.

2008-2009 Debt as a percentage of personal income and amount of debt per capita have been revised.

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

Schedule 11

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 63,950,000	\$ 90,810,191	\$ 87,434,420	\$ 83,929,264	\$ 82,819,000	\$ 79,809,000
982,910	867,670	202,379	188,553	134,544	87,472
-	-	-	-	-	-
<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>	<u>79,896,472</u>
\$ 89,669,727	\$ 91,930,734	\$ 90,626,234	\$ 86,509,234	\$ 106,737,500	\$ 103,050,000
<u>11,418,271</u>	<u>31,586,315</u>	<u>30,730,339</u>	<u>29,975,354</u>	<u>7,943,518</u>	<u>7,011,219</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>110,061,219</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>	<u>\$ 189,957,691</u>
3.5%	2.8%	2.8%	3.0%	3.2%	*
\$ 1,238	\$ 1,009	\$ 961	\$ 1,097	\$ 1,181	*

	Fiscal Year			
	2003	2004	2005	2006
Water System Revenue Bonds Series 2005				
Revenue - sale of goods and services	\$ 9,056,785	\$ 10,120,295	\$ 12,075,741	\$ 12,433,674
Less: Operating expenses	(4,362,444)	(4,746,910)	(4,995,463)	(5,232,544)
Net available revenue	\$ 4,694,341	\$ 5,373,385	\$ 7,080,278	\$ 7,201,130
Debt service				
Principal			\$ 135,000	\$ 105,000
Interest			\$ 631,907	\$ 2,226,210
Coverage*	N/A	N/A	9.2	3.1
Sales Tax Revenue Refunding Bonds Series 2007				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787
Less: Operating expenses	-	-	-	-
Net available revenue	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787
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	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787
Less: Operating expenses	-	-	-	-
Net available revenue	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787
Debt service				
Principal	\$ 310,000	\$ 320,000	\$ 325,000	\$ 335,000
Interest	\$ 867,689	\$ 858,389	\$ 848,789	\$ 839,039
Coverage*	7.2	7.6	8.3	8.6
Sales Tax Revenue Bonds Series 2006				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787
Less: Operating expenses	-	-	-	-
Net available revenue	\$ 8,423,968	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ 260,241
Coverage*	N/A	N/A	N/A	38.7
Water and Sewer System Revenue Bonds Series 2011				
Revenue - sales of goods and services	\$ -	\$ -	\$ -	\$ -
Plus: Allowable deposits	-	-	-	-
Less: Operating expenses	-	-	-	-
Net available revenue	\$ -	\$ -	\$ -	\$ -
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A

*Coverage equals net available revenue divided by debt service.

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

Schedule 12

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 11,321,362	\$ 14,961,574	\$ 14,341,003	\$ 14,137,828	\$ 16,597,930	\$ 16,216,643
(6,643,470)	(6,928,970)	(7,689,352)	(6,274,367)	(6,377,920)	(6,184,222)
<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>	<u>\$ 10,032,421</u>
\$ 110,000	\$ 115,000	\$ 115,000	\$ 470,000	\$ 1,145,000	\$ 1,515,000
\$ 2,223,060	\$ 2,219,760	\$ 2,216,310	\$ 2,212,860	\$ 2,198,290	\$ 2,161,078
2.0	3.4	2.9	2.9	3.1	2.7
\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564	\$ 9,916,743
-	-	-	-	-	-
<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>	<u>\$ 9,916,743</u>
\$ 95,000	\$ 45,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 55,000
\$ 255,556	\$ 649,064	\$ 647,444	\$ 645,644	\$ 643,844	\$ 642,044
28.2	13.7	13.1	12.9	14.0	14.2
\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564	\$ 9,916,743
-	-	-	-	-	-
<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>	<u>\$ 9,916,743</u>
\$ 350,000	\$ 360,000	\$ 375,000	\$ 390,000	\$ 410,000	\$ 425,000
\$ 94,108	\$ 80,983	\$ 66,582	\$ 51,583	\$ 35,495	\$ 18,275
22.3	21.6	20.7	20.4	21.8	22.4
\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564	\$ 9,916,743
-	-	-	-	-	-
<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>	<u>\$ 9,916,743</u>
\$ 70,000	\$ 75,000	\$ 75,000	\$ 80,000	\$ 75,000	\$ 85,000
\$ 1,873,735	\$ 1,870,585	\$ 1,867,585	\$ 1,864,585	\$ 1,861,385	\$ 1,858,385
5.1	4.9	4.7	4.6	5.0	5.1
\$ -	\$ -	\$ -	\$ -	\$ 6,782,445	\$ 6,782,146
-	-	-	-	\$ 939,000	\$ 1,614,000
-	-	-	-	(7,337,707)	(7,916,559)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,738</u>	<u>\$ 479,587</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,009,275
N/A	N/A	N/A	N/A	N/A	0.5

	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	\$ 9,056,785	\$ 10,120,295	\$ 12,075,741	\$ 12,433,674
Operating Expenses	\$ 4,362,444	\$ 4,746,910	\$ 4,995,463	\$ 5,232,544
Net Revenue	\$ 4,694,341	\$ 5,373,385	\$ 7,080,278	\$ 7,201,130
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	\$ 3,852,531	\$ 3,850,795	\$ 3,982,984	\$ 3,669,435
Coverage Factor	1.219	1.395	1.778	1.962

Note: Advance from other funds has been revised to include interest and principal debt service.

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

Schedule 13

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 10,367,239	\$ 13,878,255	\$ 13,317,212	\$ 13,800,335	\$ 16,324,937	\$ 15,679,760
754,123	253,913	152,920	88,721	99,464	163,407
200,000	150,000	600,000	-	-	-
\$ 11,321,362	\$ 14,282,168	\$ 14,070,132	\$ 13,889,056	\$ 16,424,401	\$ 15,843,167
\$ 6,643,470	\$ 6,928,970	\$ 7,689,352	\$ 6,274,367	\$ 6,377,920	\$ 6,184,216
\$ 4,677,892	\$ 7,353,198	\$ 6,380,780	\$ 7,614,689	\$ 10,046,481	\$ 9,658,951
\$ 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	3,676,078
-	1,654,835	796,953	526,400	526,400	526,400
\$ 3,676,190	\$ 5,329,233	\$ 4,471,205	\$ 4,202,103	\$ 4,200,755	\$ 4,202,478
1.272	1.380	1.427	1.812	2.392	2.298

	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	\$ 4,373,576	\$ 4,373,576	\$ 4,373,576	\$ 9,508,064
Coverage of Maximum Annual				
Debt Service by Sales Tax Revenues	1.93	2.05	2.22	1.06

(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

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

Schedule 14

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 9,886,165	\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564	\$ 9,916,743
\$ 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	5,134,488
1,141,450	1,141,450	1,140,050	1,140,050	1,140,050	1,141,450
\$ 9,916,308	\$ 9,916,308	\$ 9,914,908	\$ 6,720,033	\$ 6,720,033	\$ 6,275,938
1.00	0.96	0.92	1.34	1.44	1.58

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

Schedule 15

Year	Estimated Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Unemployment Rate
2003	153,067	4,119,403	27,674	5.4%
2004	156,020	4,709,361	29,655	4.5%
2005	159,482	5,134,996	31,519	3.6%
2006	163,188	5,505,789	33,239	3.2%
2007	165,952	5,793,131	35,037	3.6%
2008	168,297	6,052,227	36,401	5.5%
2009	168,424	5,799,541	34,632	8.9%
2010	168,852	6,103,056	36,050	10.3%
2011	169,278	6,296,304	37,068	9.9%
2012	169,392	*	*	8.0%

Note: Information updated annually based on most current data.

* Information not yet available

(1) 2003 - 2005 data revised.

(2) In thousands of dollars; 2008 - 2009 data revised.

(3) 2003 - 2010 data revised.

Source: University of Florida, College liberal Arts & Sciences, Bureau of Economic & Business Research (BEBR)

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

Schedule 16

	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Tyndall Air Force Base	7,352	1	8.07%	6,666	1	9.76%
Naval Support Activity	4,791	2	5.26%	2,449	3	3.59%
Bay District Schools	4,411	3	4.84%	3,300	2	4.83%
Bay Medical Center	2,000	4	2.19%	1,895	4	2.78%
Eastern Shipbuilding	1,061	5	1.17%	-	-	-
Gulf Coast Medical Center	631	6	0.69%	750	7	1.10%
Gulf Coast State College	600	7	0.66%	-	-	-
City of Panama City	537	8	0.59%	583	10	0.85%
Bay County Board	506	9	0.56%	-	-	-
BookIt.com	500	10	0.55%	-	-	-
Wal-Mart/Sam's	-	-	-	1,370	5	2.01%
Sallie Mae	-	-	-	1,080	6	1.58%
Trane Company	-	-	-	614	8	0.90%
Smurfit-Stone Container	-	-	-	600	9	0.88%
Total	22,389		24.58%	19,307		28.28%
Total Bay County Labor Force	91,053			68,265		

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)

Schedule 17

Function/Program	Fiscal Year									
	<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>	<u>2012</u>
General Government	64	62	59	63	74	71	72	63	60	59
Public Safety	86	92	99	109	123	122	115	115	101	102
Physical Environment	114	112	109	111	118	126	124	129	129	128
Transportation	120	118	121	124	128	118	116	118	119	118
Economic Environment	2	2	2	3	2	2	2	2	2	2
Human Services	10	10	9	10	9	12	12	14	14	14
Culture/Recreation	18	18	18	20	81	81	80	82	75	73
Judicial System	11	9	10	9	9	9	9	10	8	10
Total	<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>	<u>506</u>

Source: County personnel department

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

Schedule 18

Function/Program	Fiscal Year									
	<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>	<u>2012</u>
General Government										
Assessed properties	95,709	98,044	103,104	107,007	110,279	112,624	112,911	112,934	113,163	113,260
Court cases:										
Circuit Criminal	5,230	4,718	4,461	4,449	4,846	4,510	4,578	4,366	4,384	4,600
County Criminal	12,522	12,153	9,824	8,882	11,882	9,971	13,794	8,490	10,066	9,840
Public Safety										
E-911 calls	108,846	115,000	113,548	118,000	124,977	116,149	116,427	146,603	132,790	153,129
Building permits issued*										
Commercial	393	345	435	274	256	231	227	160	207	214
Residential	1,421	2,192	2,213	1,424	1,018	820	653	652	634	613
Physical Environment										
Landfill and Incinerator										
Collections	219,413	213,468	223,462	237,825	238,506	248,820	237,663	223,550	217,027	213,402
Transportation										
Roads miles maintained	712.67	714.79	711.25	712.72	712.07	712.87	731.77	741.07	741.07	741.07
Economic Environment										
Tourist Development Tax										
Registered Units**	394	500	632	843	1,109	1,582	15,492	16,926	17,090	17,356
Human Services										
Baker Act admissions	279	328	377	348	372	455	466	547	483	574

* 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)

Schedule 19

Function/Program	Fiscal Year									
	<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>	<u>2012</u>
Public Safety										
Correction facility capacities	662	662	662	662	662	1,098	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	30	30	30	26	28	30	30	30
Park acreage	378	378	413	413	413	302	303	318	318	318
Boat ramps	19	19	19	19	19	19	19	19	19	19
Transportation										
Road miles	712.67	714.79	711.25	712.72	712.07	712.87	731.77	741.07	741.07	741.07
Bridges	53	53	53	53	53	53	53	53	53	53
Traffic signals	18	18	18	18	17	16	18	16	16	16
Physical Environment										
Water mains (miles)	*	*	*	105	108	147	270	282	282	293

*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, 2012, and have issued our report thereon dated March 22, 2013.

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 22, 2013, 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. In the preceding financial report, specific to the Bay County Tax Collector, we identified an issue that was included under Section 10.554(1)(i)5., Rules of the Auditor General; regarding amounts paid to other agencies exceeding the amounts received on their behalf. This matter will be disclosed again under section 10.554(1)(i)5., Rules of the Auditor General.

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

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

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

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we identified the following matters specific to the Bay County Tax Collector.

In connection with our audit, as in prior year, 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.

In addition, we noticed that certain capital asset additions were not properly reported to the Bay County Board of County Commissioners. We recommend that procedures be implemented to identify and timely report capital asset additions to the Bay County Board of County Commissioners.

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, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.

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

The Honorable County Commissioners
Bay County, Florida
Page Three

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management 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 22, 2013

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Honorable County Commissioners
Bay County, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Florida (the County), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 22, 2013. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below we identified a deficiency in internal control over financial reporting that we considered to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, identified as Tax Collector 2012-1, and as described in the accompanying schedule of findings and questioned costs to be a material weakness.

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*.

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

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

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

Certified Public Accountants
Panama City Beach, Florida
March 22, 2013

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, 2012. 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, 2012.

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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Bay County, Florida's major federal programs and state projects and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Bay County, Florida's compliance but not to provide an opinion on the effectiveness of Bay County, Florida's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bay County, Florida's compliance with requirements applicable to each major federal programs and state projects and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 22, 2013

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2012

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:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.710	Public Safety Partnership and Community Policing Grants
20.205	Highway Planning and Construction
97.067	Homeland Security Program

Continued

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2012

<u>CSFA Number</u>	<u>Name of State Projects</u>		
55.013	Transit Corridor Program		
55.023	State Highway Project Reimbursement		

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

Section II - Financial Statement Findings

Tax Collector

2012-1 Certain types of adjustments to the Bay County Tax Collector's financial statements that reflect correction of a material misstatement not initially identified in the Bay County Tax Collector's internal controls result in a material weakness in internal control.

Management's Response

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

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, 2012

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, 2012

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA No.	Contract/ Grant No.	Expenditures
<u>FEDERAL PROGRAMS</u>			
U.S. Department of Defense			
Community Planning Assistance Funds	12.614	EN0723-10-02	\$ 42,535
Community Planning Assistance Funds	12.614	EN0723-11-03	173,456
Total U.S. Department of Defense			215,991
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	45,063
Community Development Grant Program	14.228	10DB-K4-01-13-01-K-03	124,591
Total U.S. Department of Housing and Urban Development			169,654
U.S. Department of Interior			
Passed through Florida Fish and Wildlife Conservation Commission			
Sport Fish Restoration Program	15.605	FWC-11226	60,000
U.S. Department of Justice			
Bulletproof Vest Partnership	16.607	-----	1,375
COPS Hiring Recovery Program	16.710	2010UMX0067	307,490
Passed through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Program	16.738	2011-DJ-BX-2759	32,139
Edward Byrne Memorial Justice Assistance Program	16.738	2012-JAGS-BAY-5-C4-201	10,206
Edward Byrne Memorial Justice Assistance Program	16.738	2012-JAGC-BAY-1-C4-033	46,245
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2010-CD-BX-0006	4,738
Passed through State of Florida Office of Attorney General			
Victims of Crime Act	16.575	V10004	28,167
Total U.S. Department of Justice			430,360
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
11th ST Shoulder/Sidewalk Project	20.205	APX80	1,245,802
Everitt Avenue Sidewalks	20.205	AQC73	23,969
Grand Lagoon Bridge - Construction ARRA	20.205	AP126	893,490
Patronis Elementary School	20.205	AQA71	29,956
State Avenue Paved Shoulder Project	20.205	AQE38	1,115
Thomas Drive Sidewalks - Phase IV	20.205	APT98	427,860
West Bay Bridge Improvement Project	20.205	AQA74	156,438
Wildwood Road Sidewalk Project	20.205	AQE37	33,278
Bicycle and Pedestrian Safety Program	20.600	AQK28	19,833
Traffic enforcement and Education Program	20.600	AQK76	97,223
Total U.S. Department of Transportation			2,928,964
U.S. Environmental Protection Agency			
Passed through Florida Department of Environmental Protection			
Nonpoint Source Implementation Grant	66.460	G0347	52,866
Federal Election Assistance Commission			
Passed through Florida Department of State and Secretary of State			
Federal Election Activities FY 2012	90.401	MOA 2011-2012-0001	19,418

Continued

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2012

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA No.	Contract/ Grant No.	Expenditures
U.S. Department of Health and Human Services			
Passed through Florida Department of Revenue			
Child Support Enforcement	93.563	CD303	\$ 168,924
U.S. Department of Homeland Security			
Passed through Florida Department of Emergency Management			
Hazard Mitigation Program	97.039	11HM-3F-01-13-01-001	187,297
Emergency Management Performance	97.042	12-FG-R3-01-13-01-070	53,686
Emergency Management Performance	97.042	13-FG-86-01-13-01-070	26,628
State Homeland Security Program	97.067	08-DS-60-13-00-16-373	28,343
State Homeland Security Program	97.067	09-DS-51-13-00-16-409	10,739
State Homeland Security Program	97.067	10-DS-39-13-00-16-414	36,485
State Homeland Security Program	97.067	10-DS-39-01-13-01-418	47,957
State Homeland Security Program	97.067	11-DS-9Z-13-00-16-436	11,310
State Homeland Security Program	97.067	11-DS-9Z-01-13-01-468	31,928
State Homeland Security Program	97.067	11-DS-29-01-13-01-259	157,381
State Homeland Security Program	97.067	2012-SHSP-BAY-1S4-077	39,600
State Homeland Security Program	97.067	12-DS-9Z-01-13-01-358	31,410
Total U.S. Department of Homeland Security			662,764
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,708,941

Continued

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2012

Federal/State Agency Pass-through Entity Federal Program/State Project	CSFA No.	Contract/ Grant No.	Expenditures
<u>STATE OF FLORIDA</u>			
Executive Office of the Governor			
Military Base Protection	31.044	DIG-12-07	\$ 23,380
Department of Environmental Protection			
Carillon Beach/Pinnacle Port Dune Restoration Project	37.003	H6BA1	108,109
Beach Management Funding Assistance	37.003	07BA2	15,462
Beach Management Funding Assistance	37.003	11BA1	4,948
Beach Management Funding Assistance	37.003	11BA2	46,280
Total Department of Environmental Protection			174,799
Department of Agriculture and Consumer Services			
Mosquito Control	42.003	017205	9,167
Department of State			
State Aid to Library Grant	45.030	11-ST-42	13,184
State Aid to Library Grant	45.030	12-ST-42	7,594
State Aid to Library Grant	45.030	11-ST-43	28,501
State Aid to Library Grant	45.030	12-ST-43	16,981
State Aid to Library Grant	45.030	11-ST-44	13,146
State Aid to Library Grant	45.030	12-ST-44	33,687
State Aid to Library Grant	45.030	11-ST-41	123,313
State Aid to Library Grant	45.030	12-ST-41	220,536
Total Department of State			456,942
Department of Transportation			
Traffic Signal Grant	55.013	AOS05	519,336
Bay County Intelligent Transportation System Improvements	55.023	AQ676	1,689,459
Total Department of Transportation			2,208,795
Department of Health			
Emergency Medical Services	64.005	C1003	1,636
Division of Emergency Management			
Emergency Management Preparedness	52.008	12-BG-05-01-13-01-003	60,565
Emergency Management Preparedness	31.063	13-BG-83-01-13-01-003	39,891
Total Division of Emergency Management			100,456
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 2,975,175

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.

BAY COUNTY, FLORIDA
CONSTITUTIONAL OFFICERS
FOR THE FISCAL YEAR-ENDED SEPTEMBER 30, 2012

SUPERVISOR OF ELECTIONS

Mark Andersen

TAX COLLECTOR

Peggy Brannon

CLERK OF COURT AND COMPTROLLER

Bill Kinsaul

SHERIFF

Frank McKeithen

PROPERTY APPRAISER

Dan Sowell

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BAY COUNTY SUPERVISOR OF ELECTIONS	PAGE
Independent Auditor's Report	F-1
Special-Purpose Balance Sheet – Governmental Fund	F-3
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	F-4
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	F-5
Notes to Special-Purpose Financial Statements	F-6
Independent Auditor's Management Letter	F-11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-13
BAY COUNTY CLERK OF COURT AND COMPTROLLER	
Independent Auditor's Report	F-15
Special-Purpose Balance Sheet – Governmental Funds	F-17
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	F-18
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	F-19
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Court Fund	F-20
Special-Purpose Statement of Fiduciary Net Assets – Agency Funds	F-21
Notes to Special-Purpose Financial Statements	F-22
Combining Balance Sheet – Nonmajor Governmental Funds	F-30
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	F-31

	PAGE
BAY COUNTY CLERK OF COURT AND COMPTROLLER (Continued)	
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	F-34
Independent Auditor’s Management Letter	F-37
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-39
BAY COUNTY PROPERTY APPRAISER	
Independent Auditor’s Report	F-41
Special-Purpose Balance Sheet – Governmental Fund	F-43
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	F-44
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	F-45
Notes to Special-Purpose Financial Statements	F-46
Independent Auditor’s Management Letter	F-51
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-53
BAY COUNTY TAX COLLECTOR	
Independent Auditor’s Report	F-55
Special-Purpose Balance Sheet – Governmental Fund	F-57
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	F-58
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	F-59
Special-Purpose Statement of Fiduciary Net Assets – Agency Funds	F-60

	PAGE
BAY COUNTY TAX COLLECTOR (Continued)	
Notes to Special-Purpose Financial Statements	F-61
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	F-71
Independent Auditor’s Management Letter	F-73
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-75
BAY COUNTY SHERIFF	
Independent Auditor’s Report	F-77
Special-Purpose Balance Sheet – Governmental Funds	F-79
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	F-80
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	F-81
Special-Purpose Statement of Fiduciary Net Assets – Agency Funds	F-82
Notes to Special-Purpose Financial Statements	F-83
Combining Balance Sheet - Nonmajor Governmental Funds	F-93
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	F-94
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	F-97
Independent Auditor’s Management Letter	F-99
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F-101

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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, 2012, 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, 2012, 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 22, 2013 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 22, 2013

Bay County Supervisor of Elections
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2012

	General Fund
ASSETS	
Cash and cash equivalents	\$ 183,442
Accounts receivable, net	1,075
Total assets	\$ 184,517
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued liabilities	\$ 80,166
Due to other governments	104,351
Total liabilities	184,517
Fund Balance	
Unassigned	-
Total liabilities and fund balance	\$ 184,517

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, 2012

	General Fund
REVENUES	
Intergovernmental	\$ 19,418
Charges for services	8,430
Investment earnings	1,614
Total revenues	29,462
EXPENDITURES	
Current	
General government	1,311,268
Capital outlay	
General government	62,191
Total expenditures	1,373,459
Excess (deficit) of revenues over (under) expenditures	(1,343,997)
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	1,448,348
Transfer out/return of excess fees	(104,351)
Total other financing sources	1,343,997
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
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 19,418	\$ 19,418	\$ -
Charges for services	-	-	8,430	8,430
Investment earnings	-	-	1,614	1,614
Total revenues	-	19,418	29,462	10,044
EXPENDITURES				
Current				
General government	1,439,868	1,403,566	1,311,268	92,298
Capital outlay				
General government	7,000	64,200	62,191	2,009
Total expenditures	1,446,868	1,467,766	1,373,459	94,307
Excess (deficit) of revenues over (under) expenditures	(1,446,868)	(1,448,348)	(1,343,997)	104,351
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,446,868	1,448,348	1,448,348	-
Transfer out/return of excess fees	-	-	(104,351)	(104,351)
Total other financing sources (uses)	1,446,868	1,448,348	1,343,997	(104,351)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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

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.

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 balance classifications are defined below.

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, 2012.

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, 2012.

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, 2012.

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, 2012.

Unassigned – This category is the residual classification for the Supervisor of Elections fund balances. There are no unassigned funds as of September 30, 2012.

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.

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.

Date of Management’s Review – In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 22, 2013, the date the financial statements were available to be issued.

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.

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, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. 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 4.45% October 1, 2011 through June 30, 2012 and 5.44% July 1 through September 30, 2012.

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, 2012, 2011, and 2010 were \$27,907, \$45,982 and \$52,782, 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, 2012, were \$11,942.

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.

NOTE 3 – RETIREMENT PLANS (Continued)

Funding Policy – FRS Investment Plan is funded through employee and employer contributions. Rates effective for October 1, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$2,172 and \$1,315, 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, 2012, and have issued our report thereon dated March 22, 2013.

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 22, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

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

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

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

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 the 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management 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 22, 2013

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, 2012, and have issued our report thereon dated March 22, 2013. 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
Page Two

Compliance and Other Matters

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

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

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

Certified Public Accountants
Panama City Beach, Florida
March 22, 2013

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, 2012, 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 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 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, 2012, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report March 22, 2013, 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 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 22, 2013

Bay County Clerk of Court and Comptroller
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2012

	General Fund	Court Fund	Records Modernization - Records	10% Fine Records Modernization	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 381,649	\$ 223,087	\$ 121,366	\$ 414,553	\$ 147,665	\$ 1,288,320
Investments	12,952	-	-	-	-	12,952
Accounts receivable, net	79,704	5,467	3,060	-	1,980	90,211
Prepaid items	5,478	13,772	27,581	3,910	295	51,036
Total assets	\$ 479,783	\$ 242,326	\$ 152,007	\$ 418,463	\$ 149,940	\$ 1,442,519
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable and accrued liabilities	\$ 186,537	\$ 190,889	\$ -	\$ 36,703	\$ 20,582	\$ 434,711
Deferred revenue	10,460	-	-	-	-	10,460
Due to other governments	282,786	51,437	-	-	-	334,223
Total liabilities	479,783	242,326	-	36,703	20,582	779,394
Fund balance						
Nonspendable	5,478	13,772	27,581	3,910	295	51,036
Restricted	-	-	124,426	377,850	129,063	631,339
Unassigned	(5,478)	(13,772)	-	-	-	(19,250)
Total fund balance	-	-	152,007	381,760	129,358	663,125
Total liabilities and fund balance	\$ 479,783	\$ 242,326	\$ 152,007	\$ 418,463	\$ 149,940	\$ 1,442,519

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

Bay County Clerk of Court and Comptroller
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2012

	General Fund	Court Fund	Records Modernization - Records	10% Fine Records Modernization	Other Governmental Funds	Total Governmental Funds
REVENUES						
Intergovernmental revenue	\$ 168,924	\$ -	\$ -	\$ -	\$ -	\$ 168,924
Charges for services	1,255,047	3,506,782	101,760	224,265	317,741	5,405,595
Miscellaneous	53,158	-	3,060	-	-	56,218
Total revenues	1,477,129	3,506,782	104,820	224,265	317,741	5,630,737
EXPENDITURES						
Current						
General government	2,363,351	3,355,285	58,857	171,648	257,008	6,206,149
Capital outlay						
General government	105,645	151,497	-	5,904	1,535	264,581
Total expenditures	2,468,996	3,506,782	58,857	177,552	258,543	6,470,730
Excess (deficit) of revenues over (under) expenditures	(991,867)	-	45,963	46,713	59,198	(839,993)
OTHER FINANCING SOURCES (USES)						
Budget appropriations from Board of County Commissioners	1,083,644	-	-	-	-	1,083,644
Transfer out/return of excess fees	(91,777)	-	-	-	-	(91,777)
Total other financing sources	991,867	-	-	-	-	991,867
Net change in fund balance	-	-	45,963	46,713	59,198	151,874
Fund balance - beginning	-	-	106,044	335,047	70,160	511,251
Fund balance - ending	\$ -	\$ -	\$ 152,007	\$ 381,760	\$ 129,358	\$ 663,125

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

Bay County Clerk of Court and Comptroller
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 144,000	\$ 168,924	\$ 168,924	\$ -
Charges for services	1,229,575	1,446,056	1,255,047	(191,009)
Miscellaneous	46,935	48,545	53,158	4,613
Total revenues	1,420,510	1,663,525	1,477,129	(186,396)
EXPENDITURES				
Current				
General government	2,483,554	2,684,940	2,363,351	321,589
Capital outlay				
General government	20,600	62,229	105,645	(43,416)
Total expenditures	2,504,154	2,747,169	2,468,996	278,173
Excess (deficit) of revenues over (under) expenditures	(1,083,644)	(1,083,644)	(991,867)	91,777
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,083,644	1,083,644	1,083,644	-
Transfer out/return of excess fees	-	-	(91,777)	(91,777)
Total other financing sources (uses)	1,083,644	1,083,644	991,867	(91,777)
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 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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 3,522,421	\$ 3,522,421	\$ 3,506,782	\$ (15,639)
Total revenues	3,522,421	3,522,421	3,506,782	(15,639)
EXPENDITURES				
Current				
General government	3,370,924	3,370,924	3,355,285	15,639
Capital outlay				
General government	151,497	151,497	151,497	-
Total expenditures	3,522,421	3,522,421	3,506,782	15,639
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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

Bay County Clerk of Court and Comptroller
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2012

ASSETS

Cash and cash equivalents	\$ 5,433,893
Accounts receivable, net	862
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Total assets	\$ 5,434,755
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LIABILITIES

Accounts payable and accrued liabilities	\$ 2,754,948
Due to other governments	2,679,807
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Total liabilities	\$ 5,434,755
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The accompanying notes are an integral part of these special-purpose financial statements

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 assets) is considered a

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 balance classifications are defined below.

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, 2012, is \$51,036.

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, 2012, is \$631,339.

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, 2012.

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, 2012.

Unassigned – This category is the residual classification for the Clerk's fund balances. The unassigned fund balance as of September 30, 2012, is a deficit of \$(19,250).

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.

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-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.

Date of Management’s Review – In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 22, 2013, the date the financial statements were available.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Investment Policies – Florida Statutes, Section 218.415, authorizes the Clerk to invest surplus funds in the following:

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

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

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

At September 30, 2012, the Clerk had investments on deposit in a 2a-7 like pool for general and agency funds in the amount of \$11,378 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, 2012, was 0.94896811. The Fund B is annually certified for compliance with the requirements of Florida law by the Board of Trustees of the SBA. The Board of Trustees of the SBA consists of the Governor, the Chief Financial Officer, and the Attorney General.

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

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, 2012, was 39 days or 1.30 months. The weighted average life of Fund B at September 30, 2012, was 4.08 years or 48.96 months. The Clerk does not have a formal policy relating to interest rate risk.

Concentration of Credit Risk – At September 30, 2012, the Clerk did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2012, 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)	\$ 11,378	\$ 11,378	1.30	AAAm
Local Government Investment Pool Fund B	1,574	1,574	48.96	*
Total investments	\$ 12,952	\$ 12,952		

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

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2012, accounts receivable, net is summarized as follows:

Total accounts receivable	\$ 90,211
Less: allowance for doubtful accounts	-
Accounts receivable, net	\$ 90,211

The Clerk considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2012.

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 their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only

NOTE 4 – RETIREMENT PLANS (Continued)

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, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. 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 4.42% October 1, 2011 through June 30, 2012 and 5.44% July 1 through September 30, 2012.

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, 2012, 2011, and 2010 were \$188,291, \$348,245, and \$396,544, 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, 2012, were \$100,808.

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, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$18,963 and \$11,439, respectively.

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NONMAJOR GOVERNMENTAL FUNDS

Bay County Clerk of Court and Comptroller
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012

	Special Revenue		
	Family Mediation	Records Modernization - Court	Total
ASSETS			
Cash and cash equivalents	\$ 16,048	\$ 131,617	\$ 147,665
Accounts receivable, net	-	1,980	1,980
Prepaid items	-	295	295
Total assets	\$ 16,048	\$ 133,892	\$ 149,940
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued liabilities	\$ 1,094	\$ 19,488	\$ 20,582
Total liabilities	1,094	19,488	20,582
Fund balance			
Nonspendable	-	295	295
Restricted	14,954	114,109	129,063
Total fund balance	14,954	114,404	129,358
Total liabilities and fund balance	\$ 16,048	\$ 133,892	\$ 149,940

Bay County Clerk of Court and Comptroller
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2012

	Special Revenue		
	Family Mediation	Records Modernization - Court	Total
REVENUES			
Charges for services	\$ 19,000	\$ 298,741	\$ 317,741
Total revenues	19,000	298,741	317,741
EXPENDITURES			
Current			
General government	12,190	244,818	257,008
Capital outlay			
General government	-	1,535	1,535
Total expenditures	12,190	246,353	258,543
Excess of revenues over expenditures	6,810	52,388	59,198
Fund balance - beginning	8,144	62,016	70,160
Fund balance - ending	\$ 14,954	\$ 114,404	\$ 129,358

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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, 2012

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 1,681,552	\$ 30,209,822	\$ 29,808,674	\$ 2,082,700
Accounts receivable, net	9,256	-	8,394	862
Total assets	\$ 1,690,808	\$ 30,209,822	\$ 29,817,068	\$ 2,083,562
LIABILITIES				
Due to other governments	\$ 1,690,808	\$ 30,209,822	\$ 29,817,068	\$ 2,083,562
Total liabilities	\$ 1,690,808	\$ 30,209,822	\$ 29,817,068	\$ 2,083,562
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 21,811	\$ 67,956	\$ 67,197	\$ 22,570
Accounts receivable, net	1,065	-	1,065	-
Total assets	\$ 22,876	\$ 67,956	\$ 68,262	\$ 22,570
LIABILITIES				
Due to other governments	\$ 22,876	\$ 67,956	\$ 68,262	\$ 22,570
Total liabilities	\$ 22,876	\$ 67,956	\$ 68,262	\$ 22,570
TAX DEED				
ASSETS				
Cash and cash equivalents	\$ 334,124	\$ 703,623	\$ 552,427	\$ 485,320
Total assets	\$ 334,124	\$ 703,623	\$ 552,427	\$ 485,320
LIABILITIES				
Accounts payable and Accrued liabilities	\$ 334,124	\$ 703,623	\$ 552,427	\$ 485,320
Total liabilities	\$ 334,124	\$ 703,623	\$ 552,427	\$ 485,320
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 10,166	\$ 438,753	\$ 431,217	\$ 17,702
Total assets	\$ 10,166	\$ 438,753	\$ 431,217	\$ 17,702
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,166	\$ 438,753	\$ 431,217	\$ 17,702
Total liabilities	\$ 10,166	\$ 438,753	\$ 431,217	\$ 17,702

Continued

Bay County Clerk of Court and Comptroller
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended September 30, 2012

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,741,245	\$ 14,286,105	\$ 13,777,120	\$ 2,250,230
Total assets	\$ 1,741,245	\$ 14,286,105	\$ 13,777,120	\$ 2,250,230
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,741,245	\$ 14,286,105	\$ 13,777,120	\$ 2,250,230
Total liabilities	\$ 1,741,245	\$ 14,286,105	\$ 13,777,120	\$ 2,250,230
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 557,711	\$ 997,078	\$ 981,114	\$ 573,675
Total assets	\$ 557,711	\$ 997,078	\$ 981,114	\$ 573,675
LIABILITIES				
Due to other governments	\$ 557,711	\$ 997,078	\$ 981,114	\$ 573,675
Total liabilities	\$ 557,711	\$ 997,078	\$ 981,114	\$ 573,675
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 1,068	\$ 157,595	\$ 156,967	\$ 1,696
Accounts receivable, net	2	-	2	-
Total assets	\$ 1,070	\$ 157,595	\$ 156,969	\$ 1,696
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,070	\$ 157,595	\$ 156,969	\$ 1,696
Total liabilities	\$ 1,070	\$ 157,595	\$ 156,969	\$ 1,696
TOTAL - AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 4,347,677	\$ 46,860,932	\$ 45,774,716	\$ 5,433,893
Accounts receivable, net	10,323	-	9,461	862
Total assets	\$ 4,358,000	\$ 46,860,932	\$ 45,784,177	\$ 5,434,755
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,086,605	\$ 15,586,076	\$ 14,917,733	\$ 2,754,948
Due to other governments	2,271,395	31,274,856	30,866,444	2,679,807
Total liabilities	\$ 4,358,000	\$ 46,860,932	\$ 45,784,177	\$ 5,434,755

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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, 2012, and have issued our report thereon dated March 22, 2013.

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 22, 2013, 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 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.

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 the 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and Federal and other granting agencies, and applicable management 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 22, 2013

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, 2012, and have issued our report thereon dated March 22, 2013. 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 his compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Bay County Clerk of 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.

Cau, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 22, 2013

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, 2012, 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, 2012, 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 22, 2013 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 22, 2013

Bay County Property Appraiser
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2012

	General Fund
ASSETS	
Cash and cash equivalents	\$ 70,346
Accounts receivable, net	108
Total assets	\$ 70,454
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued liabilities	\$ 70,300
Due to other governments	154
Total liabilities	70,454
Fund balance	
Unassigned	-
Total liabilities and fund balance	\$ 70,454

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, 2012

	General Fund
REVENUES	
Charges for services	\$ 25,959
Investment earnings	1,350
Total revenues	27,309
EXPENDITURES	
Current	
General government	2,471,133
Capital outlay	
General government	71,512
Debt service	
Principal retirement	8,975
Interest and fiscal charges	1,916
Total expenditures	2,553,536
Excess (deficit) of revenues over (under) expenditures	(2,526,227)
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	2,526,381
Transfer out/return of excess fees	(154)
Total other financing sources	2,526,227
Net change in fund balance	-
Fund balance - beginning	-
Fund balance - ending	\$ -

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

Bay County Property Appraiser
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 23,535	\$ 23,528	\$ 25,959	\$ 2,431
Investment earnings	-	-	1,350	1,350
Total revenues	23,535	23,528	27,309	3,781
EXPENDITURES				
Current				
General government	2,530,534	2,530,440	2,471,133	59,307
Capital outlay				
General government	8,578	8,578	71,512	(62,934)
Debt service				
Principal retirement	8,975	8,975	8,975	-
Interest and fiscal charges	1,916	1,916	1,916	-
Total expenditures	2,550,003	2,549,909	2,553,536	(3,627)
Excess (deficit) of revenues over (under) expenditures	(2,526,468)	(2,526,381)	(2,526,227)	154
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,526,468	2,526,381	2,526,381	-
Transfer out/return of excess fees	-	-	(154)	(154)
Total other financing sources (uses)	2,526,468	2,526,381	2,526,227	(154)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance classifications are defined below.

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, 2012.

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, 2012.

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, 2012.

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, 2012.

Unassigned – This category is the residual classification for the Property Appraiser's fund balances. There are no unassigned funds as of September 30, 2012.

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.

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 pro-rated 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.

Date of Management’s Review – In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 22, 2013, the date the financial statements were available to be issued.

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, 2012:

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
Capital Leases Payable	\$ 24,790	\$ -	\$ 8,974	\$ 15,816

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.

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 \$17,316. Total principal maturities are as follows:

Year Ending September 30,	
2013	\$ 10,170
2014	6,557
2015	500
Total	17,227
Less interest	(1,411)
Total	\$ 15,816

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 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 Property Appraiser is required to contribute at an actuarially determined rate. Rates effective for October 1, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. 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 4.42% October 1, 2011 through June 30, 2012 and 5.44% July 1 through September 30, 2012.

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, 2012, 2011, and 2010 were \$88,399, \$169,126 and \$206,039, 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, 2012, were \$38,723.

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 Investment Plan is funded through employee and employer contributions. Rates for October 1, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$8,468 and \$4,459, 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, 2012, and have issued our report thereon dated March 22, 2013.

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 22, 2013, 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 the 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management 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 22, 2013

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, 2012, and have issued our report thereon dated March 22, 2013. 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.

Compliance and Other Matters

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

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.

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

Certified Public Accountants
Panama City Beach, Florida
March 22, 2013

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, 2012, 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, 2012, 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 22, 2013, 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 22, 2013

Bay County Tax Collector
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2012

	General Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 2,280,654
Investments	197
Due from other governments	132,484
<hr/>	
Total assets	\$ 2,413,335
<hr/>	
LIABILITIES AND FUND BALANCE	
Liabilities	
Accrued liabilities	\$ 20,621
Due to other governments	2,392,714
<hr/>	
Total liabilities	2,413,335
Fund balance	
Unassigned	-
<hr/>	
Total liabilities and fund balance	\$ 2,413,335
<hr/>	

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, 2012

	General Fund
REVENUES	
Charges for services	\$ 1,923,701
Total revenues	1,923,701
EXPENDITURES	
Current	
General government	2,759,973
Capital outlay	
General government	32,501
Total expenditures	2,792,474
Excess (deficit) of revenues over (under) expenditures	(868,773)
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	3,268,941
Transfer out/ return of excess fees	(2,400,168)
Total other financing sources (uses)	868,773
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 Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,923,701	\$ 1,923,701
Total revenues	-	-	1,923,701	1,923,701
EXPENDITURES				
Current				
General government	2,945,747	2,916,446	2,759,973	156,473
Capital outlay				
General government	7,730	37,031	32,501	4,530
Total expenditures	2,953,477	2,953,477	2,792,474	161,003
Excess (deficit) of revenues over (under) expenditures	(2,953,477)	(2,953,477)	(868,773)	2,084,704
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,953,477	2,953,477	3,268,941	315,464
Transfer out/ return of excess fees	-	-	(2,400,168)	(2,400,168)
Total other financing sources (uses)	2,953,477	2,953,477	868,773	(2,084,704)
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, 2012

ASSETS

Cash and cash equivalents	\$ 1,802,716
Investments	58,299
Accounts receivable, net	23,715
<hr/>	
Total assets	\$ 1,884,730
<hr/>	

LIABILITIES

Due to other governments	\$ 1,884,730
<hr/>	
Total liabilities	\$ 1,884,730
<hr/>	

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

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 operating statements present

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 classifications are defined below.

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, 2012.

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, 2012.

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 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, 2012.

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, 2012.

Unassigned – This category is the residual classification for the Tax Collector's fund balances. There are no unassigned funds as of September 30, 2012.

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.

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.

Date of Management's Review – In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 22, 2013, the date the financial statements were available to be issued.

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.

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, 2012, was 0.94896811. 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.

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, 2012, was 39 days. The weighted average life of Fund B at September 30, 2012, was 4.08 years. The Bay County Tax Collector does not have a formal policy relating to interest rate risk.

Concentration of Credit Risk – At September 30, 2012, the Bay County Tax Collector did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2012, 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)	\$ 10,808	\$ 10,808	1.30	AAAm
Local Government Investment Pool Fund B	47,688	47,688	48.96	*
Total investments	\$ 58,496	\$ 58,496		

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

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2012, the agency funds' accounts receivable, net, are summarized as follows:

Total accounts receivable	\$ 23,715
Less: allowance for doubtful accounts	-
Accounts receivable, net	\$ 23,715

The Bay County Tax Collector considers all amounts collectible; therefore, there is no provision for doubtful accounts at September 30, 2012.

NOTE 4 – PROPERTY TAXES

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

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

NOTE 5 – 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 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 Tax Collector is required to contribute at an actuarially determined rate. Rates effective for October 1, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. 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 4.42% October 1, 2011 through June 30, 2012 and 5.44% July 1 through September 30, 2012.

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, 2012, 2011, and 2010 were \$75,564, \$136,920, and \$156,580, 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, 2012, were \$33,836.

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.

NOTE 5 – RETIREMENT PLANS (Continued)

Funding Policy – FRS Investment Plan is funded through employee and employer contributions. Rates for October 1, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$5,040 and \$3,069, respectively.

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AGENCY FUNDS

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Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended September 30, 2012

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 1,805,531	\$ 357,029,168	\$ 357,096,570	\$ 1,738,129
Investments	61,823	-	3,524	58,299
Total assets	\$ 1,867,354	\$ 357,029,168	\$ 357,100,094	\$ 1,796,428
LIABILITIES				
Due to other governments	\$ 1,867,354	\$ 357,029,168	\$ 357,100,094	\$ 1,796,428
Total liabilities	\$ 1,867,354	\$ 357,029,168	\$ 357,100,094	\$ 1,796,428
TAX CERTIFICATE FUND				
ASSETS				
Cash and cash equivalents	\$ 1,622	\$ 25	\$ 1,647	\$ -
Total assets	\$ 1,622	\$ 25	\$ 1,647	\$ -
LIABILITIES				
Due to others	\$ 1,622	\$ 25	\$ 1,647	\$ -
Total liabilities	\$ 1,622	\$ 25	\$ 1,647	\$ -
TAG FUND				
ASSETS				
Cash and cash equivalents	\$ -	\$ 24,036,832	\$ 23,972,245	\$ 64,587
Accounts receivable, net	24,689	9,999	10,973	23,715
Total assets	\$ 24,689	\$ 24,046,831	\$ 23,983,218	\$ 88,302
LIABILITIES				
Bank overdraft	\$ 24,689	\$ -	\$ 24,689	\$ -
Due to other governments	-	24,046,831	23,958,529	88,302
Total liabilities	\$ 24,689	\$ 24,046,831	\$ 23,983,218	\$ 88,302
TOTAL-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,807,153	\$ 381,066,025	\$ 381,070,462	\$ 1,802,716
Investments	61,823	-	3,524	58,299
Accounts receivable, net	24,689	9,999	10,973	23,715
Total assets	\$ 1,893,665	\$ 381,076,024	\$ 381,084,959	\$ 1,884,730
LIABILITIES				
Bank overdraft	\$ 24,689	\$ -	\$ 24,689	\$ -
Due to other governments	1,867,354	381,075,999	381,058,623	1,884,730
Due to others	1,622	25	1,647	-
Total liabilities	\$ 1,893,665	\$ 381,076,024	\$ 381,084,959	\$ 1,884,730

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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, 2012, and have issued our report thereon dated March 22, 2013.

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 Chapter 10.550, Rules of the Florida Auditor General. 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 22, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In the preceding financial report we identified an issue that was included under Section 10.554(1)(i)5., Rules of the Auditor General; regarding amounts paid to other agencies exceeding the amounts received on their behalf. This matter will be disclosed again under section 10.554(1)(i)5., Rules of the Auditor General.

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.

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 the 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, as in prior year, 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.

In addition, we noticed that certain capital asset additions were not properly reported to the Bay County Board of County Commissioners. We recommend that procedures be implemented to identify and timely report capital asset additions to the Bay County Board of County Commissioners.

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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management 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 22, 2013

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, 2012, and have issued our report thereon March 22, 2013. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below we identified a deficiency in internal control over financial reporting that we considered to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency below to be a material weakness.

2012-1 Certain adjustments to the Bay County Tax Collector's financial statements that reflect correction of a material misstatement not initially identified in the Bay County Tax Collector's internal controls result in material weakness in internal control.

Management's Response

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

Compliance and Other Matters

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

The Bay County Tax Collector's response to the findings identified in our audit is described above. We did not audit the response and, accordingly, we express no opinion on it.

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

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

Certified Public Accountants
Panama City Beach, Florida
March 22, 2013

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, 2012, 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 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 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, 2012, 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 22, 2013, 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, 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 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.

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

Certified Public Accountants
Panama City Beach, Florida
March 22, 2013

Bay County Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2012

	General Fund	Crime Prevention	Inmate Welfare	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 147,893	\$ 108,078	\$ 371,472	\$ 229,702	\$ 857,145
Accounts receivable, net	100,364	-	54,744	-	155,108
Total Assets	\$ 248,257	\$ 108,078	\$ 426,216	\$ 229,702	\$ 1,012,253
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued liabilities	\$ 223,640	\$ -	\$ 3,866	\$ 20,146	\$ 247,652
Due to other governments	24,617	-	-	-	24,617
Total liabilities	248,257	-	3,866	20,146	272,269
Fund Balance					
Restricted	-	108,078	422,350	209,556	739,984
Total liabilities and fund balance	\$ 248,257	\$ 108,078	\$ 426,216	\$ 229,702	\$ 1,012,253

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, 2012

	General Fund	Crime Prevention	Inmate Welfare	Other Governmental Funds	Total Governmental Funds
REVENUES					
Intergovernmental revenue	\$ 2,715,704	\$ 110,000	\$ -	\$ 236,224	\$ 3,061,928
Investment earnings	14,207	466	-	80	14,753
Charges for services	-	-	566,446	-	566,446
Total revenues	2,729,911	110,466	566,446	236,304	3,643,127
EXPENDITURES					
Current					
Public safety	34,976,971	182,515	478,709	185,942	35,824,137
Capital outlay					
Public safety	685,425	-	-	78,270	763,695
Debt service					
Principal retirement	8,820	-	-	-	8,820
Interest and fiscal charges	168	-	-	-	168
Total expenditures	35,671,384	182,515	478,709	264,212	36,596,820
Excess (deficit) of revenues over (under) expenditures	(32,941,473)	(72,049)	87,737	(27,908)	(32,953,693)
OTHER FINANCING SOURCES (USES)					
Budget appropriations from					
Board of County Commissioners	32,966,090	-	-	-	32,966,090
Transfer out/return of excess fees	(24,617)	-	-	-	(24,617)
Total other financing sources	32,941,473	-	-	-	32,941,473
Net change in fund balance	-	(72,049)	87,737	(27,908)	(12,220)
Fund balance - beginning	-	180,127	334,613	237,464	752,204
Fund balance - ending	\$ -	\$ 108,078	\$ 422,350	\$ 209,556	\$ 739,984

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

Bay County Sheriff
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 3,139,384	\$ 3,075,000	\$ 2,715,704	\$ (359,296)
Investment earnings	-	-	14,207	14,207
Total revenues	3,139,384	3,075,000	2,729,911	(345,089)
EXPENDITURES				
Current				
Public safety	35,411,061	35,346,677	34,976,971	369,706
Capital outlay				
Public safety	685,425	685,425	685,425	-
Debt service				
Principal retirement	8,820	8,820	8,820	-
Interest and fiscal charges	168	168	168	-
Total expenditures	36,105,474	36,041,090	35,671,384	369,706
Excess (deficit) of revenues over (under) expenditures	(32,966,090)	(32,966,090)	(32,941,473)	24,617
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	32,966,090	32,966,090	32,966,090	-
Transfer out/ return of excess fees	-	-	(24,617)	(24,617)
Total other financing sources	32,966,090	32,966,090	32,941,473	(24,617)
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 Sheriff
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2012

ASSETS

Cash and cash equivalents	\$ 117,590
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Total assets	\$ 117,590
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LIABILITIES

Accounts payable	\$ 63,467
Due to other governments	-
Due to others	54,123
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Total liabilities	\$ 117,590
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The accompanying notes are an integral part of these special-purpose financial statements

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 current liabilities

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 classifications are defined below.

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, 2012.

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, 2012, is \$739,984.

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, 2012.

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, 2012.

Unassigned – This category is the residual classification for the Sheriff's fund balances. There are no unassigned funds as of September 30, 2012.

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 capital 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimate – 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.

Date of Management's Review – In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 22, 2013, the date the financial statements were available to be issued.

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, 2012, accounts receivable, net is summarized as follows:

	General Fund	Inmate Welfare Fund	Total
Total accounts receivable	\$ 100,364	\$ 54,744	\$ 155,108
Less: allowance for doubtful accounts	-	-	-
Accounts receivable, net	\$ 100,364	\$ 54,744	\$ 155,108

The Sheriff considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2012.

NOTE 4 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2012, are summarized as follows:

	Balance September 30, 2011	Increases	Decreases	Balance September 30, 2012
Vehicles, furniture and equipment	\$ 13,668,331	\$ 1,232,187	\$ (462,155)	\$ 14,438,363
Property held under capital leases	33,547	-	(33,547)	-
Total	13,701,878	1,232,187	(495,702)	14,438,363
Less accumulated depreciation	(10,447,258)	(1,267,303)	287,580	(11,426,981)
Total	\$ 3,254,620	\$ (35,116)	\$ (208,122)	\$ 3,011,382

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2012:

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
Capital leases payable	\$ 8,820	\$ -	\$ 8,820	\$ -
Compensated absences	1,683,958	-	131,463	1,552,495
Total	\$ 1,692,778	\$ -	\$ 140,283	\$ 1,552,495

The Sheriff's long-term liabilities are accounted for in the County's long-term liabilities.

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, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. 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 4.42% October 1, 2011 through June 30, 2012 and 4.42% July 1 through September 30, 2012.

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, 2012, 2011, and 2010 were \$2,077,691, \$3,141,223, and \$3,773,271, 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, 2012, were \$527,602.

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.

NOTE 6 – RETIREMENT PLANS (Continued)

Funding Policy – FRS is funded through employee and employer contributions. Rates effective for October 1, 2011 through June 30, 2012, were 4.91%, 6.27%, and 11.14% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2012 through September 30, 2012, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$211,584 and \$74,937, respectively.

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NONMAJOR GOVERNMENTAL FUNDS

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Bay County Sheriff
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012

	Special Revenue						
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total	
ASSETS							
Cash and cash equivalents	\$ 34,589	\$ 53,574	\$ 17,431	\$ 92,518	\$ 31,590	\$ 229,702	
Total assets	\$ 34,589	\$ 53,574	\$ 17,431	\$ 92,518	\$ 31,590	\$ 229,702	
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 18,737	\$ 1,409	\$ -	\$ -	\$ -	\$ 20,146	
Total liabilities	18,737	1,409	-	-	-	20,146	
Fund balance							
Restricted	15,852	52,165	17,431	92,518	31,590	209,556	
Total liabilities and fund balance	\$ 34,589	\$ 53,574	\$ 17,431	\$ 92,518	\$ 31,590	\$ 229,702	

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

Bay County Sheriff
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2012

	Special Revenue						
	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total	
REVENUES							
Intergovernmental	\$ 31,324	\$ 61,989	\$ 46,691	\$ 74,123	\$ 22,097	\$ 236,224	
Investment earnings	-	-	-	80	-	80	
Total revenues	31,324	61,989	46,691	74,203	22,097	236,304	
EXPENDITURES							
Current							
Public safety	38,855	45,352	44,519	32,624	24,592	185,942	
Capital outlay							
Public safety	-	19,638	-	8,169	50,463	78,270	
Total expenditures	38,855	64,990	44,519	40,793	75,055	264,212	
Excess of revenues over (under) expenditures	(7,531)	(3,001)	2,172	33,410	(52,958)	(27,908)	
Fund balance - beginning	23,383	55,166	15,259	59,108	84,548	237,464	
Fund balance - ending	\$ 15,852	\$ 52,165	\$ 17,431	\$ 92,518	\$ 31,590	\$ 209,556	

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

AGENCY FUNDS

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Bay County Sheriff
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended September 30, 2012

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ 1,267	\$ 145,602	\$ 146,869	\$ -
Total assets	\$ 1,267	\$ 145,602	\$ 146,869	\$ -
LIABILITIES				
Due to other governments	\$ 1,267	\$ 145,602	\$ 146,869	\$ -
Total liabilities	\$ 1,267	\$ 145,602	\$ 146,869	\$ -
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 68,307	\$ 324,709	\$ 329,549	\$ 63,467
Total assets	\$ 68,307	\$ 324,709	\$ 329,549	\$ 63,467
LIABILITIES				
Accounts payable	\$ 68,307	\$ 324,709	\$ 329,549	\$ 63,467
Total liabilities	\$ 68,307	\$ 324,709	\$ 329,549	\$ 63,467
FOREFITURE				
ASSETS				
Cash and cash equivalents	\$ 150,935	\$ 55,774	\$ 152,586	\$ 54,123
Total assets	\$ 150,935	\$ 55,774	\$ 152,586	\$ 54,123
LIABILITIES				
Due to others	\$ 150,935	\$ 55,774	\$ 152,586	\$ 54,123
Total liabilities	\$ 150,935	\$ 55,774	\$ 152,586	\$ 54,123
TOTAL-AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 220,509	\$ 526,085	\$ 629,004	\$ 117,590
Total assets	\$ 220,509	\$ 526,085	\$ 629,004	\$ 117,590
LIABILITIES				
Accounts payable	\$ 68,307	\$ 324,709	\$ 329,549	\$ 63,467
Due to other governments	1,267	145,602	146,869	-
Due to others	150,935	55,774	152,586	54,123
Total liabilities	\$ 220,509	\$ 526,085	\$ 629,004	\$ 117,590

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

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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, 2012, and have issued our report thereon dated March 22, 2013.

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 22, 2013, 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. 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 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 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 the 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management 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 22, 2013

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, 2012, and have issued our report thereon dated March 22, 2013. 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.

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

Certified Public Accountants
Panama City Beach, Florida
March 22, 2013

