

BAY COUNTY FLORIDA



Comprehensive Annual Financial Report

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
BAY COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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

JOSEPH ROGERS
FINANCE OFFICER

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March 25, 2014

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, 2013. 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, 2012, to September 30, 2013, 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 – 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 of a new state of the art amphitheater was completed in 2013. Concerts hosting well known musical talent have been a huge success. These concerts have attracted thousands of tourists to the area during the peak season, as well as, the off season.

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

The Bay County Intelligent Traffic System (ITS) completed the \$2.5 million project 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.

Construction has been delayed until the summer of 2014 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 secure 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 2015.

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.

Bay County plans to begin operating the Emergency Medical Services that is currently operated by Bay Medical Center Sacred Heart Health System. This will allow the County to house ambulances at a variety of locations in order to better serve the community with more efficient call times.

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, 2012. 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-four consecutive years (fiscal years ended September 30, 1989 through 2012). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA for approval.

Acknowledgments

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

We would also like to thank the Constitutional Officers; Frank McKeithen, Dan Sowell, Mark Andersen, Peggy Brannon; County Commissioners: Mike Nelson, George B. Gainer, William T. Dozier, Guy M. Tunnell and Mike Thomas for their interest and support in administering the financial operations of the County during the fiscal year presented.

Respectfully submitted,

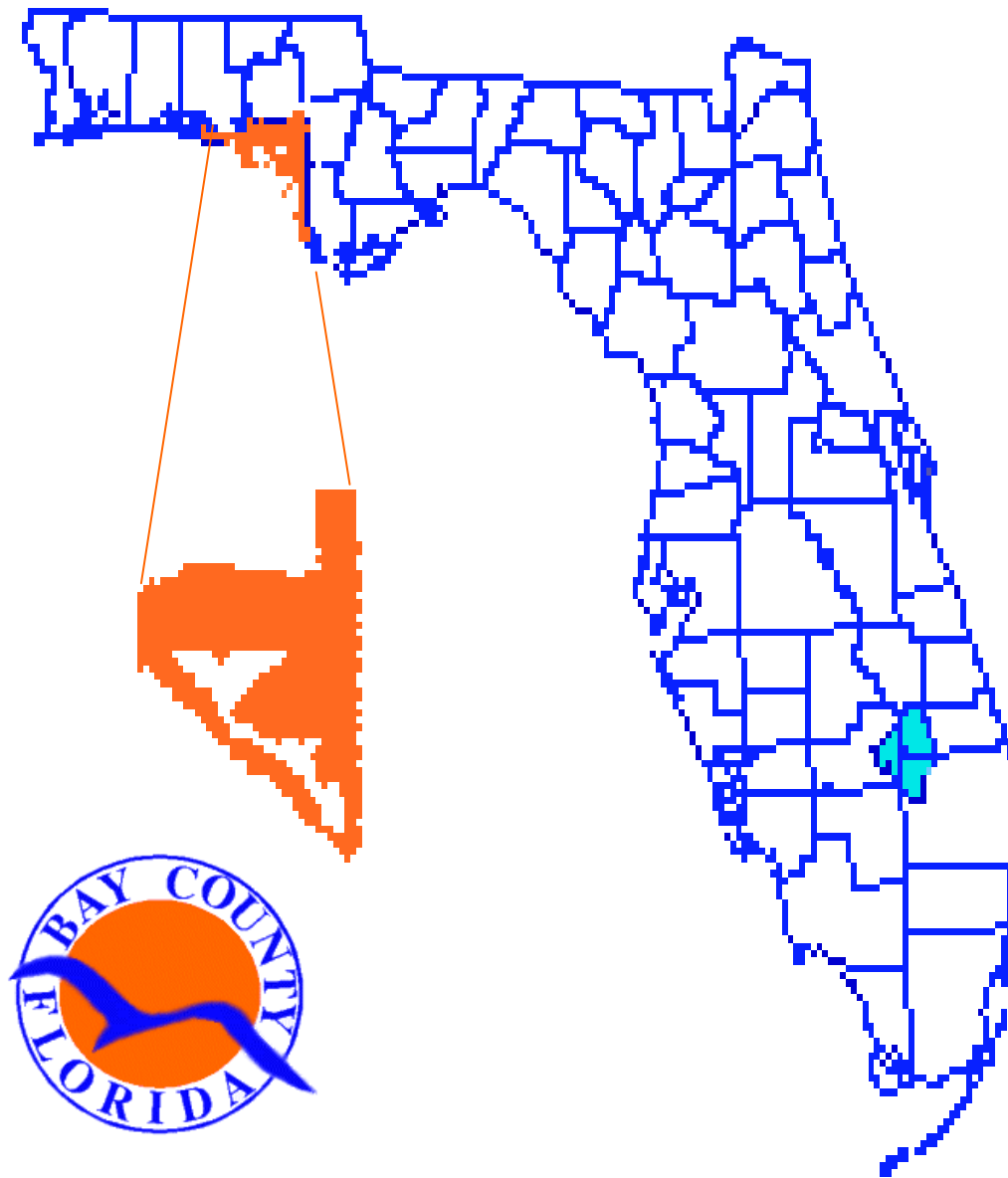
A handwritten signature in dark ink, appearing to read "Bill Kinsaul". The signature is fluid and cursive, with a large initial "B" and a long, sweeping tail.

Bill Kinsaul
Clerk of Court & Comptroller

A handwritten signature in dark ink, appearing to read "Joseph Rogers". The signature is cursive, with a large initial "J" and a long, sweeping tail.

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*



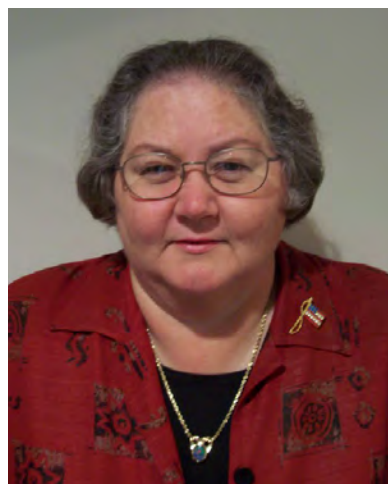
*Mark Andersen
Supervisor of
Elections*



*Bill Kinsaul
Clerk of Court
& Comptroller*



*Dan Sowell
Property Appraiser*



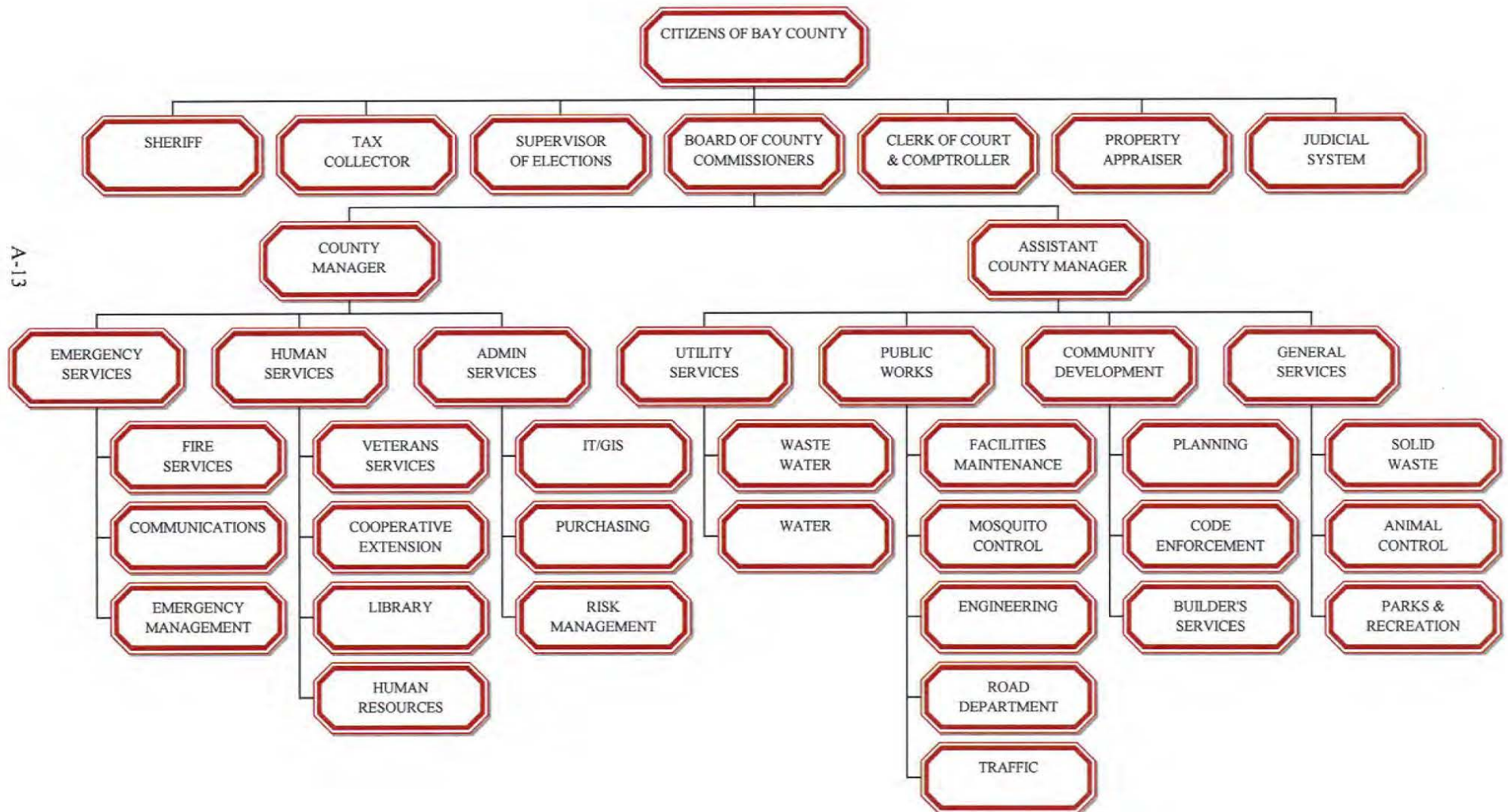
*Peggy Brannon
Tax Collector*



*Frank McKeithen
Sheriff*

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BAY COUNTY
ORGANIZATIONAL CHART
Fiscal Year 2013



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, 2012.

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.



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

The Honorable County Commissioners
Bay County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Florida (the County), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Florida, as of September 30, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 schedules of funding progress and of employer contributions for the retiree's health insurance other postemployment benefits plan on page B-86 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor governmental, internal service, and fiduciary fund financial statements and budgetary schedules listed in the table of contents, and statistical section 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 schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill is presented for the purpose of additional analysis as required by Chapter 10.550, State of Florida Rules of the Auditor General, and is also not a part of the required financial statements.

The combining and individual nonmajor governmental, internal service, and fiduciary fund financial statements, the budgetary schedules, and the schedule of expenditures of federal awards and state financial assistance, and the schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor governmental, internal service, and fiduciary fund financial statements, the budgetary schedules, and the schedule of expenditures of federal awards and state financial assistance, and the schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, 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, and 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* in considering Bay County, Florida's internal control over financial reporting and compliance.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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Bay County, Florida
MANAGEMENT'S DISCUSSION and ANALYSIS
For the Year Ended September 30, 2013

Management's discussion and analysis provides an objective and easily readable analysis of the County's financial activities. The analysis provides summary financial information for the County and should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Total assets of the County exceeded total liabilities by \$350,517,403 (net position). Of this amount, \$10,127,270 is unrestricted net position for governmental activities and \$34,693,980 is unrestricted net position for business-type activities, while \$65,276,675 is restricted net position for governmental activities and \$11,160,273 is restricted net position for business-type activities.
- Total net position increased by \$7,494,767. Of this amount, an increase of \$1,333,379 is attributable to governmental activities and an increase of \$6,161,388 is attributable to business-type activities.
- As of September 30, 2013, general fund's unassigned fund balance was \$9,241,995 or 11 percent of total general fund expenditures.
- Governmental activities revenues increased to \$139,043,254 or approximately 10 percent, while governmental activities expenses increased 7 percent to \$139,821,948. Business-type activities revenues increased to \$48,771,110 or 17 percent, while business-type activities expenses decreased 10 percent to \$40,497,649.
- The County's outstanding bonded debt increased by \$7,514,736 or 4 percent during fiscal year 2013. The key factor contributing to the increase in bonded debt was the issuance of bonds in the amount \$13,700,000 for the construction of an addition to the County's courthouse.

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 position*** 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 position of governmental activities and business-type activities, as well as the change in net position. 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 position*** presents information on all assets and liabilities of the County, with the difference between the two reported as *net position*. Assets, liabilities and net position are reported separately for governmental activities and business-type activities. Increases or decreases in net position 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 position for the fiscal year. All changes in net position 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, emergency medical services, 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 include internal service funds in addition to business-type activities, a **statement of net position**, a **statement of revenues, expenses, and changes in fund net position**, and a **statement of cash flows** are presented. A **statement of fiduciary net position** 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 position**, 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 position of the County. At the end of fiscal year 2013, the County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its governmental and business-type activities.

Bay County, Florida Net Position

September 30,	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 113,189,203	\$ 90,118,700	\$ 77,292,395	\$ 70,732,444	\$ 190,481,598	\$ 160,851,144
Capital assets	250,625,587	256,998,818	163,928,237	171,400,357	414,553,824	428,399,175
Total assets	363,814,790	347,117,518	241,220,632	242,132,801	605,035,422	589,250,319
Current and other liabilities	14,778,351	13,306,422	10,842,290	13,168,468	25,620,641	26,474,890
Long-term liabilities	113,694,442	99,802,478	115,202,936	119,950,315	228,897,378	219,752,793
Total liabilities	128,472,793	113,108,900	126,045,226	133,118,783	254,518,019	246,227,683
Net investment in capital assets	159,938,052	176,901,127	69,321,153	76,152,474	229,259,205	253,053,601
Net position-restricted	65,276,675	49,440,926	11,160,273	11,142,041	76,436,948	60,582,967
Net position-unrestricted	10,127,270	7,666,565	34,693,980	21,719,503	44,821,250	29,386,068
Total net position	\$ 235,341,997	\$ 234,008,618	\$ 115,175,406	\$ 109,014,018	\$ 350,517,403	\$ 343,022,636

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 position (65 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 position*, representing 22 percent of the County's net position, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of unrestricted net position (\$44,821,250) may be used to help meet the government's ongoing obligations to citizens and creditors.

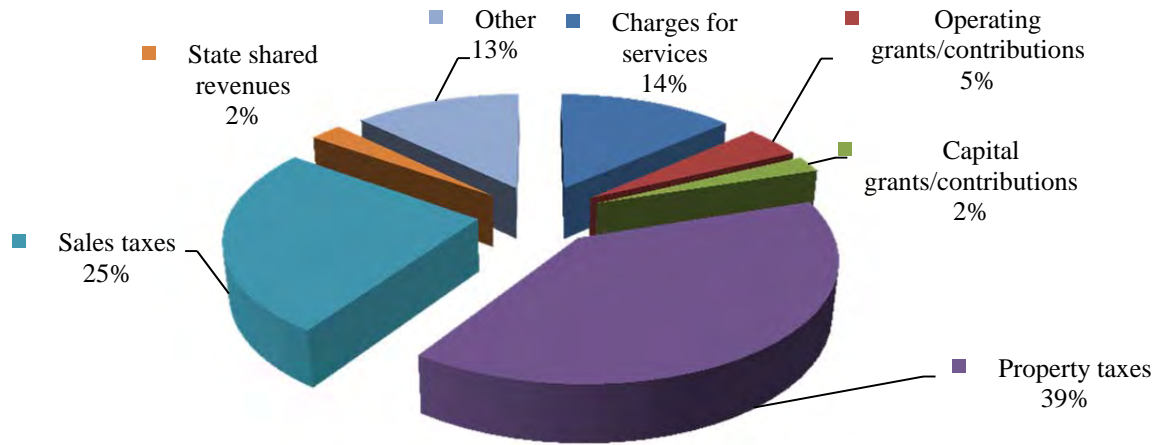
Governmental activities long-term liabilities increased by \$13,891,964 during 2013, while business-type activities long-term liabilities decreased by \$4,747,379. The issuance of \$13,700,000 in bonds to construct an addition to the County's courthouse was responsible for the increase in the governmental activities long-term liabilities, while repayment of principal through semi-annual and annual debt service payments contributed to the decrease in long-term liabilities for business-type activities.

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

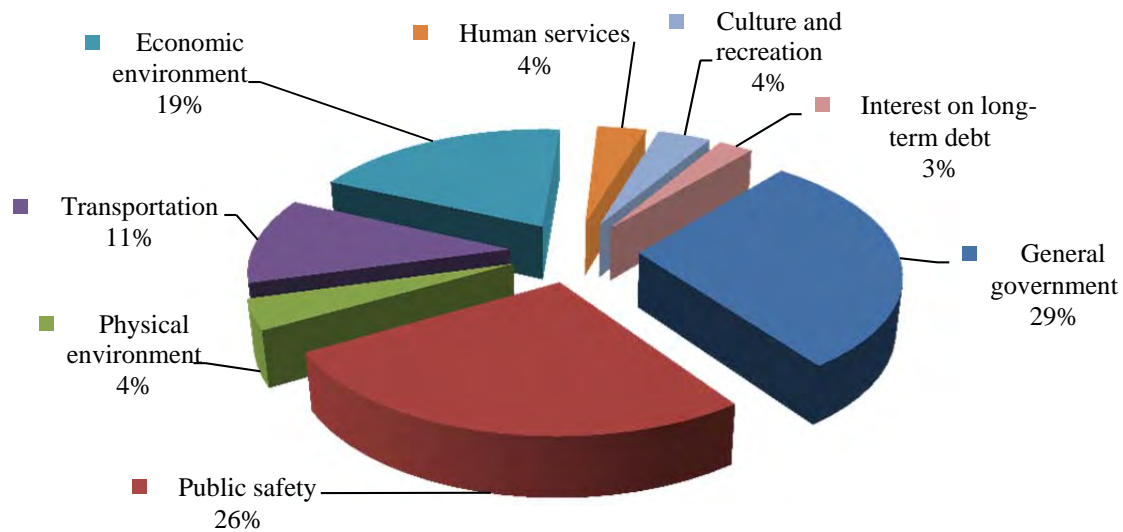
Bay County, Florida Changes in Net Position

Year ended September 30,	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues						
Charges for services	\$ 18,743,081	\$ 18,235,766	\$ 36,911,740	\$ 37,004,142	\$ 55,654,821	\$ 55,239,908
Operating grants/contributions	6,094,392	6,756,304	-	315,000	6,094,392	7,071,304
Capital grants/contributions	3,067,383	5,073,251	988,605	706,041	4,055,988	5,779,292
General revenues						
Property taxes	54,779,271	56,937,944	-	-	54,779,271	56,937,944
Sales taxes	35,163,910	33,318,347	2,100	1,400	35,166,010	33,319,747
State shared revenues – unrestricted	3,413,917	3,211,349	-	-	3,413,917	3,211,349
Other	17,781,300	3,443,631	10,868,665	3,818,263	28,649,965	7,261,894
Total revenues	139,043,254	126,976,592	48,771,110	41,844,846	187,814,364	168,821,438
Expenses						
General government	40,761,101	37,957,601	-	-	40,761,101	37,957,601
Public safety	36,924,438	36,745,373	-	-	36,924,438	36,745,373
Physical environment	5,513,532	5,397,684	-	-	5,513,532	5,397,684
Transportation	15,852,176	15,750,626	-	-	15,852,176	15,750,626
Economic environment	26,608,771	20,951,183	-	-	26,608,771	20,951,183
Human services	5,045,532	5,321,884	-	-	5,045,532	5,321,884
Culture and recreation	5,523,037	5,856,186	-	-	5,523,037	5,856,186
Interest on long-term debt	3,593,361	3,292,291	-	-	3,593,361	3,292,291
Wholesale water system	-	-	11,412,183	11,271,371	11,412,183	11,271,371
Retail water and wastewater	-	-	11,013,285	11,164,990	11,013,285	11,164,990
Industrial wastewater	-	-	1,611,176	3,602,863	1,611,176	3,602,863
Solid waste	-	-	15,225,489	17,622,969	15,225,489	17,622,969
Building services	-	-	1,118,630	1,215,319	1,118,630	1,215,319
Emergency medical services	-	-	116,886	-	116,886	-
Total expenses	139,821,948	131,272,828	40,497,649	44,877,512	180,319,597	176,150,340
Increase (decrease) in net position before transfers	(778,694)	(4,296,236)	8,273,461	(3,032,666)	7,494,767	(7,328,902)
Transfers	2,112,073	(50,000)	(2,112,073)	50,000	-	-
Changes in net position	1,333,379	(4,346,236)	6,161,388	(2,982,666)	7,494,767	(7,328,902)
Net position - beginning	234,008,618	238,354,854	109,014,018	111,996,684	343,022,636	350,351,538
Net position – ending	\$ 235,341,997	\$ 234,008,618	\$ 115,175,406	\$ 109,014,018	\$ 350,517,403	\$ 343,022,636

Revenue - Governmental Activities Fiscal Year September 30, 2013



Expenses - Governmental Activities Fiscal Year Ended September 30, 2013



As reflected in the changes in net position, the County's net position increased by \$7,494,767. While total revenues increased 11%, total expenses only increased at a rate of 2%, thus contributing to the increase in the County's net position. Total revenues increased \$18,992,926 from the previous year due mainly to a \$15,300,000 settlement with British Petroleum (BP) for economic damages received from the 2010, "Deep Water Horizon" oil spill. Sales tax revenue also increased approximately \$2 million in 2013, adding to the increase in the County's net position. While Solid Waste charges for services increased over \$1.6 million in 2013, the transfer of Industrial Waste operations to RockTenn produced a slight decline in charges for services in business-type activities. Governmental activities expenses exceeded revenues by \$778,694, while business-type activities revenues exceeded expenses by \$8,273,461. Total expenses increased by \$4,169,257 from the previous year. The major factor contributing to the increase in total expenses was the additional funding for the promotion of the area's beaches by the Tourist Development Council (TDC).

39% 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 (26%), transportation (11%), and economic environment (19%) activities. Charges for services provided 76% 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, 2013, total assets were \$49,990,787 and total liabilities were \$5,907,342. At the end of fiscal year 2013, unassigned fund balance of the general fund was \$9,241,995 while total fund balance equaled \$44,083,445. Total assets of the general fund increased \$21,329,682 from fiscal year 2012. The general fund transferred \$1.5 million to transportation for general operations in 2013. General fund revenues increased in fiscal year 2013 by \$9,779,171, due largely in part to a settlement with BP over the economic damages suffered by the County during the 2010 Deep Water Horizon oil spill. General fund expenditures also increased in fiscal year 2013, with the largest increase being attributed to public safety capital outlay.

The general fund's budget was amended during the year to reflect adjustments to expenditures for the completion of the Emergency Operations Center Logistics warehouse, as well as, the construction of the new roof for the County jail. Budget amendments were also made for increases in intergovernmental revenue to reflect amounts received for capital grants related to the completion of the Emergency Operations Center Logistics warehouse and wind retrofit enhancements to several County buildings, as well as, certain qualified homes. Amendments were also made to reflect the funds received from the BP settlement in fiscal year 2013. Revenues collected from ad valorem taxes were slightly higher than the amount budgeted, while the proceeds received from state revenue sharing came in at 8% above the amount budgeted. Local government half cent sales tax revenue also exceeded the budget by 9%. Excess fees returned to the County from the Tax Collector fell well below the budgeted amount. Current expenditures for general government came in below the amount budgeted, while capital outlay expenditures for public safety well exceeded the final amount budgeted. General government capital outlay expenditures were well under the amount budgeted for fiscal year 2013 due to the delayed construction of the courthouse addition.

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 storm water management. Fund balance decreased \$4,311,874 in fiscal year 2013 due to a significant decline in funds received from federal and state grants. These funds provide the needed funding for maintenance and improvements to the County's roads and bridges, as well as, its Intelligent Transportation System (ITS).

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 13% in 2013, due to another record breaking year in tourism on Panama City Beach. A very quiet hurricane season, along with several new promotional events, contributed to the success of the 2013 tourism season. Tax revenues increased \$1,107,389 over 2012 due in part to special events and an enhanced enforcement and collection program. In addition, \$5.6 million of the BP settlement funds were deposited in the tourist development fund.

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 93% of its revenues in 2013. 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 position of proprietary funds at the end of the year are presented below:

FUND	2013		2012	
	Unrestricted Net Position		Unrestricted Net Position	
Wholesale water system	\$	19,850,076	\$	13,968,453
Retail water and wastewater		3,297,937		251,279
Industrial wastewater		-		2,239,111
Solid waste fund		6,310,814		(142,385)
Building services		5,351,935		5,403,045
Emergency medical services		(116,782)		-
Total	\$	34,693,980	\$	21,719,503

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. Charges for services increased by \$386,216 over fiscal year 2012. A slight increase in consumption contributed to the increase in 2013. The wholesale water system fund's total net position increased \$5,442,157 in fiscal year 2013, due in part to an increase in the wholesale water rate and a slight increase in impact fees collected.

The County's *solid waste fund* accounts for the operations and maintenance of the County's landfill and incinerator. In fiscal year 2013, \$8,385,397 was generated by tip fees; this represents an increase of \$465,157 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, \$3,020,376 for closure costs of its landfill. As of September 30, 2013, the County has accrued a total liability for landfill post closure care of \$6,396,519. As of September 30, 2013, total assets were \$95,429,643; total liabilities were \$36,561,982 and net position was \$58,867,661.

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, 2013, was \$414,553,824 (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:

- The design phase of the Courthouse addition began in 2013. \$716,316 of the total design cost of \$1,009,660 was expended in fiscal year 2013. It is anticipated that construction should begin on the new addition in the second quarter of 2014, with a total construction cost not to exceed \$12,500,000.
- Construction was completed in the fourth quarter of 2013 on the new 10,920 square foot Emergency Operations Center logistics warehouse. The total project cost was \$965,550, with \$801,865 being expensed in 2013.
- In 2013 the County, along with Florida Department of Transportation, began construction on improvements to the West Bay Bridge and State Road 79 area. Improvements include sidewalk construction, intelligent transportation improvements, landscaping, and a flashing traffic signal. Total project cost is estimated to be \$1,803,465, with \$242,728 being expensed in fiscal year 2013.
- In 2013 construction was completed on the County Jail's new roof, at a total cost of \$1,109,023. \$1,060,197 of the total cost was expensed in 2013.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 18,103,942	\$ 18,897,099	\$ 5,727,643	\$ 5,727,643	\$ 23,831,585	\$ 24,624,742
Construction in progress	2,572,560	3,751,930	453,092	475,993	3,025,652	4,227,923
Books	583,889	457,995	-	-	583,889	457,995
Buildings and improvements	107,046,230	109,986,003	881,032	951,649	107,927,262	110,937,652
Furniture and equipment	11,921,348	12,670,394	4,865,358	4,246,855	16,786,706	16,917,249
Infrastructure	110,397,618	111,235,397	152,001,112	159,998,217	262,398,730	271,233,614
Total	\$ 250,625,587	\$ 256,998,818	\$ 163,928,237	\$ 171,400,357	\$ 414,553,824	\$ 428,399,175

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 \$191,247,125. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue Bonds	\$91,312,541	\$80,010,219	\$99,934,584	\$103,722,170	\$191,247,125	\$183,732,389

The County's total bonded debt outstanding increased by \$7,514,736 during the fiscal year ended September 30, 2013. The key factor contributing to the increase in bonded debt was the issuance of \$13,700,000 in bonds for the construction of an addition to the County's courthouse.

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 in certain areas during the fiscal year ended September 30, 2013. Commercial construction saw a slight decrease in activity by only issuing 163 commercial building permits in 2013, as opposed to the 214 permits issued in 2012, while residential construction began to experience a slight turnaround in activity in 2013 by issuing 825 permits for new single and multi-family residential units, as compared to 613 permits issued in 2012. Despite the continued economic downturn, Bay County did enjoy one of the best tourism seasons ever recorded in 2013. While surrounding counties also experienced an increase in tourism, Bay County saw a significant increase of 7% over fiscal year 2012, in its tourist development bed tax collections. The County's unemployment rate for 2013 was 7.8%, slightly higher than the State's average unemployment rate of 7%. In 2013, the County continued to focus on various transportation projects, as well as, various other intersection and road upgrades. The County also continued its work on expanding and enhancing the County's wastewater and water treatment and distribution capabilities. Long range plans have been formulated to develop and construct an "alternative" pump station for Deer Point Lake Reservoir, which serves as the County's primary water supply source. This project is vital to insure a clean, safe and reliable source of drinking water for the citizens of Bay County. 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 Position
September 30, 2013

	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	\$ 62,216,854	\$ 29,645,935	\$ 91,862,789	\$ 161,033	\$ 105,192
Investments	8,294,535	4,425,804	12,720,339	-	-
Accounts receivable, net	3,474,181	10,431,917	13,906,098	6,200,597	5,134
Special assessments receivable	533,957	-	533,957	-	-
Accrued interest receivable	-	43,568	43,568	-	-
Due from other governments	5,691,285	1,319,290	7,010,575	-	-
Prepaid expenses	1,126,547	954,614	2,081,161	46,107	2,625
Inventory	-	275,141	275,141	-	-
Notes receivable	549,870	12,516,334	13,066,204	-	-
Investment in joint venture	-	2,139,857	2,139,857	-	-
Unamortized bond costs	1,157,954	758,859	1,916,813	-	-
Restricted assets					
Cash and cash equivalents	26,244,430	13,034,277	39,278,707	-	-
Investments	3,899,590	1,746,799	5,646,389	-	-
Capital assets					
Nondepreciable	20,676,502	6,180,735	26,857,237	-	-
Depreciable, net	229,949,085	157,747,502	387,696,587	-	-
Total assets	363,814,790	241,220,632	605,035,422	6,407,737	112,951
LIABILITIES					
Accounts payable and accrued expenses	10,985,269	9,245,341	20,230,610	2,120,794	1,490
Internal balances	(14,012)	14,012	-	-	-
Due to other governments	382,877	631,198	1,014,075	-	-
Deferred revenues	3,126,900	-	3,126,900	-	-
Accrued interest payable	263,116	351,313	614,429	-	-
Customer deposits	34,201	600,426	634,627	-	-
Long-term liabilities					
Due within one year					
Estimated liability for self insured losses	418,586	-	418,586	-	-
Accrued compensated absences	774,689	146,261	920,950	-	-
Notes payable	-	1,010,753	1,010,753	-	-
Capital leases	51,809	-	51,809	-	-
Bonds payable	2,140,000	5,130,000	7,270,000	-	-
Due in more than one year					
Estimated liability for self insured losses	4,062,176	-	4,062,176	-	-
Accrued compensated absences	2,815,091	151,352	2,966,443	-	-
Net OPEB obligation	14,219,490	522,231	14,741,721	-	-
Notes payable	-	7,041,236	7,041,236	-	-
Capital leases	40,060	-	40,060	-	-
Bonds payable	89,172,541	94,804,584	183,977,125	-	-
Landfill postclosure liability	-	6,396,519	6,396,519	-	-
Total liabilities	128,472,793	126,045,226	254,518,019	2,120,794	1,490

Continued

Bay County, Florida
Statement of Net Position (Continued)
September 30, 2013

	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 POSITION					
Net investment in capital assets	\$ 159,938,052	\$ 69,321,153	\$ 229,259,205	\$ -	\$ -
Restricted for					
Debt service	18,622,412	6,392,494	25,014,906	-	-
Impact fees	2,622,611	4,767,779	7,390,390	-	-
Public safety	3,711,093	-	3,711,093	-	-
Court function	3,391,889	-	3,391,889	-	-
Transportation	737,206	-	737,206	-	-
Recreation	438,784	-	438,784	-	-
Economic environment	33,116,088	-	33,116,088	-	-
Physical environment	2,636,592	-	2,636,592	-	-
Unrestricted	10,127,270	34,693,980	44,821,250	4,286,943	111,461
Total net position	\$235,341,997	\$115,175,406	\$ 350,517,403	\$ 4,286,943	\$ 111,461

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

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental activities				
General government	\$ 40,761,101	\$ 14,846,161	\$ 601,112	\$ 515,913
Public safety	36,924,438	1,153,326	3,644,617	76,525
Physical environment	5,513,532	36,980	1,152,332	-
Transportation	15,852,176	2,037,167	391,969	1,875,158
Economic environment	26,608,771	-	169,932	44,636
Human services	5,045,532	-	103,810	-
Culture and recreation	5,523,037	669,447	30,620	555,151
Interest on long-term debt	3,593,361	-	-	-
Total governmental activities	139,821,948	18,743,081	6,094,392	3,067,383
Business-type activities				
Wholesale water system	11,412,183	16,038,992	-	495,249
Retail water and wastewater	11,013,285	7,187,654	-	493,356
Industrial wastewater	1,611,176	959,148	-	-
Solid waste	15,225,489	11,816,503	-	-
Building services	1,118,630	909,443	-	-
Emergency medical services	116,886	-	-	-
Total business-type activities	40,497,649	36,911,740	-	988,605
Total primary government	\$ 180,319,597	\$ 55,654,821	\$ 6,094,392	\$ 4,055,988
Component Units				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 11,198,912	\$ 12,778,738	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	600,774	570,028	-	-
Total component units	\$ 11,799,686	\$ 13,348,766	\$ -	\$ -

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 position

 Net position - beginning (as previously stated)
 Prior period adjustment
 Net position - beginning (as restated)
 Net position - ending

Bay County, Florida
Statement of Activities
Year Ended September 30, 2013

Net (Expenses) Revenues and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.	
\$ (24,797,915)	\$ -	\$ (24,797,915)	\$ -	\$ -	
(32,049,970)	-	(32,049,970)	-	-	
(4,324,220)	-	(4,324,220)	-	-	
(11,547,882)	-	(11,547,882)	-	-	
(26,394,203)	-	(26,394,203)	-	-	
(4,941,722)	-	(4,941,722)	-	-	
(4,267,819)	-	(4,267,819)	-	-	
(3,593,361)	-	(3,593,361)	-	-	
(111,917,092)	-	(111,917,092)	-	-	
-	5,122,058	5,122,058	-	-	
-	(3,332,275)	(3,332,275)	-	-	
-	(652,028)	(652,028)	-	-	
-	(3,408,986)	(3,408,986)	-	-	
-	(209,187)	(209,187)	-	-	
-	(116,886)	(116,886)	-	-	
-	(2,597,304)	(2,597,304)	-	-	
(111,917,092)	(2,597,304)	(114,514,396)	-	-	
-	-	-	1,579,826	-	
-	-	-	-	(30,746)	
-	-	-	1,579,826	(30,746)	
54,779,271	-	54,779,271	-	-	
35,163,910	2,100	35,166,010	-	-	
3,413,917	-	3,413,917	-	-	
501,906	1,673,405	2,175,311	543	189	
17,279,394	9,195,260	26,474,654	-	-	
111,138,398	10,870,765	122,009,163	543	189	
2,112,073	(2,112,073)	-	-	-	
113,250,471	8,758,692	122,009,163	543	189	
1,333,379	6,161,388	7,494,767	1,580,369	(30,557)	
234,008,618	109,014,018	343,022,636	3,139,301	142,018	
-	-	-	(432,727)	-	
234,008,618	109,014,018	343,022,636	2,706,574	142,018	
\$ 235,341,997	\$ 115,175,406	\$ 350,517,403	\$ 4,286,943	\$ 111,461	

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

Bay County, Florida
Balance Sheet
Governmental Funds
September 30, 2013

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,614,820	\$ 33,181,979	\$ 4,063,513	\$ 5,514,072	\$ 56,374,384
Accounts receivable, net	1,800,329	1,170,845	51,714	143,256	3,166,144
Special assessments receivable	69,916	-	464,041	-	533,957
Investments	1,590,256	4,799,358	594,575	465,305	7,449,494
Due from other funds	11,879	263,084	16,051	8,139	299,153
Due from other governments	3,242,721	34,738	1,879,937	476,229	5,633,625
Prepaid items	334,272	180	278,388	394,313	1,007,153
Notes receivable	549,870	-	-	-	549,870
Restricted assets					
Cash and cash equivalents	25,049,907	-	643,800	550,723	26,244,430
Investments	3,726,817	-	93,118	79,655	3,899,590
Total assets	\$ 49,990,787	\$ 39,450,184	\$ 8,085,137	\$ 7,631,692	105,157,800
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 2,071,176	\$ 6,457,563	\$ 880,732	\$ 601,848	10,011,319
Deferred revenues	3,111,099	-	-	15,801	3,126,900
Due to other funds	357,886	-	213,363	78,003	649,252
Advance from other funds	-	-	-	243,105	243,105
Due to other governments	332,980	-	-	49,897	382,877
Customer deposits	34,201	-	-	-	34,201
Total liabilities	5,907,342	6,457,563	1,094,095	988,654	14,447,654
Fund balance					
Nonspendable	334,272	180	278,388	394,313	1,007,153
Restricted	26,443,120	32,992,095	737,206	5,635,221	65,807,642
Assigned	8,064,058	346	5,975,448	613,504	14,653,356
Unassigned	9,241,995	-	-	-	9,241,995
Total fund balance	44,083,445	32,992,621	6,991,042	6,643,038	90,710,146
Total liabilities and fund balance	\$ 49,990,787	\$ 39,450,184	\$ 8,085,137	\$ 7,631,692	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					249,540,604
Internal service funds are used by management to charge the costs of various activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.					3,119,406
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(108,028,159)
Net position of governmental activities					\$ 235,341,997

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, 2013

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 48,514,401	\$ 15,957,351	\$ 5,367,429	\$ 6,264,870	\$ 76,104,051
Licenses and permits	1,875	-	-	-	1,875
Intergovernmental	19,971,051	44,636	5,504,138	804,754	26,324,579
Charges for services	9,708,733	-	2,037,167	6,815,482	18,561,382
Fines and forfeitures	67,026	-	-	-	67,026
Special assessments	36,980	-	38,184	-	75,164
Investment earnings	247,488	182,527	46,859	31,850	508,724
Contributions and donations	537,133	-	7,500	-	544,633
Miscellaneous	10,531,323	5,695,729	114,084	28,282	16,369,418
Total revenues	89,616,010	21,880,243	13,115,361	13,945,238	138,556,852
EXPENDITURES					
Current					
General government	15,428,810	-	-	3,980,805	19,409,615
Public safety	41,913,849	-	-	7,377,988	49,291,837
Physical environment	296,642	-	471,076	-	767,718
Transportation	-	-	13,875,623	-	13,875,623
Economic environment	7,622,966	18,157,455	-	-	25,780,421
Human services	3,838,944	-	-	1,072,646	4,911,590
Culture and recreation	4,179,973	-	-	-	4,179,973
Capital outlay					
General government	1,875,921	-	-	3,240	1,879,161
Public safety	2,939,028	-	-	134,614	3,073,642
Physical environment	998	-	1,273,276	-	1,274,274
Transportation	-	-	3,317,199	-	3,317,199
Economic environment	-	8,328	-	-	8,328
Human services	-	-	-	80,339	80,339
Culture and recreation	344,660	-	-	-	344,660
Debt service					
Principal	2,155,823	-	-	281,300	2,437,123
Interest and fiscal charges	3,292,556	-	-	278,950	3,571,506
Bond issuance costs	83,306	-	-	-	83,306
Total expenditures	83,973,476	18,165,783	18,937,174	13,209,882	134,286,315
Excess (deficit) of revenues over (under) expenditures	5,642,534	3,714,460	(5,821,813)	735,356	4,270,537
OTHER FINANCING SOURCES (USES)					
Transfers in	2,112,073	-	1,499,679	94,610	3,706,362
Transfers out	(1,594,289)	-	-	-	(1,594,289)
Issuance of debt	13,753,519	-	-	-	13,753,519
Transfer out/return of excess fees	-	-	-	(49,897)	(49,897)
Payment to refunded bond escrow agent	(350)	-	-	(108)	(458)
Proceeds from sale of capital assets	1,332,224	-	10,260	15,041	1,357,525
Total other financing sources (uses)	15,603,177	-	1,509,939	59,646	17,172,762
Net change in fund balance	21,245,711	3,714,460	(4,311,874)	795,002	21,443,299
Fund balance - beginning	22,837,734	29,278,161	11,302,916	5,848,036	69,266,847
Fund balance - ending	\$ 44,083,445	\$ 32,992,621	\$ 6,991,042	\$ 6,643,038	\$ 90,710,146

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, 2013

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)	\$ 21,443,299
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.	(5,349,837)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is to decrease net position.	(963,323)
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.	(2,539,544)
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.	28,405
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 position. 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.	(11,285,621)
<hr/> Change in net position of governmental activities (page B-19) <hr/>	<hr/> \$ 1,333,379 <hr/>

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 47,889,331	\$ 47,889,331	\$ 48,514,401	\$ 625,070
Licenses and permits	2,600	2,600	1,875	(725)
Intergovernmental	17,557,409	19,868,099	19,415,900	(452,199)
Charges for services	9,174,131	9,444,266	9,178,757	(265,509)
Fines and forfeitures	109,500	109,500	67,026	(42,474)
Investment earnings	243,000	243,000	236,698	(6,302)
Contributions and donations	-	-	506,513	506,513
Miscellaneous	617,196	10,332,689	10,506,059	173,370
Total revenues	75,593,167	87,889,485	88,427,229	537,744
EXPENDITURES				
Current				
General government	15,153,586	17,212,093	15,428,810	1,783,283
Public safety	42,686,199	44,139,379	41,913,849	2,225,530
Physical environment	209,281	229,554	253,838	(24,284)
Economic environment	7,431,905	7,607,703	7,622,966	(15,263)
Human services	4,590,304	4,615,993	3,838,944	777,049
Culture and recreation	2,383,061	2,394,061	1,769,151	624,910
Capital outlay				
General government	299,499	14,740,165	1,875,921	12,864,244
Public safety	913,758	1,811,658	2,939,028	(1,127,370)
Physical environment	-	5,727	998	4,729
Culture and recreation	54,200	48,200	53,130	(4,930)
Debt service				
Principal	1,786,633	1,786,633	2,155,823	(369,190)
Interest and fiscal charges	3,017,983	3,017,983	3,292,556	(274,573)
Bond issuance costs	-	-	83,306	(83,306)
Total expenditures	78,526,409	97,609,149	81,228,320	16,380,829
Excess (deficit) of revenues over (under) expenditures	(2,933,242)	(9,719,664)	7,198,909	16,918,573
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,112,073	2,112,073
Transfers out	(3,089,289)	(3,089,289)	(3,089,289)	-
Issuance of debt	-	13,700,000	13,700,000	-
Payment to refunded bond escrow agent	(350)	(350)	(350)	-
Proceeds from sale of capital assets	-	-	1,332,224	1,332,224
Total other financing sources (uses)	(3,089,639)	10,610,361	14,054,658	3,444,297
Net change in fund balance	(6,022,881)	890,697	21,253,567	20,362,870
Fund balance - beginning	23,652,370	23,652,370	23,652,370	-
Fund balance - ending	\$ 17,629,489	\$ 24,543,067	\$ 44,905,937	\$ 20,362,870

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 14,077,100	\$ 14,077,100	\$ 15,957,351	\$ 1,880,251
Intergovernmental	-	71,125	44,636	(26,489)
Investment earnings	92,321	92,321	182,527	90,206
Miscellaneous	80,085	5,680,085	5,695,729	15,644
Total revenues	14,249,506	19,920,631	21,880,243	1,959,612
EXPENDITURES				
Current				
Economic environment	12,523,942	18,886,372	18,157,455	728,917
Capital outlay				
Economic environment	25,000	43,805	8,328	35,477
Total expenditures	12,548,942	18,930,177	18,165,783	764,394
Excess of revenues over expenditures	1,700,564	990,454	3,714,460	2,724,006
Net change in fund balance	1,700,564	990,454	3,714,460	2,724,006
Fund balance - beginning	29,278,161	29,278,161	29,278,161	-
Fund balance - ending	\$ 30,978,725	\$ 30,268,615	\$ 32,992,621	\$ 2,724,006

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes	\$ 5,214,343	\$ 5,214,343	\$ 5,367,429	\$ 153,086
Intergovernmental	8,959,268	11,621,666	5,504,138	(6,117,528)
Charges for services	2,025,000	2,030,600	2,037,167	6,567
Special assessments	101,030	101,030	38,184	(62,846)
Investment earnings	55,281	55,281	46,859	(8,422)
Contributions and donations	400,000	400,000	7,500	(392,500)
Miscellaneous	350,510	707,489	114,084	(593,405)
Total revenues	17,105,432	20,130,409	13,115,361	(7,015,048)
EXPENDITURES				
Current				
Physical environment	87,094	953,839	471,076	482,763
Transportation	11,439,977	19,364,703	13,875,623	5,489,080
Capital outlay				
Physical environment	201,076	1,817,626	1,273,276	544,350
Transportation	9,211,331	8,533,340	3,317,199	5,216,141
Total expenditures	20,939,478	30,669,508	18,937,174	11,732,334
Excess (deficit) of revenues over (under) expenditures	(3,834,046)	(10,539,099)	(5,821,813)	4,717,286
OTHER FINANCING SOURCES (USES)				
Transfers in	1,499,679	1,499,679	1,499,679	-
Proceeds from sale of capital assets	-	-	10,260	10,260
Total other financing sources	1,499,679	1,499,679	1,509,939	10,260
Net change in fund balance	(2,334,367)	(9,039,420)	(4,311,874)	4,727,546
Fund balance - beginning	11,302,916	11,302,916	11,302,916	-
Fund balance - ending	\$ 8,968,549	\$ 2,263,496	\$ 6,991,042	\$ 4,727,546

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

	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater
ASSETS			
Current assets			
Cash and cash equivalents	\$ 13,632,230	\$ 655,926	\$ -
Accounts receivable, net	2,429,501	485,793	-
Accrued interest receivable	-	43,568	-
Prepaid expenses	467,091	5,609	-
Investments	1,971,732	214,475	-
Inventory	275,141	-	-
Due from other funds	-	-	-
Due from other governments	128,134	1,191,082	-
Total current assets	18,903,829	2,596,453	-
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	6,076,413	3,997,125	-
Investments	878,878	458,363	-
Notes receivable	1,136,847	11,379,487	-
Advances to other funds	-	-	-
Investment in joint venture	-	2,139,857	-
Unamortized bond costs	554,315	112,251	-
	8,646,453	18,087,083	-
Capital assets			
Land	261,192	4,714,000	-
Construction in progress	427,694	-	-
Buildings	2,422,524	4,766	-
Improvements	90,985	4,678	-
Furniture and equipment	1,642,717	1,068,274	-
Infrastructure	106,436,531	30,681,313	-
Less: accumulated depreciation	(46,628,425)	(10,900,277)	-
Total capital assets, net	64,653,218	25,572,754	-
Total noncurrent assets	73,299,671	43,659,837	-
Total assets	92,203,500	46,256,290	-
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	273,095	525,263	-
Due to other funds	116,587	52,292	-
Due to other governments	-	631,198	-
Accrued interest payable	171,296	126,754	-
Accrued compensated absences, current	50,857	33,706	-
Notes payable, current	-	1,010,753	-
Bonds payable, current	1,615,000	1,525,000	-
Total current liabilities	2,226,835	3,904,966	-
Noncurrent liabilities			
Estimated liability for self insured losses	-	-	-
Customer deposits	-	471,302	-
Accrued compensated absences	39,738	38,307	-
Net OPEB obligation	93,342	143,102	-
Notes payable, net	-	5,041,236	-
Bonds payable, net	41,638,895	33,790,533	-
Landfill postclosure liability	-	-	-
Total noncurrent liabilities	41,771,975	39,484,480	-
Total liabilities	43,998,810	43,389,446	-
NET POSITION			
Net investment in capital assets	21,399,323	(4,415,279)	-
Restricted for			
Debt service	3,997,852	2,173,846	-
Impact fees	2,957,439	1,810,340	-
Unrestricted	19,850,076	3,297,937	-
Total net position	\$ 48,204,690	\$ 2,866,844	\$ -

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

Bay County, Florida
Statement of Net Position
Proprietary Funds
September 30, 2013

Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds	
Solid Waste	Building Services	Emergency Medical Services	Total		
\$ 9,024,518	\$ 4,653,096	\$ 1,680,165	\$ 29,645,935	\$ 5,842,470	
7,485,505	31,018	100	10,431,917	308,037	
-	-	-	43,568	-	
481,705	209	-	954,614	119,394	
1,317,384	679,198	243,015	4,425,804	845,041	
-	-	-	275,141	-	
-	-	-	-	623,844	
-	-	74	1,319,290	57,660	
18,309,112	5,363,521	1,923,354	47,096,269	7,796,446	
2,917,473	43,266	-	13,034,277	-	
409,558	-	-	1,746,799	-	
-	-	-	12,516,334	-	
-	243,105	-	243,105	-	
-	-	-	2,139,857	-	
92,293	-	-	758,859	-	
3,419,324	286,371	-	30,439,231	-	
752,451	-	-	5,727,643	-	
25,398	-	-	453,092	-	
852,429	-	-	3,279,719	1,453,744	
41,250	-	-	136,913	99,543	
6,856,911	445,423	-	10,013,325	998,682	
87,009,002	-	-	224,126,846	-	
(21,836,234)	(444,365)	-	(79,809,301)	(1,466,986)	
73,701,207	1,058	-	163,928,237	1,084,983	
77,120,531	287,429	-	194,367,468	1,084,983	
95,429,643	5,650,950	1,923,354	241,463,737	8,881,429	
8,349,014	57,905	40,064	9,245,341	973,950	
86,671	1,567	-	257,117	16,628	
-	-	-	631,198	-	
53,263	-	-	351,313	-	
36,895	24,731	72	146,261	49,301	
-	-	-	1,010,753	-	
1,990,000	-	-	5,130,000	-	
10,515,843	84,203	40,136	16,771,983	1,039,879	
-	-	-	-	4,480,762	
85,858	43,266	-	600,426	-	
46,758	26,549	-	151,352	51,833	
141,848	143,939	-	522,231	189,549	
-	-	2,000,000	7,041,236	-	
19,375,156	-	-	94,804,584	-	
6,396,519	-	-	6,396,519	-	
26,046,139	213,754	2,000,000	109,516,348	4,722,144	
36,561,982	297,957	2,040,136	126,288,331	5,762,023	
52,336,051	1,058	-	69,321,153	1,084,983	
220,796	-	-	6,392,494	-	
-	-	-	4,767,779	-	
6,310,814	5,351,935	(116,782)	34,693,980	2,034,423	
\$ 58,867,661	\$ 5,352,993	\$ (116,782)	\$ 115,175,406	\$ 3,119,406	

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

	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater
OPERATING REVENUES			
Charges for services	\$ 16,038,992	\$ 7,187,654	\$ 959,148
Miscellaneous	91,590	105,849	-
Total operating revenues	16,130,582	7,293,503	959,148
OPERATING EXPENSES			
Personal services	1,434,238	2,060,490	78,301
Contracted services	1,044,266	939,313	451,388
Repairs and maintenance	592,624	324,050	1,108
Utilities	1,405,954	182,006	354,941
Depreciation	2,827,147	1,785,983	-
Amortization	32,829	6,266	-
Materials	-	-	-
Insurance claims	-	-	-
Other operating expenses	1,946,955	4,289,746	28,297
Total operating expenses	9,284,013	9,587,854	914,035
Operating income (loss)	6,846,569	(2,294,351)	45,113
Investment earnings	185,336	1,275,636	6,180
Interest and fiscal charges	(2,119,018)	(1,423,822)	-
Taxes	-	-	-
Gain (loss) on disposal of capital assets	1,133	(1,609)	(697,141)
Contributions	-	-	-
Insurance proceeds	-	-	-
Total nonoperating revenues (expenses)	(1,932,549)	(149,795)	(690,961)
Income (loss) before contributions and transfers	4,914,020	(2,444,146)	(645,848)
Capital contributions	486,097	493,356	-
Transfers in	42,040	178,330	-
Transfers out	-	-	(2,332,443)
Change in net position	5,442,157	(1,772,460)	(2,978,291)
Total net position - beginning	42,762,533	4,639,304	2,978,291
Total net position - ending	\$ 48,204,690	\$ 2,866,844	\$ -

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

Bay County, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2013

Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds	
Solid Waste	Building Services	Emergency Medical Services	Total		
\$ 11,816,503	\$ 909,443	\$ -	\$ 36,911,740	\$ 9,263,344	
2,150,005	16,196	-	2,363,640	80	
13,966,508	925,639	-	39,275,380	9,263,424	
1,452,726	893,773	7,692	5,927,220	2,079,232	
5,984,587	87,664	21,372	8,528,590	314,882	
1,124,998	26,185	7,326	2,076,291	278,782	
571,522	25,630	385	2,540,438	135,860	
3,814,051	10,803	-	8,437,984	122,501	
9,307	-	-	48,402	-	
-	-	-	-	3,208,436	
-	-	-	-	494,210	
1,448,067	74,575	79,339	7,866,979	2,815,914	
14,405,258	1,118,630	116,114	35,425,904	9,449,817	
(438,750)	(192,991)	(116,114)	3,849,476	(186,393)	
74,381	131,768	104	1,673,405	30,016	
(820,231)	-	(772)	(4,363,843)	-	
2,100	-	-	2,100	-	
47,953	500	-	(649,164)	9,782	
-	-	-	-	175,000	
6,782,034	-	-	6,782,034	-	
6,086,237	132,268	(668)	3,444,532	214,798	
5,647,487	(60,723)	(116,782)	7,294,008	28,405	
-	-	-	979,453	-	
-	-	-	220,370	-	
-	-	-	(2,332,443)	-	
5,647,487	(60,723)	(116,782)	6,161,388	28,405	
53,220,174	5,413,716	-	109,014,018	3,091,001	
\$ 58,867,661	\$ 5,352,993	\$ (116,782)	\$ 115,175,406	\$ 3,119,406	

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

	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 16,269,208	\$ 6,731,706	\$ 1,597,359
Cash received from miscellaneous operating activities	91,590	105,849	-
Cash paid to suppliers for goods and services	(5,165,659)	(5,924,483)	(1,069,326)
Cash paid to employees for services	(1,391,682)	(2,038,351)	(78,301)
Net cash provided by (used in) operating activities	9,803,457	(1,125,279)	449,732
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	178,330	-
Transfers out	-	-	(2,290,404)
Advance from other fund	-	-	-
Advance to other fund	(2,063,714)	-	-
Taxes	-	-	-
Contributions	-	-	-
Net cash provided by (used in) noncapital financing activities	(2,063,714)	178,330	(2,290,404)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on long-term debt	(2,215,017)	(1,452,839)	-
Principal paid on long-term debt	(1,565,000)	(1,256,729)	-
Proceeds from long-term debt	-	-	-
Capital contributions	486,097	493,356	-
Proceeds from sale of capital assets	8,995	-	-
Purchase of capital assets	(273,953)	(196,872)	-
Proceeds from insurance	-	-	-
Net cash provided by (used in) capital and related financing activities	(3,558,878)	(2,413,084)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale and maturities of investment securities	92,984	369,393	296,593
Purchase of investments	(19,233)	(5,695)	(985)
Return of investment	-	526,681	-
Interest and dividends on investments	172,465	473,655	5,646
Collections on loans	92,150	1,256,730	-
Net cash provided by (used in) investing activities	338,366	2,620,764	301,254
Net change in cash and cash equivalents	4,519,231	(739,269)	(1,539,418)
Cash and cash equivalents - beginning	15,189,412	5,392,320	1,539,418
Cash and cash equivalents - ending	\$ 19,708,643	\$ 4,653,051	\$ -
Classified as			
Current assets	\$ 13,632,230	\$ 655,926	\$ -
Restricted assets	6,076,413	3,997,125	-
Total	\$ 19,708,643	\$ 4,653,051	\$ -
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Transfer of capital assets	\$ 42,040	\$ -	\$ (42,040)

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

Bay County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2013

Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
Solid Waste	Building Services	Emergency Medical Services	Total	
\$ 12,904,561	\$ 900,275	\$ -	\$ 38,403,109	\$ 9,536,260
2,150,005	16,196	-	2,363,640	80
(18,562,608)	(206,209)	(68,532)	(30,996,817)	(6,762,033)
(1,417,130)	(877,962)	(7,620)	(5,811,046)	(2,041,594)
(4,925,172)	(167,700)	(76,152)	3,958,886	732,713
-	-	-	178,330	-
-	-	-	(2,290,404)	-
-	2,120,609	-	2,120,609	-
-	-	-	(2,063,714)	-
2,100	-	-	2,100	-
-	-	-	-	175,000
2,100	2,120,609	-	(2,053,079)	175,000
(693,713)	-	(772)	(4,362,341)	-
(1,940,000)	-	-	(4,761,729)	-
-	-	2,000,000	2,000,000	-
-	-	-	979,453	-
50,419	500	-	59,914	11,384
(1,202,926)	(1,190)	-	(1,674,941)	(64,027)
6,129,338	-	-	6,129,338	-
2,343,118	(690)	1,999,228	(1,630,306)	(52,643)
897,209	-	-	1,656,179	183,714
(14,447)	(147,712)	(243,016)	(431,088)	(92,430)
-	-	-	526,681	-
65,957	129,644	105	847,472	26,999
-	-	-	1,348,880	-
948,719	(18,068)	(242,911)	3,948,124	118,283
(1,631,235)	1,934,151	1,680,165	4,223,625	973,353
13,573,226	2,762,211	-	38,456,587	4,869,117
\$ 11,941,991	\$ 4,696,362	\$ 1,680,165	\$ 42,680,212	\$ 5,842,470
\$ 9,024,518	\$ 4,653,096	\$ 1,680,165	\$ 29,645,935	\$ 5,842,470
2,917,473	43,266	-	13,034,277	-
\$ 11,941,991	\$ 4,696,362	\$ 1,680,165	\$ 42,680,212	\$ 5,842,470
\$ -	\$ -	\$ -	\$ -	\$ -

Continued

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

	Wholesale Water System	Retail Water & Wastewater	Industrial Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 6,846,569	\$ (2,294,351)	\$ 45,113
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	2,827,147	1,785,983	-
Amortization	32,829	6,266	-
(Increase) decrease in assets			
Accounts receivable	76,882	(71,611)	719,781
Prepaid expenses	(78,468)	(5,609)	-
Inventory	(30,268)	43,529	-
Due from other funds	8,362	4,938	18,430
Due from other governments	144,967	(407,044)	-
Increase (decrease) in liabilities			
Accounts payable and accrued liabilities	(165,714)	(204,634)	(221,461)
Deferred revenue	-	-	-
Due to other funds	98,590	36,189	(12,131)
Due to other governments	-	(64,452)	-
Customer deposits	-	23,378	(100,000)
Accrued compensated absences	19,060	(13,882)	-
Net OPEB obligation	23,501	36,021	-
Landfill postclosure liability	-	-	-
Total adjustments	2,956,888	1,169,072	404,619
Net cash provided by (used in) operating activities	\$ 9,803,457	\$ (1,125,279)	\$ 449,732

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

Bay County, Florida
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2013

Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
Solid Waste	Building Services	Emergency Medical Services	Total	
\$ (438,750)	\$ (192,991)	\$ (116,114)	\$ 3,849,476	\$ (186,393)
3,814,051	10,803	-	8,437,984	122,501
9,307	-	-	48,402	-
(4,299,935)	(25,792)	(100)	(3,600,775)	603,738
(78,241)	(209)	-	(162,527)	198,024
-	-	-	13,261	-
8,481	18,225	(74)	58,362	(275,104)
22	5,420	-	(256,635)	(55,718)
4,560,428	9,425	40,064	4,018,108	342,044
(6,485,073)	-	-	(6,485,073)	-
65,492	(1,371)	-	186,769	(54,017)
-	-	-	(64,452)	-
192	(7,021)	-	(83,451)	-
8,862	(9,952)	72	4,160	(6,511)
26,734	25,763	-	112,019	44,149
(2,116,742)	-	-	(2,116,742)	-
(4,486,422)	25,291	39,962	109,410	919,106
\$ (4,925,172)	\$ (167,700)	\$ (76,152)	\$ 3,958,886	\$ 732,713

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

Bay County, Florida
Statement of Fiduciary Net Position
Agency Funds
September 30, 2013

ASSETS

Cash and cash equivalents	\$ 7,175,746
Investments	53,106
Accounts receivable, net	24,758
<hr/>	
Total assets	\$ 7,253,610
<hr/>	

LIABILITIES

Bank overdraft	\$ 14,740
Accounts payable and accrued liabilities	2,604,751
Due to others	95,239
Due to other governments	4,538,880
<hr/>	
Total liabilities	\$ 7,253,610
<hr/>	

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 P.O. 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 P.O. 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 position.

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, industrial wastewater, and emergency medical services 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 assessments.

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.

Emergency Medical Services Fund – This fund is used to account for activities related to the County's emergency medical operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Fund Types

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

Fiduciary Funds – Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, and other governments. The assets are held and disbursed for fines and forfeitures collected pursuant to law, collections related to property foreclosures, documentary stamps and intangible taxes remitted to the State, and other miscellaneous funds collected on behalf of individuals and organizations. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Fiduciary funds are accounted for using the accrual basis of accounting.

Noncurrent Governmental Assets/Liabilities

GASB 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 position.

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). This external investment pool, has adopted operating procedures consistent with the requirements for a “2a-7 like” pool and the fair value of the assets 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 also maintained investments during the year 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 U.S. government securities, asset-backed securities, mortgage-backed securities and corporate bonds in the current year. The FLGIT has been assigned a “S1” Bond Fund Risk Rating,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

which is the lowest volatility rating listed by Standard and Poor's and an "AAAF" credit rating which is the highest credit rating issued by Standard and Poor's.

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

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

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

Cash and Cash Equivalents

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

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, 2013 and 2012, 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, 2013, management estimates that the allowance for uncollectible accounts receivable is \$53,913.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2013, are recorded as prepaid items using the consumption method by recording an asset for the prepaid

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not in spendable form.

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 consumption 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 position.

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, 2013, 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 position.

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 position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The County reports three categories of net position, as follows:

Net investment in capital assets – This category consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or creditors, grantors, contributors, or enabling legislation. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – This category consists of all other net position that does not meet the definition of the above two components and is available for general use by the County.

Fund Balance

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, 2013, is \$1,007,153.

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, 2013, is \$65,807,642.

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, 2013.

Assigned – This category includes resources that are intended to be used for specific purposes, but are 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, 2013, \$14,653,356.

Unassigned – This category is the residual classification for County's fund balances. The unassigned fund balance as of September 30, 2013, is \$9,241,995.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 25, 2014, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2012 financial statement presentation to conform to the 2013 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 position:

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. 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 \$(108,028,159) difference are as follows:

Bonds payable	\$	(91,121,000)
Less: deferred charge on refunding (to be amortized as interest expense)		443,215
Less: deferred charge for issuance costs (to be amortized over life of debt)		1,157,954
Plus: issuance premium (to be amortized as interest expense)		(634,756)
Accrued interest payable		(263,116)
Capital leases payable		(91,869)
Net OPEB obligation		(14,029,941)
Compensated absences		(3,488,646)
<hr/>		
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	\$	(108,028,159)

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

Another element of that reconciliation states, "capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this \$249,540,604 difference are as follows:

Cost of capital assets	\$ 458,748,807
Less: accumulated depreciation	(209,208,203)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	\$ 249,540,604

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 position 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 \$(5,349,837) difference are as follows:

Capital outlay	\$ 9,977,603
Depreciation expense	(15,327,440)
Net adjustment to decrease <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ (5,349,837)

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 position." The details of this \$(963,323) 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 position differs from the change in fund balance by the cost of the capital assets sold.	\$ (1,635,262)
Donations of capital assets, assets acquired via trade-ins or insurance proceeds, and transfers of capital assets from internal service funds increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	671,939
Net adjustments to decrease <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ (963,323)

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

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 position. 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 \$(11,285,621) difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (53,519)
Bond proceeds	(13,700,000)
Principal repayments:	
Bonds	2,388,000
Capital leases	49,123
Bond issuance cost	83,306
Amortization of deferred charge on refunding	(23,889)
Amortization of issuance costs	(62,209)
Amortization of bond premium	33,567
Net adjustment to decrease <i>net change in fund balance - total governmental funds to arrive at change in net position of governmental activities</i>	\$ (11,285,621)

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 \$(2,539,544) difference are as follows:

OPEB expense	\$ (2,441,523)
Compensated absences	(103,324)
Accrued interest	5,303
Net adjustment to decrease <i>net change in fund balance - total governmental funds to arrive at change in net position of governmental activities</i>	\$ (2,539,544)

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)

Year ending September 30, 2013	General Fund Budgetary Basis	GAAP to Budget Differences Over (Under)	General Fund Actual Amounts GAAP Basis
REVENUES			
Taxes	\$ 48,514,401	\$ -	\$ 48,514,401
Licenses and permits	1,875	-	1,875
Intergovernmental	19,415,900	555,151	19,971,051
Charges for services	9,178,757	529,976	9,708,733
Fines and forfeitures	67,026	-	67,026
Special assessments	-	36,980	36,980
Investment earnings	236,698	10,790	247,488
Contributions and donations	506,513	30,620	537,133
Miscellaneous	10,506,059	25,264	10,531,323
Total revenues	88,427,229	1,188,781	89,616,010
EXPENDITURES			
Current			
General government	15,428,810	-	15,428,810
Public safety	41,913,849	-	41,913,849
Physical environment	253,838	42,804	296,642
Economic environment	7,622,966	-	7,622,966
Human services	3,838,944	-	3,838,944
Culture and recreation	1,769,151	2,410,822	4,179,973
Capital outlay			
General government	1,875,921	-	1,875,921
Public safety	2,939,028	-	2,939,028
Physical environment	998	-	998
Culture and recreation	53,130	291,530	344,660
Debt service			
Principal	2,155,823	-	2,155,823
Interest and fiscal charges	3,292,556	-	3,292,556
Bond issuance costs	83,306	-	83,306
Total expenditures	81,228,320	2,745,156	83,973,476
Excess (deficit) of revenues over (under) expenditures	7,198,909	(1,556,375)	5,642,534
OTHER FINANCING SOURCES (USES)			
Transfers in	2,112,073	-	2,112,073
Transfers out	(3,089,289)	1,495,000	(1,594,289)
Issuance of debt	13,700,000	53,519	13,753,519
Payment to refunded bond escrow agent	(350)	-	(350)
Proceeds from sale of capital assets	1,332,224	-	1,332,224
Total other financing sources (uses)	14,054,658	1,548,519	15,603,177
Net change in fund balance	21,253,567	(7,856)	21,245,711
Fund balance – beginning	23,652,370	(814,636)	22,837,734
Fund balance – ending	\$ 44,905,937	\$ (822,492)	\$ 44,083,445

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	\$ 26,244,430	\$ 13,034,277	\$ 39,278,707
Investments	3,899,590	1,746,799	5,646,389
Total	\$ 30,144,020	\$ 14,781,076	\$ 44,925,096

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Building Services	Total
Customer deposits	\$ 34,201	\$ -	\$ 471,302	\$ 85,858	\$ 43,266	\$ 634,627
Accrued interest Payable	263,116	171,296	83,186	53,263	-	570,861
Current maturities of bonds	178,333	134,583	101,250	165,833	-	579,999
Payable from restricted assets	\$ 475,650	\$ 305,879	\$ 655,738	\$ 304,954	\$ 43,266	\$ 1,785,487

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.

Foreign Currency Risk – The Fund B was not exposed to any foreign currency risk during the period October 1, 2012 through September 30, 2013.

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, 2013, 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)
The Florida PRIME	\$ 18,009,970	\$ 18,009,970	1.47	AAAm
Local Government Investment Pool Fund B	356,758	356,758	48.48	*
Total investments	\$ 18,366,728	\$ 18,366,728		

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

As of September 30, 2013, the County had investments for general and agency funds on deposit in a 2a7-like pool in the amount of \$18,366,728 with the Florida State Board of Administration.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments are stated at fair value in accordance with GASB 31. GASB 31 outlines the two options for accounting and reporting for money market investment pools as either “2a-7 like” or fluctuating net asset value (“NAV”). GASB 31 describes a “2a-7 like” pool as an “external investment pool that is not registered with the Securities and Exchange Commission (“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 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, which is also administered by the SBA. The Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2013, was 1.13262284. 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, 2013.

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, 2013, are as follows:

Governmental Funds

Note receivable from individuals related to the sale of property. Principal and interest payments at a 5% interest rate.	\$	549,870
Total notes receivable – governmental funds	\$	549,870

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%.	\$	11,379,487
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.		980,531
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.		156,316
Total notes receivable – enterprise funds	\$	12,516,334

NOTE 8 – CAPITAL ASSETS

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

	September 30, 2012	Increases	Decreases	September 30, 2013
Capital assets, not being depreciated				
Land	\$ 18,897,099	\$ 58,295	\$ (851,452)	\$ 18,103,942
Construction in progress	3,751,930	3,852,491	(5,031,861)	2,572,560
Total capital assets, not being depreciated	22,649,029	3,910,786	(5,883,313)	20,676,502
Capital assets, being depreciated				
Books	2,320,128	288,359	-	2,608,487
Buildings and improvements	134,588,671	2,560,445	(446,640)	136,702,476
Furniture and equipment	49,376,031	3,163,977	(3,361,580)	49,178,428
Infrastructure	247,318,111	5,821,863	(1,005,093)	252,134,881
Total capital assets, being depreciated	433,602,941	11,834,644	(4,813,313)	440,624,272

NOTE 8 – CAPITAL ASSETS (Continued)

Less accumulated depreciation

Books	\$ (1,862,133)	\$ (162,465)	\$ -	\$ (2,024,598)
Buildings and improvements	(24,602,668)	(5,089,315)	35,737	(29,656,246)
Furniture and equipment	(36,705,637)	(3,538,519)	2,987,076	(37,257,080)
Infrastructure	(136,082,714)	(6,659,642)	1,005,093	(141,737,263)
Total accumulated depreciation	(199,253,152)	(15,449,941)	4,027,906	(210,675,187)
Total capital assets, being depreciated, net	234,349,789	(3,615,297)	(785,407)	229,949,085
Total governmental-type activities capital assets, net	\$ 256,998,818	\$ 295,489	\$ (6,668,720)	\$ 250,625,587

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2013:

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Building Services	Total
Land	\$ 261,192	\$ 4,714,000	\$ 752,451	\$ -	\$ 5,727,643
Buildings	2,422,524	4,766	852,429	-	3,279,719
Improvements	90,985	4,678	41,250	-	136,913
Furniture and equipment	1,642,717	1,068,274	6,856,911	445,423	10,013,325
Infrastructure	106,436,531	30,681,313	87,009,002	-	224,126,846
Construction in progress	427,694	-	25,398	-	453,092
Total	111,281,643	36,473,031	95,537,441	445,423	243,737,538
Less accumulated depreciation					
Buildings	(2,048,787)	(2,421)	(357,808)	-	(2,409,016)
Improvements	(83,774)	(1,560)	(41,250)	-	(126,584)
Furniture and equipment	(1,139,585)	(566,523)	(2,997,494)	(444,365)	(5,147,967)
Infrastructure	(43,356,279)	(10,329,773)	(18,439,682)	-	(72,125,734)
Total accumulated Depreciation	(46,628,425)	(10,900,277)	(21,836,234)	(444,365)	(79,809,301)
Business-type activities capital assets, net	\$64,653,218	\$ 25,572,754	\$73,701,207	\$ 1,058	\$ 163,928,237

	September 30, 2012	Increases	Decreases	September 30, 2013
Capital assets, not being depreciated				
Land	\$ 5,727,643	\$ -	\$ -	\$ 5,727,643
Construction in progress	475,993	25,398	(48,299)	453,092
Total capital assets, not being depreciated	6,203,636	25,398	(48,299)	6,180,735
Capital assets, being depreciated				
Buildings	3,354,081	60,339	(134,701)	3,279,719
Improvements	136,913	-	-	136,913
Furniture and equipment	8,746,987	1,580,142	(313,804)	10,013,325
Infrastructure	234,702,123	99,398	(10,674,675)	224,126,846
Total capital assets, being depreciated	246,940,104	1,739,879	(11,123,180)	237,556,803

NOTE 8 – CAPITAL ASSETS (Continued)

Less accumulated depreciation

Buildings	\$ (2,414,624)	\$ (81,209)	\$ 86,817	\$ (2,409,016)
Improvements	(124,721)	(1,863)	-	(126,584)
Furniture and equipment	(4,500,132)	(919,129)	271,294	(5,147,967)
Infrastructure	(74,703,906)	(7,435,783)	10,013,955	(72,125,734)
Total accumulated depreciation	(81,743,383)	(8,437,984)	10,372,066	(79,809,301)
Total capital assets, being depreciated, net	165,196,721	(6,698,105)	(751,114)	157,747,502
Total business-type activities capital assets, net	\$ 171,400,357	\$ (6,672,707)	\$ (799,413)	\$ 163,928,237

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

Governmental activities	
General government	\$ 3,923,446
Public safety	2,929,311
Physical environment	318,611
Transportation	5,952,385
Economic environment	814,149
Human services	116,385
Culture and recreation	1,273,153
Internal service funds	122,501
Total depreciation expense - governmental activities	\$ 15,449,941
Business-type activities	
Wholesale water system	\$ 2,827,147
Retail water and wastewater	1,785,983
Solid waste	3,814,051
Building services	10,803
Total depreciation expense - business-type activities	\$ 8,437,984

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	\$ 183,150
Total	183,150
Less: accumulated depreciation	(49,898)
Net	\$ 133,252

NOTE 9 – CAPITAL LEASES (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, are as follows:

Year Ending September 30,		
2014	\$	57,428
2015		42,263
Total minimum lease payments		99,691
Less amount representing interest		(7,822)
Present value of minimum lease payments	\$	91,869

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, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. The employer rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 5.44% for October 1, 2012 through June 30, 2013 and 12.84% for July 1, 2013 through September 30, 2013, with no employee contribution required.

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, 2013, 2012, and 2011 were \$4,052,794, \$3,559,782, and \$5,888,773, 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, 2013, were \$1,185,809.

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, Florida 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, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% 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 \$482,292 and \$201,427, 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 who 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 \$468,047 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)	\$ 1,996,334
Amortization of unfunded actuarial accrued liability	1,195,231
Interest on normal cost and amortization	86,000
Annual required contribution	3,277,565
Interest on net OPEB obligation	500,573
Adjustment to annual required contribution	(712,772)
Annual OPEB cost (expense)	3,065,366
Contribution toward the OPEB cost	(468,047)
Increase in net OPEB obligation	2,597,319
Net OPEB obligation, beginning of year	12,144,402
Net OPEB obligation, end of year	\$ 14,741,721

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, 2013, was as follows:

Year ended September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 2,682,323	15.59%	\$ 9,575,921
2012	\$ 2,956,055	13.11%	\$ 12,144,402
2013	\$ 3,065,366	15.27%	\$ 14,741,721

Funding Status and Funding Progress

As of September 30, 2013, the actuarial value of assets was \$0 and the actuarial accrued liability for benefits was \$20,732,595, resulting in an unfunded actuarial accrued liability (UAAL) of \$20,732,595 and a funded ratio of 0%. The covered payroll was \$43,025,474, and the ratio of the UAAL to the covered payroll was 48.19%. The Schedule of Funding Progress, included as required supplementary information after the notes, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

The County had an actuarial valuation completed for the fiscal year ended September 30, 2013. 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 2013 is 6.6%. It is reduced each year reaching a future year's rate of 4.7%. For the Sheriff, the 2013 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, 2012	Additions	Deductions	Balance September 30, 2013	Due Within One Year
Bonds payable	\$ 79,809,000	\$ 13,700,000	\$ (2,388,000)	\$ 91,121,000	\$ 2,140,000
Adjusted for deferred amounts on:					
Issuance discounts/premiums	668,323	-	(33,567)	634,756	-
Refunding	(467,104)	-	23,889	(443,215)	-
Total bonds payable	80,010,219	13,700,000	(2,397,678)	91,312,541	2,140,000
Capital leases payable	87,472	53,519	(49,122)	91,869	51,809
Other postemployment benefits	11,733,818	2,485,672	-	14,219,490	-
Accrued compensated absences	3,492,964	903,457	(806,641)	3,589,780	774,689
Estimated liability for self-insured losses	4,478,005	350,263	(347,506)	4,480,762	418,586
Governmental activity long-term liabilities	\$ 99,802,478	\$ 17,492,911	\$ (3,600,947)	\$ 113,694,442	\$ 3,385,084

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, 2013:

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, 2013, totaled \$65,519,100. Annual principal and interest payments paid on the bond required 18.3% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$1,939,985 and \$10,594,619, respectively.

\$ 37,670,000

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, 2013, totaled \$21,614,999. Annual principal and interest payments paid on the bond required 10.8% of half-cent sales tax revenues. Principal and interest payments paid for the current year and total half-cent sales tax revenues were \$1,140,050 and \$10,594,619, respectively.

\$ 14,575,000

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 \$1,885,883.

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, 2013, totaled \$28,288,240. Interest payments paid on the bond required 3.01% of non-ad valorem revenue. Interest payments paid for the current year and non-ad valorem revenue were \$2,020,717 and \$67,229,892, respectively. \$ 23,395,000

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 \$185,514.

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, 2013, totaled \$2,597,190. Interest payments paid on the bond required 0.30% of non-ad valorem revenue. Interest payments paid for the current year and non-ad valorem revenue were \$199,274 and \$67,229,892, respectively. No principal payments were made on this bond in the current year. 2,090,000

Capital Improvement Revenue Bonds, Series 2012

On November 20, 2012, the County issued \$13,700,000 Capital Improvement Revenue Bonds – Series 2012. The proceeds of the bonds to be used for certain capital improvements associated with the county courthouse.

The interest rate is 2.99%, principal payable annually on October 1, commencing October 1, 2013. Interest is payable semi-annually, April 1 and October 1. Average remaining annual debt service is \$755,408.

The bonds are special obligation bonds of the County payable from the greater of (1) the County Revenue Sharing Funds received by the Issuer in any State fiscal year in an amount equal to 50% of the County Revenue Sharing Funds received by the issuer in the prior State fiscal year, or (2) the Guaranteed Entitlement Revenues received by the Issuer in any State fiscal year, in accordance with Resolution 3130.

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

This pledge remains in effect until extinguishment or maturity of the debt in 2037, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2013, totaled \$19,045,202. Principal and interest payments paid on the bond required 38.38% of pledged revenues. Principal and interest payments paid for the current year and pledged revenues were \$648,083 and \$1,688,714, respectively.

	\$	13,391,000
Total bonds payable – governmental activities		91,121,000
Less: current portion		(2,140,000)
Long-term portion governmental activities bonds payable	\$	88,981,000

The annual debt service requirements to maturity for the governmental activities revenue bonds payable at September 30, 2013, are as follows:

Year ending September 30,	Principal	Interest	Total
2014	\$ 2,140,000	\$ 3,359,817	\$ 5,499,817
2015	2,599,000	3,491,942	6,090,942
2016	2,677,000	3,413,210	6,090,210
2017	2,757,000	3,329,917	6,086,917
2018	2,851,000	3,239,170	6,090,170
2019-2023	15,605,000	14,656,247	30,261,247
2024-2028	33,435,000	10,517,374	43,952,374
2029-2033	25,427,000	3,494,088	28,921,088
2034-2038	3,630,000	281,966	3,911,966
Total	\$ 91,121,000	\$ 45,783,731	\$ 136,904,731

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, 2013, 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, 2013, are summarized below:

State Revolving Fund Program

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.

\$ 4,501,239

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

State Revolving Fund Program (SRF #2) consists of approved loans in the original amount of \$4,411,200 payable to the State of Florida Department of Environmental Protection State Revolving Fund Program. The interest rate is 3.03% per annum. The semi-annual loan payment is \$132,319 and the loan matures on November 15, 2019. The loans are collateralized by the anticipated net system revenues of MPAWTF. Bay County is liable for the total obligation. \$ 1,550,750

Taxable Series 2013 Credit Note

On August 20, 2013, the County issued \$3,000,000 Taxable Series 2013 Credit Note to provide funds under a line of credit agreement to finance certain costs associated with the County's emergency medical service. The County has the authority to borrow up to \$3,000,000, with a non-revolving limit. Interest rate is variable on the LIBOR floating rate, plus 1.1%.

Principal is due on the maturity date of September 1, 2015. Interest payments are due monthly.

The note is secured by non-ad valorem revenue in accordance with Resolution No. 2013-R-3168. This pledge remains in effect until extinguishment or maturity of the debt in 2015, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2013, totaled \$2,000,000. Interest payments on the bond required 0.001% of the total of non-ad valorem revenues. Interest payments paid for the current year and the total of non-ad valorem revenues were \$772 and \$67,229,892, respectively. No principal payments were made in the current year. 2,000,000

Total notes payable-enterprise funds	8,051,989
Less: current portion	(1,010,753)
Long-term portion of enterprise funds notes payable	\$ 7,041,236

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

Year ending September 30,	Principal	Interest	Total
2014	\$ 1,010,753	\$ 143,241	\$ 1,153,994
2015	3,016,305	137,689	3,153,994
2016	1,045,650	108,345	1,153,995
2017	1,075,842	78,152	1,153,994
2018	1,106,907	47,087	1,153,994
2019-2020	796,532	16,886	813,418
Total	\$ 8,051,989	\$ 531,400	\$ 8,583,389

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	\$ 1,615,000	\$ 310,000	\$ 1,990,000	\$ 1,215,000	\$ 5,130,000
Long-term portion	40,095,000	5,017,500	20,675,000	28,330,000	94,117,500
	41,710,000	5,327,500	22,665,000	29,545,000	99,247,500
Deferred amounts on:					
Issuance (discounts)					
and premiums	1,543,895	-	-	-	1,543,895
Refunding	-	-	(1,299,844)	443,033	(856,811)
Total bonds payable	\$ 43,253,895	\$ 5,327,500	\$ 21,365,156	\$ 29,988,033	\$ 99,934,584

Wastewater System Revenue Refunding Bonds – Series 2004

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

Principal is payable annually on September 1, commencing on September 1, 2005. Interest is payable semiannually on March 1 and September 1. The bonds are collateralized by the net revenues of the joint venture (Military Point Advanced Wastewater Treatment Facility). Average annual debt service is \$557,653. Bay County is liable for one half of the total obligation.

\$ 5,327,500

Solid Waste Capital Improvement Revenue Refunding Bonds – Series 2010

On August 18, 2010, the County issued \$28,320,000 Capital Improvement Revenue Refunding Bonds – Series 2010. The proceeds of the bonds were used to refund the outstanding Solid Waste Sales Tax Revenue Bonds – Series 1998 (refunded \$30,680,000) and to pay the cost of issuing the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,703,997. This difference is reported as a deferred amount on refunding. The County completed the refunding to reduce its debt service payments over 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 \$2,632,776.

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, 2013, totaled \$26,327,757. Annual principal and interest payments on the bond required 3.92% 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 \$2,633,861 and \$67,229,892 respectively. \$ 22,665,000

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 \$2,209,588.

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, 2013, totaled \$39,772,583. Annual principal and interest payments on the bond required 90.70% of the total of the net revenues derived from the water system, connection fees, and allowable deposits. Principal and interest payments paid for the current year and the total net revenues derived from the water system, connection fees, and allowable deposits were \$1,006,500 and \$1,109,666 respectively. 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 \$3,674,147.

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, 2013, totaled \$62,460,500. Annual principal and interest payments on the bond required 35.41% 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 \$3,675,325 and \$10,377,981, respectively.

	\$ 41,710,000
Total bonds payable – business-type activities	99,247,500
Less: current portion	(5,130,000)
Long-term portion of business-type activities bonds payable	\$ 94,117,500

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

The annual debt service requirements to maturity for bonds payable at September 30, 2013, are as follows:

Year ending September 30,	Principal	Interest	Total
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	5,945,000	3,130,593	9,075,593
2019-2023	33,295,000	12,061,152	45,356,152
2024-2028	25,167,500	5,928,006	31,095,506
2029-2031	13,140,000	855,720	13,995,720
Total	\$ 99,247,500	\$ 36,562,834	\$ 135,810,334

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013	Due Within One Year
Bonds payable	\$ 103,050,000	\$ -	\$ (3,802,500)	\$ 99,247,500	\$5,130,000
Adjusted for deferred amounts on:					
Issuance discounts/premiums	1,635,330	-	(91,435)	1,543,895	-
Refunding	(963,160)	-	106,349	(856,811)	-
Total bonds payable	103,722,170	-	(3,787,586)	99,934,584	5,130,000
Notes payable	7,011,218	2,000,000	(959,229)	8,051,989	1,010,753
Other postemployment benefits	410,212	112,019	-	522,231	-
Accrued compensated absences	293,453	149,665	(145,505)	297,613	146,261
Landfill closure and postclosure liability	8,513,261	-	(2,116,742)	6,396,519	-
Business-type activity- long-term liabilities	\$ 119,950,314	\$ 2,261,684	\$ (7,009,062)	\$ 115,202,936	\$6,287,014

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, 2013, there was no arbitrage liability for business-type activities.

Debt Covenant - Water and Sewer System Revenue Bonds – Series 2011

The Water and Sewer System Revenue Bonds – Series 2011 contains various covenants that are specified in Resolution No. 3064 and 3065. During the year ended September 30, 2013, it was determined that the County was not in compliance with a specific debt covenant that is included in Resolution 3065. Specifically, Section 10(A) requires that any withdrawals from the rate stabilization fund be replenished from pledged revenues within twelve months from the date of such withdrawal. During the year and as of September 30, 2013, such withdrawal was not replenished within the required twelve month period.

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

The County, along with the 100% bondholder, worked together on a remedy. On March 18, 2014, Resolution 3213 was passed by the County and accepted by the bondholder. The resolution included an extension of time until October 1, 2014, in which to replenish the rate stabilization fund to its required level.

NOTE 14 – COMPENSATED ABSENCES

The County's compensated absences at September 30, 2013, are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 774,689	\$ 146,261	\$ 920,950
Long-term	2,815,091	151,352	2,966,443
Total	\$ 3,589,780	\$ 297,613	\$ 3,887,393

**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, 2013, were as follows:

Transfer Out	Transfer In	
General fund	Transportation fund	\$ 1,499,679
	Other nonmajor governmental funds	94,610
		<u>\$ 1,594,289</u>
Industrial wastewater fund	General fund	2,112,073
	Wholesale water system fund	42,040
	Retail water and wastewater fund	178,330
		<u>2,332,443</u>
		<u>\$ 3,926,732</u>

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

At September 30, 2013, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund		
General fund	Other nonmajor governmental funds	\$ 11,879	
			\$ 11,879
Transportation fund	Other nonmajor governmental funds	215	
	Retail water and wastewater fund	83	
	Solid waste fund	296	
	Internal service funds	15,457	
			16,051
Tourist Development fund	General fund	263,084	
			263,084
Other nonmajor governmental funds	Transportation fund	8,139	
			8,139
Internal service funds	General fund	94,802	
	Transportation fund	205,224	
	Other nonmajor governmental funds	65,909	
	Wholesale water system fund	116,587	
	Retail water and wastewater fund	52,209	
	Solid waste fund	86,375	
	Builder service fund	1,567	
	Internal service funds	1,171	
			623,844
			\$ 922,997

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. This advance was repaid by the wholesale water system during fiscal year end September 30, 2013.

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, 2013, was \$243,015.

NOTE 16 – FUND BALANCE

The detail related to fund balance classifications for governmental funds as of September 30, 2013, consist of the following:

Detail for Fund Balance	General	Tourist Development	Transportation	Nonmajor Governmental	Total
Nonspendable					
Not in spendable form for					
Prepays	\$ 334,272	\$ 180	\$ 278,388	\$ 394,313	\$ 1,007,153
Total nonspendable	\$ 334,272	\$ 180	\$ 278,388	\$ 394,313	\$ 1,007,153

NOTE 16 – FUND BALANCE (Continued)

Detail for Fund Balance	General	Tourist Development	Transportation	Nonmajor Governmental	Total
Restricted					
Enabling legislation	\$ 3,714,351	\$ 32,992,095	\$ 737,206	\$ 5,004,844	\$ 42,448,496
Debt service	18,138,571	-	-	483,841	18,622,412
Impact fees	2,476,075	-	-	146,536	2,622,611
Contractual	2,114,123	-	-	-	2,114,123
Total restricted	\$ 26,443,120	\$ 32,992,095	\$ 737,206	\$ 5,635,221	\$ 65,807,642
Assigned					
For use of year end cash carry					
Forward	\$ 6,228,275	\$ -	\$ -	\$ -	\$ 6,228,275
For disaster cleanup	1,000,000	-	-	-	1,000,000
For library	362,424	-	-	-	362,424
For neighborhood infrastructure and improvements	57,364	-	-	-	57,364
For future insurance costs	385,396	346	41,784	21,503	449,029
For animal control	30,599	-	-	-	30,599
For purpose of special revenue Fund	-	-	5,933,664	592,001	6,525,665
Total assigned	\$ 8,064,058	\$ 346	\$ 5,975,448	\$ 613,504	\$ 14,653,356

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 2023. 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, 2013, 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 \$5,626,905 and the postclosure costs to maintain and monitor the Steelfield Landfill will be approximately \$187,564 per year. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The Solid Waste Fund has reported a liability for landfill closure and postclosure care at September 30, 2013, in the amount of \$6,396,519, which represents the cumulative amount reported to date, based on 60.0% of the estimated capacity of the landfill. 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 postclosure care in 2013. 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, 2013, \$3,020,376 was held for these purposes in a separate general ledger account on deposit in the County's pooled cash and investments. These are reported as restricted cash and investment assets on the solid waste fund balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined to be necessary, these costs may need to be covered by charges to future landfill users or from future tax revenue.

Legal Contingencies

The County is involved in certain litigation and claims, as a defendant or plaintiff, arising in the ordinary course of operations. Legal counsel has indicated that the facts of the cases and the law are not sufficiently developed to allow an accurate prediction of the ultimate outcome of the litigation. As such, no estimate of losses, if any, can be determined. During the course of normal operations, the County entered into various other contractual agreements for which the County would be liable in the event of default. The actual potential amount of loss liability associated with a default for these contracts cannot be reasonably estimated at this time.

Military Point Advanced Wastewater Treatment Facility

The County entered into debt financing agreements with the City of Callaway on behalf of the Military Point Advanced Wastewater Treatment Facility. As a result, Bay County is contingently liable for bonds payable and notes payable guaranteed by the City of Callaway.

As of September 30, 2013, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway's portion of note payable	\$ 4,501,239
Related interest expense	383,048
Wastewater System Revenue Refunding Bonds Series 2004 (see note 13)	5,327,500
Related interest expense	1,921,994
<u>Total contingent liability – joint venture</u>	<u>\$ 12,133,781</u>

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
Bay County Courthouse addition	\$ 1,009,660	\$ 716,316	\$ 293,344
West Bay Bridge	1,803,465	242,728	1,560,737
North Gate access	275,720	85,000	190,720
Total contract commitments	\$ 3,088,845	\$ 1,044,044	\$ 2,044,801

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, 2013, are summarized as follows:

Issue	Date of Issue	Amount Outstanding September 30, 2013
Bay County, Florida Educational Facilities Revenue Bonds (Bay Haven Charter Academy) Series 2010 A & B	March 8, 2011	\$ 11,390,000
Bay County, Florida Industrial Development Revenue Bonds (Goodwill Industries- Big Bend, Inc.) Series 2012	May 31, 2012	15,000,000
Bay County, Florida Educational Facilities Revenue Bonds (Bay Haven Charter Academy Project) Series 2013 A & B	April 25, 2013	20,265,000

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, 2013. 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 \$4,480,762 reported in the workers' compensation fund at September 30, 2013, 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 2012 and 2013 were as follows:

Fiscal Year	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
October 1, 2011–September 30, 2012	\$ 4,346,931	\$ 520,484	\$ (389,410)	\$ 4,478,005
October 1, 2012– September 30, 2013	\$ 4,478,005	\$ 350,263	\$ (347,506)	\$ 4,480,762

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 2012 and 2013 were as follows:

Fiscal Year	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
October 1, 2011–September 30, 2012	\$ 250,000	\$ 1,970,688	\$ (1,970,688)	\$ 250,000
October 1, 2012–September 30, 2013	\$ 250,000	\$ 2,497,026	\$ (2,497,026)	\$ 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, 2013, the County's investment in the joint venture was \$2,139,857. 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 Position September 30, 2013	
Assets	\$ 36,075,876
Liabilities	21,893,269
Net position	
Net investments in capital assets	6,584,371
Restricted for owners rate reserve	2,893,286
Restricted for debt service	3,466,400
Unrestricted	1,238,550
Total net position	\$ 14,182,607

NOTE 21 – JOINT VENTURE (Continued)

Statement of Activities Year Ended September 30, 2013	
Operating revenues	\$ 7,348,845
Operating expenses	(4,287,232)
Operating income	3,061,613
Nonoperating revenues (expenses), net	(847,709)
Income before distributions	2,213,904
Distributions to owners	(1,250,148)
Change in net position	963,756
Net position, beginning of year	13,218,851
Net position, end of year	\$ 14,182,607

As of September 30, 2013, the County's portion of contributions and net position in the joint venture is as follows:

County investment, at September 30, 2012	\$ 1,863,432
Add: 2013 County share of net income	803,106
Less: 2013 distributions payable	(526,681)
County investment in joint venture at September 30, 2013	\$ 2,139,857

NOTE 22 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2013, the MPAWTF provided services to Bay County's Retail Water and Wastewater Fund. For the year ended September 30, 2013, the billings for these services totaled \$2,013,679.

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 \$1,871,720 for the year ended September 30, 2013. In addition, during the current year the County recognized \$442,084 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$442,084, 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 2014. 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, 2013, insurance proceeds and an asset impairment of \$38,969,384, including \$25,693,111 for fiscal year ending September 30, 2013, were recognized

NOTE 23 – ASSET IMPAIRMENT (Continued)

related to the incinerator fire. There is also a claim for a business interruption loss that has been requested and received. For fiscal year ended September 30, 2013, business interruption loss amount received was \$6,782,034.

NOTE 24 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the financial statements of the Panama City Beach Convention and Visitor's Bureau, Inc. (Bureau). Subsequent to the issuance of the prior year audited financial statements, the Bureau received an invoice for expenses that was not recorded in those financial statements. The effect of the error was an understatement of expenses and an understatement of accounts payable in the prior year in the amount of \$432,727. As a result, a decrease in the beginning net position, as of September 30, 2012, has been made.

NOTE 25 – SUBSEQUENT EVENT

On October 1, 2013, the County approved Resolutions 3182, 3183 and 3184. Those resolutions authorized the County to enter into a joint agreement with the Florida Department of Transportation and also authorized the County to be the financial conduit for the Bay County Transportation Planning Organization.

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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, 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%
September 30, 2013	-	\$ 20,732,595	\$ 20,732,595	0.0%	\$ 43,025,474	48.19%

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

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2011	\$ 418,247	\$ 2,797,203	14.95%
2012	\$ 387,574	\$ 3,123,837	12.41%
2013	\$ 468,047	\$ 3,277,565	14.28%

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	\$ 1,704,782	\$ 531,956	\$ 532,145	\$ 495,440
Accounts receivable, net	761	229	216	28,936
Investments	246,575	76,941	70,130	71,659
Prepaid items	43,197	-	-	313,182
Due from other funds	-	-	8,139	-
Due from other governments	276,772	61,172	1,223	137,062
Restricted assets				
Cash and cash equivalents	-	-	-	550,723
Investments	-	-	-	79,655
Total assets	\$ 2,272,087	\$ 670,298	\$ 611,853	\$ 1,676,657
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 19,351	\$ 78,297	\$ 26,721	\$ 260,398
Deferred revenues	-	-	-	-
Due to other funds	12,064	-	11,060	54,879
Advance from other funds	-	-	-	243,105
Due to other governments	-	-	-	-
Total liabilities	31,415	78,297	37,781	558,382
Fund balance				
Nonspendable	43,197	-	-	313,182
Restricted	2,196,709	-	569,749	788,679
Assigned	766	592,001	4,323	16,414
Total fund balance	2,240,672	592,001	574,072	1,118,275
Total liabilities and fund balance	\$ 2,272,087	\$ 670,298	\$ 611,853	\$ 1,676,657

Bay County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

Special Revenue			
Court Fund	Family Mediation	Records Modernization - Records	Records Modernization - Court
\$ 717,205	\$ 129	\$ 215,438	\$ 302,678
25,926	20,500	-	-
-	-	-	-
-	-	-	7,030
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 743,131</u>	<u>\$ 20,629</u>	<u>\$ 215,438</u>	<u>\$ 309,708</u>
\$ 191,671	\$ 2,075	\$ -	\$ 13,261
15,801	-	-	-
-	-	-	-
-	-	-	-
49,897	-	-	-
<u>257,369</u>	<u>2,075</u>	<u>-</u>	<u>13,261</u>
-	-	-	7,030
485,762	18,554	215,438	289,417
-	-	-	-
<u>485,762</u>	<u>18,554</u>	<u>215,438</u>	<u>296,447</u>
<u>\$ 743,131</u>	<u>\$ 20,629</u>	<u>\$ 215,438</u>	<u>\$ 309,708</u>

Continued

	10% Fine Records Modernization	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
ASSETS				
Cash and cash equivalents	\$ 348,250	\$ 120,910	\$ 45,031	\$ 19,918
Accounts receivable, net	59	8,140	-	-
Investments	-	-	-	-
Prepaid items	30,904	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Total assets	\$ 379,213	\$ 129,050	\$ 45,031	\$ 19,918
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 525	\$ -	\$ 1,410	\$ -
Deferred revenues	-	-	-	-
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	525	-	1,410	-
Fund balance				
Nonspendable	30,904	-	-	-
Restricted	347,784	129,050	43,621	19,918
Assigned	-	-	-	-
Total fund balance	378,688	129,050	43,621	19,918
Total liabilities and fund balance	\$ 379,213	\$ 129,050	\$ 45,031	\$ 19,918

Bay County, Florida
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2013

Special Revenue					
Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds	
\$ 107,817	\$ 66,035	\$ 24,772	\$ 281,566	\$ 5,514,072	
-	-	-	58,489	143,256	
-	-	-	-	465,305	
-	-	-	-	394,313	
-	-	-	-	8,139	
-	-	-	-	476,229	
-	-	-	-	550,723	
-	-	-	-	79,655	
<u>\$ 107,817</u>	<u>\$ 66,035</u>	<u>\$ 24,772</u>	<u>\$ 340,055</u>	<u>\$ 7,631,692</u>	
\$ -	\$ 8,139	\$ -	\$ -	\$ 601,848	
-	-	-	-	15,801	
-	-	-	-	78,003	
-	-	-	-	243,105	
-	-	-	-	49,897	
-	8,139	-	-	988,654	
-	-	-	-	394,313	
107,817	57,896	24,772	340,055	5,635,221	
-	-	-	-	613,504	
<u>107,817</u>	<u>57,896</u>	<u>24,772</u>	<u>340,055</u>	<u>6,643,038</u>	
<u>\$ 107,817</u>	<u>\$ 66,035</u>	<u>\$ 24,772</u>	<u>\$ 340,055</u>	<u>\$ 7,631,692</u>	

	Public Safety	Intergovernmental Radio Communications	District Mosquito Control	MSTU Fire Protection
REVENUES				
Taxes	\$ -	\$ -	\$ 872,856	\$ 5,392,014
Intergovernmental	-	-	103,810	257,611
Charges for services	885,503	521,144	-	75,481
Investment earnings	10,271	3,116	4,454	13,819
Miscellaneous	-	-	-	28,282
Total revenues	895,774	524,260	981,120	5,767,207
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	545,223	602,360	-	5,306,119
Human services	-	-	1,072,646	-
Capital outlay				
General government	-	-	-	-
Public safety	3,600	-	-	27,274
Human services	-	-	80,339	-
Debt service				
Principal	-	-	-	281,300
Interest	-	-	-	278,950
Total expenditures	548,823	602,360	1,152,985	5,893,643
Excess (deficit) of revenues over (under) expenditures	346,951	(78,100)	(171,865)	(126,436)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	94,610	-	-
Transfer out/return of excess fees	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(108)
Proceeds from sale of capital assets	1,200	3,000	8,639	2,202
Total other financing sources (uses)	1,200	97,610	8,639	2,094
Net change in fund balance	348,151	19,510	(163,226)	(124,342)
Fund balance - beginning	1,892,521	572,491	737,298	1,242,617
Fund balance - ending	\$ 2,240,672	\$ 592,001	\$ 574,072	\$ 1,118,275

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2013

Special Revenue			
Court	Family Mediation	Records Modernization - Records	Records Modernization - Court
\$ -	\$ -	\$ -	\$ -
2,343	-	-	-
4,033,140	20,500	124,166	369,497
-	-	-	-
-	-	-	-
4,035,483	20,500	124,166	369,497
3,499,824	16,900	60,735	184,214
-	-	-	-
-	-	-	-
-	-	-	3,240
-	-	-	-
-	-	-	-
-	-	-	-
3,499,824	16,900	60,735	187,454
535,659	3,600	63,431	182,043
-	-	-	-
(49,897)	-	-	-
-	-	-	-
-	-	-	-
(49,897)	-	-	-
485,762	3,600	63,431	182,043
-	14,954	152,007	114,404
\$ 485,762	\$ 18,554	\$ 215,438	\$ 296,447

Continued

	10% Fine Records Modernization	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	144,297	85,785	22,583
Charges for services	216,060	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	216,060	144,297	85,785	22,583
EXPENDITURES				
Current				
General government	219,132	-	-	-
Public safety	-	31,099	94,329	20,096
Human services	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Human services	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	219,132	31,099	94,329	20,096
Excess (deficit) of revenues over (under) expenditures	(3,072)	113,198	(8,544)	2,487
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(3,072)	113,198	(8,544)	2,487
Fund balance - beginning	381,760	15,852	52,165	17,431
Fund balance - ending	\$ 378,688	\$ 129,050	\$ 43,621	\$ 19,918

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance (Continued)
Nonmajor Governmental Funds
Year Ended September 30, 2013

Special Revenue				
Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 6,264,870
114,064	52,507	21,754	-	804,754
-	-	-	569,991	6,815,482
155	35	-	-	31,850
-	-	-	-	28,282
114,219	52,542	21,754	569,991	13,945,238
-	-	-	-	3,980,805
109,311	50,476	28,572	590,403	7,377,988
-	-	-	-	1,072,646
-	-	-	-	3,240
5,169	36,688	-	61,883	134,614
-	-	-	-	80,339
-	-	-	-	281,300
-	-	-	-	278,950
114,480	87,164	28,572	652,286	13,209,882
(261)	(34,622)	(6,818)	(82,295)	735,356
-	-	-	-	94,610
-	-	-	-	(49,897)
-	-	-	-	(108)
-	-	-	-	15,041
-	-	-	-	59,646
(261)	(34,622)	(6,818)	(82,295)	795,002
108,078	92,518	31,590	422,350	5,848,036
\$ 107,817	\$ 57,896	\$ 24,772	\$ 340,055	\$ 6,643,038

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Public Safety
Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 942,000	\$ 942,000	\$ 885,503	\$ (56,497)
Investment earnings	3,500	3,500	10,271	6,771
Total revenues	945,500	945,500	895,774	(49,726)
EXPENDITURES				
Current				
Public safety	670,326	670,326	545,223	125,103
Capital outlay				
Public safety	15,000	15,000	3,600	11,400
Total expenditures	685,326	685,326	548,823	136,503
Excess of revenues over expenditures	260,174	260,174	346,951	86,777
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	1,200	1,200
Total other financing sources	-	-	1,200	1,200
Net change in fund balance	260,174	260,174	348,151	87,977
Fund balance - beginning	1,892,521	1,892,521	1,892,521	-
Fund balance - ending	\$ 2,152,695	\$ 2,152,695	\$ 2,240,672	\$ 87,977

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Intergovernmental Radio Communications
Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 327,502	\$ 327,502	\$ 521,144	\$ 193,642
Investment earnings	2,200	2,200	3,116	916
Contributions and donations	222,636	222,636	-	(222,636)
Total revenues	552,338	552,338	524,260	(28,078)
EXPENDITURES				
Current				
Public safety	620,170	620,170	602,360	17,810
Capital outlay				
Public safety	15,000	15,000	-	15,000
Total expenditures	635,170	635,170	602,360	32,810
Excess (deficit) of revenues over (under) expenditures	(82,832)	(82,832)	(78,100)	4,732
OTHER FINANCING SOURCES				
Transfers in	94,610	94,610	94,610	-
Proceeds from sale of capital assets	-	-	3,000	3,000
Total other financing sources	94,610	94,610	97,610	3,000
Net change in fund balance	11,778	11,778	19,510	7,732
Fund balance - beginning	572,491	572,491	572,491	-
Fund balance - ending	\$ 584,269	\$ 584,269	\$ 592,001	\$ 7,732

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
District Mosquito Control
Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 860,171	\$ 860,171	\$ 872,856	\$ 12,685
Intergovernmental	9,198	9,198	103,810	94,612
Investment earnings	6,175	6,175	4,454	(1,721)
Total revenues	875,544	875,544	981,120	105,576
EXPENDITURES				
Current				
Human services	1,372,055	1,344,015	1,072,646	271,369
Capital outlay				
Human services	55,000	83,040	80,339	2,701
Total expenditures	1,427,055	1,427,055	1,152,985	274,070
Excess (deficit) of revenues over (under) expenditures	(551,511)	(551,511)	(171,865)	379,646
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	8,639	8,639
Total other financing sources	-	-	8,639	8,639
Net change in fund balance	(551,511)	(551,511)	(163,226)	388,285
Fund balance - beginning	737,298	737,298	737,298	-
Fund balance - ending	\$ 185,787	\$ 185,787	\$ 574,072	\$ 388,285

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
MSTU Fire Protection
Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 5,300,862	\$ 5,300,862	\$ 5,392,014	\$ 91,152
Intergovernmental	229,440	229,440	257,611	28,171
Charges for services	60,000	60,000	75,481	15,481
Investment earnings	15,200	15,200	13,819	(1,381)
Miscellaneous	-	-	28,282	28,282
Total revenues	5,605,502	5,605,502	5,767,207	161,705
EXPENDITURES				
Current				
Public safety	5,469,113	5,517,149	5,306,119	211,030
Capital outlay				
Public safety	-	8,039	27,274	(19,235)
Debt service				
Principal	290,469	307,442	281,300	26,142
Interest	308,347	280,216	278,950	1,266
Total expenditures	6,067,929	6,112,846	5,893,643	219,203
Excess (deficit) of revenues over (under) expenditures	(462,427)	(507,344)	(126,436)	380,908
OTHER FINANCING SOURCES (USES)				
Payment to refunded bond escrow agent	-	(108)	(108)	-
Proceeds from sale of capital assets	-	-	2,202	2,202
Total other financing sources (uses)	-	(108)	2,094	2,202
Net change in fund balance	(462,427)	(507,452)	(124,342)	383,110
Fund balance - beginning	1,242,617	1,242,617	1,242,617	-
Fund balance - ending	\$ 780,190	\$ 735,165	\$ 1,118,275	\$ 383,110

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Court
Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,343	\$ 2,343
Charges for services	3,546,093	3,532,616	4,033,140	500,524
Total revenues	3,546,093	3,532,616	4,035,483	502,867
EXPENDITURES				
Current				
General government	3,394,596	3,381,119	3,499,824	(118,705)
Capital outlay				
General government	151,497	151,497	-	151,497
Total expenditures	3,546,093	3,532,616	3,499,824	32,792
Excess of revenues over expenditures	-	-	535,659	535,659
OTHER FINANCING SOURCES (USES)				
Transfer out/return of excess fees	-	-	(49,897)	(49,897)
Total other financing sources (uses)	-	-	(49,897)	(49,897)
Net change in fund balance	-	-	485,762	485,762
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ 485,762	\$ 485,762

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 Position
Internal Service Funds
September 30, 2013

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ -	\$ 4,703,875	\$ 1,087,517	\$ 51,078	\$ 5,842,470
Accounts receivable, net	286,970	2,093	12,982	5,992	308,037
Prepaid expenses	1,259	92,429	25,706	-	119,394
Investments	-	680,357	157,296	7,388	845,041
Due from other governments	54	-	-	57,606	57,660
Due from other funds	251,813	-	293,924	78,107	623,844
Total current assets	540,096	5,478,754	1,577,425	200,171	7,796,446
Capital assets					
Buildings	835,102	-	-	618,642	1,453,744
Improvements	99,543	-	-	-	99,543
Furniture and equipment	274,614	7,516	73,610	642,942	998,682
Less: accumulated depreciation	(719,238)	(5,097)	(70,034)	(672,617)	(1,466,986)
Total capital assets, net	490,021	2,419	3,576	588,967	1,084,983
Total assets	1,030,117	5,481,173	1,581,001	789,138	8,881,429
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	277,987	23,981	627,298	44,684	973,950
Accrued compensated absences	26,646	5,384	1,430	15,841	49,301
Due to other funds	15,457	-	-	1,171	16,628
Total current liabilities	320,090	29,365	628,728	61,696	1,039,879
Noncurrent liabilities					
Estimated liability for self insured losses	-	4,480,762	-	-	4,480,762
Accrued compensated absences	34,999	7,189	-	9,645	51,833
Net OPEB obligation	138,186	2,203	-	49,160	189,549
Total noncurrent liabilities	173,185	4,490,154	-	58,805	4,722,144
Total liabilities	493,275	4,519,519	628,728	120,501	5,762,023
NET POSITION					
Net investment in capital assets	490,021	2,419	3,576	588,967	1,084,983
Unrestricted	46,821	959,235	948,697	79,670	2,034,423
Total net position	\$ 536,842	\$ 961,654	\$ 952,273	\$ 668,637	\$ 3,119,406

Bay County, Florida
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position
Internal Service Funds
Year Ended September 30, 2013

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
OPERATING REVENUES					
Charges for services	\$ 4,806,759	\$ 747,172	\$ 2,458,326	\$ 1,251,087	\$ 9,263,344
Miscellaneous	25	-	-	55	80
Total operating revenues	4,806,784	747,172	2,458,326	1,251,142	9,263,424
OPERATING EXPENSES					
Personal services	1,049,961	165,216	113,913	750,142	2,079,232
Contracted services	47,543	45,732	4,798	216,809	314,882
Repairs and maintenance	246,209	2,600	1,771	28,202	278,782
Utilities	110,155	4,285	4,285	17,135	135,860
Depreciation	43,107	991	8,209	70,194	122,501
Materials	3,208,436	-	-	-	3,208,436
Insurance claims	-	494,210	-	-	494,210
Other operating expenses	111,440	34,138	2,501,595	168,741	2,815,914
Total operating expenses	4,816,851	747,172	2,634,571	1,251,223	9,449,817
Operating income (loss)	(10,067)	-	(176,245)	(81)	(186,393)
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets	9,782	-	-	-	9,782
Contributions	-	-	175,000	-	175,000
Investment earnings (loss)	136	30,321	(222)	(219)	30,016
Total nonoperating revenues	9,918	30,321	174,778	(219)	214,798
Net income (loss)	(149)	30,321	(1,467)	(300)	28,405
Change in net position	(149)	30,321	(1,467)	(300)	28,405
Total net position - beginning	536,991	931,333	953,740	668,937	3,091,001
Total net position - ending	\$ 536,842	\$ 961,654	\$ 952,273	\$ 668,637	\$ 3,119,406

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2013

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and others	\$ 4,829,431	\$ 863,793	\$ 2,688,867	\$ 1,154,169	\$ 9,536,260
Cash received from miscellaneous operating activities	25	-	-	55	80
Cash paid to suppliers for goods and services	(3,769,432)	(566,474)	(1,941,243)	(484,884)	(6,762,033)
Cash paid to employees for services	(1,024,554)	(164,831)	(114,429)	(737,780)	(2,041,594)
Net cash provided by (used in) operating activities	35,470	132,488	633,195	(68,440)	732,713
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Contributions	-	-	175,000	-	175,000
Net cash provided by noncapital financing activities	-	-	175,000	-	175,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	11,384	-	-	-	11,384
Purchase of capital assets	(46,990)	(699)	-	(16,338)	(64,027)
Net cash (used in) capital and related financing activities	(35,606)	(699)	-	(16,338)	(52,643)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturities of investment securities	136	168,007	-	15,571	183,714
Purchase of investments	-	(5,075)	(87,253)	(102)	(92,430)
Interest and dividends on investments	-	26,999	-	-	26,999
Net cash provided by (used in) investing activities	136	189,931	(87,253)	15,469	118,283
Net increase (decrease) in cash and cash equivalents	-	321,720	720,942	(69,309)	973,353
Cash and cash equivalents - beginning	-	4,382,155	366,575	120,387	4,869,117
Cash and cash equivalents - ending	\$ -	\$ 4,703,875	\$ 1,087,517	\$ 51,078	\$ 5,842,470

Continued

Bay County, Florida
Combining Statement of Cash Flows (Continued)
Internal Service Funds
Year Ended September 30, 2013

	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)	\$ (10,067)	\$ -	\$ (176,245)	\$ (81)	\$ (186,393)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	43,107	991	8,209	70,194	122,501
(Increase) decrease in assets					
Accounts receivable, net	8,775	116,621	476,929	1,413	603,738
Prepaid expenses	(1,259)	(3,364)	202,647	-	198,024
Due from other funds	12,009	-	(246,388)	(40,725)	(275,104)
Due from other governments	1,888	-	-	(57,606)	(55,718)
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(28,986)	17,855	368,559	(15,384)	342,044
Accrued compensated absences	(4,585)	385	(516)	(1,795)	(6,511)
Due to other funds	(15,404)	-	-	(38,613)	(54,017)
Net OPEB obligation	29,992	-	-	14,157	44,149
Total adjustments	45,537	132,488	809,440	(68,359)	919,106
Net cash provided by (used in) operating activities	\$ 35,470	\$ 132,488	\$ 633,195	\$ (68,440)	\$ 732,713

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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.

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 Position
Fiduciary Funds
September 30, 2013

	Fines, Forfeitures and Other Fees	Jury and Witness	Tax Deed Assets	Support
ASSETS				
Cash and cash equivalents	\$ 2,013,796	\$ 35,258	\$ 264,201	\$ 42,190
Investments	-	-	-	-
Accounts receivable, net	-	-	-	-
Total assets	\$ 2,013,796	\$ 35,258	\$ 264,201	\$ 42,190
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	264,201	42,190
Due to others	-	-	-	-
Due to other governments	2,013,796	35,258	-	-
Total liabilities	\$ 2,013,796	\$ 35,258	\$ 264,201	\$ 42,190

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Position (Continued)
Fiduciary Funds
September 30, 2013

	Court Registry	Cash Bond	Restitution	Property Tax
ASSETS				
Cash and cash equivalents	\$ 2,220,008	\$ 613,948	\$ 9,071	\$ 1,810,984
Investments	-	-	-	53,106
Accounts receivable, net	-	-	-	-
Total assets	\$ 2,220,008	\$ 613,948	\$ 9,071	\$ 1,864,090
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	2,220,008	-	9,071	-
Due to others	-	-	-	-
Due to other governments	-	613,948	-	1,864,090
Total liabilities	\$ 2,220,008	\$ 613,948	\$ 9,071	\$ 1,864,090

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Position (Continued)
Fiduciary Funds
September 30, 2013

	Tag	Other Suspense
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,770
Investments	-	-
Accounts receivable, net	24,758	-
Total assets	\$ 24,758	\$ 1,770
LIABILITIES		
Bank overdraft	\$ 14,740	\$ -
Accounts payable and accrued liabilities	-	-
Due to others	-	-
Due to other governments	10,018	1,770
Total liabilities	\$ 24,758	\$ 1,770

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Position (Continued)
Fiduciary Funds
September 30, 2013

	Individual Depositors	Forfeitures	Total
ASSETS			
Cash and cash equivalents	\$ 69,281	\$ 95,239	\$ 7,175,746
Investments	-	-	53,106
Accounts receivable, net	-	-	24,758
Total assets	\$ 69,281	\$ 95,239	\$ 7,253,610
LIABILITIES			
Bank overdraft	\$ -	\$ -	\$ 14,740
Accounts payable and accrued liabilities	69,281	-	2,604,751
Due to others	-	95,239	95,239
Due to other governments	-	-	4,538,880
Total liabilities	\$ 69,281	\$ 95,239	\$ 7,253,610

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended September 30, 2013

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
FINES, FORFEITURES, and OTHER FEES				
ASSETS				
Cash and cash equivalents	\$ 2,082,700	\$ 32,688,917	\$ 32,757,821	\$ 2,013,796
Accounts receivable, net	862	-	862	-
Total assets	\$ 2,083,562	\$ 32,688,917	\$ 32,758,683	\$ 2,013,796
LIABILITIES				
Due to other governments	\$ 2,083,562	\$ 32,688,917	\$ 32,758,683	\$ 2,013,796
Total liabilities	\$ 2,083,562	\$ 32,688,917	\$ 32,758,683	\$ 2,013,796
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 22,570	\$ 64,337	\$ 51,649	\$ 35,258
Total assets	\$ 22,570	\$ 64,337	\$ 51,649	\$ 35,258
LIABILITIES				
Due to other governments	\$ 22,570	\$ 64,337	\$ 51,649	\$ 35,258
Total liabilities	\$ 22,570	\$ 64,337	\$ 51,649	\$ 35,258
TAX DEED ASSETS				
ASSETS				
Cash and cash equivalents	\$ 485,320	\$ 693,284	\$ 914,403	\$ 264,201
Total assets	\$ 485,320	\$ 693,284	\$ 914,403	\$ 264,201
LIABILITIES				
Accounts payable and accrued liabilities	\$ 485,320	\$ 693,284	\$ 914,403	\$ 264,201
Total liabilities	\$ 485,320	\$ 693,284	\$ 914,403	\$ 264,201

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Fiduciary Funds
Year Ended September 30, 2013

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 17,702	\$ 640,687	\$ 616,199	\$ 42,190
Total assets	\$ 17,702	\$ 640,687	\$ 616,199	\$ 42,190
LIABILITIES				
Accounts payable and accrued liabilities	\$ 17,702	\$ 640,687	\$ 616,199	\$ 42,190
Total liabilities	\$ 17,702	\$ 640,687	\$ 616,199	\$ 42,190
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 2,250,230	\$ 35,073,515	\$ 35,103,737	\$ 2,220,008
Total assets	\$ 2,250,230	\$ 35,073,515	\$ 35,103,737	\$ 2,220,008
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,250,230	\$ 35,073,515	\$ 35,103,737	\$ 2,220,008
Total liabilities	\$ 2,250,230	\$ 35,073,515	\$ 35,103,737	\$ 2,220,008
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 573,675	\$ 943,408	\$ 903,135	\$ 613,948
Total assets	\$ 573,675	\$ 943,408	\$ 903,135	\$ 613,948
LIABILITIES				
Due to other governments	\$ 573,675	\$ 943,408	\$ 903,135	\$ 613,948
Total liabilities	\$ 573,675	\$ 943,408	\$ 903,135	\$ 613,948

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Fiduciary Funds
Year Ended September 30, 2013

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 1,696	\$ 138,658	\$ 131,283	\$ 9,071
Total assets	\$ 1,696	\$ 138,658	\$ 131,283	\$ 9,071
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,696	\$ 138,658	\$ 131,283	\$ 9,071
Total liabilities	\$ 1,696	\$ 138,658	\$ 131,283	\$ 9,071
PROPERTY TAX				
ASSETS				
Cash and cash equivalents	\$ 1,738,129	\$ 331,106,621	\$ 331,033,766	\$ 1,810,984
Investments	58,299	-	5,193	53,106
Total assets	\$ 1,796,428	\$ 331,106,621	\$ 331,038,959	\$ 1,864,090
LIABILITIES				
Due to other governments	\$ 1,796,428	\$ 331,106,621	\$ 331,038,959	\$ 1,864,090
Total liabilities	\$ 1,796,428	\$ 331,106,621	\$ 331,038,959	\$ 1,864,090
TAG				
ASSETS				
Cash and cash equivalents	\$ 64,587	\$ 25,280,823	\$ 25,345,410	\$ -
Accounts receivable, net	23,715	8,282	7,239	24,758
Total assets	\$ 88,302	\$ 25,289,105	\$ 25,352,649	\$ 24,758
LIABILITIES				
Bank overdraft	\$ -	\$ 14,740	\$ -	\$ 14,740
Due to other governments	88,302	25,274,365	25,352,649	10,018
Total liabilities	\$ 88,302	\$ 25,289,105	\$ 25,352,649	\$ 24,758

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Fiduciary Funds
Year Ended September 30, 2013

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 84,435	\$ 82,665	\$ 1,770
Total assets	\$ -	\$ 84,435	\$ 82,665	\$ 1,770
LIABILITIES				
Due to other governments	\$ -	\$ 84,435	\$ 82,665	\$ 1,770
Total liabilities	\$ -	\$ 84,435	\$ 82,665	\$ 1,770
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 63,467	\$ 304,074	\$ 298,260	\$ 69,281
Total assets	\$ 63,467	\$ 304,074	\$ 298,260	\$ 69,281
LIABILITIES				
Accounts payable and accrued liabilities	\$ 63,467	\$ 304,074	\$ 298,260	\$ 69,281
Total liabilities	\$ 63,467	\$ 304,074	\$ 298,260	\$ 69,281
FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 54,123	\$ 107,378	\$ 66,262	\$ 95,239
Total assets	\$ 54,123	\$ 107,378	\$ 66,262	\$ 95,239
LIABILITIES				
Due to others	\$ 54,123	\$ 107,378	\$ 66,262	\$ 95,239
Total liabilities	\$ 54,123	\$ 107,378	\$ 66,262	\$ 95,239
COMBINED TOTALS				
ASSETS				
Cash and cash equivalents	\$ 7,354,199	\$ 427,126,137	\$ 427,304,590	\$ 7,175,746
Investments	58,299	-	5,193	53,106
Accounts receivable, net	24,577	8,282	8,101	24,758
Total assets	\$ 7,437,075	\$ 427,134,419	\$ 427,317,884	\$ 7,253,610
LIABILITIES				
Bank overdraft	\$ -	\$ 14,740	\$ -	\$ 14,740
Accounts payable and accrued liabilities	2,818,415	36,850,218	37,063,882	2,604,751
Due to others	54,123	107,378	66,262	95,239
Due to other governments	4,564,537	390,162,083	390,187,740	4,538,880
Total liabilities	\$ 7,437,075	\$ 427,134,419	\$ 427,317,884	\$ 7,253,610

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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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 88,282,722	\$ 97,194,417	\$ 109,592,599	\$ 130,031,134
Restricted	10,792,988	11,577,502	18,043,292	19,924,887
Unrestricted	<u>43,677,556</u>	<u>46,676,877</u>	<u>56,527,122</u>	<u>62,053,258</u>
Total governmental activities net position	<u>\$ 142,753,266</u>	<u>\$ 155,448,796</u>	<u>\$ 184,163,013</u>	<u>\$ 212,009,279</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 32,065,577	\$ 40,706,567	\$ 37,518,571	\$ 46,446,331
Restricted	3,619,366	6,121,869	7,862,907	2,999,323
Unrestricted	<u>47,753,741</u>	<u>38,273,923</u>	<u>39,375,268</u>	<u>29,535,560</u>
Total business-type activities net position	<u>\$ 83,438,684</u>	<u>\$ 85,102,359</u>	<u>\$ 84,756,746</u>	<u>\$ 78,981,214</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 120,348,299	\$ 137,900,984	\$ 147,111,170	\$ 176,477,465
Restricted	14,412,354	17,699,371	25,906,199	22,924,210
Unrestricted	<u>91,431,297</u>	<u>84,950,800</u>	<u>95,902,390</u>	<u>91,588,818</u>
Total primary government net position	<u>\$ 226,191,950</u>	<u>\$ 240,551,155</u>	<u>\$ 268,919,759</u>	<u>\$ 290,990,493</u>

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

Schedule 1

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 146,149,695	\$ 161,775,959	\$ 167,184,260	\$ 175,784,958	\$ 176,901,127	\$ 159,938,052
18,091,072	12,256,875	12,510,353	43,752,095	49,505,452	65,276,675
<u>65,061,054</u>	<u>70,278,219</u>	<u>59,778,907</u>	<u>18,817,801</u>	<u>7,602,039</u>	<u>10,127,270</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>	<u>\$ 235,341,997</u>
\$ 51,130,331	\$ 53,453,268	\$ 81,158,497	\$ 76,176,290	\$ 76,152,474	\$ 69,321,153
3,066,336	6,271,620	6,566,100	12,291,303	11,142,041	10,801,273
<u>26,183,800</u>	<u>21,522,496</u>	<u>24,019,080</u>	<u>23,529,091</u>	<u>21,719,503</u>	<u>35,052,980</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>	<u>\$ 115,175,406</u>
\$ 197,280,026	\$ 215,229,227	\$ 248,342,757	\$ 251,961,248	\$ 253,053,601	\$ 229,259,205
21,157,408	18,528,495	19,076,453	56,043,398	60,647,493	76,077,948
<u>91,244,854</u>	<u>91,800,715</u>	<u>83,797,987</u>	<u>42,346,892</u>	<u>29,321,542</u>	<u>45,180,250</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>	<u>\$ 350,517,403</u>

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses				
Governmental activities:				
General government	\$ 22,435,565	\$ 22,524,334	\$ 21,899,647	\$ 22,123,284
Public safety	39,270,923	41,633,533	45,667,025	47,595,636
Physical environment	4,700,201	5,095,942	4,846,055	4,411,573
Transportation	14,833,934	14,988,586	13,023,819	14,053,021
Economic environment	15,321,819	9,736,560	14,186,061	16,957,645
Human services	4,052,299	3,866,283	4,591,809	5,594,624
Culture/recreation	3,323,501	3,589,770	3,943,961	4,473,399
Interest on long-term debt	1,734,120	1,343,382	1,691,167	2,974,935
Total governmental activities expenses	<u>105,672,362</u>	<u>102,778,390</u>	<u>109,849,544</u>	<u>118,184,117</u>
Business-type activities:				
Wholesale water system	10,072,475	10,600,450	10,871,172	12,060,032
Retail water and wastewater	4,232,074	4,034,030	4,135,864	5,808,833
Industrial wastewater	4,335,269	4,043,172	3,902,819	2,218,595
Solid waste fund	14,690,237	16,688,055	17,574,763	17,209,523
Building services	1,413,981	1,800,906	2,011,650	2,126,578
Emergency medical services	-	-	-	-
Total business-type activities expenses	<u>34,744,036</u>	<u>37,166,613</u>	<u>38,496,268</u>	<u>39,423,561</u>
Total primary government expenses	<u>\$ 140,416,398</u>	<u>\$ 139,945,003</u>	<u>\$ 148,345,812</u>	<u>\$ 157,607,678</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 13,390,686	\$ 16,923,030	\$ 16,455,481	\$ 16,819,772
Public safety	1,464,439	1,585,880	2,041,634	1,953,947
Physical environment	-	134,478	1,602,888	1,523,655
Transportation	479,848	779,026	764,439	1,541,359
Human services	-	3,250	3,640	3,900
Culture and recreation	-	641,744	824,209	645,918
Operating grants and contributions	4,722,923	3,720,822	3,590,815	3,076,826
Capital grants and contributions	6,176,365	8,764,930	5,602,631	5,880,132
Total governmental activities program revenue	<u>26,234,261</u>	<u>32,553,160</u>	<u>30,885,737</u>	<u>31,445,509</u>
Business-type activities:				
Charges for services:				
Water system revenue	8,691,509	11,298,515	11,461,915	10,361,087
Retail water and wastewater	3,630,909	3,808,241	3,863,260	4,189,192
Industrial wastewater	4,259,480	3,939,556	3,826,936	2,280,293
Solid waste fund	10,306,832	11,481,814	12,217,568	9,475,368
Building services	2,593,891	3,595,984	3,335,953	2,099,218
Emergency medical services	-	-	-	-
Operating grants and contributions	-	-	7,505	202,351
Capital grants and contributions	-	-	-	18,603
Total business-type activities program revenue	<u>29,482,621</u>	<u>34,124,110</u>	<u>34,713,137</u>	<u>28,626,112</u>
Total primary government program revenues	<u>\$ 55,716,882</u>	<u>\$ 66,677,270</u>	<u>\$ 65,598,874</u>	<u>\$ 60,071,621</u>

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

Schedule 2

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 23,769,102	\$ 43,306,782	\$ 44,216,781	\$ 39,434,666	\$ 37,957,601	\$ 40,761,101
51,587,681	35,244,894	38,220,126	36,413,991	36,745,373	36,924,438
4,504,251	4,492,133	4,343,675	4,968,431	5,397,684	5,513,532
15,122,222	16,091,014	20,903,717	19,604,133	15,750,626	15,852,176
16,862,278	21,343,831	18,601,704	19,839,456	20,951,183	26,608,771
5,042,410	5,680,622	5,552,240	5,443,839	5,321,884	5,045,532
5,349,023	5,882,640	5,098,294	5,806,043	5,856,186	5,523,037
4,185,220	4,096,732	3,956,673	3,909,979	3,292,291	3,593,361
<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>	<u>139,821,948</u>
13,131,437	13,753,543	12,230,344	12,237,921	11,271,371	11,412,183
5,700,378	8,460,073	9,774,380	11,009,770	11,164,990	11,013,285
6,643,917	6,047,598	5,768,403	3,951,644	3,602,863	1,611,176
15,477,882	15,107,160	14,737,174	15,274,326	30,899,243	15,225,489
2,139,805	1,934,416	1,699,893	1,598,831	1,215,319	1,118,630
-	-	-	-	-	116,886
<u>43,093,419</u>	<u>45,302,790</u>	<u>44,210,194</u>	<u>44,072,492</u>	<u>58,153,786</u>	<u>40,497,649</u>
<u>\$ 169,515,606</u>	<u>\$ 181,441,438</u>	<u>\$ 185,103,404</u>	<u>\$ 179,493,030</u>	<u>\$ 189,426,614</u>	<u>\$ 180,319,597</u>
\$ 15,239,392	\$ 14,480,938	\$ 13,748,179	\$ 13,769,684	\$ 14,100,604	\$ 14,846,161
1,739,995	1,413,940	1,419,092	1,308,519	1,377,953	1,153,326
1,597,427	1,656,563	1,832,155	1,805,016	44,533	36,980
1,045,906	271,986	464,965	320,562	2,094,221	2,037,167
1,040	780	-	-	-	-
519,422	564,222	593,340	556,136	618,455	669,447
4,722,856	18,887,680	16,953,017	13,486,584	6,756,304	6,094,392
<u>11,085,254</u>	<u>9,955,607</u>	<u>7,040,323</u>	<u>4,790,164</u>	<u>5,073,251</u>	<u>3,067,383</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>	<u>27,904,856</u>
13,876,827	13,317,211	13,772,277	16,293,620	15,652,776	16,038,992
3,987,039	5,677,074	6,421,773	6,681,917	6,665,219	7,187,654
6,695,497	5,928,887	5,873,324	3,855,587	3,535,687	959,148
10,726,249	11,744,325	13,336,670	14,197,632	10,181,513	11,816,503
1,657,191	1,126,424	693,361	800,789	968,947	909,443
-	-	-	-	-	-
535,000	985,000	315,000	315,000	315,000	-
<u>824,906</u>	<u>5,900,163</u>	<u>871,811</u>	<u>235,134</u>	<u>706,041</u>	<u>988,605</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>37,900,345</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>	<u>\$ 65,805,201</u>

Continued

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense) Revenue				
Governmental activities	\$ (79,438,101)	\$ (70,225,230)	\$ (78,963,807)	\$ (86,738,608)
Business-type activities	<u>(5,261,415)</u>	<u>(3,042,503)</u>	<u>(3,783,131)</u>	<u>(10,797,449)</u>
Total primary government net expenses	<u>(84,699,516)</u>	<u>(73,267,733)</u>	<u>(82,746,938)</u>	<u>(97,536,057)</u>
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	47,569,663	53,349,589	73,729,204	77,146,885
Sales taxes	22,032,957	23,223,423	24,215,778	24,982,006
State shared revenues	3,120,133	3,290,582	3,491,084	3,379,522
Investment earnings	870,213	1,543,058	3,262,306	7,007,059
Other contributions	-	-	-	-
Miscellaneous	1,986,499	990,038	2,681,029	1,710,623
Transfers	<u>150,000</u>	<u>(52,333)</u>	<u>8,143</u>	<u>-</u>
Total governmental activities	<u>75,729,465</u>	<u>82,344,357</u>	<u>107,387,544</u>	<u>114,226,095</u>
Business-type activities:				
Sales tax	3,700	2,200	1,900	1,500
State shared revenues	-	-	-	-
Investment earnings	2,154,632	2,609,228	3,366,297	3,629,698
Miscellaneous	1,304,638	2,042,417	1,081,040	1,390,719
Transfers	<u>(150,000)</u>	<u>52,333</u>	<u>(8,143)</u>	<u>-</u>
Total business-type activities	<u>3,312,970</u>	<u>4,706,178</u>	<u>4,441,094</u>	<u>5,021,917</u>
Total primary government	<u>\$ 79,042,435</u>	<u>\$ 87,050,535</u>	<u>\$ 111,828,638</u>	<u>\$ 119,248,012</u>
Change in Net Position				
Governmental activities	\$ (3,708,636)	\$ 12,119,127	\$ 28,423,737	\$ 27,487,487
Business-type activities	<u>(1,948,445)</u>	<u>1,663,675</u>	<u>657,963</u>	<u>(5,775,532)</u>
Total primary government	<u>\$ (5,657,081)</u>	<u>\$ 13,782,802</u>	<u>\$ 29,081,700</u>	<u>\$ 21,711,955</u>

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

Schedule 2

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ (90,470,895)	\$ (88,906,932)	(98,842,139)	(99,383,873)	(101,207,507)	\$ (111,917,092)
<u>(4,790,710)</u>	<u>(623,706)</u>	<u>(2,925,978)</u>	<u>(1,692,813)</u>	<u>(20,128,603)</u>	<u>(2,597,304)</u>
<u>(95,261,605)</u>	<u>(89,530,638)</u>	<u>(101,768,117)</u>	<u>(101,076,686)</u>	<u>(121,336,110)</u>	<u>(114,514,396)</u>
73,436,473	69,757,473	63,269,038	59,025,047	56,937,944	54,779,271
24,569,697	28,794,256	29,006,207	31,551,527	33,318,347	35,163,910
3,136,583	2,921,458	2,954,621	3,080,852	3,211,349	3,413,917
4,855,754	1,604,764	654,378	430,320	454,346	501,906
-	-	-	-	-	-
1,795,724	1,559,634	997,087	3,934,362	2,989,285	17,279,394
<u>-</u>	<u>(233,781)</u>	<u>-</u>	<u>243,099</u>	<u>(50,000)</u>	<u>2,112,073</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>	<u>113,250,471</u>
1,100	2,200	2,500	2,000	1,400	2,100
-	-	-	-	-	-
2,612,599	1,658,856	1,257,174	1,238,259	1,320,560	1,673,405
6,014,516	359,831	30,662,597	948,660	15,773,977	9,195,260
<u>-</u>	<u>233,781</u>	<u>-</u>	<u>(243,099)</u>	<u>50,000</u>	<u>(2,112,073)</u>
<u>8,628,215</u>	<u>2,254,668</u>	<u>31,922,271</u>	<u>1,945,820</u>	<u>17,145,937</u>	<u>8,758,692</u>
<u>\$ 116,422,446</u>	<u>\$ 106,658,472</u>	<u>\$ 128,803,602</u>	<u>\$ 100,211,027</u>	<u>\$ 114,007,208</u>	<u>\$ 122,009,163</u>
\$ 17,292,542	\$ 15,496,872	(1,960,808)	(1,118,666)	(4,346,236)	\$ 1,333,379
<u>3,868,299</u>	<u>1,630,962</u>	<u>28,996,293</u>	<u>253,007</u>	<u>(2,982,666)</u>	<u>6,161,388</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>	<u>\$ 7,494,767</u>

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Reserved	\$ 5,570,545	\$ 4,706,248	\$ 44,351,137	\$ 36,949,309
Unreserved	20,467,296	24,261,074	31,933,944	33,598,429
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 26,037,841</u>	<u>\$ 28,967,322</u>	<u>\$ 76,285,081</u>	<u>\$ 70,547,738</u>
 All Other Governmental Funds				
Reserved	\$ 10,698,530	\$ 10,837,255	\$ 17,404,849	\$ 13,524,528
Unreserved:				
Special revenue funds	18,464,781	17,608,253	18,100,472	26,960,435
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 29,163,311</u>	<u>\$ 28,445,508</u>	<u>\$ 35,505,321</u>	<u>\$ 40,484,963</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 39,966,000	\$ 12,111,996	\$ 12,134,054	\$ -	\$ -	\$ -
30,700,762	35,025,941	24,211,397	-	-	-
-	-	-	136,529	265,846	334,272
-	-	-	9,997,588	12,074,604	26,443,120
-	-	-	14,201,000	6,677,393	8,064,058
-	-	-	3,572,736	3,819,891	9,241,995
<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>	<u>\$ 44,083,445</u>
\$ 15,840,847	\$ 19,022,170	\$ 20,293,685	\$ -	\$ -	\$ -
28,261,408	27,435,348	23,018,439	-	-	-
-	-	-	584,816	301,524	672,881
-	-	-	33,754,507	37,430,848	39,364,522
-	-	-	10,178,764	8,710,513	6,589,298
-	-	-	(27,514)	(13,772)	-
<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>	<u>\$ 46,626,701</u>

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes	\$ 57,136,660	\$ 63,186,101	\$ 85,896,879	\$ 90,307,436
Licenses and permits	2,840	2,390	2,230	1,899
Intergovernmental revenue	25,922,701	25,365,652	24,673,396	23,889,913
Charges for services	14,287,418	19,689,697	19,781,978	19,801,852
Fines and forfeitures	790,062	157,495	137,019	63,081
Special assessments	170,651	367,096	254,505	359,198
Investment earnings	863,064	1,445,604	3,079,818	6,725,924
Contributions and donations	-	-	-	190,797
Miscellaneous	3,443,934	1,568,016	3,078,727	1,946,036
Total revenues	<u>102,617,330</u>	<u>111,782,051</u>	<u>136,904,552</u>	<u>143,286,136</u>
Expenditures				
General government	22,531,969	21,472,908	20,262,747	6,967,890
Public safety	37,281,629	39,787,836	43,970,630	57,386,591
Physical environment	4,322,124	4,662,334	4,363,508	3,967,883
Transportation	11,285,504	10,759,085	8,686,780	9,306,583
Economic environment	8,023,780	9,169,691	13,618,153	16,404,349
Human services	4,005,771	3,808,169	4,516,240	5,538,168
Culture and recreation	3,001,093	3,247,079	3,604,503	3,843,006
Capital Outlay	8,826,066	11,349,510	17,619,434	32,780,705
Debt service				
Principal retirement	9,070,909	3,224,333	3,601,370	3,883,937
Interest and fiscal charges	1,910,439	1,339,802	1,532,684	2,963,339
Bond issuance costs	-	-	-	(344,945)
Total expenditures	<u>110,259,284</u>	<u>108,820,747</u>	<u>121,776,049</u>	<u>142,697,506</u>
Excess of revenues over (under) expenditures	<u>(7,641,954)</u>	<u>2,961,304</u>	<u>15,128,503</u>	<u>588,630</u>
Other Financing Sources (Uses)				
Operating transfers in	7,615,705	7,837,156	9,247,671	7,911,020
Operating transfers out	(7,764,251)	(8,425,713)	(9,820,775)	(8,856,914)
Debt issuance	452,859	-	39,666,217	16,103,376
Premium on bonds issued	-	-	951,964	(71,732)
Payment to refunded bond escrow agent	-	-	-	(15,095,929)
Reversion to State of Florida	-	(608,687)	(796,010)	(1,005,046)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>304,313</u>	<u>(1,197,244)</u>	<u>39,249,067</u>	<u>(1,015,225)</u>
Net change in fund balance	<u>\$ (7,337,641)</u>	<u>\$ 1,764,060</u>	<u>\$ 54,377,570</u>	<u>\$ (426,595)</u>
Debt service as a percentage of noncapital expenditures	10.83%	4.68%	4.93%	6.23%

Note: 2003 - 2011, Debt service as a percentage of noncapital expenditures has been adjusted to include only principal and interest; issuance 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 86,781,507	\$ 87,851,490	\$ 81,578,570	\$ 77,593,739	\$ 77,083,648	\$ 76,104,051
2,412	8,454	1,705	3,215	3,565	1,875
28,962,899	28,949,201	35,852,434	35,584,199	29,076,699	26,324,579
17,444,872	15,609,839	15,528,324	17,389,066	17,597,517	18,561,382
139,198	137,711	281,047	79,356	179,329	67,026
346,583	81,722	313,167	108,702	44,481	75,164
4,931,754	1,903,556	952,199	488,067	640,684	508,724
75,901	1,345,301	4,081,268	244,501	252,085	544,633
1,300,099	1,074,105	554,748	2,581,324	1,394,864	16,369,418
<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>	<u>138,556,852</u>
20,108,027	20,834,114	21,734,774	18,970,994	18,423,773	19,409,615
47,521,961	49,292,375	51,029,913	49,007,090	49,133,878	49,291,837
4,024,785	5,903,593	3,896,101	4,421,240	703,832	767,718
10,989,649	9,505,479	15,766,696	14,424,369	14,414,376	13,875,623
16,300,499	22,198,357	19,931,304	19,041,168	20,158,270	25,780,421
4,970,430	5,598,800	5,473,781	5,329,318	5,202,919	4,911,590
4,449,189	4,161,662	4,070,360	4,438,777	4,232,151	4,179,973
49,905,995	32,533,103	23,353,424	22,179,959	11,492,329	9,977,603
3,827,285	4,133,143	3,684,931	3,689,461	3,057,073	2,437,123
4,033,487	4,053,918	3,915,039	3,873,904	3,269,241	3,571,506
120,628	-	-	118,864	-	83,306
<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>134,286,315</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>	<u>4,270,537</u>
8,779,078	12,717,062	7,240,834	7,102,725	3,752,030	3,706,362
(8,816,092)	(12,950,843)	(7,450,840)	(5,921,456)	(3,815,602)	(1,644,186)
30,572,236	92,095	165,950	28,487,973	-	13,753,519
-	-	-	(25,960,948)	-	-
-	-	(350)	(350)	(612)	(458)
(532,196)	-	-	-	-	-
-	-	205,086	455,882	747,575	1,357,525
<u>30,003,026</u>	<u>(141,686)</u>	<u>160,680</u>	<u>4,163,826</u>	<u>683,391</u>	<u>17,172,762</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>	<u>\$ 21,443,299</u>
6.76%	6.51%	5.87%	6.13%	5.33%	4.83%

Bay County, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)
(Unaudited)
Schedule 5

Fiscal Year	Residential Property	Commercial Property	Personal Property	Industrial Property	Agricultural Property	Centrally Assessed Property	Other Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value	
												Actual Taxable Value	Percentage of Actual Taxable Value
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%
2013	12,335,675	2,223,664	2,042,849	290,308	63,468	29,326	2,545,867	(5,575,692)	13,955,465	4.8025	20,224,100		69.00%

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

	<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>	<u>2013</u>
County Direct Rates:										
General	5.6620	5.6620	4.1620	3.7915	3.6500	3.6500	3.6500	3.6500	3.6500	3.6500
Mosquito Control	0.1852	0.1852	0.1852	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525
MSTU	<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>	<u>1.0000</u>
Total Direct Rate	6.8472	6.8472	5.0972	4.6678	4.5263	4.5840	4.5840	4.8025	4.8025	4.8025
Municipalities:										
City of Panama City	5.0000	5.0000	4.7122	3.7610	3.8493	3.8493	3.8152	3.8152	3.8723	3.8723
Panama City Downtown Improvement Board	3.0000	3.0000	3.0000	2.4700	2.6832	2.6832	2.7180	2.7180	2.7578	2.8918
City of Lynn Haven	4.0000	4.0000	3.2500	2.8266	3.0887	3.0887	3.0887	3.0887	3.0887	3.0887
City of Mexico Beach	4.5000	4.3500	3.7900	3.7200	3.7000	4.0000	4.1060	4.6160	5.0290	5.0290
City of Callaway	2.0000	2.0000	2.0000	2.0000	2.2500	2.2500	2.2500	2.2500	2.2500	2.2500
Town of Cedar Grove	--	1.5000	1.5000	1.5000	1.5000	--	--	--	--	--
School Districts	8.1480	7.9350	6.8080	6.4710	6.7630	7.6230	7.4030	7.1180	6.8580	6.7610
Northwest Florida Water Management District	0.0500	0.0500	0.0500	0.0450	0.0450	0.0450	0.0450	0.0400	0.0400	0.0400
Special District:										
Beach Mosquito Control	0.2590	0.2365	0.1410	0.1438	0.1438	0.1438	0.1438	0.1438	0.1438	0.2270

Source: Bay County Property Appraiser

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

Schedule 7

	Fiscal Year 2013			Fiscal Year 2004		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Gulf Power Company	\$ 482,198,315	1	3.46%	\$ 345,352,554	1	3.88%
St. Joe Land & Development	134,295,753	2	0.96%	119,324,081	3	1.34%
Bay Medical - Sacred Heart	120,273,646	3	0.86%	-	-	-
Pier Park, LLC	66,739,612	4	0.48%	-	-	-
RockTenn (Smurfit-Stone Container)	65,243,153	5	0.47%	129,615,326	2	1.46%
Laketown Wharf Marketing Corp.	63,013,398	6	0.45%	-	-	-
Arizona Chemical Company	44,565,265	7	0.32%	37,293,274	7	0.42%
Wyndham Vacation Resorts, Inc.	39,205,535	8	0.28%	-	-	-
Wal-Mart Stores East, LP	38,131,896	9	0.27%	-	-	-
Hilton Company	35,846,670	10	0.26%	47,767,353	6	0.54%
Peoples First Community Bank				86,086,717	4	0.97%
Resort Hospitality Enterprises	-	-	-			
BellSouth Telecommunications	-	-	-	69,571,025	5	0.78%
Lake Powell LLC	-	-	-	31,223,909	8	0.35%
Hospital Corp. of America	-	-	-	28,988,667	9	0.33%
Eagles Landing, Ltd	-	-	-	23,326,189	10	0.26%
Total	\$ 1,089,513,243		7.81%	\$ 918,549,095		10.33%

Total Taxable Assessed Value 2013 13,955,465,003
Total Taxable Assessed Value 2004 8,897,901,000

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
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%
2013	56,856,057	93,429	56,949,486	54,644,204	96%	200,510	54,844,714	96%

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 2004-2013
(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
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%
2013	\$ 1,572,856,674	2.55%	\$ 10,165,160	4.24%

Source: Florida Department of Revenue

Distribution of Half-Cent
Sales Tax in Bay County, Florida
For Ten Year Period 2004-2013
(Amounts in Thousands)
(Unaudited)

Schedule 10

Fiscal Year 2004 - 2013 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
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%
2013	\$ 10,165,160	59%	\$ 7,094,845	41%

Source: Florida Department of Revenue

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities				
Revenue bonds	\$ 33,610,000	\$ 30,835,000	\$ 66,190,000	\$ 63,950,000
Capital leases	757,759	301,748	1,011,596	982,910
Notes payable	-	-	-	-
Total Governmental Activities	<u>34,367,759</u>	<u>31,136,748</u>	<u>67,201,596</u>	<u>64,932,910</u>
Business-type Activities				
Revenue bonds	\$ 95,744,707	\$ 93,512,439	\$ 91,652,333	\$ 89,669,727
Notes payable	<u>13,885,513</u>	<u>13,012,811</u>	<u>12,359,204</u>	<u>11,418,271</u>
Total Business-type Activities	<u>109,630,220</u>	<u>106,525,250</u>	<u>104,011,537</u>	<u>101,087,998</u>
Total Primary Government	<u>\$ 143,997,979</u>	<u>\$ 137,661,998</u>	<u>\$ 171,213,133</u>	<u>\$ 166,020,908</u>
Debt as a Percentage of Personal Income	3.3%	3.7%	3.8%	3.5%
Amount of Debt per Capita	\$ 976	\$ 1,185	\$ 1,285	\$ 1,238

*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.

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

Schedule 11

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 90,810,191	\$ 87,434,420	\$ 83,929,264	\$ 82,819,000	\$ 79,809,000	\$ 91,121,000
867,670	202,379	188,553	134,544	87,472	91,869
-	-	-	-	-	-
<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>	<u>91,212,869</u>
\$ 91,930,734	\$ 90,626,234	\$ 86,509,234	\$ 106,737,500	\$ 103,050,000	\$ 99,247,500
<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>8,051,989</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>107,299,489</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>	<u>\$ 198,512,358</u>
2.8%	2.8%	3.0%	3.2%	*	*
\$ 1,024	\$ 961	\$ 1,097	\$ 1,181	*	*

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Water System Revenue Bonds				
Series 2005				
Revenue - sale of goods and services	\$ 10,120,295	\$ 12,075,741	\$ 12,433,674	\$ 11,321,362
Less: Operating expenses	(4,746,910)	(4,995,463)	(5,232,544)	(6,643,470)
Net available revenue	<u>\$ 5,373,385</u>	<u>\$ 7,080,278</u>	<u>\$ 7,201,130</u>	<u>\$ 4,677,892</u>
Debt service				
Principal		\$ 135,000	\$ 105,000	\$ 110,000
Interest		\$ 631,907	\$ 2,226,210	\$ 2,223,060
Coverage*	N/A	9.2	3.1	2.0
Sales Tax Revenue Refunding Bonds				
Series 2007				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165
Less: Operating expenses	-	-	-	-
Net available revenue	<u>\$ 8,968,674</u>	<u>\$ 9,689,458</u>	<u>\$ 10,066,787</u>	<u>\$ 9,886,165</u>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ 95,000
Interest	\$ -	\$ -	\$ -	\$ 255,556
Coverage*	N/A	N/A	N/A	28.2
Sales Tax Revenue Bonds				
Series 2006				
Revenue - proceeds of the Local Government				
Half-cent Sales Tax	\$ 8,968,674	\$ 9,689,458	\$ 10,066,787	\$ 9,886,165
Less: Operating expenses	-	-	-	-
Net available revenue	<u>\$ 8,968,674</u>	<u>\$ 9,689,458</u>	<u>\$ 10,066,787</u>	<u>\$ 9,886,165</u>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ 70,000
Interest	\$ -	\$ -	\$ 260,241	\$ 1,873,735
Coverage*	N/A	N/A	38.7	5.1
Water and Sewer System Revenue Bonds				
Series 2011				
Revenue - sales of goods and services	\$ -	\$ -	\$ -	\$ -
Plus: Allowable deposits	\$ -	\$ -	\$ -	\$ -
Less: Operating expenses	\$ -	\$ -	\$ -	\$ -
Net available revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage* (2012 coverage has been restated)	N/A	N/A	N/A	N/A
Capital Improvement Revenue Bond				
Series 2012				
Revenue - County Revenue Sharing Funds (50%)	\$ -	\$ -	\$ -	\$ -
Net available revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Coverage*	N/A	N/A	N/A	N/A

*Coverage equals net available revenue divided by debt service.

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

Schedule 12

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 14,961,574	\$ 14,341,003	\$ 14,137,828	\$ 16,597,930	\$ 16,216,643	\$ 16,811,167
(6,928,970)	(7,689,352)	(6,274,367)	(6,377,920)	(6,184,222)	(6,433,186)
<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>	<u>\$ 10,377,981</u>
\$ 115,000	\$ 115,000	\$ 470,000	\$ 1,145,000	\$ 1,515,000	\$ 1,565,000
\$ 2,219,760	\$ 2,216,310	\$ 2,212,860	\$ 2,198,290	\$ 2,161,078	\$ 2,110,325
3.4	2.9	2.9	3.1	2.7	2.8
\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564	\$ 9,916,743	\$ 10,594,619
-	-	-	-	-	-
<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>	<u>\$ 10,594,619</u>
\$ 45,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 55,000	\$ 500,000
\$ 649,064	\$ 647,444	\$ 645,644	\$ 643,844	\$ 642,044	\$ 640,050
13.7	13.1	12.9	14.0	14.2	9.3
\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564	\$ 9,916,743	\$ 10,594,619
-	-	-	-	-	-
<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>	<u>\$ 10,594,619</u>
\$ 75,000	\$ 75,000	\$ 80,000	\$ 75,000	\$ 85,000	\$ 85,000
\$ 1,870,585	\$ 1,867,585	\$ 1,864,585	\$ 1,861,385	\$ 1,858,385	\$ 1,854,985
4.9	4.7	4.6	5.0	5.1	5.5
\$ -	\$ -	\$ -	\$ 6,782,445	\$ 6,782,146	\$ 7,293,503
\$ -	\$ -	\$ -	\$ 939,000	\$ 1,614,000	\$ 1,611,771
\$ -	\$ -	\$ -	\$ (7,337,707)	\$ (7,916,559)	\$ (7,795,608)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,738</u>	<u>\$ 479,587</u>	<u>\$ 1,109,666</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 1,009,275	\$ 1,006,500
N/A	N/A	N/A	N/A	(0.5)	1.1
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,688,714
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,688,714</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 339,083
N/A	N/A	N/A	N/A	N/A	2.6

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating Revenues	\$ 11,312,823	\$ 11,517,885	\$ 10,367,239	\$ 13,878,255
Interest	762,918	915,789	754,123	253,913
Other Revenue	-	-	200,000	150,000
Gross Revenues	\$ 12,075,741	\$ 12,433,674	\$ 11,321,362	\$ 14,282,168
Operating Expenses	\$ 4,995,463	\$ 5,232,544	\$ 6,643,470	\$ 6,928,970
Net Revenue	\$ 7,080,278	\$ 7,201,130	\$ 4,677,892	\$ 7,353,198
Debt Service 1997 Issue	\$ 1,027,068	\$ 485,260	\$ 482,260	\$ 483,170
Debt Service 2000 Issue	2,196,541	852,965	860,870	856,468
Debt Service 2005 Issue	759,375	2,331,210	2,333,060	2,334,760
Advance from Other Funds	-	-	-	1,654,835
Total Debt Service	\$ 3,982,984	\$ 3,669,435	\$ 3,676,190	\$ 5,329,233
Coverage Factor	1.778	1.962	1.272	1.380

Note: Advance from other funds was paid out in 2013.

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

Schedule 13

Fiscal Year				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 13,317,212	\$ 13,800,335	\$ 16,324,937	\$ 15,679,760	\$ 16,130,582
152,920	88,721	99,464	163,407	185,336
600,000	-	-	-	-
<u>\$ 14,070,132</u>	<u>\$ 13,889,056</u>	<u>\$ 16,424,401</u>	<u>\$ 15,843,167</u>	<u>\$ 16,315,918</u>
\$ 7,689,352	\$ 6,274,367	\$ 6,377,920	\$ 6,184,216	\$ 6,424,037
<u>\$ 6,380,780</u>	<u>\$ 7,614,689</u>	<u>\$ 10,046,481</u>	<u>\$ 9,658,951</u>	<u>\$ 9,891,881</u>
477,725	\$ 131,125	\$ -	\$ -	\$ -
865,217	861,718	331,065	-	-
2,331,310	2,682,860	3,343,290	3,676,078	3,675,325
796,953	526,400	526,400	526,400	2,168,406
<u>\$ 4,471,205</u>	<u>\$ 4,202,103</u>	<u>\$ 4,200,755</u>	<u>\$ 4,202,478</u>	<u>\$ 5,843,731</u>
<u>1.427</u>	<u>1.812</u>	<u>2.392</u>	<u>2.298</u>	<u>1.693</u>

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

(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 Nine Fiscal Years
(Unaudited)

Schedule 14

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 9,503,862	\$ 9,139,392	\$ 9,003,710	\$ 9,691,564	\$ 9,916,743	\$ 10,594,619
\$ 3,194,875	\$ 3,194,875	\$ -	\$ -	\$ -	\$ -
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	1,141,450	1,141,450	1,141,450	1,141,450
<u>\$ 9,916,308</u>	<u>\$ 9,916,308</u>	<u>\$ 6,721,433</u>	<u>\$ 6,721,433</u>	<u>\$ 6,275,938</u>	<u>\$ 6,275,938</u>
<u>(0.96)</u>	<u>(0.92)</u>	<u>1.34</u>	<u>1.44</u>	<u>1.58</u>	<u>1.69</u>

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
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%
2013	169,866	*	*	7.8%

* Information not yet available

(1) 2003 - 2005 data revised.

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

(3) 2003 - 2010 data revised.

Note: Information updated annually based on most current data.

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

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

Schedule 16

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Tyndall Air Force Base	7,352	1	8.53%	7,107	1	9.89%
Naval Support Activity	4,791	2	5.56%	2,548	3	3.55%
Bay District Schools	4,046	3	4.69%	6,000	2	8.35%
Bay Medical - Sacred Heart	2,000	4	2.31%	2,068	4	2.88%
Eastern Shipbuilding	1,200	5	1.39%	-	-	-
Gulf Coast State College	665	6	0.77%	-	-	-
Gulf Coast Medical Center	631	7	0.73%	850	8	1.18%
Trane Company	575	8	0.67%	600	9	0.83%
Bay County Board	560	9	0.65%	-	-	-
City of Panama City	537	10	0.62%	-	-	-
Wal-Mart/Sam's	-	-	-	1,370	5	1.91%
Sallie Mae	-	-	-	1,325	6	1.84%
Nextel Partners	-	-	-	1,000	7	1.39%
RockTenn (Smurfit-Stone Container)	-	-	-	585	10	0.81%
	<u>22,357</u>		<u>25.91%</u>	<u>23,453</u>		<u>32.64%</u>
Total Bay County Labor Force	<u>86,240</u>			<u>71,864</u>		

Note: The current year information does not include retail employers.

Source: Bay County Economic Development Alliance

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

Schedule 17

<u>Function/Program</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>	<u>2013</u>
General Government	62	59	63	74	71	72	63	60	59	55
Public Safety	92	99	109	123	122	115	115	101	102	176
Physical Environment	112	109	111	118	126	124	129	129	128	122
Transportation	118	121	124	128	118	116	118	119	118	111
Economic Environment	2	2	3	2	2	2	2	2	2	2
Human Services	10	9	10	9	12	12	14	14	14	14
Culture/Recreation	18	18	20	81	81	80	82	75	73	72
Judicial System	9	10	9	9	9	9	10	8	10	8
Total	<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>	<u>560</u>

Source: County personnel department

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

Schedule 18

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2013</u>
General Government										
Assessed properties	98,044	103,104	107,007	110,279	112,624	112,911	112,934	113,163	113,260	113,364
Court cases:										
Circuit Criminal	4,718	4,461	4,449	4,846	4,510	4,578	4,366	4,384	4,600	4,384
County Criminal	12,153	9,824	8,882	11,882	9,971	13,794	8,490	10,066	9,840	9,225
Public Safety										
E-911 calls	115,000	113,548	118,000	124,977	116,149	116,427	146,603	132,790	153,129	144,567
Building permits issued*										
Commercial	345	435	274	256	231	227	160	207	214	163
Residential	2,192	2,213	1,424	1,018	820	653	652	634	613	825
Physical Environment										
Landfill and Incinerator Collections	213,468	223,462	237,825	238,506	248,820	237,663	223,550	217,027	213,402	237,779
Transportation										
Roads miles maintained	714.79	711.25	712.72	712.07	712.87	731.77	741.07	741.07	741.07	728.53
Economic Environment										
Tourist Development Tax Registered Units**	500	632	843	1,109	1,582	15,492	16,926	17,090	17,356	16,787
Human Services										
Baker Act admissions	328	377	348	372	455	466	547	483	574	470

* 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

<u>Function/Program</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>	<u>2013</u>
Public Safety										
Correction facility capacities	662	662	662	662	1,098	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	30	30	30	26	28	30	30	30	31
Park acreage	378	413	413	413	302	303	318	318	318	331.5
Boat ramps	19	19	19	19	19	19	19	19	19	20
Transportation										
Road miles	714.79	711.25	712.72	712.07	712.87	731.77	741.07	741.07	741.07	728.53
Bridges	53	53	53	53	53	53	53	53	53	51
Traffic signals	18	18	18	17	16	18	16	16	16	16
Physical Environment										
Water mains (miles)	*	*	105	108	147	270	282	282	293	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, 2013, and have issued our report thereon dated March 25, 2014.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. 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 for Each Major Federal Program/State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 25, 2014, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to the extent considered necessary, other than for those comments repeated in the Report on Internal Control over financial reporting and on Compliance and the other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Section 10.554(1)(i)4.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2011-12 FY Finding #	2010-11 FY Finding #
Bay County Tax Collector 2013-1	2012-1	N/A
Bay County Tax Collector 2013-2	Section 10.554(1)(i)5 AG Management Letter	Section 10.554(1)(i)5 AG Management Letter

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 noncompliance with 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 which warrants the attention of those charged with governance.

In connection with our audit, we identified the following compliance issue that does not have a material effect on the financial statements, but which warrants the attention of those charged with governance.

Bay County 2013-2: The Water and Sewer System Revenue Bonds – Series 2011 contains various covenants that are specified in Resolution No. 3064 and 3065. During the year ended September 30, 2013, it was determined that the County was not in compliance with a specific debt covenant that is included in Resolution 3065. Specifically, Section 10(A) requires that any withdrawals from the rate stabilization fund be replenished from pledged revenues within twelve months from the date of such withdrawal. During the year and as of September 30, 2013, such withdrawal was not replenished within the required twelve month period.

The County along with the 100% bondholder worked together on a remedy. On March 18, 2014, Resolution 3213 was passed by the County and accepted by the bondholder. The resolution included an extension of time until October 1, 2014 in which to replenish the rate stabilization fund to its required level.

In addition, there is an internal control deficiency that is not a material weakness or a significant deficiency to report but which warrants the attention of those charged with governance.

Bay County Tax Collector 2013-2: In connection with our audit, as in prior years, we noticed that amounts paid to other agencies did not agree, in all cases, with 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. Also, a reconciliation should be prepared to support the balance due.

The Honorable County Commissioners
Bay County, Florida
Page Three

Section 10.554(1)(i)6.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)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.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.

Section 10.554(1)(i)6.e., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity complied with state and federal laws, rules, regulations, contracts, or grant agreements governing the receipt and expenditure of those funds. Funds related to the Deepwater Horizon oil spill may include, but are not limited to, funds received pursuant to Section 288.8017, Florida Statutes, and Public Law 112-141 (33 U.S.C.A. ss. 1321(t)); state or local grants; and moneys received directly from British Petroleum.

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 25, 2014

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

The Honorable County Commissioners
Bay County, Florida

We have audited, in accordance with the 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, 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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Bay County, Florida's basic financial statements and have issued our report thereon dated March 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay County, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay County, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay County, Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

- Bay County 2013-1
- Bay County Clerk 2013-1
- Bay County Tax Collector 2013-1
- Bay County Sheriff 2013-1

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 is required to be reported under *Government Auditing Standards*.

Bay County, Florida's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM/STATE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

The Honorable County Commissioners
Bay County, Florida

Report on Compliance for Each Major Federal Program and State Project

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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, *State of Florida 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2013.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *State of Florida 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable County Commissioners
Bay County, Florida
Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *State of Florida Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

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: Unmodified

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>
14.228	Community Development Block Grants
20.205	Highway Planning and Construction
66.460	Nonpoint Source Implementation Grant
97.039	Hazard Mitigation Grant
97.044	Assistance to Firefighters Grant

Continued

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2013

<u>CSFA Number</u>	<u>Name of State Projects</u>		
31.003	Enterprise Florida, Inc.		
31.066	Residential Construction Mitigation Project		
45.030	State Aid to Libraries		
55.013	Transit Corridor Program		
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

Finding

Bay County 2013-1: Certain adjustments to the Bay County's financial statements that reflect correction of a material misstatement not initially identified by the Bay County's internal controls.

Recommendation

We recommend that procedures be implemented or strengthened to identify and record these types of adjustments in the future.

Management's Response

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

Finding

Bay County Clerk 2013-1: Certain adjustments to the Bay Clerk's financial statements that reflect correction of a material misstatement not initially identified by the Bay County Clerk's internal controls.

Recommendation

We recommend that procedures be implemented or strengthened to identify and record these types of adjustments in the future.

Management's Response

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

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2013

Finding

Bay County Tax Collector 2013-1: Certain adjustments to the Bay County Tax Collector's financial statements that reflect correction of a material misstatement not initially identified by the Bay County Tax Collector's internal controls.

Recommendation

We recommend that procedures be implemented or strengthened to identify and record these types of adjustments in the future.

Management's Response

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

Finding

Bay County Sheriff 2013-1: Several capital assets additions were not identified by the Bay County Sheriff's internal controls which resulted in an adjustment to the Bay County Sheriff's financial statements that reflects a correction of a material misstatement. This deficiency gives rise to a material weakness in the Bay County Sheriff's internal controls.

Recommendation

We recommend that procedures be implemented or strengthened to properly and timely identify and record all capital asset additions.

Management's Response

Procedures are currently being implemented to identify and record all capital asset additions 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, 2013

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, 2013

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
U.S. Department of Defense			
Community Planning Assistance Funds	12.610	EN0723-11-03	\$ 47,022
Total U.S. Department of Defense			47,022
U.S. Department of Housing and Urban Development			
Passed through Florida Department of Economic Opportunity			
Neighborhood Stabilization Program	14.228	10DB-4X-01-13-01-F-03	143,903
Community Development Grant Program	14.228	10DB-K4-01-13-01-K-03	964,698
Community Development Grant Program	14.228	12DB-P5-01-13-01-K-50	32,804
Total U.S. Department of Housing and Urban Development			1,141,405
U.S. Department of Justice			
Bulletproof Vest Partnership	16.607	2011BOBX11056455	2,027
COPS Hiring Recovery Program	16.710	2010UMWX0067	357,466
Passed through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Program	16.738	2012-DJ-BX-0919	26,338
Edward Byrne Memorial Justice Assistance Program	16.738	2013-DJ-BX-0922	24,804
Edward Byrne Memorial Justice Assistance Program	16.738	2013-JAGC-BAY-3-D7-013	12,000
Edward Byrne Memorial Justice Assistance Program	16.738	2013-JAGC-BAY-4-D7-021	35,413
Passed through State of Florida Office of Attorney General			
Victims of Crime Act	16.575	V12004	28,167
Florida Coalition Against Domestic Violence Grant	16.588	14-8045-AG-INV	17,744
Total U.S. Department of Justice			503,959
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
Everitt Avenue Sidewalks	20.205	AQC73	22,927
Magnolia/Delwood Beach Path Project	20.205	AQQ88	79
Patronis Elementary School	20.205	AQA71	277,350
State Avenue Paved Shoulder Project	20.205	AQE38	29,885
West Bay Bridge Improvement Project	20.205	AQV27	275,412
Wildwood Road Sidewalk Project	20.205	AQE37	69,121
Traffic Enforcement and Education Program	20.600	AQW15	74,990
Total U.S. Department of Transportation			749,764
U.S. Environmental Protection Agency			
Passed through Florida Department of Environmental Protection			
Nonpoint Source Implementation Grant	66.460	G0347	374,906
Total U.S. Environmental Protection Agency			374,906
Federal Elections Assistance Commission			
Passed through Florida Department of State			
Federal Election Activities FY 2013	90.401	MOA 2012-2013-0001	27,981
Voting Access for Individuals with Disabilities Grant	93.617	MOA 2012-2013-0003	10,071
Total Federal Election Assistance Commission			38,052

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2013

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA 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	\$ 134,276
Total U.S. Department of Health and Human Services			134,276
U.S. Department of Homeland Security			
Passed through Florida Division of Emergency Management			
Disaster Grant-Public Assistance	97.036	13-IS-3S-01-13-02-575	117,148
Hazard Mitigation Program	97.039	11HM-3F-01-13-01-001	227,009
Hazard Mitigation Program	97.039	13HM-3G-01-13-01-224	10,927
Emergency Management Performance	97.042	13-FG-86-01-13-01-070	52,008
Emergency Management Performance	97.042	14-FG-IM-01-13-01-070	27,689
Assistance to Firefighters Grant	97.044	EMW-2012-FO-03528	16,694
Staffing for Adequate Fire and Emergency Response Grant	97.044	EMW-2011-FH-00335	201,083
State Homeland Security Program	97.067	11-DS-29-01-13-01-259	2,508
State Homeland Security Program	97.067	12-DS-20-01-13-01-471	9,000
State Homeland Security Program	97.067	12-DS-20-01-13-01-458	71,000
State Homeland Security Program	97.067	12-DS-9Z-01-13-01-358	83,245
State Homeland Security Program	97.067	13-DS-9Z-01-67-01-383	120,850
Passed through Florida Department of Financial Services			
State Homeland Security Program	97.067	11-DS-9Z-13-00-16-436	53,475
Total U.S. Department of Homeland Security			992,636
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,982,020
			(Continued)

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2013

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures
<u>STATE OF FLORIDA</u>			
Executive Office of the Governor			
Military Base Protection	31.003	DIG-10-07	\$ 188,500
Military Base Protection	31.003	DIG-12-07	62,067
Total Executive Office of the Governor			250,567
Division of Emergency Management			
Emergency Management Preparedness	31.063	13-BG-83-01-13-01-003	66,201
Emergency Management Preparedness	31.063	14-BG-83-01-13-01-003	40,012
Residential Construction Mitigation Project	31.066	13-RC-52-01-13-01-327	147,215
Hurricane Shelter Retrofit	31.068	13-SR-AA-01-13-01-342	14,050
Total Division of Emergency Management			267,478
Department of Environmental Protection			
Beach Management Funding Assistance	37.003	11BA2	44,636
Department of Agriculture and Consumer Services			
Mosquito Control	42.003	018751	9,250
Department of State			
State Aid to Library Grant	45.030	12-ST-41	129,464
State Aid to Library Grant	45.030	12-ST-42	46,801
State Aid to Library Grant	45.030	12-ST-43	28,597
State Aid to Library Grant	45.030	12-ST-44	15,661
State Aid to Library Grant	45.030	13-ST-41	236,074
State Aid to Library Grant	45.030	13-ST-42	58,442
State Aid to Library Grant	45.030	13-ST-43	11,199
State Aid to Library Grant	45.030	13-ST-44	28,912
Total Department of State			555,150
Department of Economic Opportunity			
Passed through Florida Housing Finance Corporation			
State Housing Initiatives Partnership Program	52.901	----	331,653
Department of Transportation			
Traffic Signal Grant	55.013	AOS05	481,012
Bay County Intelligent Transportation System Phase III	55.023	AQ676	355,427
Total Department of Transportation			836,439
Department of Health			
Emergency Medical Services	64.005	C1003	31,324
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 2,326,497

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

Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill
Year Ended September 30, 2013

Source	Amount Received in the 2012-13 Fiscal Year	Amount Expended in the 2012-13 Fiscal Year
British Petroleum:		
Agreement No: Settlement	\$ 15,300,000	\$ 15,300,000

Note: This does not include funds related to the Deepwater Horizon oil spill that are considered federal awards or state financial assistance. No such funds were received in the 2012-13 year.

BAY COUNTY, FLORIDA
CONSTITUTIONAL OFFICERS
FOR THE FISCAL YEAR-ENDED SEPTEMBER 30, 2013

SUPERVISOR OF ELECTIONS

Mark Andersen

TAX COLLECTOR

Peggy Brannon

CLERK OF COURT AND COMPTROLLER

Bill Kinsaul

SHERIFF

Frank McKeithen

PROPERTY APPRAISER

Dan Sowell

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Bay County, Florida
Constitutional Officers
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For the Fiscal Year ended September 30, 2013

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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, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Governmental Entity Audits*. These financial statements are not intended to be a complete presentation of financial position of Bay County, Florida as of September 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Bay County Supervisor of Elections' internal control over financial reporting and on our tests of his compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bay County Supervisor of Elections' internal control over financial reporting and compliance.

Restriction on Use

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.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

Bay County Supervisor of Elections
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2013

	General Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 155,248
Accounts receivable, net	6,388
Prepaid items	492
<hr/>	
Total assets	\$ 162,128
<hr/>	
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued liabilities	\$ 74,976
Due to other governments	68,229
Deferred revenue	18,923
<hr/>	
Total liabilities	162,128
Fund balance	
Unassigned	-
<hr/>	
Total liabilities and fund balance	\$ 162,128
<hr/>	

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, 2013

	General Fund
REVENUES	
Intergovernmental	\$ 37,962
Charges for services	14,041
Investment earnings	581
Total revenues	52,584
EXPENDITURES	
Current	
General government	1,244,683
Capital outlay	
General government	47,840
Total expenditures	1,292,523
Excess (deficit) of revenues over (under) expenditures	(1,239,939)
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	1,289,364
Transfer out/return of excess fees	(68,175)
Proceeds from sale of capital assets	18,750
Total other financing sources	1,239,939
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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 27,891	\$ 37,962	\$ 10,071
Charges for services	-	-	14,041	14,041
Investment earnings	-	-	581	581
Total revenues	-	27,891	52,584	24,693
EXPENDITURES				
Current				
General government	1,282,364	1,275,255	1,244,683	30,572
Capital outlay				
General government	7,000	42,000	47,840	(5,840)
Total expenditures	1,289,364	1,317,255	1,292,523	24,732
Excess (deficit) of revenues over (under) expenditures	(1,289,364)	(1,289,364)	(1,239,939)	49,425
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,289,364	1,289,364	1,289,364	-
Transfer out/return of excess fees	-	-	(68,175)	(68,175)
Proceeds from sale of capital assets	-	-	18,750	18,750
Total other financing sources (uses)	1,289,364	1,289,364	1,239,939	(49,425)
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, 2013.

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, 2013.

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, 2013.

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, 2013.

Unassigned – This category is the residual classification for the Supervisor of Elections fund balances. There are no unassigned funds as of September 30, 2013.

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 25, 2014, 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, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% 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 5.44% for October 1, 2012 through June 30, 2013 and 12.84% for July 1, 2013 through September 30, 2013, with no employee contribution required.

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, 2013, 2012, and 2011 were \$36,469, \$27,907 and \$45,982, 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, 2013, were \$12,408.

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, Florida 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, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% 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 \$2,515 and \$1,350, 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, 2013, and have issued our report thereon dated March 25, 2014.

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 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated March 25, 2014, 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 were no findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Bay County 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 noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

The Honorable Mark Andersen
Bay County Supervisor of Elections
Page Two

Section 10.554(1)(i)5., Rules of the Auditor General, 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 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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

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

We have audited, in accordance with the 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, the special-purpose financial statements of the Bay County Supervisor of Elections as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Bay County Supervisor of Elections' basic special-purpose financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bay County Supervisor of Elections' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay County Supervisor of Election's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay County Supervisor of Elections' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay County Supervisor of Elections' special-purpose financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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, 2013 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Governmental Entity Audits*. These financial statements are not intended to be a complete presentation of financial position of Bay County, Florida as of September 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Bay County Clerk of Court and Comptroller's internal control over financial reporting and on our tests of his compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bay County Clerk of Court and Comptroller's internal control over financial reporting and compliance.

Restriction on Use

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 25, 2014

Bay County Clerk of Court and Comptroller
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2013

	General Fund	Court	Records Modernization - Records	10% Fine Records Modernization	Records Modernization - Court	Family Mediation	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 372,305	\$ 717,205	\$ 215,438	\$ 348,250	\$ 302,678	\$ 129	\$ 1,956,005
Investments	13,163	-	-	-	-	-	13,163
Accounts receivable, net	86,346	25,926	-	59	-	20,500	132,831
Prepaid items	8,499	-	-	30,904	7,030	-	46,433
Total assets	\$ 480,313	\$ 743,131	\$ 215,438	\$ 379,213	\$ 309,708	\$ 20,629	\$ 2,148,432
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable and accrued liabilities	\$ 157,349	\$ 191,671	\$ -	\$ 525	\$ 13,261	\$ 2,075	\$ 364,881
Deferred revenue	10,740	15,801	-	-	-	-	26,541
Due to other governments	312,224	49,897	-	-	-	-	362,121
Total liabilities	480,313	257,369	-	525	13,261	2,075	753,543
Fund balance							
Nonspendable	8,499	-	-	30,904	7,030	-	46,433
Restricted	-	485,762	215,438	347,784	289,417	18,554	1,356,955
Unassigned	(8,499)	-	-	-	-	-	(8,499)
Total fund balance	-	485,762	215,438	378,688	296,447	18,554	1,394,889
Total liabilities and fund balance	\$ 480,313	\$ 743,131	\$ 215,438	\$ 379,213	\$ 309,708	\$ 20,629	\$ 2,148,432

Bay County Clerk of Court and Comptroller
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2013

	General Fund	Court	Records Modernization - Records	10% Fine Records Modernization	Records Modernization - Court	Family Mediation	Total Governmental Funds
REVENUES							
Intergovernmental revenue	\$ 134,276	\$ 2,343	\$ -	\$ -	\$ -	\$ -	\$ 136,619
Charges for services	1,379,277	4,033,140	124,166	216,060	369,497	20,500	6,142,640
Miscellaneous	45,504	-	-	-	-	-	45,504
Total revenues	1,559,057	4,035,483	124,166	216,060	369,497	20,500	6,324,763
EXPENDITURES							
Current							
General government	2,387,376	3,499,824	60,735	219,132	184,214	16,900	6,368,181
Capital outlay							
General government	198,596	-	-	-	3,240	-	201,836
Total expenditures	2,585,972	3,499,824	60,735	219,132	187,454	16,900	6,570,017
Excess (deficit) of revenues over (under) expenditures	(1,026,915)	535,659	63,431	(3,072)	182,043	3,600	(245,254)
OTHER FINANCING SOURCES (USES)							
Budget appropriations from Board of County Commissioners	1,076,055	-	-	-	-	-	1,076,055
Transfer out/return of excess fees	(49,140)	(49,897)	-	-	-	-	(99,037)
Total other financing sources	1,026,915	(49,897)	-	-	-	-	977,018
Net change in fund balance	-	485,762	63,431	(3,072)	182,043	3,600	731,764
Fund balance - beginning	-	-	152,007	381,760	114,404	14,954	663,125
Fund balance - ending	\$ -	\$ 485,762	\$ 215,438	\$ 378,688	\$ 296,447	\$ 18,554	\$ 1,394,889

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, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 162,000	\$ 168,244	\$ 134,276	\$ (33,968)
Charges for services	1,304,130	1,504,293	1,379,277	(125,016)
Miscellaneous	42,275	44,856	45,504	648
Total revenues	1,508,405	1,717,393	1,559,057	(158,336)
EXPENDITURES				
Current				
General government	2,561,960	2,570,161	2,387,376	182,785
Capital outlay				
General government	22,500	223,287	198,596	24,691
Total expenditures	2,584,460	2,793,448	2,585,972	207,476
Excess (deficit) of revenues over (under) expenditures	(1,076,055)	(1,076,055)	(1,026,915)	49,140
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,076,055	1,076,055	1,076,055	-
Transfer out/return of excess fees	-	-	(49,140)	(49,140)
Total other financing sources (uses)	1,076,055	1,076,055	1,026,915	(49,140)
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
Year Ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ 2,343	\$ 2,343
Charges for services	3,546,093	3,532,616	4,033,140	500,524
Total revenues	3,546,093	3,532,616	4,035,483	502,867
EXPENDITURES				
Current				
General government	3,394,596	3,381,119	3,499,824	(118,705)
Capital outlay				
General government	151,497	151,497	-	151,497
Total expenditures	3,546,093	3,532,616	3,499,824	32,792
Excess of revenues over expenditures	-	-	535,659	535,659
OTHER FINANCING SOURCES (USES)				
Transfer out/return of excess fees	-	-	(49,897)	(49,897)
Total other financing sources (uses)	-	-	(49,897)	(49,897)
Net change in fund balance	-	-	485,762	485,762
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ 485,762	\$ 485,762

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 Position
Agency Funds
September 30, 2013

ASSETS

Cash and cash equivalents	\$ 5,198,472
<hr/>	
Total assets	\$ 5,198,472
<hr/>	

LIABILITIES

Accounts payable and accrued liabilities	\$ 2,535,470
Due to other governments	2,663,002
<hr/>	
Total liabilities	\$ 5,198,472
<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 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 (CCOC) and any unexpended appropriations are remitted to the CCOC after the end of the fiscal year. In July 2013 the Court fund began being funded by collected funds with the excess of budgeted amounts being remitted to the CCOC monthly. The monthly remittance process was effective in November 2013.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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, 2013, is \$46,433.

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, 2013, is \$1,356,955.

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, 2013.

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, 2013.

Unassigned – This category is the residual classification for the Clerk’s fund balances. The unassigned fund balance as of September 30, 2013, is a deficit of \$(8,499).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Cash and Cash Equivalents – The Clerk considers all cash and cash equivalents to include cash on hand and demand deposits.

Investments – The Clerk considers investments to include non-pooled investments with original maturities of three months or greater.

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 25, 2014, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

Direct obligations of the United States 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 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, 2013, was 1.13262284. 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.

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, 2013 was 44 days or 1.47 months. The weighted average life of Fund B at September 30, 2013 was 4.04 years or 48.48 months. The Clerk does not have a formal policy relating to interest rate risk. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

Foreign Currency Risk – Fund B was not exposed to any foreign currency risk during the period October 1, 2012 through September 30, 2013.

Concentration of Credit Risk – At September 30, 2013, the Clerk did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2013, the Clerk's investments consisted of the following:

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity (months)	Credit Rating (if applicable)
Florida PRIME	\$ 12,303	\$ 12,303	1.47	AAAm
Local Government Investment Pool Fund B	860	860	48.48	*
Total investments	\$ 13,163	\$ 13,163		

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

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2013, accounts receivable, net is summarized as follows:

Total accounts receivable	\$ 132,831
Less: allowance for doubtful accounts	-
Accounts receivable, net	\$ 132,831

The Clerk considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2013.

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.

NOTE 4 – RETIREMENT PLANS (Continued)

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 Clerk of Court is required to contribute at an actuarially determined rate. Rates effective for October 1, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. The employer rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 5.44% for October 1, 2012 through June 30, 2013 and 12.84% for July 1, 2013 through September 30, 2013, with no employee contribution required.

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, 2013, 2012, and 2011 were \$226,119, \$188,291, and \$348,245, 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, 2013, were \$100,449.

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, Florida 32241-6290 or by calling 866-377-2121.

Funding Policy – FRS is funded through employee and employer contributions. Rates effective for October 1, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% 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 \$22,904 and \$12,299, respectively.

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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, 2013

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 2,082,700	\$ 32,688,917	\$ 32,757,821	\$ 2,013,796
Accounts receivable, net	862	-	862	-
Total assets	\$ 2,083,562	\$ 32,688,917	\$ 32,758,683	\$ 2,013,796
LIABILITIES				
Due to other governments	\$ 2,083,562	\$ 32,688,917	\$ 32,758,683	\$ 2,013,796
Total liabilities	\$ 2,083,562	\$ 32,688,917	\$ 32,758,683	\$ 2,013,796
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 22,570	\$ 64,337	\$ 51,649	\$ 35,258
Total assets	\$ 22,570	\$ 64,337	\$ 51,649	\$ 35,258
LIABILITIES				
Due to other governments	\$ 22,570	\$ 64,337	\$ 51,649	\$ 35,258
Total liabilities	\$ 22,570	\$ 64,337	\$ 51,649	\$ 35,258
TAX DEED				
ASSETS				
Cash and cash equivalents	\$ 485,320	\$ 693,284	\$ 914,403	\$ 264,201
Total assets	\$ 485,320	\$ 693,284	\$ 914,403	\$ 264,201
LIABILITIES				
Accounts payable and Accrued liabilities	\$ 485,320	\$ 693,284	\$ 914,403	\$ 264,201
Total liabilities	\$ 485,320	\$ 693,284	\$ 914,403	\$ 264,201
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 17,702	\$ 640,687	\$ 616,199	\$ 42,190
Total assets	\$ 17,702	\$ 640,687	\$ 616,199	\$ 42,190
LIABILITIES				
Accounts payable and accrued liabilities	\$ 17,702	\$ 640,687	\$ 616,199	\$ 42,190
Total liabilities	\$ 17,702	\$ 640,687	\$ 616,199	\$ 42,190

Continued

Bay County Clerk of Court and Comptroller
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended September 30, 2013

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 2,250,230	\$ 35,073,515	\$ 35,103,737	\$ 2,220,008
Total assets	\$ 2,250,230	\$ 35,073,515	\$ 35,103,737	\$ 2,220,008
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,250,230	\$ 35,073,515	\$ 35,103,737	\$ 2,220,008
Total liabilities	\$ 2,250,230	\$ 35,073,515	\$ 35,103,737	\$ 2,220,008
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 573,675	\$ 943,408	\$ 903,135	\$ 613,948
Total assets	\$ 573,675	\$ 943,408	\$ 903,135	\$ 613,948
LIABILITIES				
Due to other governments	\$ 573,675	\$ 943,408	\$ 903,135	\$ 613,948
Total liabilities	\$ 573,675	\$ 943,408	\$ 903,135	\$ 613,948
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 1,696	\$ 138,658	\$ 131,283	\$ 9,071
Total assets	\$ 1,696	\$ 138,658	\$ 131,283	\$ 9,071
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,696	\$ 138,658	\$ 131,283	\$ 9,071
Total liabilities	\$ 1,696	\$ 138,658	\$ 131,283	\$ 9,071
TOTAL - AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 5,433,893	\$ 70,242,806	\$ 70,478,227	\$ 5,198,472
Accounts receivable, net	862	-	862	-
Total assets	\$ 5,434,755	\$ 70,242,806	\$ 70,479,089	\$ 5,198,472
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,754,948	\$ 36,546,144	\$ 36,765,622	\$ 2,535,470
Due to other governments	2,679,807	33,696,662	33,713,467	2,663,002
Total liabilities	\$ 5,434,755	\$ 70,242,806	\$ 70,479,089	\$ 5,198,472

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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, 2013, and have issued our report thereon dated March 25, 2014.

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 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated March 25, 2014, 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 were no findings and recommendations made in the preceding annual financial audit report.

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

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

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., 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 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)7., Rules of the Auditor General, requires a statement as to whether or not the Clerk of the courts complied with the requirements of Sections 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, 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 25, 2014

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

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

We have audited, in accordance with the 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, the special-purpose financial statements of the Bay County Clerk of Court and Comptroller, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Bay County Clerk of Court and Comptroller's basic special-purpose financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bay County Clerk of Court and Comptroller's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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. Accordingly, we do not express an opinion on the effectiveness of the Bay County Clerk and Comptroller's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below we identified a deficiency in internal control that we consider 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency below to be a material weakness.

2013-1 Certain adjustments to the Bay County Clerk of Court and Comptroller's financial statements that reflect correction of a material misstatement not initially identified by the Bay County Clerk of Court and Comptroller's internal controls.

Recommendation

We recommend that procedures be implemented or strengthened to identify and record these types of adjustments in the future.

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

The Bay County Clerk of Court and Comptroller's response to the finding identified in our audit is described above. We did not audit the response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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, 2013, and the related notes to the special-purpose financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Governmental Entity Audits*. These financial statements are not intended to be a complete presentation of financial position of Bay County, Florida as of September 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Bay County Property Appraiser's internal control over financial reporting and on our tests of his compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bay County Property Appraiser's internal control over financial reporting and compliance.

Restriction on Use

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

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

Bay County Property Appraiser
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2013

	General Fund
ASSETS	
Cash and cash equivalents	\$ 114,490
Accounts receivable, net	16,657
Total assets	\$ 131,147
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued liabilities	\$ 113,209
Due to other governments	17,938
Total liabilities	131,147
Fund balance	
Unassigned	-
Total liabilities and fund balance	\$ 131,147

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, 2013

	General Fund
REVENUES	
Charges for services	\$ 23,329
Investment earnings	451
Total revenues	23,780
EXPENDITURES	
Current	
General government	2,570,902
Capital outlay	
General government	5,178
Debt service	
Principal retirement	13,975
Interest and fiscal charges	1,168
Total expenditures	2,591,223
Excess (deficit) of revenues over (under) expenditures	(2,567,443)
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	2,585,221
Transfer out/return of excess fees	(17,778)
Total other financing sources	2,567,443
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, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 23,095	\$ 23,067	\$ 23,329	\$ 262
Investment earnings	-	-	451	451
Total revenues	23,095	23,067	23,780	713
EXPENDITURES				
Current				
General government	2,574,896	2,588,195	2,570,902	17,293
Capital outlay				
General government	4,950	4,950	5,178	(228)
Debt service				
Principal retirement	13,975	13,975	13,975	-
Interest and fiscal charges	1,168	1,168	1,168	-
Total expenditures	2,594,989	2,608,288	2,591,223	17,065
Excess (deficit) of revenues over (under) expenditures	(2,571,894)	(2,585,221)	(2,567,443)	17,778
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	2,571,894	2,585,221	2,585,221	-
Transfer out/return of excess fees	-	-	(17,778)	(17,778)
Total other financing sources (uses)	2,571,894	2,585,221	2,567,443	(17,778)
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, 2013.

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, 2013.

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, 2013.

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, 2013.

Unassigned – This category is the residual classification for the Property Appraiser's fund balances. There are no unassigned funds as of September 30, 2013.

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 25, 2014, 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, 2013:

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
Capital Leases Payable	\$ 15,816	\$ -	\$ 13,975	\$ 1,841

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 \$3,973. The accumulated depreciation of these assets is \$1,986. Total principal maturities are as follows:

Year Ending September 30,			
2014		\$	1,500
2015			500
Total			2,000
Less interest			(159)
Total		\$	1,841

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, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. The employer rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 5.44% for October 1, 2012 through June 30, 2013 and 12.84% for July 1, 2013 through September 30, 2013, with no employee contribution required.

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, 2013, 2012, and 2011 were \$125,084, \$88,399 and \$169,126, 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, 2013, were \$39,449.

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, Florida 32241-6290 or by calling 866-377-2121.

Funding Policy – FRS Investment Plan is funded through employee and employer contributions. Rates for October 1, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% 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 \$5,048 and \$2,604, 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, 2013, and have issued our report thereon dated March 25, 2014.

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 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated March 25, 2014, 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 were no findings and recommendations made in the preceding annual financial audit report.

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

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 noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

The Honorable Dan Sowell
Bay County Property Appraiser
Page Two

Section 10.554(1)(i)5., 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 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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

The Honorable Dan Sowell
Bay County Property Appraiser
Bay County, Florida

We have audited, in accordance with the 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, the special-purpose financial statements of the Bay County Property Appraiser, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Bay County Property Appraiser's basic special-purpose financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay County Property Appraiser's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay County Property Appraiser's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay County Property Appraiser's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay County Property Appraiser's special-purpose financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carri Riggs & Ingram, LLC

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Governmental Entity Audits*. These financial statements are not intended to be a complete presentation of financial position of Bay County, Florida as of September 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report March 25, 2014, on our consideration of the Bay County Tax Collector's internal control over financial reporting and on our tests of her compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bay County Tax Collector's internal control over financial reporting and compliance.

Restriction on Use

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

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

Bay County Tax Collector
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2013

	General Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 2,234,553
Investments	217
<hr/>	
Total assets	\$ 2,234,770
<hr/>	
LIABILITIES AND FUND BALANCE	
Liabilities	
Accrued liabilities	\$ 25,071
Due to other governments	2,209,699
<hr/>	
Total liabilities	2,234,770
Fund balance	
Unassigned	-
<hr/>	
Total liabilities and fund balance	\$ 2,234,770
<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, 2013

	General Fund
REVENUES	
Charges for services	\$ 1,740,799
Total revenues	1,740,799
EXPENDITURES	
Current	
General government	2,627,339
Capital outlay	
General government	3,488
Total expenditures	2,630,827
Excess (deficit) of revenues over (under) expenditures	(890,028)
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	3,082,827
Transfer out/return of excess fees	(2,192,799)
Total other financing sources (uses)	890,028
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, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,740,799	\$ 1,740,799
Total revenues	-	-	1,740,799	1,740,799
EXPENDITURES				
Current				
General government	3,111,925	3,111,925	2,627,339	484,586
Capital outlay				
General government	-	-	3,488	(3,488)
Total expenditures	3,111,925	3,111,925	2,630,827	481,098
Excess (deficit) of revenues over (under) expenditures	(3,111,925)	(3,111,925)	(890,028)	2,221,897
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	3,111,925	3,111,925	3,082,827	(29,098)
Transfer out/return of excess fees	-	-	(2,192,799)	(2,192,799)
Total other financing sources (uses)	3,111,925	3,111,925	890,028	(2,221,897)
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 Position
Agency Funds
September 30, 2013

ASSETS

Cash and cash equivalents	\$ 1,810,984
Investments	53,106
Accounts receivable, net	24,758
<hr/>	
Total assets	\$ 1,888,848
<hr/>	

LIABILITIES

Bank overdraft	\$ 14,740
Due to other governments	1,874,108
<hr/>	
Total liabilities	\$ 1,888,848
<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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

All governmental fund types 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. There are no nonspendable funds as of September 30, 2013.

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, 2013.

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, 2013.

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, 2013.

Unassigned – This category is the residual classification for the Tax Collector's fund balances. There are no unassigned funds as of September 30, 2013.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cash and cash equivalents to include cash on hand and demand deposits.

Investments – The Bay County Tax Collector considers investments to include non-pooled investments with original maturities of three months or greater.

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 25, 2014, 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.

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.

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 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, which is also administered by the SBA. The Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2013, was 1.13262284. 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, 2013, was 44 days or 1.47 months. The weighted average life of Fund B at September 30, 2013, was 4.04 years or 48.48 months. The Bay County Tax Collector does not have a formal policy relating to interest rate risk. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

Foreign Currency Risk – The Fund B was not exposed to any foreign currency risk during the period October 1, 2012 through September 30, 2013.

Concentration of Credit Risk – At September 30, 2013, the Bay County Tax Collector did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2013, 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)	\$ 27,233	\$ 27,233	1.47	AAAm
Local Government Investment Pool Fund B	26,090	26,090	48.48	*
Total investments	\$ 53,323	\$ 53,323		

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

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2013, the agency funds' accounts receivable, net, are summarized as follows:

Total accounts receivable	\$ 24,758
Less: allowance for doubtful accounts	-
Accounts receivable, net	\$ 24,758

The Bay County Tax Collector considers all amounts collectible; therefore, there is no provision for doubtful accounts at September 30, 2013.

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, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. The employer rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 5.44% for October 1, 2012 through June 30, 2013 and 12.84% for July 1, 2013 through September 30, 2013, with no employee contribution required.

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, 2013, 2012, and 2011 were \$89,674, \$75,564, and \$136,920, 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, 2013, were \$35,868.

NOTE 5 – 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, Florida 32241-6290 or by calling 866-377-2121.

Funding Policy – FRS Investment Plan is funded through employee and employer contributions. Rates for October 1, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% 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 \$6,594 and \$3,489, 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, 2013

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 1,738,129	\$ 331,106,621	\$ 331,033,766	\$ 1,810,984
Investments	58,299	-	5,193	53,106
Total assets	\$ 1,796,428	\$ 331,106,621	\$ 331,038,959	\$ 1,864,090
LIABILITIES				
Due to other governments	\$ 1,796,428	\$ 331,106,621	\$ 331,038,959	\$ 1,864,090
Total liabilities	\$ 1,796,428	\$ 331,106,621	\$ 331,038,959	\$ 1,864,090
TAG FUND				
ASSETS				
Cash and cash equivalents	\$ 64,587	\$ 25,280,823	\$ 25,345,410	\$ -
Accounts receivable, net	23,715	8,282	7,239	24,758
Total assets	\$ 88,302	\$ 25,289,105	\$ 25,352,649	\$ 24,758
LIABILITIES				
Bank overdraft	\$ -	\$ 14,740	\$ -	\$ 14,740
Due to other governments	88,302	25,274,365	25,352,649	10,018
Total liabilities	\$ 88,302	\$ 25,289,105	\$ 25,352,649	\$ 24,758
TOTAL-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,802,716	\$ 356,387,444	\$ 356,379,176	\$ 1,810,984
Investments	58,299	-	5,193	53,106
Accounts receivable, net	23,715	8,282	7,239	24,758
Total assets	\$ 1,884,730	\$ 356,395,726	\$ 356,391,608	\$ 1,888,848
LIABILITIES				
Bank overdraft	\$ -	\$ 14,740	\$ -	\$ 14,740
Due to other governments	1,884,730	356,380,986	356,391,608	1,874,108
Total liabilities	\$ 1,884,730	\$ 356,395,726	\$ 356,391,608	\$ 1,888,848

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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, 2013, and have issued our report thereon dated March 25, 2014.

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 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated March 25, 2014, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to the extent considered necessary, other than for those comments repeated in the Report on Internal Control over Financial Reporting and on Compliance and the other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Section 10.554(1)(i)4.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2011-12 FY Finding #	2010-11 FY Finding #
2013-1	2012-1	N/A
2013-2	Section 10.554(1)(i)5 AG Management Letter	Section 10.554(1)(i)5 AG Management Letter

The Honorable Peggy Brannon
Bay County Tax Collector
Page Two

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 noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

However, we have an internal control deficiency that is not a material weakness or a significant deficiency to report.

2013-2 In connection with our audit, as in prior years, we noticed that amounts paid to other agencies did not agree, in all cases, with 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. Also, a reconciliation should be prepared to support the balance due.

Section 10.554(1)(i)5., 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 Tax Collector was established by 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.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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

The Honorable Peggy Brannon
Bay County Tax Collector
Bay County, Florida

We have audited, in accordance with the 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, the special-purpose financial statements of the Bay County Tax Collector, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Bay County Tax Collector's basic special-purpose financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bay County Tax Collector's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bay County Tax Collector's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bay County Tax Collector's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below we identified a deficiency in internal control that we consider 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency below to be a material weakness.

2013-1 Certain adjustments to the Bay County Tax Collector's financial statements that reflect correction of a material misstatement not initially identified by the Bay County Tax Collector's internal controls.

Recommendation

We recommend that procedures be implemented or strengthened to identify and record these types of adjustments in the future.

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 from 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 finding identified in our audit is described above. We did not audit the response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Governmental Entity Audits*. These financial statements are not intended to be a complete presentation of financial position of Bay County, Florida as of September 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Bay County Sheriff's internal control over financial reporting and on our tests of his compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bay County Sheriff's internal control over financial reporting and compliance.

Restriction on Use

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 25, 2014

Bay County Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2013

	General Fund	Crime Prevention	Inmate Welfare	Law Enforcement Training	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ 107,817	\$ 281,566	\$ 120,910	\$ 155,756	\$ 666,049
Accounts receivable, net	156,220	-	58,489	8,140	-	222,849
Total assets	\$ 156,220	\$ 107,817	\$ 340,055	\$ 129,050	\$ 155,756	\$ 888,898
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable and accrued liabilities	\$ 147,200	\$ -	\$ -	\$ -	\$ 9,549	\$ 156,749
Due to other governments	9,020	-	-	-	-	9,020
Total liabilities	156,220	-	-	-	9,549	165,769
Fund balance						
Restricted	-	107,817	340,055	129,050	146,207	723,129
Total liabilities and fund balance	\$ 156,220	\$ 107,817	\$ 340,055	\$ 129,050	\$ 155,756	\$ 888,898

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, 2013

	General Fund	Crime Prevention	Inmate Welfare	Law Enforcement Training	Other Governmental Funds	Total Governmental Funds
REVENUES						
Intergovernmental revenue	\$ 2,879,036	\$ 114,064	\$ -	\$ 144,297	\$ 182,629	\$ 3,320,026
Investment earnings	4,902	155	-	-	35	5,092
Charges for services	-	-	569,991	-	-	569,991
Miscellaneous	12,905	-	-	-	-	12,905
Total revenues	2,896,843	114,219	569,991	144,297	182,664	3,908,014
EXPENDITURES						
Current						
Public safety	34,368,691	109,311	590,403	31,099	193,473	35,292,977
Capital outlay						
Public safety	842,321	5,169	61,883	-	36,688	946,061
Debt service						
Principal retirement	12,988	-	-	-	-	12,988
Interest and fiscal charges	1,174	-	-	-	-	1,174
Total expenditures	35,225,174	114,480	652,286	31,099	230,161	36,253,200
Excess (deficit) of revenues over (under) expenditures	(32,328,331)	(261)	(82,295)	113,198	(47,497)	(32,345,186)
OTHER FINANCING SOURCES (USES)						
Budget appropriations from						
Board of County Commissioners	32,207,317	-	-	-	-	32,207,317
Debt issuance	53,519	-	-	-	-	53,519
Proceeds from the sale of surplus assets	76,453	-	-	-	-	76,453
Transfer out/return of excess fees	(8,958)	-	-	-	-	(8,958)
Total other financing sources	32,328,331	-	-	-	-	32,328,331
Net change in fund balance	-	(261)	(82,295)	113,198	(47,497)	(16,855)
Fund balance - beginning	-	108,078	422,350	15,852	193,704	739,984
Fund balance - ending	\$ -	\$ 107,817	\$ 340,055	\$ 129,050	\$ 146,207	\$ 723,129

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 2,499,373	\$ 2,790,173	\$ 2,879,036	\$ 88,863
Investment earnings	-	-	4,902	4,902
Miscellaneous	-	-	12,905	12,905
Total revenues	2,499,373	2,790,173	2,896,843	106,670
EXPENDITURES				
Current				
Public safety	34,007,103	34,297,903	34,368,691	(70,788)
Capital outlay				
Public safety	685,425	685,425	842,321	(156,896)
Debt service				
Principal retirement	12,988	12,988	12,988	-
Interest and fiscal charges	1,174	1,174	1,174	-
Total expenditures	34,706,690	34,997,490	35,225,174	(227,684)
Excess (deficit) of revenues over (under) expenditures	(32,207,317)	(32,207,317)	(32,328,331)	(121,014)
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	32,207,317	32,207,317	32,207,317	-
Debt issuance	-	-	53,519	53,519
Proceeds from the sale of surplus assets	-	-	76,453	76,453
Transfer out/return of excess fees	-	-	(8,958)	(8,958)
Total other financing sources	32,207,317	32,207,317	32,328,331	121,014
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 Position
Agency Funds
September 30, 2013

ASSETS

Cash and cash equivalents	\$ 166,290
<hr/>	
Total assets	\$ 166,290
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LIABILITIES

Accounts payable	\$ 69,281
Due to other governments	1,770
Due to others	95,239
<hr/>	
Total liabilities	\$ 166,290
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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 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 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 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, 2013.

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, 2013, is \$723,130.

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, 2013.

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, 2013.

Unassigned – This category is the residual classification for the Sheriff's fund balances. There are no unassigned funds as of September 30, 2013.

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)

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 25, 2014, 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, 2013, accounts receivable, net is summarized as follows:

	General Fund	Inmate Welfare	Law Enforcement Training	Total
Total accounts receivable	\$ 156,220	\$ 58,489	\$ 8,140	\$ 222,849
Less: allowance for doubtful Accounts	-	-	-	-
Accounts receivable, net	\$ 156,220	\$ 58,489	\$ 8,140	\$ 222,849

The Sheriff considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2013.

NOTE 4 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2013, are summarized as follows:

	Balance September 30, 2012	Increases	Decreases	Balance September 30, 2013
Vehicles, furniture and equipment	\$ 14,438,362	\$ 1,160,157	\$ (922,239)	\$ 14,676,280
Property held under capital leases	-	59,395	-	59,395
Total	14,438,362	1,219,552	(922,239)	14,735,675
Less accumulated depreciation	(11,426,981)	(1,042,751)	803,287	(11,666,445)
Total	\$ 3,011,381	\$ 176,801	\$ (118,952)	\$ 3,069,230

The Sheriff's capital assets are accounted for in the County's capital assets.

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2013:

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
Capital leases payable	\$ -	\$ 53,519	\$ (12,988)	\$ 40,531
Compensated absences	1,552,495	40,050	-	1,592,545
Total	\$ 1,552,495	\$ 93,569	\$ (12,988)	\$ 1,633,076

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, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% for regular employees, senior management, and elected county officials, respectively. Employee contributions of 3% were required for all participants. The employer rate for eligible employees who elected to participate in the Deferred Retirement Option Program (DROP) was 5.44% for October 1, 2012 through June 30, 2013, and 12.84% for July 1, 2013 through September 30, 2013, with no employee contribution required.

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, 2013, 2012, and 2011 were \$2,284,780, \$2,077,691, and \$3,141,223, 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, 2013, were \$508,804.

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, Florida 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, 2012 through June 30, 2013, were 5.18%, 6.30%, and 10.23% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2013 through September 30, 2013, were 6.95%, 18.31%, and 33.03% 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 \$224,582 and \$71,383, respectively.

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NONMAJOR GOVERNMENTAL FUNDS

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Bay County Sheriff
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

	Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total
ASSETS					
Cash and cash equivalents	\$ 45,031	\$ 19,918	\$ 66,035	\$ 24,772	\$ 155,756
Total assets	\$ 45,031	\$ 19,918	\$ 66,035	\$ 24,772	\$ 155,756
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 1,410	\$ -	\$ 8,139	\$ -	\$ 9,549
Total liabilities	1,410	-	8,139	-	9,549
Fund balance					
Restricted	43,621	19,918	57,896	24,772	146,207
Total liabilities and fund balance	\$ 45,031	\$ 19,918	\$ 66,035	\$ 24,772	\$ 155,756

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, 2013

	Special Law Enforcement Trust	Special Contribution	Federal Seizure Account	Seizure Trust	Total
REVENUES					
Intergovernmental	\$ 85,785	\$ 22,583	\$ 52,507	\$ 21,754	\$ 182,629
Investment earnings	-	-	35	-	35
Total revenues	85,785	22,583	52,542	21,754	182,664
EXPENDITURES					
Current					
Public safety	94,329	20,096	50,476	28,572	193,473
Capital outlay					
Public safety	-	-	36,688	-	36,688
Total expenditures	94,329	20,096	87,164	28,572	230,161
Excess (deficit) of revenues over (under) expenditures	(8,544)	2,487	(34,622)	(6,818)	(47,497)
Fund balance - beginning	52,165	17,431	92,518	31,590	193,704
Fund balance - ending	\$ 43,621	\$ 19,918	\$ 57,896	\$ 24,772	\$ 146,207

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, 2013

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ -	\$ 84,435	\$ 82,665	\$ 1,770
Total assets	\$ -	\$ 84,435	\$ 82,665	\$ 1,770
LIABILITIES				
Due to other governments	\$ -	\$ 84,435	\$ 82,665	\$ 1,770
Total liabilities	\$ -	\$ 84,435	\$ 82,665	\$ 1,770
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 63,467	\$ 304,074	\$ 298,260	\$ 69,281
Total assets	\$ 63,467	\$ 304,074	\$ 298,260	\$ 69,281
LIABILITIES				
Accounts payable	\$ 63,467	\$ 304,074	\$ 298,260	\$ 69,281
Total liabilities	\$ 63,467	\$ 304,074	\$ 298,260	\$ 69,281
FOREFITURE				
ASSETS				
Cash and cash equivalents	\$ 54,123	\$ 107,378	\$ 66,262	\$ 95,239
Total assets	\$ 54,123	\$ 107,378	\$ 66,262	\$ 95,239
LIABILITIES				
Due to others	\$ 54,123	\$ 107,378	\$ 66,262	\$ 95,239
Total liabilities	\$ 54,123	\$ 107,378	\$ 66,262	\$ 95,239
TOTAL-AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 117,590	\$ 495,887	\$ 447,187	\$ 166,290
Total assets	\$ 117,590	\$ 495,887	\$ 447,187	\$ 166,290
LIABILITIES				
Accounts payable	\$ 63,467	\$ 304,074	\$ 298,260	\$ 69,281
Due to other governments	-	84,435	82,665	1,770
Due to others	54,123	107,378	66,262	95,239
Total liabilities	\$ 117,590	\$ 495,887	\$ 447,187	\$ 166,290

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 Sheriff as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated March 25, 2014.

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 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated March 25, 2014, 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 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 noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., 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 Sheriff was established by 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.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014

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

The Honorable Frank McKeithen
Bay County Sheriff
Bay County, Florida

We have audited, in accordance with the 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, the special-purpose financial statements of the major fund and the aggregate remaining fund information of the Bay County Sheriff as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Bay County Sheriff's basic special-purpose financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay County Sheriff's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below we identified a deficiency in internal control that we consider 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency below to be a material weakness.

2013-1 Bay County Sheriff 2013-1: Several capital assets additions were not identified by the Bay County Sheriff's internal controls which resulted in an adjustment to the Bay County Sheriff's financial statements that reflects a correction of a material misstatement. This deficiency gives rise to a material weakness in the Bay County Sheriff's internal controls.

Recommendation

We recommend that procedures be implemented or strengthened to properly and timely identify and record all capital asset additions.

Management's Response

Procedures are currently being implemented to identify and record all capital asset additions in the future.

Compliance and Other Matters

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
March 25, 2014