

Bay County, Florida

Comprehensive Annual Financial Report



FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2018

*Our cover photo was captured by local photographer Lauren Beach.
The photo was taken along the coast of Mexico Beach, Florida.*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

BAY COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

PREPARED BY THE OFFICE

OF

**BILL KINSAUL
CLERK OF COURT AND COMPTROLLER**

**KATY NAIL
FINANCE OFFICER**

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June 30, 2019

Honorable William Dozier, Chairman and
Distinguished Members of the Board of
County Commissioners
Honorable Tommy Ford, Sheriff
Honorable Mark A. Andersen, Supervisor of Elections
Honorable Dan Sowell, Property Appraiser
Honorable Chuck Perdue, Tax Collector
Bay County, Florida

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, 2018. 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 narratively point out 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, 2017, to September 30, 2018, 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, fire and EMS), 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., the Mexico Beach Community Development Council, Inc., and the Panama City 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

In November 2016, Bay County voters passed a half-cent sales tax aimed at repairing local roads, increasing neighborhood safety through pedestrian paths and sidewalks to schools, reducing neighborhood flooding, and reducing traffic congestion. The sales tax is estimated to generate \$21 million annually and is split between the county and its cities based upon population. Bay County's portion for fiscal year 2018 was approximately \$12 million. During the current fiscal year, infrastructure projects completed include resurfacing several roads in northern Bay County and bridge repair and replacement projects. Other projects that have been completed utilizing the half-cent sales tax funds included resurfacing North Lagoon Drive and adding a multi-use path and purchasing property to use as a bypass roadway connecting County Road 2321 and State Road 390 to ease the flow of traffic in that area of Bay County. In addition, the County, in participation with the City of Panama City, completed a portion of the Jenks Avenue Widening Project, between Baldwin Road and 23rd Street. The County continues to progress on the remainder of the project, between Baldwin Road and Highway 390.

Through a public-private partnership between Bay County, Panama City Beach Convention and Visitors Bureau, St. Joe Company and Bay District Schools, sports enthusiasts will soon be able to enjoy a brand new, world class sports complex near the World's Most Beautiful Beaches. This project (with 210 acres of donated land) will be one of the largest complexes in the southeast. There will be 13 fields total, nine of which will be synthetic turf and configurable to multiple sports, including soccer, softball and baseball. The other four fields will be natural grass and will host rectangular based sports, including soccer, lacrosse and football. The Sports Complex is expected to open in July 2019 with 12 tournaments scheduled for remainder of the fiscal year 2019.

During 2018, Bay County officials, along with other agencies, municipalities and community leaders, advocated to keep the Federal Courthouse in Bay County. This came after an announcement was made that the General Services Administration would not be renewing their lease at the Panama City location. Through a bidding process, Bay County was awarded a lease with the Federal Courthouse to occupy the prior Juvenile Justice facility. Renovations to the Juvenile Justice facility are expected to begin in fiscal year 2019.

For the Future

The US Department of Treasury accepted Bay County's RESTORE Act plan. Treasury has approved the rebuilding of the AMIkids dock with the sub recipient agreement being awarded to Panama City Marine Institute. They also approved improvements to Porter Park in the City of Lynn Haven and the replacement of the existing boat ramp at Carl Gray Park in Panama City, which are both expected to begin fiscal year 2019.

Bay County, along with its municipalities and school district, continues in its endeavors to develop and enhance the area's infrastructure. Storm water management, transportation and facility enhancements have been identified as critical future needs of Bay County.

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 of Commerce 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, 2017. 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.

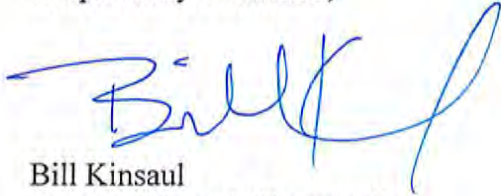
A Certificate of Achievement is valid for a period of one year only. Bay County has been awarded the Certificate of Achievement for twenty-nine consecutive years (fiscal years ended September 30, 1989 through 2017). We believe our current report continues to conform to the Certificate of Achievement 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; Tommy Ford, Dan Sowell, Mark Andersen, Chuck Perdue; County Commissioners: Tommy E. Hamm, Robert L. Carroll, William T. Dozier, Guy M. Tunnell and Philip Griffitts for their interest and support in administering the financial operations of the County during the fiscal year presented.

Respectfully submitted,

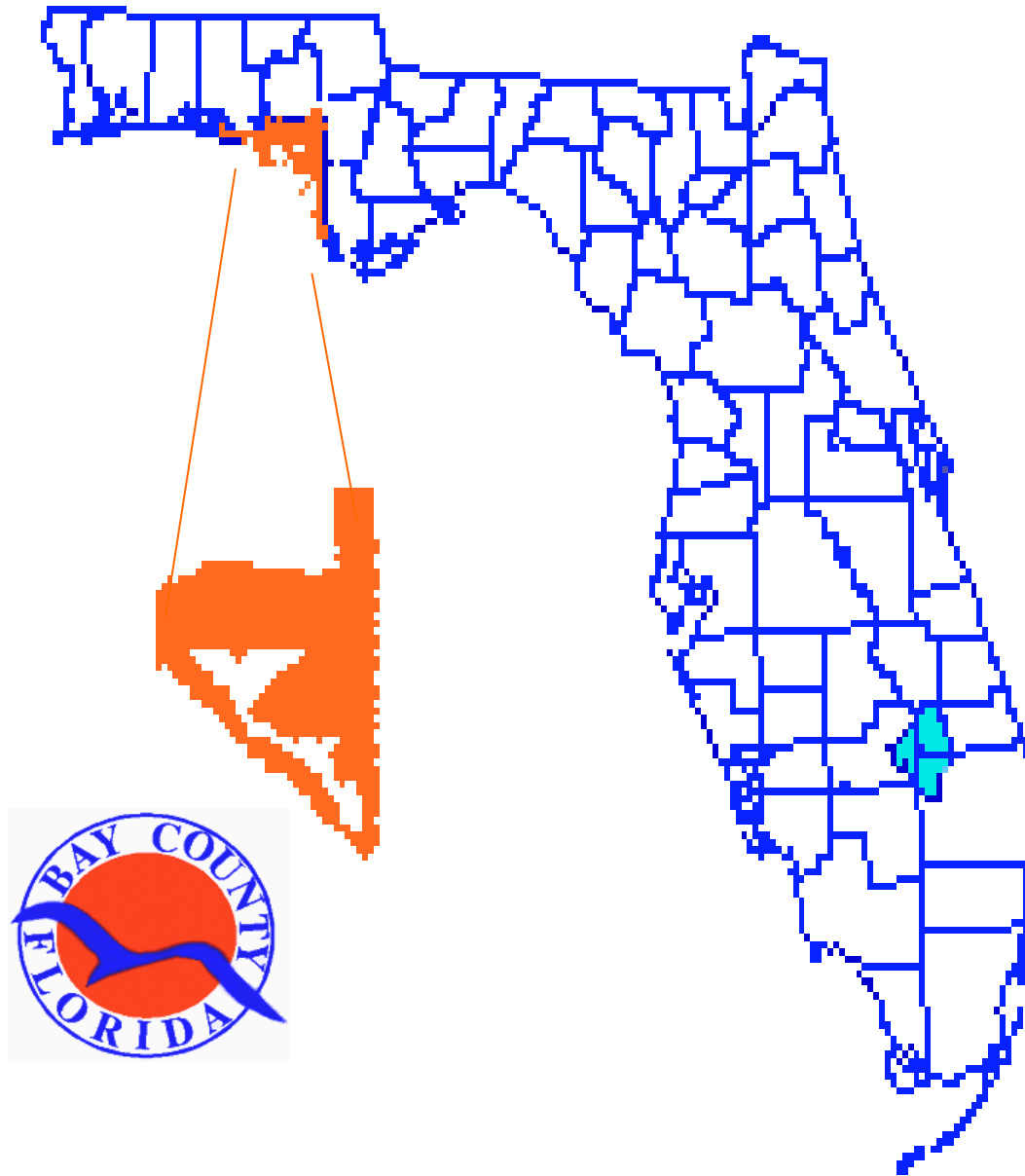


Bill Kinsaul
Clerk of Court & Comptroller



Katy Nail
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 approximately 181,199 people. The County has seven incorporated municipalities: Panama City, Panama City Beach, Lynn Haven, Springfield, Callaway, Parker and Mexico Beach.

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County Officials
Bay County, Florida



Tommy Hamm
Commissioner
District I



Robert Carroll
Commissioner
District II



William T. Dozier
Commissioner
District III



Guy Tunnell
Commissioner
District IV



Philip Griffitts
Commissioner
District V

County Officials
Bay County, Florida



Mark Andersen
Supervisor of
Elections



Bill Kinsaul
Clerk of Court
& Comptroller



Dan Sowell
Property Appraiser



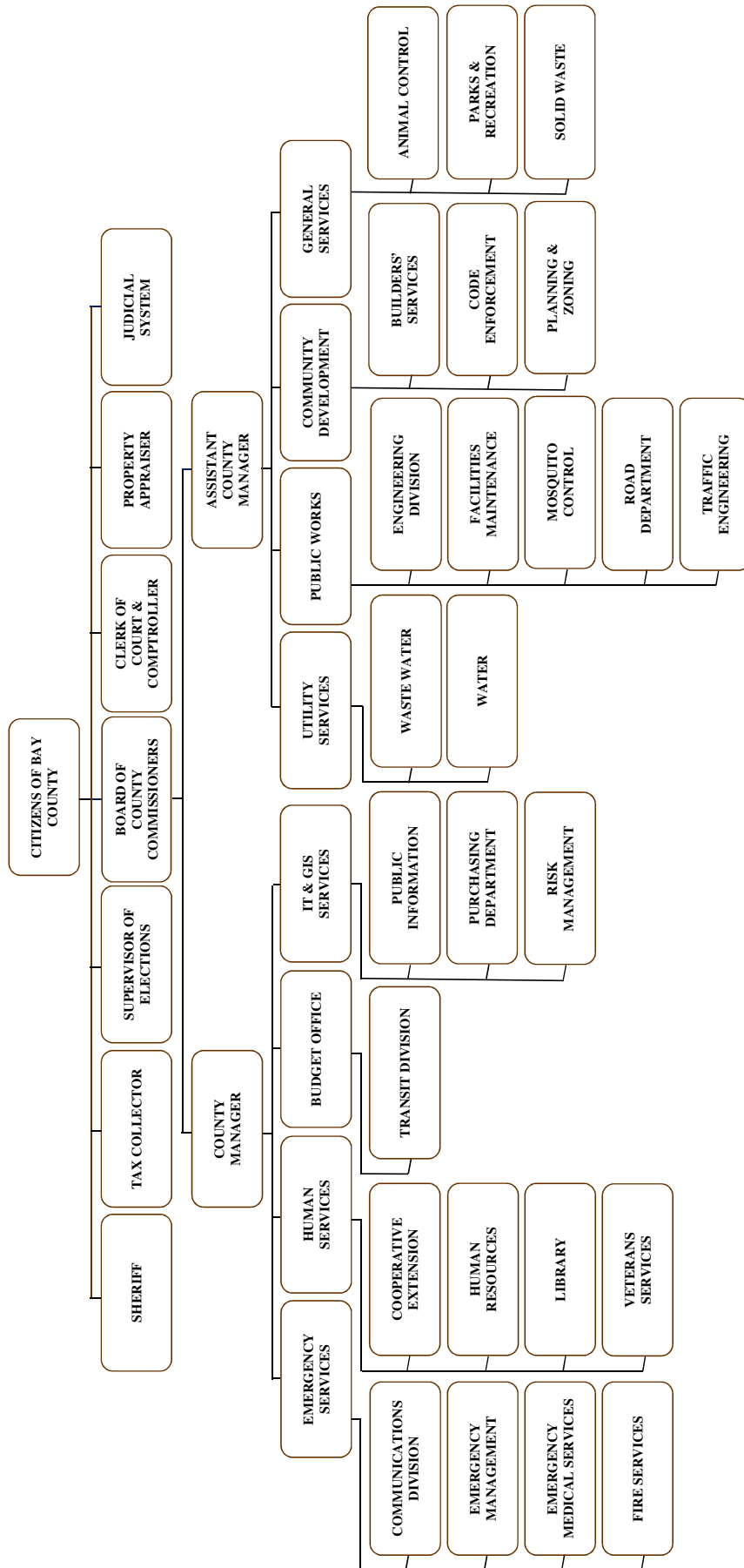
Chuck Perdue
Tax Collector



Tommy Ford
Sheriff

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BAY COUNTY ORGANIZATIONAL CHART Fiscal Year 2018



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, 2017.

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, 2017

Christopher P. Morrill

Executive Director/CEO

INDEPENDENT AUDITORS' 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, each major discretely presented component unit, each major fund, and the aggregate remaining fund information of Bay County, Florida, as of and for the year ended September 30, 2018, and the related notes to basic financial statements, which collectively comprise Bay County, Florida'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.

Auditors' 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 auditors' 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, each major discretely presented component unit, each major fund, and the aggregate remaining fund information of Bay County, Florida, as of September 30, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 26 to the financial statements, in 2018, the Bay County, Florida adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

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-15, the schedule of Bay County, Florida's proportionate share of the net pension liability – Florida Retirement System on page B-104, the schedule of Bay County, Florida's contributions – Florida Retirement System on page B-105, the schedule of Bay County, Florida's proportionate share of the net pension liability – Health Insurance Subsidy Program on page B-106, and the schedule of Bay County, Florida's contributions – Health Insurance Subsidy Program on page B-107, the schedule of changes in Bay County's total other postemployment benefits liability and related ratios on page B-108, the schedule of Bay County, Florida's employer contributions for retirees' health insurance other postemployment benefit plans on page B-109, as listed in the table of contents, 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 Bay County, Florida'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 schedule of expenditures of federal awards and state financial assistance is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, State of Florida Rules of the Auditor General, and is also not a required part of the financial statements.

The combining and individual nonmajor governmental, internal service, and fiduciary fund financial statements, the budgetary schedules, and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 June 30, 2019, 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, rules, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

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Management's discussion and analysis provides an objective and easily readable analysis of Bay County, Florida's (County) 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 \$338,083,004 (net position). Of this amount, \$69,050,293 is a deficit in unrestricted net position for governmental activities and \$27,227,589 is unrestricted net position for business-type activities, while \$89,936,688 is restricted net position for governmental activities and \$16,031,428 is restricted net position for business-type activities.
- Total net position increased by \$16,179,218 after restatement adjustment. Of this amount, an increase of \$17,728,191 is attributable to governmental activities and a decrease of \$1,548,973 is attributable to business-type activities.
- As of September 30, 2018, the general fund's unassigned fund balance was \$11,823,770 or 11 percent of total general fund expenditures.
- Governmental activities revenues increased to \$193,672,464 or approximately 10 percent, while governmental activities expenses increased 4 percent to \$179,987,343. Business-type activities revenues increased to \$54,743,513 or by less than 1 percent, while business-type activities expenses increased 6.5 percent to \$57,879,330.
- The County's outstanding bonded debt decreased by \$8,685,556 or 7 percent during fiscal year 2018. The key factor contributing to the decrease in bonded debt was the payment of the semi-annual and annual debt service payments.
- The County's total deferred outflows decreased by \$788,847 or approximately 2 percent. Of this amount, a decrease of \$537,741 is attributable to governmental activities and a decrease of \$251,106 is attributable to business-type activities.
- The County's total deferred inflows increased by \$4,455,038 or approximately 52 percent. Of this amount, an increase of \$3,938,347 is attributable to governmental activities and an increase of \$516,691 is attributable to business-type activities.

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, liabilities and deferred inflows/outflows of the County, with the difference between them reported as *net position*. Assets, liabilities, deferred inflows/outflows 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, and emergency medical services.

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., Panama City 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 funds.

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, the wholesale water system, retail water and wastewater utilities, builders service activities, and emergency medical services. *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:

Bay County, Florida Net Position

September 30,	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 150,138,397	\$ 110,424,241	\$ 76,696,022	\$ 76,783,199	\$ 226,834,419	\$ 187,207,440
Capital assets	286,884,437	268,516,631	166,447,188	170,642,466	453,331,625	439,159,097
Total assets	437,022,834	378,940,872	243,143,210	247,425,665	680,166,044	626,366,537
Deferred outflows of resources	37,337,340	37,875,081	6,572,655	6,823,761	43,909,955	44,698,842
Current and other liabilities	17,651,925	14,302,527	8,159,935	7,025,039	25,811,860	21,327,566
Long-term liabilities	227,836,044	195,307,759	119,280,754	123,916,929	347,116,798	319,224,688
Total liabilities	245,487,969	209,610,286	127,440,689	130,941,968	372,928,658	340,552,254
Deferred inflows of resources	10,598,877	6,660,530	2,465,500	1,948,809	13,064,377	8,609,339
Net investment in capital assets	197,386,933	185,942,825	76,550,659	76,389,185	273,937,592	262,332,010
Net position-restricted	89,936,688	52,028,548	16,031,428	14,690,995	105,968,116	66,719,543
Net position-unrestricted	(69,050,293)	(37,426,236)	27,227,589	30,278,469	(41,822,704)	(7,147,767)
Total net position	\$ 218,273,328	\$ 200,545,137	\$ 119,809,676	\$ 121,358,649	\$ 338,083,004	\$ 321,903,786

The schedule above has been adjusted for a prior period adjustment noted at note 26.

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 (81 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 31 percent of the County's net position, are subject to external restrictions, and thus are limited as to how they may be used. The deficit balance of unrestricted net position is \$41,822,704.

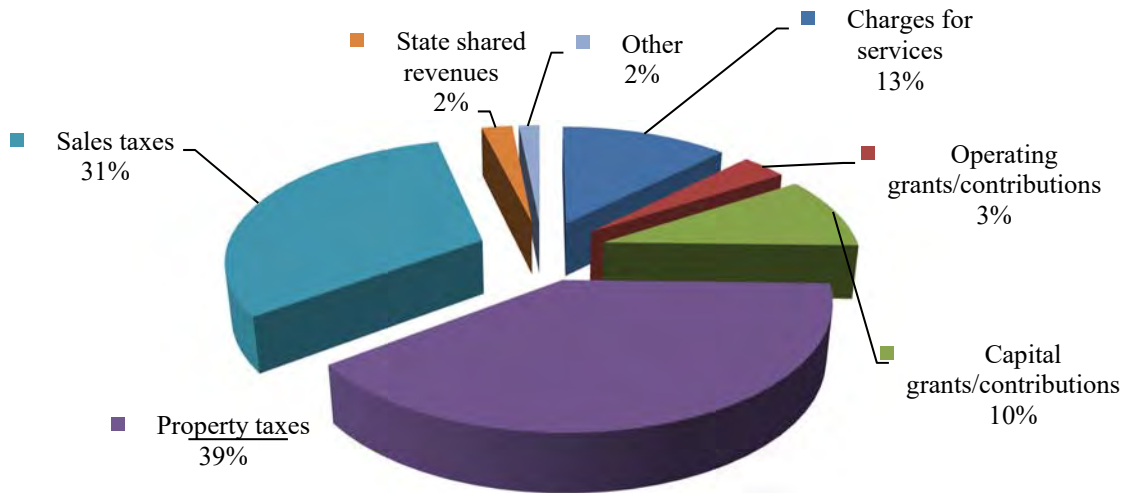
Governmental activities long-term liabilities increased by \$32,528,285 during 2018, while business-type activities long-term liabilities decreased by \$4,636,175. The addition of new bank financed notes in fiscal year 2018 played a major role in the increase in long term liabilities within Governmental Activities. The County recognized an additional \$1,903,606 of net pension liability in governmental activities during 2018, while business-type activities assumed \$340,048 in additional liability. The recognition of these liabilities is required by the Governmental Accounting Standards Board (GASB). The County's proportions of the net pension liability, as recorded, are determined by calculating the County's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined. Repayment of principal amounts due on bonds and notes payable through semi-annual and annual debt service payments contributed to help offset the amount of the increase in both the governmental and business-type activities long-term liabilities.

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

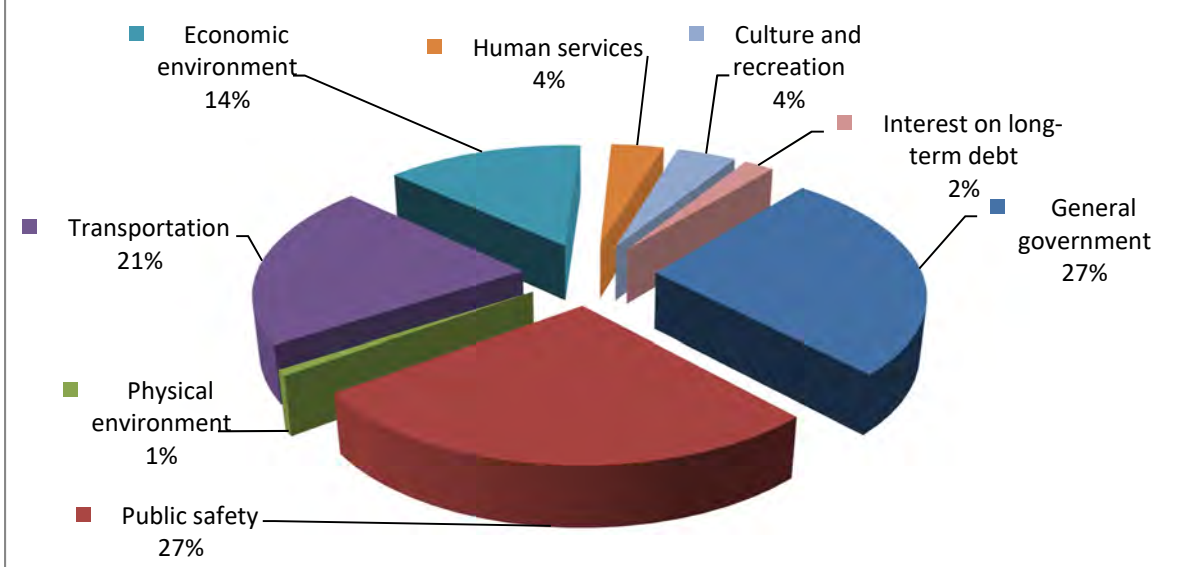
**Bay County, Florida
Changes in Net Position**

Year ended September 30,	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 24,145,138	\$ 21,665,872	\$ 50,411,102	\$ 49,705,143	\$ 73,647,100	\$ 71,371,015
Operating grants/contributions	6,549,827	8,241,334	203,482	150,000	6,753,309	8,391,334
Capital grants/contributions	18,508,077	6,904,530	1,761,121	2,351,683	20,269,198	9,256,213
General revenues						
Property taxes	76,315,124	77,143,203	-	-	76,315,124	77,143,203
Sales taxes	60,723,275	54,634,864	1,700	1,700	60,724,975	54,636,564
State shared revenues – unrestricted	4,446,400	4,234,003	-	-	4,446,400	4,234,003
Other	2,984,623	2,891,969	2,366,108	2,148,393	6,259,871	5,040,362
Total revenues	193,672,464	175,715,775	54,743,513	54,356,919	248,415,977	230,072,694
Expenses						
General government	48,503,172	52,467,733	-	-	48,503,172	52,467,733
Public safety	48,589,600	43,679,953	-	-	48,589,600	43,679,953
Physical environment	1,321,473	6,444,209	-	-	1,321,473	6,444,209
Transportation	37,826,331	29,349,425	-	-	37,826,331	29,349,425
Economic environment	25,346,097	22,692,937	-	-	25,346,097	22,692,937
Human services	6,795,314	6,506,744	-	-	6,795,314	6,506,744
Culture and recreation	7,721,631	8,242,201	-	-	7,721,631	8,242,201
Interest on long-term debt	3,883,725	3,001,553	-	-	3,883,725	3,001,553
Wholesale water system	-	-	17,679,973	15,169,886	17,679,973	15,169,886
Retail water and wastewater	-	-	12,362,477	11,965,300	12,362,477	11,965,300
Solid waste	-	-	18,611,836	17,118,847	18,611,836	17,118,847
Building services	-	-	1,721,266	1,729,303	1,721,266	1,729,303
Emergency medical services	-	-	7,503,778	8,341,115	7,503,778	8,341,115
Total expenses	179,987,343	172,384,755	57,879,330	54,324,451	237,866,673	226,709,206
Increase (decrease) in net position before transfers	13,685,121	3,331,020	(3,135,817)	32,468	10,549,304	3,363,488
Transfers	(2,143,650)	-	2,143,650	-	-	-
Changes in net position	11,541,471	3,331,020	(92,167)	32,468	10,549,304	3,363,488
Net position - beginning	200,545,137	197,214,117	121,358,649	121,326,181	321,903,786	318,540,298
Prior period adjustment	(6,480)	-	-	-	(6,480)	-
Restatement adjustment	6,193,200	-	(556,806)	-	5,636,394	-
Net position – beginning (as restated)	206,731,857	197,214,117	120,801,843	121,326,181	237,533,700	318,540,298
Net position – ending	\$ 218,273,328	\$ 200,545,137	\$ 119,809,676	\$ 121,358,649	\$ 338,083,004	\$ 321,903,786

Revenue - Governmental Activities Fiscal Year September 30, 2018



Expenses - Governmental Activities Fiscal Year Ended September 30, 2018



As reflected in the changes in net position, the County's net position increased by \$16,179,218. County wide, revenues and expenditures increased in fiscal year 2018, 8% and 5% respectively, which allowed the County to benefit from an increased net position overall. As in prior years, intergovernmental tax revenues increased, which played a part in the increase in total revenues of \$18,343,283. Though there was an increase in tax collections, the total County Millage Rate decreased by .2138. Bay County continues to benefit from increased sales tax revenues, just over 11% in 2018, which also contributes to the increase in the County's net position. Governmental activity expenditures exceeded revenues by \$11,541,471, while business-type activities expenditures exceeded revenues by \$992,167. Total expenditures increased by \$11,157,467 from fiscal year 2017.

Property taxes continue to comprise approximately 39% of the revenues for governmental activities, while most of the governmental resources are expended for general government (27%), public safety (27%), transportation (21%), and economic environment (14%) activities. Charges for services provided 92% 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, 2018, total assets were \$36,860,069 and total liabilities were \$10,280,354. At the end of fiscal year 2018, unassigned fund balance of the general fund was \$11,823,770 while total fund balance equaled \$26,579,715. Total assets of the general fund decreased \$2,796,556 from fiscal year 2017. The general fund transferred \$9,515,867 to transportation fund for general operations in 2018. General fund revenues increased in fiscal year 2018 by \$3,265,435; this was primarily due to higher intergovernmental tax collections along with the culmination of slight increases in other revenue areas throughout the year. General fund expenditures also increased in fiscal year 2018 by \$8,493,025 with the largest increases being attributed to the following: an increase in the budget for the Bay County Sheriff and the purchase of several public transportation busses within the transit departments.

From a budgetary perspective, ad valorem tax revenues collected were slightly higher than expected, by 1.7%, for fiscal year 2018 along with state revenue sharing by 7.2%. Excess fees returned to the County from each respective Constitutional Office were above budgeted amounts for the fiscal year. Total General Fund expenditures came in below budget for 2018 by \$6,012,988, with the largest amount coming from general government by \$7,008,676. Due to the nature of grant funding, there were several budget adjustments required to account for changes that the County was not made aware of until after the beginning of the fiscal year.

Transportation Fund

The *transportation fund* accounts for the use of gas taxes restricted for transportation improvements, such as roads and bridges. This fund also accounts for the maintenance of the County's roadways, as well as, its road signs and traffic signals, and storm water management. Fund balance decreased \$7,088,517 in fiscal year 2018, not including transfers in from the general fund. The County, in participation with the City of Panama City, completed a portion of the Jenks Avenue Widening Project, between Baldwin Road and 23rd Street. The County

continues to progress on the remainder of the project, between Baldwin Road and Highway 390. Several other transportation projects commenced or continued in fiscal year 2018, such as work on various sidewalk projects, multiuse paths and bike lanes. In addition to these projects, the County replaced County Road 2297 (Cooks Bayou) and East Avenue bridges. These expenditures were necessary for maintenance and improvements to the County's roads and bridges. The combined expenditures of these projects directly relate to the increase in capital outlay expenditures for the Transportation Fund. As previously mentioned, some of these projects are ongoing into fiscal year 2019. Many of these projects were made possible by the half-cent sales tax enacted in 2017, which was strictly to be used on betterments to transportation in Bay County.

Tourist Development Fund

The *tourist development fund* is used to account for the local option sales and use tourism tax, also known as the Tourist Development Tax, which is utilized to promote tourism in Bay County. Four of the five cents collected are designated for tourism promotion, while one cent is designated for maintenance and protection of the local beaches. Fund balance increased 109% over the prior fiscal year. The increase in fund balance is almost entirely related to debt proceeds received in association with the financing of the Panama City Beach Sports Complex. The County began construction on the Sports Complex in fiscal year 2018 and is aiming to complete the project in the early summer of 2019. For several years now, the County has been successful in its efforts to shift the nature of tourism into that of a year-round family fun destination. In fiscal year 2018, Tourist Development Tax collections increased roughly 11%. This increase is attributable to established events held throughout the County each year as well as new marketing efforts, desirable weather conditions, and the natural beauty Bay County offers its tourists. Collectors of the Tourist Development Tax are being continuously educated about the benefits that exceed the cost of the tax. Along with education, extended collection efforts continue to play an important role in the preservation of the Tourist Development Tax in Bay County.

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 90% of its revenues in 2018. The decrease of \$523,597 in MSTU's fund balance is attributed to excess outflows of resources over corresponding inflows. This decrease is primarily due to the cost associated with refunding the Sales Tax Revenue Refunding Bonds, Series 2007 in fiscal year 2018.

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, after including prior period and restatement adjustment at the end of the year is presented on next page.

FUND	2018	2017
	Unrestricted Net Position	Unrestricted Net Position
Wholesale water system	\$ 22,781,372	\$ 24,424,197
Retail water and wastewater	10,947,386	9,988,887
Solid waste fund	(4,512,224)	(1,344,980)
Building services	3,616,607	3,696,511
Emergency medical services	(5,605,552)	(6,486,146)
Total	\$ 27,227,589	\$ 30,278,469

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 \$193,082 over fiscal year 2017, which was mainly due to higher consumption levels in fiscal year 2018. Total operating expenditures increased from fiscal year 2017 to fiscal year 2018 in the amount of \$2,900,861. In addition to these factors, capital contributions in the form of water impact fees lead to an overall increase in net position of \$441,768 in the wholesale water system fund.

The County's *solid waste fund* accounts for the operations and maintenance of the County's landfill and incinerator. In fiscal year 2018, \$10,755,753 was generated by tip fees; this represents an increase of \$611,355 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, \$4,758,762 for closure costs of its landfill. As of September 30, 2018, the County has accrued a total liability for landfill post closure care of \$7,846,859 and net position was \$49,221,009.

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, 2018, was \$453,331,625 (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:

- During fiscal year 2018, several infrastructure surtax projects began or finalized construction. These projects are funded, in part, by a half-cent sales tax increase that was passed by voters in early 2017. The projects that commenced or finalized in 2018 included, but are not limited to, the following:
 - County Road 2297 Cooks Bayou Bridge Replacement with a total expected project cost of \$9,146,959. The project was about 50% completed as of fiscal year end 2018.
 - Laird Street Sidewalk Repair was completed with total project costs of \$662,011.
 - Jenks Avenue Widening continued with total estimated project cost of \$10,587,554.

- Other transportation projects include the Transmitter Road Bike Lane completion with costs of \$1,182,890, County Road 389 Multi-Use Path completion with costs of \$775,763, commencement of the Frankford Avenue Sidewalk project with expected costs of \$996,245 and many more.

**Capital Assets
(net of depreciation)**

September 30,	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 14,656,186	\$ 14,636,462	\$ 5,727,643	\$ 5,727,643	\$ 20,383,829	\$ 20,364,105
Construction in progress	20,508,689	18,817,018	319,838	1,281,100	20,828,527	20,098,118
Books	850,555	914,371	-	-	850,555	914,371
Buildings and improvements	108,140,558	109,887,440	532,926	582,597	108,673,484	110,470,037
Furniture and equipment	17,326,604	16,286,087	5,354,903	4,394,450	22,681,507	20,680,537
Infrastructure	125,401,845	108,165,881	154,511,878	158,656,676	279,913,723	266,822,557
Total	\$ 286,884,437	\$ 268,707,259	\$ 166,447,188	\$ 170,642,466	\$ 453,331,625	\$ 439,349,725

The schedule above has been adjusted for a prior period adjustment noted at note 26. 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 \$112,023,636. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue Bonds	\$39,877,000	\$43,625,804	\$72,146,636	\$77,083,388	\$112,023,636	\$120,709,192

The County’s total bonded debt outstanding decreased by \$8,685,556 during the fiscal year ended September 30, 2018. The key factor contributing to the decrease in bonded debt was the payoff of prior year bonds through the payment of semi-annual and annual debt service payments.

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

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

OTHER FINANCIAL INFORMATION

The County's unemployment rate was 4.0% for 2018, which is an increase from 3.3% in 2017. Since 2010, the County's unemployment rate has decreased over 6%. In 2018, the County continued to focus on various transportation projects, as well as various other intersection and road upgrades. The half-cent sales tax passed by the County's citizens in 2017 greatly impacted the scope of work on several transportation projects and will continue to do so in the future. The U.S. Department of Treasury accepted Bay County's RESTORE Act plan during 2017 and approved several projects' funding. In 2018, Bay County accepted three awards in relation to RESTORE Act funding and provided a platform for area projects to receive funding through Subrecipient grants.

Moving into the fiscal year 2019, the County is undergoing extensive rehabilitation due to a category five storm, Hurricane Michael, which swept through the Panhandle on October 10, 2018. The devastation from the storm was widespread and will continue to affect the County into the future. At this point in time, there are no absolute measures on the monetary value of the destruction caused by the storm, though the County has received and continues to seek funding from the Federal Emergency Management Agency (FEMA) as well as other sources.

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: Katy Nail.

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BASIC FINANCIAL STATEMENTS

Bay County, Florida
Statement of Net Position
September 30, 2018

Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 5,996,328	\$ 1,091,150	\$ 7,087,478	\$ 2,011,586
Investments	76,325,642	34,093,815	110,419,457	-
Accounts receivable, net	3,739,486	8,538,678	12,278,164	49,235
Special assessments receivable	370,901	-	370,901	-
Accrued interest receivable	353,033	223,661	576,694	-
Due from other governments	10,916,270	954,740	11,871,010	-
Due from primary government	-	-	-	1,790,248
Due from component units	100,000	-	100,000	-
Prepays	2,080,761	7,697	2,088,458	596,125
Inventory	-	519,059	519,059	-
Notes receivable	430,641	5,059,657	5,490,298	-
Investment in joint venture	-	4,598,149	4,598,149	-
Restricted assets				
Cash and cash equivalents	1,621,382	1,536,313	3,157,695	-
Investments	48,203,953	20,073,103	68,277,056	-
Capital assets				
Nondepreciable	35,164,875	6,047,481	41,212,356	3,142,833
Depreciable, net	251,719,562	160,399,707	412,119,269	1,464
Total assets	437,022,834	243,143,210	680,166,044	7,591,491
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	1,793,212	644,460	2,437,672	-
Deferred outflows related to OPEB	255,870	64,882	320,752	-
Deferred outflows related to pension	35,288,258	5,863,313	41,151,571	-
Total deferred outflows of resources	37,337,340	6,572,655	43,909,995	-
LIABILITIES				
Accounts payable and accrued expenses	9,913,048	2,826,697	12,739,745	1,478,392
Internal balances	(1,885,260)	1,885,260	-	-
Due to other governments	740,978	910,029	1,651,007	-
Due to primary government	-	-	-	100,000
Due to component units	1,790,248	-	1,790,248	-
Unearned revenues	5,920,503	1,416,034	7,336,537	587,294
Accrued interest payable	1,143,841	307,502	1,451,343	-
Customer deposits	28,567	814,413	842,980	-
Long-term liabilities				
Due within one year				
Estimated liability for self insured losses	508,659	-	508,659	-
Accrued compensated absences	1,196,804	297,200	1,494,004	-
Notes payable	2,105,000	2,215,368	4,320,368	-
Capital leases payable	623,952	342,938	966,890	-
Bonds payable	2,821,000	4,630,000	7,451,000	-
Due in more than one year				
Estimated liability for self insured losses	3,972,102	-	3,972,102	-
Accrued compensated absences	3,671,311	367,716	4,039,027	-
Net OPEB obligation	15,252,518	1,720,912	16,973,430	-
Net pension liability	83,053,443	13,477,484	96,530,927	-
Notes payable	76,990,000	19,796,344	96,786,344	-
Capital leases payable	585,255	1,069,297	1,654,552	-
Bonds payable	37,056,000	67,516,636	104,572,636	-
Landfill postclosure liability	-	7,846,859	7,846,859	-
Total liabilities	245,487,969	127,440,689	372,928,658	2,165,686

Continued

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

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Units
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding	\$ -	\$ 1,262,118	\$ 1,262,118	\$ -
Deferred inflows related to pension	9,874,591	1,102,488	10,977,079	-
Deferred inflows related to OPEB	724,286	100,894	825,180	-
Total deferred inflows of resources	10,598,877	2,465,500	13,064,377	-
NET POSITION				
Net investment in capital assets	197,386,933	76,550,659	273,937,592	3,144,297
Restricted for				
Debt service	5,088,863	7,570,691	12,659,554	-
Impact fees	1,925,557	8,460,737	10,386,294	-
Public safety	6,749,022	-	6,749,022	-
Court function	1,781,873	-	1,781,873	-
Transportation	1,501,650	-	1,501,650	-
Recreation	678,622	-	678,622	-
Economic environment	69,604,782	-	69,604,782	-
Physical environment	2,606,319	-	2,606,319	-
Unrestricted (deficit)	(69,050,293)	27,227,589	(41,822,704)	2,281,508
Total net position	\$ 218,273,328	\$ 119,809,676	\$ 338,083,004	\$ 5,425,805

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental activities				
General government	\$ 48,503,172	\$ 16,862,500	\$ 1,247,371	\$ 1,480,368
Public safety	48,589,600	2,021,028	3,841,004	319,027
Physical environment	1,321,473	53,480	246,701	-
Transportation	37,826,331	4,416,377	664,642	11,553,441
Economic environment	25,346,097	-	411,840	4,636,811
Human services	6,795,314	885	52,567	-
Culture and recreation	7,721,631	790,868	85,702	518,430
Interest on long-term debt	3,883,725	-	-	-
Total governmental activities	179,987,343	24,145,138	6,549,827	18,508,077
Business-type activities				
Wholesale water system	17,679,973	16,368,156	-	917,770
Retail water and wastewater	12,362,477	12,325,470	-	843,351
Solid waste	18,611,836	13,748,203	150,000	-
Building services	1,721,266	1,577,734	-	-
Emergency medical services	7,503,778	6,391,539	53,482	-
Total business-type activities	57,879,330	50,411,102	203,482	1,761,121
Total primary government	\$ 237,866,673	\$ 74,556,240	\$ 6,753,309	\$ 20,269,198
Component Units	\$ 16,405,780	\$ 17,372,833	\$ 150,000	\$ -

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

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

Bay County, Florida
Statement of Activities
Year Ended September 30, 2018

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (28,912,933)	\$ -	\$ (28,912,933)	\$ -
(42,408,541)	-	(42,408,541)	-
(1,021,292)	-	(1,021,292)	-
(21,191,871)	-	(21,191,871)	-
(20,297,446)	-	(20,297,446)	-
(6,741,862)	-	(6,741,862)	-
(6,326,631)	-	(6,326,631)	-
(3,883,725)	-	(3,883,725)	-
(130,784,301)	-	(130,784,301)	-
-	(394,047)	(394,047)	-
-	806,344	806,344	-
-	(4,713,633)	(4,713,633)	-
-	(143,532)	(143,532)	-
-	(1,058,757)	(1,058,757)	-
-	(5,503,625)	(5,503,625)	-
(130,784,301)	(5,503,625)	(136,287,926)	-
-	-	-	1,117,053
76,315,124	-	76,315,124	-
60,723,275	1,700	60,724,975	-
4,446,400	-	4,446,400	-
1,708,726	1,668,127	3,376,853	12,817
1,275,897	697,981	1,973,878	-
144,469,422	2,367,808	146,837,230	12,817
(2,143,650)	2,143,650	-	-
142,325,772	4,511,458	146,837,230	12,817
11,541,471	(992,167)	10,549,304	1,129,870
200,545,137	121,358,649	321,903,786	4,295,935
(6,480)	-	(6,480)	-
6,193,200	(556,806)	5,636,394	-
206,731,857	120,801,843	327,533,700	4,295,935
\$ 218,273,328	\$ 119,809,676	\$ 338,083,004	\$ 5,425,805

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

Bay County, Florida
Balance Sheet
Governmental Funds
September 30, 2018

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 54,943	\$ 2,699,882	\$ 70,415	\$ 2,503,927	\$ 5,329,167
Accounts receivable, net	789,819	1,993,942	552,970	250,489	3,587,220
Special assessments receivable	249,086	-	121,815	-	370,901
Accrued interest receivable	109,307	132,223	55,986	29,716	327,232
Investments	14,534,525	35,275,977	14,639,058	4,212,556	68,662,116
Due from other funds	1,243,330	323,475	1,214,978	147,667	2,929,450
Due from other governments	4,352,100	9,737	6,199,895	353,200	10,914,932
Advances to other funds	1,155,014	-	-	-	1,155,014
Due from component units	-	100,000	-	-	100,000
Prepays	156,557	587,294	-	28,913	772,764
Notes receivable	430,641	-	-	-	430,641
Restricted assets					
Cash and cash equivalents	1,010,840	340,715	54,205	215,622	1,621,382
Investments	12,773,907	31,903,717	708,232	2,818,097	48,203,953
Total assets	\$ 36,860,069	\$ 73,366,962	\$ 23,617,554	\$ 10,560,187	144,404,772
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 3,552,515	\$ 2,118,175	\$ 3,102,874	\$ 671,271	9,444,835
Unearned revenues	5,625,843	-	291,297	3,363	5,920,503
Due to other funds	332,897	116	49,491	4,889	387,393
Advances from other funds	-	-	-	344,611	344,611
Due to other governments	740,532	-	-	446	740,978
Due to component units	-	1,790,248	-	-	1,790,248
Customer deposits	28,567	-	-	-	28,567
Total liabilities	10,280,354	3,908,539	3,443,662	1,024,580	18,657,135
Fund balance					
Nonspendable	1,311,571	587,294	-	28,913	1,927,778
Restricted	11,414,198	68,870,783	765,084	8,886,623	89,936,688
Assigned	2,030,176	346	19,408,808	620,071	22,059,401
Unassigned	11,823,770	-	-	-	11,823,770
Total fund balance	26,579,715	69,458,423	20,173,892	9,535,607	125,747,637
Total liabilities and fund balance	\$ 36,860,069	\$ 73,366,962	\$ 23,617,554	\$ 10,560,187	
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.					286,243,039
Internal service funds are used by management to charge the costs of various activities to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included in governmental activities in the statement of net position.					2,197,315
Deferred outflows and deferred inflows are not financial statement resources or liabilities and therefore are not reported in the funds.					26,202,550
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid.					(1,143,841)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(220,973,372)
Net position of governmental activities					\$ 218,273,328

Bay County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2018

	General	Tourist Development	Transportation	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 67,034,940	\$ 25,522,446	\$ 18,186,511	\$ 9,280,184	\$ 120,024,081
Licenses and permits	2,815	-	-	-	2,815
Intergovernmental	29,794,746	4,636,811	10,886,426	853,961	46,171,944
Charges for services	11,863,594	-	2,531,826	7,190,681	21,586,101
Fines and forfeitures	313,645	-	-	-	313,645
Special assessments	53,480	-	1,702	-	55,182
Investment earnings	606,314	735,948	220,552	108,174	1,670,988
Contributions and donations	748,389	-	610,104	329,168	1,687,661
Miscellaneous	503,154	127,099	278,342	649	909,244
Total revenues	110,921,077	31,022,304	32,715,463	17,762,817	192,421,661
EXPENDITURES					
Current					
General government	18,537,503	-	-	4,721,305	23,258,808
Public safety	56,140,891	-	-	9,742,609	65,883,500
Physical environment	280,653	-	534,760	-	815,413
Transportation	-	-	25,647,626	-	25,647,626
Economic environment	4,366,072	20,011,833	-	-	24,377,905
Human services	5,498,237	-	-	1,230,044	6,728,281
Culture and recreation	5,897,373	-	-	-	5,897,373
Capital outlay					
General government	3,515,015	-	-	-	3,515,015
Public safety	2,028,237	-	-	3,504,207	5,532,444
Physical environment	-	-	1,892,623	-	1,892,623
Transportation	-	-	11,748,386	-	11,748,386
Economic environment	-	9,748,615	-	-	9,748,615
Culture and recreation	927,285	-	-	-	927,285
Debt service					
Principal	3,477,829	4,143	8,443	254,771	3,745,186
Interest and fiscal charges	2,579,111	475	675	267,565	2,847,826
Payment to refunded bond escrow agent	963,507	-	-	430,053	1,393,560
Bond issuance costs	36,068	141,033	-	16,099	193,200
Total expenditures	104,247,781	29,906,099	39,832,513	20,166,653	194,153,046
Excess (deficit) of revenues over (under) expenditures	6,673,296	1,116,205	(7,117,050)	(2,403,836)	(1,731,385)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	9,515,867	137,882	9,653,749
Transfers out	(11,797,399)	-	-	-	(11,797,399)
Issuance of debt	8,653,786	35,145,000	28,533	8,013,521	51,840,840
Payment to refunded bond escrow agent	(7,621,302)	-	-	(3,401,697)	(11,022,999)
Proceeds from sales of capital assets	4,097	-	-	-	4,097
Total other financing sources (uses)	(10,760,818)	35,145,000	9,544,400	4,749,706	38,678,288
Net change in fund balance	(4,087,522)	36,261,205	2,427,350	2,345,870	36,946,903
Fund balance - beginning (as previously stated)	30,667,237	33,844,328	17,296,542	7,189,737	88,997,844
Prior period adjustment	-	(647,110)	450,000	-	(197,110)
Fund balance - beginning (as restated)	30,667,237	33,197,218	17,746,542	7,189,737	88,800,734
Fund balance - ending	\$ 26,579,715	\$ 69,458,423	\$ 20,173,892	\$ 9,535,607	\$ 125,747,637

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, 2018

Amounts reported for governmental activities in the statement of activities (page B-21)
 are different because:

Net change in fund balance - total governmental funds (page B-23) \$ 36,946,903

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 16,913,698

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is an increase net position. 1,309,582

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. (7,903,678)

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. 84,105

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. This amount is the net effect of these differences in the treatment of long-term debt and related items. (35,809,139)

Change in net position of governmental activities (page B-21) \$ 11,541,471

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary Basis	Final Budget
REVENUES				
Taxes	\$ 65,763,880	\$ 65,763,880	\$ 67,034,940	\$ 1,271,060
Licenses and permits	1,425	1,425	2,815	1,390
Intergovernmental	21,832,704	25,301,768	25,001,993	(299,775)
Charges for services	12,728,660	13,001,294	10,687,694	(2,313,600)
Fines and forfeitures	119,000	169,200	241,205	72,005
Investment earnings	320,000	320,000	589,413	269,413
Contributions and donations	171,500	293,959	332,150	38,191
Miscellaneous	1,167,043	1,131,181	410,077	(721,104)
Total revenues	102,104,212	105,982,707	104,300,287	(1,682,420)
EXPENDITURES				
Current				
General government	23,072,359	25,546,179	18,537,503	7,008,676
Public safety	51,452,353	53,746,477	51,232,976	2,513,501
Physical environment	338,450	372,068	260,116	111,952
Economic environment	2,451,999	4,731,096	4,366,072	365,024
Human services	5,193,517	5,423,380	5,498,237	(74,857)
Culture and recreation	3,021,310	3,110,141	2,792,374	317,767
Capital outlay				
General government	326,100	1,453,361	3,515,015	(2,061,654)
Public safety	636,026	660,628	2,028,237	(1,367,609)
Culture and recreation	618,290	998,979	927,285	71,694
Debt service				
Principal	3,536,930	3,536,930	3,404,827	132,103
Interest and fiscal charges	2,561,995	2,562,095	2,566,129	(4,034)
Payment to refunded bond escrow agent	-	-	963,507	(963,507)
Bond issuance costs	-	-	36,068	(36,068)
Total expenditures	93,209,329	102,141,334	96,128,346	6,012,988
Excess (deficit) of revenues over (under) expenditures	8,894,883	3,841,373	8,171,941	4,330,568
OTHER FINANCING SOURCES (USES)				
Transfers in	1,248,746	1,248,746	49,466	(1,199,280)
Transfers out	(13,910,101)	(14,113,853)	(14,113,853)	-
Issuance of debt	-	-	8,653,786	8,653,786
Payment to refunded bond escrow agent	(500)	(500)	(7,621,302)	(7,620,802)
Proceeds from sales of capital assets	-	-	4,097	4,097
Total other financing sources (uses)	(12,661,855)	(12,865,607)	(13,027,806)	(162,199)
Net change in fund balance	\$ (3,766,972)	\$ (9,024,234)	(4,855,865)	\$ 4,168,369
Fund balance - beginning			<u>30,087,101</u>	
Fund balance - ending			<u>\$ 25,231,236</u>	

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

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Tourist Development Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 21,534,658	\$ 21,729,854	\$ 25,522,446	\$ 3,792,592
Intergovernmental	-	4,628,670	4,636,811	8,141
Investment earnings	197,400	197,400	735,948	538,548
Miscellaneous	98,400	98,400	127,099	28,699
Total revenues	21,830,458	26,654,324	31,022,304	4,367,980
EXPENDITURES				
Current				
Economic environment	19,878,463	21,950,363	20,011,833	1,938,530
Capital outlay				
Economic environment	30,000	35,076,450	9,748,615	25,327,835
Debt service				
Principal	-	-	4,143	(4,143)
Interest and fiscal charges	-	500	475	25
Bond issuance costs	-	141,100	141,033	67
Total expenditures	19,908,463	57,027,313	29,765,066	27,262,247
Excess (deficit) of revenues over (under) expenditures	1,921,995	(30,372,989)	1,257,238	31,630,227
OTHER FINANCING SOURCES				
Issuance of debt	-	35,136,500	35,145,000	8,500
Total other financing sources	-	35,136,500	35,145,000	8,500
Net change in fund balance	\$ 1,921,995	\$ 4,763,511	36,402,238	\$ 31,638,727
Fund balance - beginning (as previously stated)			33,844,328	
Prior period adjustment			(647,110)	
Fund balance - beginning (as restated)			33,197,218	
Fund balance - ending			<u>\$ 69,458,423</u>	

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

Bay County, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Transportation Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 17,769,220	\$ 18,623,365	\$ 18,186,511	\$ (436,854)
Intergovernmental	4,222,457	18,879,721	10,886,426	(7,993,295)
Charges for services	2,478,000	2,556,225	2,531,826	(24,399)
Special assessments	-	-	1,702	1,702
Investment earnings	53,850	53,850	220,552	166,702
Contributions and donations	450,000	913,013	610,104	(302,909)
Miscellaneous	25,000	107,163	278,342	171,179
Total revenues	24,998,527	41,133,337	32,715,463	(8,417,874)
EXPENDITURES				
Current				
Physical environment	-	1,634,848	534,760	1,100,088
Transportation	33,004,222	51,054,861	25,647,626	25,407,235
Capital outlay				
Physical environment	-	2,503,802	1,892,623	611,179
Transportation	489,834	2,889,898	11,748,386	(8,858,488)
Debt service				
Principal	-	-	8,443	(8,443)
Interest and fiscal charges	-	-	675	(675)
Total expenditures	33,494,056	58,083,409	39,832,513	18,250,896
Excess (deficit) of revenues over (under) expenditures	(8,495,529)	(16,950,072)	(7,117,050)	9,833,022
OTHER FINANCING SOURCES				
Transfers in	9,515,867	9,515,867	9,515,867	-
Issuance of debt	-	-	28,533	28,533
Total other financing sources	9,515,867	9,515,867	9,544,400	28,533
Net change in fund balance	\$ 1,020,338	\$ (7,434,205)	2,427,350	\$ 9,861,555
Fund balance - beginning (as previously stated)			17,296,542	
Prior period adjustment			450,000	
Fund balance - beginning (as restated)			17,746,542	
Fund balance - ending			<u>\$ 20,173,892</u>	

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

	Wholesale Water System	Retail Water & Wastewater	Solid Waste
ASSETS			
Current assets			
Cash and cash equivalents	\$ 70,552	\$ 716,495	\$ -
Accounts receivable, net	1,668,580	993,034	1,881,200
Accrued interest receivable	123,423	67,632	17,281
Prepaid expenses	-	-	-
Investments	20,782,460	9,341,938	-
Inventory	519,059	-	-
Due from other funds	1,794,927	117,548	512,095
Due from other governments	29,109	925,631	-
Total current assets	24,988,110	12,162,278	2,410,576
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	797,407	373,448	360,001
Investments	10,418,721	4,879,398	4,703,678
Notes receivable	602,947	4,456,710	-
Advances to other funds	-	-	-
Investment in joint venture	-	4,598,149	-
Capital assets			
Land	261,192	4,714,000	752,451
Construction in progress	319,838	-	-
Buildings	2,422,524	4,766	862,912
Improvements	90,985	4,678	46,750
Furniture and equipment	3,410,329	1,613,774	7,028,410
Infrastructure	136,884,765	34,256,155	90,843,471
Less: accumulated depreciation	(65,034,233)	(19,300,357)	(34,545,422)
Total noncurrent assets	90,174,475	35,600,721	70,052,251
Total assets	115,162,585	47,762,999	72,462,827
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	-	644,460
Deferred outflows related to OPEB	13,981	11,593	10,593
Deferred outflows related to pension	475,772	700,664	407,352
Total deferred outflows of resources	489,753	712,257	1,062,405

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

Bay County, Florida
Statement of Net Position
Proprietary Funds
September 30, 2018

Business-type Activities Enterprise Funds				Governmental Activities	
Building Services	Emergency Medical Services	Total	Internal Service Funds		
\$ 304,103	\$ -	\$ 1,091,150	\$	667,161	
9,777	3,986,087	8,538,678		152,266	
15,325	-	223,661		25,801	
-	7,697	7,697		1,307,997	
3,969,417	-	34,093,815		7,663,526	
-	-	519,059		-	
-	141,171	2,565,741		84,702	
-	-	954,740		1,338	
4,298,622	4,134,955	47,994,541		9,902,791	
3,700	1,757	1,536,313		-	
48,346	22,960	20,073,103		-	
-	-	5,059,657		-	
344,611	-	344,611		-	
-	-	4,598,149		-	
-	-	5,727,643		-	
-	-	319,838		-	
-	-	3,290,202		858,444	
-	-	142,413		140,043	
493,007	2,192,581	14,738,101		1,099,314	
-	-	261,984,391		-	
(452,928)	(422,460)	(119,755,400)		(1,456,403)	
436,736	1,794,838	198,059,021		641,398	
4,735,358	5,929,793	246,053,562		10,544,189	
-	-	644,460		-	
8,315	20,400	64,882		14,702	
367,371	3,912,154	5,863,313		726,277	
375,686	3,932,554	6,572,655		740,979	

Continued

	Wholesale Water System	Retail Water & Wastewater	Solid Waste
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,475,963	\$ 809,098	\$ 373,157
Due to other funds	5,109	5,686	2,361,048
Due to other governments	-	641,483	787
Accrued interest payable	159,483	101,947	34,631
Estimated liability for self insured losses, current	-	-	-
Accrued compensated absences, current	60,134	89,025	39,699
Capital leases payable, current	726	372	603
Notes payable, current	880,000	1,097,368	-
Bonds payable, current	1,710,000	625,000	2,295,000
Total current liabilities	4,291,415	3,369,979	5,104,925
Noncurrent liabilities			
Estimated liability for self insured losses, net	-	-	-
Customer deposits	-	686,626	75,741
Unearned revenue	-	1,416,034	-
Accrued compensated absences	62,382	77,345	53,146
Net OPEB obligation	326,523	439,697	315,440
Net pension liability	1,096,128	1,631,961	961,274
Advances from other funds	-	1,155,014	-
Capital leases payable, net	1,387	53	77
Notes payable, net	14,840,000	3,359,344	-
Bonds payable, net	30,620,405	27,066,231	9,830,000
Landfill postclosure liability	-	-	7,846,859
Total noncurrent liabilities	46,946,825	35,832,305	19,082,537
Total liabilities	51,238,240	39,202,284	24,187,462
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	942,721	319,397	-
Deferred inflows related to pension	93,492	139,980	100,288
Deferred inflows related to OPEB	21,741	18,028	16,473
Total deferred outflows of resources	1,057,954	477,405	116,761
NET POSITION			
Net investment in capital assets	29,360,161	(6,718,037)	53,507,352
Restricted for			
Debt service	4,845,455	2,474,637	225,881
Impact fees	6,369,156	2,091,581	-
Unrestricted	22,781,372	10,947,386	(4,512,224)
Total net position	\$ 63,356,144	\$ 8,795,567	\$ 49,221,009

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

Bay County, Florida
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2018

Business-type Activities Enterprise Funds				
Building Services	Emergency Medical Services	Total	Governmental Activities Internal Service Funds	
\$ 36,765	\$ 131,714	\$ 2,826,697	\$	468,213
1,280	1,267,475	3,640,598		1,551,902
12,380	255,379	910,029		-
-	11,441	307,502		-
-	-	-		508,659
41,571	66,771	297,200		84,933
1,563	339,674	342,938		8,690
-	238,000	2,215,368		-
-	-	4,630,000		-
<u>93,559</u>	<u>2,310,454</u>	<u>15,170,332</u>		<u>2,622,397</u>
-	-	-		3,972,102
52,046	-	814,413		-
-	-	1,416,034		-
46,809	128,034	367,716		116,806
291,844	347,408	1,720,912		453,115
866,795	8,921,326	13,477,484		1,705,701
-	-	1,155,014		-
435	1,067,345	1,069,297		12,666
-	1,597,000	19,796,344		-
-	-	67,516,636		-
-	-	7,846,859		-
<u>1,257,929</u>	<u>12,061,113</u>	<u>115,180,709</u>		<u>6,260,390</u>
<u>1,351,488</u>	<u>14,371,567</u>	<u>130,351,041</u>		<u>8,882,787</u>
-	-	1,262,118		-
91,938	676,790	1,102,488		182,204
12,930	31,722	100,894		22,862
<u>104,868</u>	<u>708,512</u>	<u>2,465,500</u>		<u>205,066</u>
38,081	363,102	76,550,659		620,042
-	24,718	7,570,691		-
-	-	8,460,737		-
3,616,607	(5,605,552)	27,227,589		1,577,273
<u>\$ 3,654,688</u>	<u>\$ (5,217,732)</u>	<u>\$ 119,809,676</u>	<u>\$</u>	<u>2,197,315</u>

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

	Wholesale Water System	Retail Water & Wastewater	Solid Waste
OPERATING REVENUES			
Charges for services	\$ 16,368,156	\$ 12,325,470	\$ 13,748,203
Miscellaneous	334,100	158,952	37,968
Total operating revenues	16,702,256	12,484,422	13,786,171
OPERATING EXPENSES			
Personal services	1,919,001	2,875,392	1,582,248
Contracted services	2,199,148	1,017,152	6,273,841
Repairs and maintenance	2,890,318	327,561	3,001,229
Utilities	1,764,174	224,323	819,401
Depreciation	4,348,740	1,615,239	3,793,548
Materials	-	-	-
Insurance claims	-	-	-
Other operating expenses	3,084,459	5,028,622	2,453,097
Total operating expenses	16,205,840	11,088,289	17,923,364
Operating income (loss)	496,416	1,396,133	(4,137,193)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings (loss)	502,425	1,041,964	81,043
Interest and fiscal charges	(1,474,133)	(1,274,188)	(594,844)
Taxes	-	-	1,700
Gain(Loss) on disposal of capital assets	-	-	(93,628)
Contributions	-	-	150,000
Total nonoperating revenues (expenses)	(971,708)	(232,224)	(455,729)
Income (loss) before capital contributions and transfers	(475,292)	1,163,909	(4,592,922)
Capital contributions	917,060	844,061	-
Transfers in	-	-	-
Change in net position	441,768	2,007,970	(4,592,922)
Total net position - beginning (as originally stated)	63,009,733	6,915,995	53,890,972
Restatement adjustment	(95,357)	(128,398)	(77,041)
Total net position - beginning	62,914,376	6,787,597	53,813,931
Total net position - ending	\$ 63,356,144	\$ 8,795,567	\$ 49,221,009

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

Bay County, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2018

Building Services	Business-type Activities Enterprise Funds		Total	Governmental Activities Internal Service Funds
	Emergency Medical Services			
\$ 1,577,734	\$ 6,391,539	\$ 50,411,102	\$ 9,571,669	
29,051	173,913	733,984	14,655	
<u>1,606,785</u>	<u>6,565,452</u>	<u>51,145,086</u>	<u>9,586,324</u>	
1,402,541	5,418,471	13,197,653	2,789,144	
179,340	739,440	10,408,921	347,836	
3,442	302,687	6,525,237	294,403	
20	16,975	2,824,893	393,944	
45,084	167,472	9,970,083	80,568	
-	-	-	2,226,593	
-	-	-	756,810	
90,544	756,097	11,412,819	2,704,543	
<u>1,720,971</u>	<u>7,401,142</u>	<u>54,339,606</u>	<u>9,593,841</u>	
(114,186)	(835,690)	(3,194,520)	(7,517)	
67,599	(24,904)	1,668,127	92,261	
(295)	(102,636)	(3,446,096)	(639)	
-	-	1,700	-	
-	17,479	(76,149)	-	
-	-	150,000	-	
<u>67,304</u>	<u>(110,061)</u>	<u>(1,702,418)</u>	<u>91,622</u>	
(46,882)	(945,751)	(4,896,938)	84,105	
-	-	1,761,121	-	
-	2,143,650	2,143,650	-	
<u>(46,882)</u>	<u>1,197,899</u>	<u>(992,167)</u>	<u>84,105</u>	
3,775,410	(6,233,461)	121,358,649	2,252,596	
(73,840)	(182,170)	(556,806)	(139,386)	
<u>3,701,570</u>	<u>(6,415,631)</u>	<u>120,801,843</u>	<u>2,113,210</u>	
\$ 3,654,688	\$ (5,217,732)	\$ 119,809,676	\$ 2,197,315	

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

	Wholesale Water System	Retail Water & Wastewater	Solid Waste
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 15,081,986	\$ 13,424,079	\$ 12,767,645
Cash received from miscellaneous operating activities	334,100	158,952	37,968
Cash paid to suppliers for goods and services	(9,270,779)	(7,425,338)	(7,242,025)
Cash paid to employees for services	(1,848,117)	(2,647,252)	(1,473,326)
Net cash provided by (used in) operating activities	4,297,190	3,510,441	4,090,262
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
received from (made to) other funds	-	(175,442)	-
Taxes received	-	-	1,700
Contributions received	-	-	150,000
Net cash provided by (used in) noncapital financing activities	-	(175,442)	151,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on long-term debt	(1,999,465)	(1,310,427)	(593,947)
Principal paid on long-term debt	(2,496,512)	(2,098,450)	(2,231,223)
Proceeds from long-term debt	-	-	-
Capital contributions received	917,060	844,061	-
Bond issue costs	-	-	-
Asset impairment loss	-	-	-
Proceeds from sale of capital assets	-	-	-
Purchase of capital assets	(2,250,814)	(215,859)	(288,493)
Net cash provided by (used in) capital and related financing activities	(5,829,731)	(2,780,675)	(3,113,663)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale and maturities of investment securities	15,829,513	4,589,750	3,826,093
Purchase of investments	(16,318,530)	(6,889,151)	(2,730,417)
Return of investment	-	150,443	-
Interest and dividends on investments	493,925	369,103	84,979
Collections on loans	117,800	1,497,573	-
Net cash provided by (used in) investing activities	122,708	(282,282)	1,180,655
Net change in cash and cash equivalents	(1,409,833)	272,042	2,308,954
Cash and cash equivalents - beginning	2,277,792	817,901	411,911
Cash and cash equivalents - ending	\$ 867,959	\$ 1,089,943	\$ 2,720,865
Classified as			
Current assets	\$ 70,552	\$ 716,495	\$ -
Restricted assets	797,407	373,448	360,001
Total	\$ 867,959	\$ 1,089,943	\$ 360,001
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Assets acquired via lease	\$ 2,031	\$ -	\$ -
Assets acquired via impact fee credits	\$ -	\$ 1,416,034	\$ -

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, 2018

Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds	
Building Services	Emergency Medical Services		Total		
\$ 1,583,069	\$ 5,417,487	\$ 48,274,266	\$ 9,777,233		
29,051	147,074	707,145	14,655		
(258,042)	(2,262,114)	(26,458,298)	(5,666,257)		
(1,283,347)	(4,806,890)	(12,058,932)	(2,550,431)		
70,731	(1,504,443)	10,464,181	1,575,200		
-	2,143,650	2,143,650	-		
52,345	-	(123,097)	-		
-	-	1,700	-		
-	-	150,000	-		
52,345	2,143,650	2,172,253	-		
(295)	(99,307)	(4,003,441)	(528)		
(4,265)	(406,880)	(7,237,330)	(8,603)		
-	-	-	-		
-	-	1,761,121	-		
-	-	-	-		
-	18,000	18,000	-		
-	(170,220)	(2,925,386)	(20,811)		
(4,560)	(658,407)	(12,387,036)	(29,942)		
1,918,316	43,985	26,207,657	2,374,581		
(2,075,908)	(24,704)	(28,038,710)	(3,795,734)		
-	-	150,443	-		
66,521	-	1,014,528	89,332		
-	-	1,615,373	-		
(91,071)	19,281	949,291	(1,331,821)		
27,445	81	1,198,689	213,437		
280,358	1,676	3,789,638	453,724		
\$ 307,803	\$ 1,757	\$ 4,988,327	\$ 667,161		
\$ 304,103	\$ -	\$ 1,091,150	\$ 667,161		
3,700	1,757	1,536,313	-		
\$ 307,803	\$ 1,757	\$ 2,627,463	\$ 667,161		
\$ -	\$ 1,536,000	\$ 1,538,031	\$ 13,653		
\$ -	\$ -	\$ 1,416,034	\$ -		

Continued

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

	Wholesale Water System	Retail Water & Wastewater	Solid Waste
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 496,416	\$ 1,396,133	\$ (4,137,193)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	4,348,740	1,615,239	3,793,548
(Increase) decrease in assets			
Accounts receivable, net	318,494	61,579	(628,679)
Prepaid expenses	-	-	-
Inventory	(94,552)	-	-
Due from other funds	(1,682,676)	(3,089)	2,007,261
Due from other governments	78,012	978,312	-
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	767,665	(588,876)	66,950
Unearned revenues	-	-	-
Due to other funds	(5,793)	(2,504)	2,356,522
Due to other governments	-	(236,300)	787
Customer deposits	-	61,807	1,724
Accrued compensated absences	(42,194)	68,686	169
Net OPEB obligation	11,339	9,402	8,591
Net pension liability	30,608	46,773	30,706
Landfill postclosure liability	-	-	520,420
Increase in deferred outflows related to pension	16,643	25,435	16,697
Increase in deferred outflows related to OPEB	(13,981)	(11,593)	(10,593)
Increase in deferred inflows related to OPEB	21,741	18,028	16,473
Decrease in deferred inflows related to pension	46,728	71,409	46,879
Total adjustments	3,800,774	2,114,308	8,227,455
Net cash provided by (used in) operating activities	\$ 4,297,190	\$ 3,510,441	\$ 4,090,262

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, 2018

Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
Building Services	Emergency Medical Services	Total	
\$ (114,186)	\$ (835,690)	\$ (3,194,520)	\$ (7,517)
45,084	167,472	9,970,083	80,568
(6,151)	(882,017)	(1,136,774)	7,405
-	(7,697)	(7,697)	62,424
-	-	(94,552)	-
-	(1,961,495)	(1,639,999)	198,667
-	100	1,056,424	(508)
7,383	(85,098)	168,024	(14,003)
-	(26,839)	(26,839)	-
71	1,259,861	3,608,157	1,009,451
7,850	255,379	27,716	-
11,486	-	75,017	-
19,064	(39,741)	5,984	34,295
6,743	16,544	52,619	11,924
28,911	203,050	340,048	60,034
-	-	520,420	-
15,722	110,414	184,911	32,646
(8,315)	(20,400)	(64,882)	(14,702)
12,930	31,722	100,894	22,862
44,139	309,992	519,147	91,654
184,917	(668,753)	13,658,701	1,582,717
\$ 70,731	\$ (1,504,443)	\$ 10,464,181	\$ 1,575,200

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

Bay County, Florida
Statement of Fiduciary Net Position
Agency Funds
September 30, 2018

ASSETS

Cash and cash equivalents	\$	8,266,691
Accounts receivable, net		1,264
<hr/>		
Total assets	\$	8,267,955
<hr/> <hr/>		

LIABILITIES

Accounts payable and accrued liabilities	\$	2,702,069
Due to others		24,023
Due to other governments		5,541,863
<hr/>		
Total liabilities	\$	8,267,955
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The accompanying notes are an integral part of the basic financial statements

Bay County, Florida
Statement of Net Position - Discretely Presented Component Units
September 30, 2018

	Component Units			Total
	Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.	Panama City Community Development Council, Inc.	
ASSETS				
Cash and cash equivalents	\$ 1,790,090	\$ 45,016	\$ 176,480	\$ 2,011,586
Accounts receivable, net	49,235	-	-	49,235
Prepaid expenses	583,910	1,625	10,590	596,125
Due from primary government	1,723,576	15,104	51,568	1,790,248
Capital assets				
Nondepreciable	3,142,833	-	-	3,142,833
Depreciable, net	-	-	1,464	1,464
Total assets	7,289,644	61,745	240,102	7,591,491
LIABILITIES				
Accounts payable and accrued expenses	1,401,964	19,357	57,071	1,478,392
Due to primary government	-	-	100,000	100,000
Unearned revenues	576,470	1,625	9,199	587,294
Total liabilities	1,978,434	20,982	166,270	2,165,686
NET POSITION				
Net investment in capital assets	3,142,833	-	1,464	3,144,297
Unrestricted	2,168,377	40,763	72,368	2,281,508
Total net position	\$ 5,311,210	\$ 40,763	\$ 73,832	\$ 5,425,805

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

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs	Expenses			
Component Units				
Panama City Beach Convention and Visitors Bureau, Inc.	\$ 14,161,423	\$ 15,264,046	\$ -	\$ -
Mexico Beach Community Development Council, Inc.	872,345	696,446	150,000	-
Panama City Community Development Council, Inc.	1,372,012	1,412,341	-	-
Total component units	\$ 16,405,780	\$ 17,372,833	\$ 150,000	\$ -

General revenues

Investment earnings

Total general revenues

Change in net position

Net position - beginning

Net position - ending

Bay County, Florida
Statement of Activities - Discretely Presented Component Units
Year Ended September 30, 2018

Net (Expenses) Revenues and Changes in Net Position				
Component Units				
Panama City Beach Convention and Visitors Bureau, Inc.	Mexico Beach Community Development Council, Inc.	Panama City Community Development Council, Inc.	Total	
\$ 1,102,623	\$ -	\$ -	\$ 1,102,623	
-	(25,899)	-	(25,899)	
-	-	40,329	40,329	
1,102,623	(25,899)	40,329	1,117,053	
11,403	255	1,159	12,817	
11,403	255	1,159	12,817	
1,114,026	(25,644)	41,488	1,129,870	
4,197,184	66,407	32,344	4,295,935	
\$ 5,311,210	\$ 40,763	\$ 73,832	\$ 5,425,805	

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 accounting principles generally accepted in the United States of America (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

The 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, building services, and emergency medical 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 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 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 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.

The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units

Discretely presented component units are reported in the statement of net position and activities – discretely presented component units 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. (Mexico Beach CDC) 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 Mexico Beach CDC is presented as a governmental fund type with a fiscal year of September 30. Complete financial statements for the Mexico Beach CDC 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 Mexico Beach CDC'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 Mexico Beach CDC.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Panama City Community Development Council, Inc.

The Panama City Community Development Council, Inc. (Panama City CDC) 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 Panama City, Florida. The Panama City CDC is presented as a governmental fund type with a fiscal year of September 30. Complete financial statements for the Panama City CDC may be obtained from the Bay County Finance Office at P.O. Box 2269, Panama City, Florida 32402.

The Board has the ability to provide ongoing accountability to the Panama City CDC. The County is also legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the Panama City CDC.

Because the County has the ability to provide ongoing accountability and is able to impose its will on and is obligated to provide specific financial support to the Panama City CDC, the Panama City CDC is considered a component unit and the discrete presentation method has been used to report the Panama City CDC'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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are 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.

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 funds. 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 & gas and various other taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the County.

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 other financing sources. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Basis of Presentation

GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and proprietary combined) for the determination of major funds. The County has used GASB criteria for major fund determination to determine which funds are required to be reported as major funds, except for the building services and 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 the 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.

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. GAAP, 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 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.

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)

Investments

Investments of the County are reported at fair value unless otherwise disclosed.

External Investment Pools

The County maintains deposits in the Local Government Surplus Funds Trust Fund (pool), hereinafter Florida PRIME, administered by the State of Florida State Board of Administration (SBA) and in a Federated Prime Investment. These external investment pools have adopted operating procedures consistent with the requirements of GASB 79 and the fair value of the assets in the pools are equal to the value of the pools' shares. Such investments are stated at amortized cost.

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 SBA.

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., the Mexico Beach CDC, and the Panama City CDC do not include investment policies. The Bureau, the Mexico Beach CDC, and the Panama City CDC 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 debt instruments (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. Special assessments due from property owners are recorded as receivables when the final assessment role is approved.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of September 30, 2018, the allowance for doubtful accounts for the emergency medical services fund is \$31,522,866 and total accounts receivable for the fund is \$35,508,953. As of September 30, 2018, the accounts receivable of all other funds are considered collectible; as such, no allowance for doubtful accounts is recorded.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2018, are recorded as prepaid items using the consumption method by recording an asset for the prepaid 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, showing this amount is not in spendable form.

Due to and Due from and Advances to/from Other Funds

Interfund receivables and payables arise from interfund transactions for operating purposes and are recorded by all funds affected in the period in which transactions are executed. Long-term interfund loans are recorded as interfund advances to/from other funds. General Fund advances to other funds are reported as nonspendable fund balance unless the proceeds of the collection are restricted, committed, or assigned. In the other governmental funds, the proceeds are restricted, committed, or assigned and are reported in the corresponding fund balance classification.

Inventory

Inventory in the proprietary funds is valued at the lower of cost (first-in, first-out) or net realizable value. 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 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital assets are stated at cost, except for donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement which are reported at acquisition value rather than fair value. 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	Furniture and equipment	3-15 Years
Improvements	20-50 Years	Infrastructure	10-50 Years
Utility plants	35-50 Years	Books	5 Years

Miscellaneous Revenue

Miscellaneous revenue consist of various revenues including rental income, fees charged for nonrecurring services, donations, gifts and insurance proceeds. The transportation funds miscellaneous revenue as of September 30, 2018 of \$278,342 consisted primarily of insurance proceeds for \$167,721. The EMS funds miscellaneous revenue of \$173,913 consisted primarily of a state grant for \$53,482, a refund of \$35,208 and Medicaid related reimbursement of \$74,592.

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. For the year ended September 30, 2018, the County did not capitalize any interest cost.

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 the 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unamortized Bond Discounts

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

Unearned Revenues

Unearned revenues reported in government-wide financial statements represent revenues received in advance of the earnings process. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned 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.

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 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 CDC'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, prorated 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 the 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 Bay County Clerk of Court and Comptroller'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, based on a payout service schedule. The paid time off policy allows for full-time employees to accumulate 13 to 21 hours a month depending on the length of service.

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

It is the Bay County Tax Collector's policy to grant employees who leave in good standing payment for up to 240 hours of earned, unused paid time off. The paid time off policy allows for full-time employees to accumulate 13 to 22 hours a month, depending on the length of service. Eligible part-time employees earn a prorated amount of leave.

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 240 hours. Upon termination or retirement, unused compensatory time is paid at the employees' regular pay 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.

The vacation leave policy of the Panama City CDC provides for all full-time employees to earn between 10 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 Council up to 240 hours per employee. All unused annual leave is forfeited at termination of employment, therefore no amount is accrued.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows, Deferred Inflows, and Net Position

GASB statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renamed the components of net position which were previously considered net assets.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows/inflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County currently has deferred inflows/outflows that qualify for reporting in these categories. It includes the deferred charge (loss/gain) on refunding reported in the government-wide statement of net position and the statement of net position for proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, the County records deferred inflows/outflows to their net pension liability and OPEB obligations, additional information related to these deferred outflow/inflows are included in note 10 and 11.

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, 2018, is \$1,927,778.

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, 2018, is \$89,936,688.

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. Commitments may be established, modified, or rescinded only through ordinance approved by the Board. There are no committed funds as of September 30, 2018.

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 by the Board including board resolution, board memorandum, or budget appropriations. The assigned fund balance as of September 30, 2018, is \$22,059,401.

Unassigned – This category is the residual classification for the County’s fund balance. The unassigned fund balance as of September 30, 2018, is \$11,823,770. The general fund is the only fund that can report a positive unassigned balance. It would be inappropriate for other funds to report a positive unassigned balance. However, if expenditures are incurred for a specific purpose that exceed the amounts that are restricted, committed or assigned, they may report a negative unassigned balance.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ significantly from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) Pension Plan and the Retirees' Health Insurance Subsidy (HIS) Program and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by FRS and HIS. The financial statements for FRS and HIS are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with U.S. GAAP. Contributions are recognized as revenues when due, pursuant to the statutory and contractual requirements (see Note 10).

Postemployment Benefits Other Than Pensions

GASB Statement No. 75 requires local and state government employers to recognize the OPEB Liability and the OPEB Expense on their financial statements along with related deferred outflows and inflows of resources (see Note 11).

Date of Management's Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 30, 2019, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to conform to the 2018 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 \$(220,973,372) difference are as follows:

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

Bonds payable	\$	(39,877,000)
Notes payable		(79,095,000)
Capital leases payable		(1,187,851)
Net OPEB obligation		(14,799,403)
Net pension liability		(81,347,742)
Compensated absences		(4,666,376)
<hr/>		
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	\$	(220,973,372)

Deferred inflows and outflows related to the County’s governmental activities are not reported as fund assets and liabilities. All assets and liabilities are reported in the statement of net position. The details of this \$26,202,550 difference are as follows:

Deferred outflows related to pension	\$	34,561,981
Deferred inflows related to pension		(9,692,387)
Deferred outflows related to OPEB		241,168
Deferred inflows related to OPEB		(701,424)
Deferred outflows related to loss on refunding		1,793,212
<hr/>		
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	\$	26,202,550

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 \$286,243,039 difference are as follows:

Cost of capital assets	\$	553,166,935
Less: accumulated depreciation		(266,923,896)
<hr/>		
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	\$	286,243,039

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 funds statement of revenues, expenditures, and changes in fund balance 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 \$16,913,698 difference are as follows:

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

Capital outlay	\$	33,364,370
Depreciation expense		(16,450,672)
<hr/>		
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	16,913,698

Another element of that reconciliation states, "The net effect of various transactions involving capital assets (i.e., sales, trade-ins, impairments, and donations) is an increase net position." The details of this \$1,309,582 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.	\$	(477,135)
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.		1,786,717
<hr/>		
Net adjustments to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	1,309,582

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 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 \$(35,809,139) difference are as follows:

Debt issued or incurred:		
Capital lease financing	\$	(1,069,840)
Bond proceeds		(11,023,000)
Note proceeds		(39,748,000)
Principal repayments:		
Bonds		2,291,294
Notes		379,000
Capital leases		1,074,892
Bond escrow agent		11,022,999
Debt service - payment to refunded bond escrow agent		1,393,560
Amortization of deferred charge on refunding		(130,044)
<hr/>		
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>	\$	(35,809,139)

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(7,903,678) difference are as follows:

OPEB expense	\$	(1,061,210)
Pension expenses		(5,675,657)
Compensated absences		(407,804)
Accrued interest		(759,007)
<hr/>		
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>	\$	(7,903,678)

NOTE 3 – BUDGETS

The County adopts budgets on a basis consistent with U.S. GAAP. The County is not required to adopt budgets for non major special revenue funds.

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-25 and the actual amounts on the U.S. GAAP basis for the general fund per the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds on page B-23.

NOTE 3 – BUDGETS (Continued)

Year ended September 30, 2018	General Fund Budgetary Basis	U.S. GAAP to Budget Differences Over (Under)	General Fund Actual Amounts U.S. GAAP Basis
Revenues			
Taxes	\$ 67,034,940	\$ -	\$ 67,034,940
Licenses and permits	2,815	-	2,815
Intergovernmental	25,001,993	4,792,753	29,794,746
Charges for services	10,687,694	1,175,900	11,863,594
Fines and forfeitures	241,205	72,440	313,645
Special assessments	-	53,480	53,480
Investment earnings	589,413	16,901	606,314
Contributions and donations	332,150	416,239	748,389
Miscellaneous	410,077	93,077	503,154
Total revenues	104,300,287	6,620,790	110,921,077
Expenditures			
Current			
General government	18,537,503	-	18,537,503
Public safety	51,232,976	4,907,915	56,140,891
Physical environment	260,116	20,537	280,653
Economic environment	4,366,072	-	4,366,072
Human services	5,498,237	-	5,498,237
Culture and recreation	2,792,374	3,104,999	5,897,373
Capital outlay			
General government	3,515,015	-	3,515,015
Public safety	2,028,237	-	2,028,237
Culture and recreation	927,285	-	927,285
Debt service			
Principal	3,404,827	73,002	3,477,829
Interest and fiscal charges	2,566,129	12,982	2,579,111
Payment to refunded bond escrow agent	963,507	-	963,507
Bond issuance costs	36,068	-	36,068
Total expenditures	96,128,346	8,119,435	104,247,781
Excess (deficit) of revenues over (under) expenditures	8,171,941	(1,498,645)	6,673,296
Other financing sources (uses)			
Transfer In	49,466	(49,466)	-
Transfers out	(14,113,853)	2,316,454	(11,797,399)
Issuance of debt	8,653,786	-	8,653,786
Payment to refunded bond escrow agent	(7,621,302)	-	(87,621,302)
Proceeds from sales of capital assets	4,097	-	4,097
Total other financing sources (uses)	(13,027,806)	2,266,988	(10,760,818)
Net change in fund balance	(4,855,865)	768,343	(4,087,522)

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	\$ 1,621,382	\$ 1,536,313	\$ 3,157,695
Investments	48,203,953	20,073,103	68,277,056
Total	\$ 49,825,335	\$ 21,609,416	\$ 71,434,751

The following amounts are payable from restricted assets:

	Governmental Activities	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Building Services	Emergency Medical Services	Total
Customer deposits	\$ 28,567	\$ -	\$ 686,626	\$ 75,741	\$ 52,046	\$ -	\$ 842,980
Accrued interest payable	1,115,679	159,483	89,272	34,631	-	4,884	1,403,949
Current maturities of bonds	1,523,583	215,833	52,083	191,250	-	19,833	2,002,582
Total payable from restricted assets	\$ 2,667,829	\$ 375,316	\$ 827,981	\$ 301,622	\$ 40,560	\$ 24,717	\$ 4,249,511

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposit Policies – The County’s cash and cash equivalents include cash on hand, demand deposits, and highly liquid debt instruments 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:

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

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

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

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

Commercial Paper of U.S. Corporations having a rating of at least A-1, P-1, or F-1, by two (2) Nationally Recognized Statistical Rating Organizations (NRSROs).

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

Obligations, rated A3/A- or better by at least one (1) NRSROs, of any state and its various local governments.

Overnight repurchase agreements.

Corporate Debt Securities dollar denominated rated A3/A- or better by at least two (2) NRSROs.

U.S. Agency (FNMA, FHLMC and GNMA) Mortgage-Backed Securities including Collateralized Mortgage Obligations (CMOs), but excluding derivative mortgage securities, such as interest-only, principal-only, residuals and inverse floaters.

U.S. Small Business Association (SBA) government guaranteed securities.

Asset-Backed Securities (ABS) rated AA3/AA- or better by at least 2 NRSROs at the time of purchase.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

Interest Rate Risk – In accordance with its investment policy, the County manages its exposure to declines in fair 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 County had no investments exposed to any foreign currency risk during the period October 1, 2017 through September 30, 2018.

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.

As of September 30, 2018, the County had the following investments as rated by Standard and Poors, Moody’s and/or Fitch Investor Services:

Investment Type		Weighted Average Maturity (months)	Credit Rating (if applicable)
Investments measured at fair value			
U.S. Government Securities	\$ 36,439,655	7.79	Aaa/AA+
Commercial Paper	11,891,825	4.17	P-1/A-1+
Commercial Paper	34,582,268	5.71	P-1/A-1
Corporate Bonds	1,476,695	18.35	Aaa/AA+
Corporate Bonds	999,390	1.07	Aa3/A+
Corporate Bonds	998,810	2.23	Aaa/AAA
Corporate Bonds	2,934,014	36.95	Aa2/AA
Corporate Bonds	2,545,450	32.33	A3/A
Corporate Bonds	997,460	7.27	Aa1/AA+
Corporate Bonds	2,370,175	46.70	A1/A+
Corporate Bonds	2,253,862	48.07	Aa2/A+
Municipal Bonds	2,425,328	30.99	Aa3/AA
Municipal Bonds	317,558	48.73	Aa1/AAA
Municipal Bonds	361,927	12.20	Aa3/AA+
Municipal Bonds	1,000,000	0.03	Aa2/AA-
U.S. Government Sponsored CMO	4,973,160	40.33	N/A
U.S. Government Securities	13,820,080	20.82	Aaa/AA+
Money Market Funds	16,711,936	Demand	N/A
Total investments measured at fair value		137,099,593	

(continued)

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investment Type		Weighted Average Maturity (months)	Credit Rating (if applicable)
Investments measured at amortized cost			
Florida Prime	\$ 36,053,407	1.10	Aaa/AAA
Federated Prime	5,543,513	0.82	Aaa/AAA
Total investments measured at amortized cost	41,596,920		
Total investments	\$ 178,696,513		

The County categorized their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The County has the following recurring fair value measurements as of September 30, 2018:

	Fair Value	Level 1	Level 2
Investments, at fair value			
U.S. Government Securities	\$ 13,820,080	\$ 6,947,270	\$ 6,872,810
U.S. Treasury	36,439,655	36,439,655	-
Corporate Bonds	14,575,856	14,095,721	480,135
Municipal Bonds	4,104,813	2,425,328	1,679,485
Commercial Paper	46,474,093	-	46,474,093
U.S. Government Sponsored CMO	4,973,160	-	4,973,160
Money Market Funds	16,711,936	16,711,936	-
Total Investments, at fair value	\$ 137,099,593	\$ 76,619,910	\$ 60,479,683

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of the input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of September 30, 2018, the County had investments stated at amortized cost in accordance with GASB 79 in the amount of \$36,053,407 with the Florida Prime and \$5,543,513 in a Federated Prime investment.

Investments are stated at amortized cost in accordance with GASB 79. Per GASB 79, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. Financial statements on the Florida PRIME Fund may be obtained online at www.sbafla.com. Financial statements on the Federated Prime investment may be obtained online at www.federatedinvestors.com.

For SBA investment, Chapter 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the Executive Director may extend the moratorium until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

As of September 30, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value for both Florida Prime and Federated Prime investments.

Concentration of Credit Risk – The County limits investments in commercial paper to 30% of the total investment portfolio and 5% of the total investment portfolio per issuer. The County's investments in commercial paper did not exceed 30% and no single issuer exceeded 5% of the County's total investments for the year ended September 30, 2018.

NOTE 6 – PROPERTY TAXES

Property tax revenue is recognized in the year for which it is levied. 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, 2018, are as follows:

Governmental Funds

Note receivable from individuals related to the sale of property. Principal and interest payments at a 5% interest rate.	\$	430,641
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Total notes receivable – governmental funds	\$	430,641

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 3.31%.	\$	4,456,710
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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 6.16% of the principal balance and reductions for the bonds payable.		520,042
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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 0.98% of the principal balance and reductions for the bonds payable.		82,905
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Total notes receivable – enterprise funds	\$	5,059,657

NOTE 8 – CAPITAL ASSETS

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

	September 30, 2017 (as restated)	Increases	Decreases	September 30, 2018
Capital assets, not being depreciated				
Land	\$ 14,636,462	\$ 19,724	\$ -	\$ 14,656,186
Construction in progress	18,817,018	22,101,299	(20,409,628)	20,508,689
Total capital assets, not being depreciated	33,453,480	22,121,023	(20,409,628)	35,164,875
Capital assets, being depreciated				
Books	2,199,084	248,129	(257,955)	2,189,258
Buildings and improvements	152,551,678	1,922,280	-	154,473,958
Furniture and equipment	59,103,146	6,404,874	(2,118,094)	63,389,926
Infrastructure	274,957,216	25,089,503	-	300,046,719
Total capital assets, being depreciated	488,811,124	33,664,786	(2,376,049)	520,099,861
Less accumulated depreciation				
Books	(1,284,713)	(311,953)	257,963	(1,338,703)
Buildings and improvements	(42,664,238)	(3,669,162)	-	(46,333,400)
Furniture and equipment	(42,817,059)	(4,696,585)	1,450,322	(46,063,322)
Infrastructure	(166,791,335)	(7,853,539)	-	(174,644,874)
Total accumulated depreciation	(253,557,345)	(16,531,239)	1,708,285	(268,380,299)
Total capital assets, being depreciated, net	235,253,779	17,133,547	(667,764)	251,719,562
Total governmental-type activities' capital assets, net	\$ 268,707,259	\$ 39,254,570	\$ (21,077,392)	\$ 286,884,437

The following schedules summarize the capital assets of the County's business-type activities at September 30, 2018:

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Building Services	Emergency Medical Services	Total
Land	\$ 261,192	\$ 4,714,000	\$ 752,451	\$ -	\$ -	\$ 5,727,643
Buildings	2,422,524	4,766	862,912	-	-	3,290,202
Improvements	90,985	4,678	46,750	-	-	142,413
Furniture and equipment	3,410,329	1,613,774	7,028,410	493,007	2,192,581	14,738,101
Infrastructure	136,884,765	34,256,155	90,843,471	-	-	261,984,391
Construction in progress	319,838	-	-	-	-	319,838
Total	143,389,633	40,593,373	99,533,994	493,007	2,192,581	286,202,588

NOTE 8 – CAPITAL ASSETS (Continued)

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Building Services	Emergency Medical Services	Total
Less accumulated depreciation						
Buildings	\$ (2,243,697)	\$ (3,304)	\$ (517,400)	\$ -	\$ -	\$ (2,764,401)
Improvements	(88,488)	(3,899)	(42,901)	-	-	(135,288)
Furniture and equipment	(2,215,840)	(1,200,998)	(5,090,972)	(452,928)	(422,460)	(9,383,198)
Infrastructure	(60,486,208)	(18,092,156)	(28,894,149)	-	-	(107,472,513)
Total accumulated depreciation	(65,034,233)	(19,300,357)	(34,545,422)	(452,928)	(422,460)	(119,755,400)
Total business-type activities' capital assets, net	\$ 78,355,400	\$ 21,293,016	\$ 64,988,572	\$ 40,079	1,770,121	\$ 166,447,188

Changes in capital assets of the business-type activities are summarized as follows:

	September 30, 2017	Increases	Decreases	September 30, 2018
Capital assets, not being depreciated				
Land	\$ 5,727,643	\$ -	\$ -	\$ 5,727,643
Construction in progress	1,281,100	1,735,872	(2,697,134)	319,838
Total capital assets, not being depreciated	7,008,743	1,735,872	(2,697,134)	6,047,481
Capital assets, being depreciated				
Buildings	3,290,202	-	-	3,290,202
Improvements	142,413	-	-	142,413
Furniture and equipment	12,718,288	2,491,586	(471,773)	14,738,101
Infrastructure	257,677,899	4,349,026	(42,534)	261,984,391
Total capital assets, being depreciated	273,828,802	6,840,612	(514,307)	280,155,107
Less accumulated depreciation				
Buildings	(2,716,112)	(48,289)	-	(2,764,401)
Improvements	(133,906)	(1,382)	-	(135,288)
Furniture and equipment	(8,323,838)	(1,426,589)	367,229	(9,383,198)
Infrastructure	(99,021,223)	(8,493,823)	42,533	(107,472,513)
Total accumulated depreciation	(110,195,079)	(9,970,083)	409,762	(119,755,400)
Total capital assets, being depreciated, net	163,633,723	(3,129,471)	(104,545)	160,399,707
Total business-type activities' capital assets, net	\$ 170,642,466	\$ (1,393,599)	\$ (2,801,679)	\$ 166,447,188

NOTE 8 – CAPITAL ASSETS (Continued)

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

Governmental activities	
General government	\$ 2,570,268
Public safety	3,712,563
Physical environment	489,044
Transportation	7,087,044
Economic environment	998,423
Human services	40,544
Culture and recreation	1,552,785
Internal service funds	80,568
Total depreciation expense - governmental activities	\$ 16,531,239
Business-type activities	
Wholesale water system	\$ 4,348,740
Retail water & wastewater	1,615,239
Solid waste	3,793,548
Building services	45,084
Emergency medical services	167,472
Total depreciation expense - business-type activities	\$ 9,970,083

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:

Vehicles	\$ 3,136,357
Equipment	875,786
Total	4,012,143
Less: accumulated depreciation	(1,683,534)
Net	\$ 2,328,609

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, are as follows:

Year Ending September 30,	
2019	\$ 1,028,702
2020	786,059
2021	533,195
2022	412,610
2023	2,659
Total minimum lease payments	2,763,225
Less amount representing interest	(141,783)
Present value of minimum lease payments	\$ 2,621,442

NOTE 10 – RETIREMENT PLANS

Defined Benefit Plans

The County participates in two defined benefit pension plans (Plans) that are administered by the State of Florida, Department of Management Services, Division of Retirement. The Plans provide retirement, disability or 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. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the Plans.

That report is available from the Florida Department of Management Services' website at www.dms.myflorida.com.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional. The Retirees' Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

Benefits under FRS are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

NOTE 10 – RETIREMENT PLANS (Continued)

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The employer’s contribution rates as of September 30, 2018, were as follows:

	October 1, 2017 through June 30, 2018		July 1, 2018 through September 30, 2018	
	FRS	HIS	FRS	HIS
Regular class	6.26%	1.66%	6.60%	1.66%
Senior management	21.05%	1.66%	22.40%	1.66%
Special risk employee class	21.61%	1.66%	22.84%	1.66%
Elected officials	43.84%	1.66%	47.04%	1.66%
DROP plan participants	11.60%	1.66%	12.37%	1.66%

The County’s contributions for the year ended September 30, 2018, were \$7,416,042 to FRS and \$1,003,122 to HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2018, the County reported a liability for its proportionate shares of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated July 1, 2018. The County’s proportions of the net pension liability was based on the County’s share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 77,009,353	\$ 19,521,574
Proportion at:		
Current measurement date	0.255670737%	0.184442236%
Prior measurement date	0.252924361%	0.182127776%
Pension expense (benefit)	9,563,566	1,138,853

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 10 – RETIREMENT PLANS (Continued)

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,523,849	\$ 236,785
Changes of assumptions	25,162,911	-
Net difference between projected and actual earnings on pension plan investments	-	5,949,911
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,720,012	2,255,329
Employer contributions subsequent to the measurement date	1,974,423	-
Total	\$ 37,381,195	\$ 8,442,025

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 298,867	\$ 33,166
Changes of assumptions	2,171,040	2,063,983
Net difference between projected and actual earnings on pension plan investments	11,784	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,031,374	437,905
Employer contributions subsequent to the measurement date	257,311	-
Total	\$ 3,770,376	\$ 2,535,054

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2019. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending September 30,	FRS	HIS
2019	\$ 10,339,698	\$ 446,583
2020	7,185,835	445,590
2021	1,280,780	294,165
2022	4,624,205	99,190
2023	3,057,726	(226,515)
Thereafter	476,503	(81,002)
Total	\$ 26,964,747	\$ 978,011

NOTE 10 – RETIREMENT PLANS (Continued)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2018, was determined by an actuarial valuation dated July 1, 2018, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.00%	N/A
Discount rate	7.00%	3.87%
Bond Buyer General Obligation 20-Bond Municipal Bond	N/A	3.87%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB. For both plans, the actuarial assumptions used in the valuation dated July 1, 2018 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2018:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.1% to 7.0%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 3.58 % to 3.87%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	2.9%	2.9%
Fixed income	18.0%	4.4%	4.3%
Global equity	54.0%	7.6%	6.3%
Real estate (property)	11.0%	6.6%	6.0%
Private equity	10.0%	10.7%	7.8%
Strategic investments	6.0%	6.0%	5.7%
	100.0%		

NOTE 10 – RETIREMENT PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.0%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the County's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

	FRS		
	1% Decrease	Current Discount Rate	1% Increase
	(6.0%)	(7.0%)	(8.0%)
County's proportionate share of the net pension liability	\$ 140,545,296	\$ 77,009,353	\$ 24,238,993

	HIS		
	1% Decrease	Current Discount Rate	1% Increase
	(2.87%)	(3.87%)	(4.87%)
County's proportionate share of the net pension liability	\$ 22,233,928	\$ 19,521,574	\$ 17,260,668

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

NOTE 10 – RETIREMENT PLANS (Continued)

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer and employee contributions made to the plan during the year ended September 30, 2018, totaled \$1,379,961 and \$297,356, respectively.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The County has established the Retirees' 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, the Sheriff's employees 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 1,271 total active and retired employees eligible to receive these benefits. Two actuarial studies were performed, one for the Sheriff's employees and one for all other County employees. Unless noted otherwise, the information in both studies has been combined. A separate audited GAAP basis employment benefit plan report is not available for this plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the FRS 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.

Benefits Provided

The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

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

Total OPEB Liability

The County’s total OPEB liability of \$16,973,430 consists of \$9,819,884 for the County measured as of September 30, 2018 based on an actuarial valuation dated September 30, 2017 and \$7,153,546 for the Sheriff’s Office measured as of September 30, 2018 based on an actuarial valuation dated September 30, 2018.

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 Board. 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	Retirees blended premium
Retiree	\$ 682
Retiree and Spouse	1,758

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

Coverage	Plan 3160/3161 HAS/HDHP
Retiree	\$ 520
Retiree and Spouse	1,265

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 \$593,461 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in the required supplementary information immediately following the notes.

Total OPEB Liability and Changes in the Total OPEB Plan Liability

The measurement date for the County’s total OPEB liability was September 30, 2017 and for the Sheriff’s Office it was September 30, 2018:

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

Description	Total
Total OPEB liability	\$ 16,973,430
OPEB plan fiduciary net position	-
County's net OPEB liability	\$ 16,973,430
 OPEB plan fiduciary net position as a percentage of total OPEB liability	 0%

The components of the changes in the total OPEB liability are as follows:

Total OPEB liability	
Service cost	\$ 1,592,740
Interest	581,292
Difference between expected and actual experience	(915,074)
Benefit payments	(593,463)
<hr/>	
Net change in total OPEB liability	665,495
Total OPEB liability, beginning (as restated)	16,307,935
<hr/>	
Total OPEB liability, ending	\$ 16,973,430

Actuarial Assumptions and OPEB Liability Sensitivity to Health Trend Rate

The total OPEB liability reported at September 30, 2018 was based on an actuarial valuation dated September 30, 2017 rolled forward to September 30, 2018 for the County and an actuarial valuation dated September 30, 2018 for the Sheriff's Office using the following actuarial assumptions:

County

Inflation rate	2.50%	
Salary increases	3.25%	
Discount rate	3.64%	
	Prior to age 65	Cost after age 65
Initial healthcare trend rate	5.10%	5.20%
Ultimate healthcare trend rate	4.50%	4.50%
Years to ultimate healthcare trend rate	61	52

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

Mortality rates	SOA RP-2000 mortality table adjusted using scale AA.
Actuarial cost method	Entry age normal

Sheriff's Office

Inflation rate	2.50%
Salary increases	4.00%
Discount rate	4.18%
Initial healthcare trend rate	8.00%
Ultimate healthcare trend rate	4.00%
Years to ultimate healthcare trend rate	54

Mortality rates All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2016 Florida Retirement System (FRS) valuation report.

Mortality – Active Lives:

For female lives, 100% of the combined health white-collar table was used. For male (non-special risk) lives, a 50% combined healthy white-collar table, 50% combined healthy blue-collar table blend was used. For male special risk lives, a 10% combined healthy white-collar table, 90% combined healthy blue-collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality – Inactive Healthy Lives:

For female lives, 100% of the annuitant white-collar table was used. For male (non-special risk) lives, a 50% annuitant white-collar table, 50% annuitant blue-collar table blend was used. For male special risk lives, a 10% annuitant white-collar table, 90% annuitant blue-collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality – Disabled Lives:

For female lives (non-special risk) lives, 100% of the disabled female table was used, set forward two years. For female special risk lives, a 60% disabled female table, 40% annuitant white collar table with no setback blend was used. For male lives (non-special risk) lives, 100% of the disabled male table was used, set back four years. For male special risk lives, a 60% disabled female table, 40% annuitant white collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvements.

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

Discount Rate:

The County has no invested plan assets held in trust to finance the OPEB Plan liability. The discount rate used is based on the return on the 20 year bond Government Obligation Index as of the measurement date.

Given the Sheriff Office’s decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA.

Sensitivity of OPEB liability to healthcare cost trend rate

The following presents the total OPEB liability of the County, calculated using the discount rate of 3.64%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.64%) or 1 percentage point higher (4.64%) than the current rate.

	1% Decrease 2.64%	Discount Rate 3.64%	1% Increase 4.64%
Total OPEB liability	\$ 8,963,915	\$ 9,819,883	\$ 10,785,687

The following presents the total OPEB liability of the County, calculated using the current healthcare cost trend rates as well as what the County's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease 3.5%-5.1%	Current Trend Rate 4.5%-6.1%	1% Increase 5.5%-7.1%
Total OPEB liability	\$ 8,549,744	\$ 9,819,883	\$ 11,385,182

The following presents the total OPEB liability of the Sheriff Office, calculated using the discount rate of 4.18%, as well as what the Sheriff Office's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.18%) or 1 percentage point higher (5.18%) than the current rate.

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

	1% Decrease 3.18%	Discount Rate 4.18%	1% Increase 5.18%
Total OPEB liability	\$ 7,853,135	\$ 7,153,547	\$ 6,533,782

The following presents the total OPEB liability of the Sheriff Office, calculated using the current healthcare cost trend rates as well as what the Sheriff Office's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease 3%-7%	Current Trend Rate 4%-8%	1% Increase 5%-9%
Total OPEB liability	\$ 6,547,937	\$ 7,153,547	\$ 7,857,682

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended September 30, 2018, the County recognized OPEB expense of \$665,497. At September 30, 2018, the County had deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 825,180
Employer contributions subsequent to the measurement date	320,752	-
Total	\$ 320,752	\$ 825,180

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended September 30:		
2019	\$	(89,893)
2020	\$	(89,893)
2021	\$	(89,893)
2022	\$	(89,893)
2023	\$	(89,893)
Thereafter	\$	(375,715)

NOTE 12 – LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES

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

	Balance September 30, 2017 (as restated)	Additions	Deductions	Balance September 30, 2018	Due Within One Year
Bonds payable	\$ 43,668,000	\$ 11,023,000	\$ (14,814,000)	\$ 39,877,000	\$ 2,821,000
Adjusted for deferred amounts on Issuance discounts/premiums	(42,196)	-	42,196	-	-
Total bonds payable	43,625,804	11,023,000	(14,771,804)	39,877,000	2,821,000
Capital leases payable	1,066,501	1,083,495	(940,789)	1,209,207	623,952
Net OPEB obligation (as restated)	14,639,641	612,877	-	15,252,518	-
Notes payable	39,726,000	39,748,000	(379,000)	79,095,000	2,105,000
Accrued compensated absences	4,426,016	1,517,713	(1,075,614)	4,868,115	1,196,804
Estimated liability for self-insured losses	4,480,761	659,278	(659,278)	4,480,761	508,659
Net pension liability	81,149,837	1,903,606	-	83,053,443	-
Governmental activities long-term liabilities	\$ 189,114,560	\$ 56,547,969	\$ (17,826,485)	\$ 227,836,044	\$ 7,255,415

Accrued compensated absences, net pension liability, and other postemployment benefit obligations 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, net pension liability, and other postemployment benefit obligations.

Notes payable in the governmental activities at September 30, 2018, are summarized below:

Sales Tax Refunding Revenue Note Series 2015

On April 15, 2015, the County issued \$40,330,000 Sales Tax Refunding Revenue Note - Series 2015. The proceeds of the note were used to refund the outstanding 2006 Sales Tax Revenue Bond – Series 2006 (refunded \$37,580,000) and to pay the cost of issuing the note. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,739,344. This difference is reported as a deferred amount on the refunding. The County completed the refunding to reduce its debt service payments over seventeen years by \$4,729,245 and obtain an economic gain of \$3,288,038. The note is secured by a pledge of the proceeds of the local government half-cent sales tax distributed to the County pursuant to Chapter 218, Part VI, Florida Statutes.

The refunding note interest rate is 3.38%, principal payable annually on September 1, commencing September 1, 2015. Interest is payable semi-annually, September 1 and March 1. Average remaining annual debt service is \$3,725,959.

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 note as of September 30, 2018, totaled \$52,163,419. Annual principal and interest payments paid on the bond required 12.6% of local government half-cent sales tax. Principal and interest payments paid for the current year and pledged half-cent sales tax revenue were \$1,678,917 and \$13,320,982, respectively. \$ 39,120,000

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

Taxable Series 2014A Revenue Note

On August 21, 2014, the County issued \$635,000 Taxable Series 2014A Revenue Note to finance certain costs associated with dredging improvements within the Kings Point subdivision. The County had previously issued its Taxable Series 2013A Credit Note, on December 17, 2013. The County refinanced that note to provide permanent financing for the improvements.

The interest rate is 1.19%, principal and interest are payable semi-annually, March 15 and September 15, commencing on March 15, 2015. Average remaining annual debt service is \$41,950.

The note is secured by non-ad valorem revenue in accordance with Resolution No. 3243. This pledge remains in effect until extinguishment or maturity of the debt in 2024, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2018, totaled \$251,700. Principal and interest payments paid on the note required 0.04% of non-ad valorem revenue. Principal and interest payments paid for the current year and non-ad valorem revenue were \$42,206 and \$93,987,097 respectively. \$ 227,000

Tourist Development Tax Revenue Notes Series 2018

On March 22, 2018, the County issued \$35,145,000 Tourist Development Tax Revenue Notes - Series 2018 for the purpose of acquiring, constructing, and equipping a publicly owned and operated tourism sports arena and stadium complex, convention center complex, performing arts center auditorium complex, or a combination of those.

The interest rate is 4.08%, principal payable annually on April 1, commencing on April 1, 2019. Interest is payable semi-annually, April 1 and October 1, commencing on October 1, 2018. Average remaining annual debt service is \$3,181,776.

The note is secured by up to four cents of the Tourist Development Tax received by the County within the Panama City Beach Tourist Development Tax Sub-District in accordance with Resolution No. 3420. This pledge remains in effect until extinguishment or maturity of the debt in 2033, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2018, totaled \$47,726,644. No principal and interest payments were paid for the current year and Tourist Development Tax revenue was \$18,539,913. 35,145,000

Non-Ad Valorem Revenue Note Series 2018

On July 19, 2018, the County issued \$13,150,000 Non-Ad Valorem Revenue Note, Series 2018 to finance certain costs associated with an 800 MHz radio system. As of September 30, 2018, \$4,603,000 of the note had been drawn by the County.

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

The interest rate is 3.02%, principal and interest are payable semi-annually, March 1 and September 1, with interest commencing on March 1, 2019 and principal commencing on March 1, 2020. Average remaining annual debt service is \$732,972.

The note is secured by non-ad valorem revenue in accordance with Resolution No. 3538. This pledge remains in effect until extinguishment or maturity of the debt in 2025, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2018, totaled \$5,130,802. No principal and interest payments were paid for the current year and non-ad valorem revenue was \$93,987,097.

	\$ 4,603,000
Total notes payable – governmental activities	79,095,000
Less: current portion	(2,105,000)
Long-term portion of notes payable – governmental activities	\$ 76,990,000

Year Ending September 30,	Principal	Interest	Total
2019	\$ 2,105,000	\$ 2,863,014	\$ 4,968,014
2020	2,936,927	2,813,824	5,750,751
2021	3,044,630	2,704,258	5,748,888
2022	3,157,682	2,590,626	5,748,308
2023	3,272,784	2,472,676	5,745,460
2024-2028	32,572,977	9,424,220	41,997,197
2029-2033	32,005,000	3,308,947	35,313,947
Total	\$ 79,095,000	\$ 26,177,565	\$ 105,272,565

Governmental activities' revenue bonds consist of the following at September 30, 2018:

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.

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

The refunding bonds interest rate is 3.21%, principal payable annually on September 1, commencing September 1, 2012. Interest is payable semi-annually, March 1 and September 1. Average remaining annual debt service is \$2,072,899.

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, 2018, totaled \$18,656,091. Annual principal and interest payments paid on the bond required 2.22% of non-ad valorem revenue. Principal and interest payments paid for the current year and non-ad valorem revenue were \$2,086,948 and \$93,987,097, respectively. \$ 16,000,000

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 3.96%, principal payable annually on September 1, commencing September 1, 2012. Interest is payable semi-annually, March 1 and September 1. Average remaining annual debt service is \$199,736.

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, 2018, totaled \$1,597,889. Principal and interest payments paid on the bond required 0.22% of non-ad valorem revenue. Principal and interest payments paid for the current year and non-ad valorem revenue were \$207,288 and \$93,987,097, respectively. 1,387,000

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 \$784,667.

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

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

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.

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, 2018, totaled \$15,693,339. Principal and interest payments paid on the bond required 35.41% of pledged revenues. Principal and interest payments paid for the current year and pledged revenues were \$787,255 and \$2,223,200, respectively.

\$ 11,770,000

Sales Tax Revenue Refunding Bond, Series 2018A&B

On February 22, 2018, the County issued \$11,023,000 Sales Tax Revenue Refunding Bonds, Series 2018A&B. The proceeds of the bonds to be used to refund the County's outstanding Sales Tax Revenue Refunding Bonds, Series 2007. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$393,337. This difference is reported as a deferred amount on the refunding. The County completed the refunding to reduce its debt service payments over fifteen years by \$2,828,875 and obtain an economic gain of \$1,142,956.

The refunding bonds interest rate is 2.90%, principal payable annually on September 1, commencing on September 1, 2018. Interest is payable semi-annually, March 1 and September 1, commencing on September 1, 2018. Average remaining annual debt service is \$942,627.

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, 2018, totaled \$13,196,774. Principal and interest payments paid on the bond required 3.53% of pledged revenues. Principal and interest payments paid for the current year and pledged revenues were \$470,825 and \$13,320,982, respectively.

10,720,000

Total bonds payable – governmental activities

39,877,000

Less: current portion

(2,821,000)

Long-term portion governmental activities bonds payable

\$ 37,056,000

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

The annual debt service requirements to maturity for the governmental activities' revenue bonds payable at September 30, 2018, are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 2,821,000	\$ 1,219,679	\$ 4,040,679
2020	2,899,000	1,132,513	4,031,513
2021	2,978,000	1,041,113	4,019,113
2022	3,064,000	948,124	4,012,124
2023	3,150,000	852,483	4,002,483
2024-2028	14,694,000	2,739,486	17,433,486
2029-2033	6,641,000	1,051,728	7,692,728
2034-2038	3,630,000	281,966	3,911,966
Total	\$ 39,877,000	\$ 9,267,092	\$ 49,144,092

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, 2018, 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, 2018, 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 \$444,678, 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. The County is liable for one-half of the total obligation and semi-annual loan payment amount. \$ 438,486

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. The County is liable for the total obligation. 385,227

Taxable Series 2015 Revenue Note

On August 26, 2015, the County issued \$2,500,000 Taxable Series 2015 Revenue Note to provide long term financing of the short term Taxable Series 2013 Credit Note.

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

Principal and interest is payable semiannually on March 1 and September 1. The note is collateralized by non-ad valorem revenue in accordance with Resolution No. 3308. Interest rate is 3.3%. Average remaining annual debt service is \$295,713.

The remaining principal and interest payments on this debt as of September 30, 2018 totaled \$2,069,993. Annual principal and interest payments on the bond required 0.32% 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 \$296,264 and \$93,987,097, respectively. \$ 1,835,000

Wastewater Revenue Refunding Note - Series 2014

On June 17, 2014, the City of Callaway and the County issued \$10,445,000 Wastewater Revenue Refunding Note - Series 2014 to refund the outstanding Wastewater and System Revenue Refunding Bonds - Series 2004 that was jointly issued with the City of Callaway and the County. This note was used as part of projects required for the Military Point Advanced Wastewater Treatment Facility a joint venture of Bay County. Interest rate is 3.31%. The refunding reduced debt service payments over twelve years by \$810,140 and obtain an economic gain of \$651,743. The Military Point Advanced Wastewater Treatment Facility recognized the gain in their financial statements. The effect of that gain is recorded by the County in their investment in the joint venture.

Principal is payable annually on September 1, commencing on September 1, 2015. Interest is payable semiannually on March 1 and September 1. The notes are collateralized by the assets and the anticipated net revenues of the joint venture (Military Point Advanced Wastewater Treatment Facility). The County is liable for one half of the total obligation. 3,633,000

Water System Revenue Note - Series 2014

On June 17, 2014 the County issued \$18,925,000 Water System Revenue Note - Series 2014. The proceeds of the note to pay the cost of certain capital improvements to the Wholesale Water System.

The interest rate is 3.70%, principal payable annually on September 1, commencing September 1, 2015. Interest is payable semi-annually, March 1 and September 1. Average remaining annual debt service is \$1,458,738.

The notes 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 Resolution No. 3051. This pledge remains in effect until extinguishment or maturity of the debt in 2032, whichever occurs first.

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

The remaining principal and interest payments on this debt as of September 30, 2018, totaled \$20,422,330. Annual principal and interest payments paid on the note required 23.27% of the total impact fee revenue and wholesale water system net revenue. Principal and interest payments paid for the current year and impact fee revenue and wholesale water system net revenue were \$1,457,905 and \$6,264,639, respectively.

	\$ 15,720,000
Total notes payable – enterprise funds	22,011,712
Less: current portion	(2,215,368)
Long-term portion of enterprise funds’ notes payable	\$ 19,796,344

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

Year Ending September 30,	Principal	Interest	Total
2019	\$ 2,215,368	\$ 830,909	\$ 3,046,277
2020	1,702,344	757,347	2,459,691
2021	1,631,000	693,443	2,324,443
2022	1,687,000	628,904	2,315,904
2023	1,745,000	561,807	2,306,807
2024-2028	7,701,000	1,793,081	9,494,081
2029-2033	5,330,000	501,905	5,831,905
Total	\$ 22,011,712	\$ 5,767,396	\$ 27,779,108

Enterprise Funds’ Bonds Payable:

	Solid Waste Series 2010	Water & Sewer Systems Series 2015	Wholesale Water System Series 2016	Total
Current portion	\$ 2,295,000	\$ 625,000	\$ 1,710,000	\$ 4,630,000
Long-term portion	9,830,000	26,900,000	25,275,000	62,005,000
	12,125,000	27,525,000	26,985,000	66,635,000
Deferred amounts on Issuance premiums	-	166,231	5,345,405	5,511,636
Total bonds payable	\$ 12,125,000	\$ 27,691,231	\$ 32,330,405	\$ 72,146,636

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 3.43%, 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 \$2,678,866.

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, 2018, totaled \$13,394,332. Annual principal and interest payments on the bond required 2.87% 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 \$2,692,768 and \$93,987,097 respectively. \$ 12,125,000

Water and Sewer System Revenue Refunding Bonds – Series 2015

On November 4, 2015, the County issued \$28,710,000 Water and Sewer System Revenue Refunding Bonds – Series 2015. The proceeds of the bonds were used to refund the outstanding Water and Sewer System Revenue Bonds – Series 2011 (refunded \$27,075,000) and to pay the cost of issuing the bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$391,517. This difference is reported as a deferred amount on the refunding. The County completed the refunding to reduce its annual debt service payments and extend the maturity by fourteen years. The refunding increased total debt service payments over thirty years by \$15,104,388 and resulted in an economic loss of \$1,236,640.

The bonds are limited obligation bonds of the County payable solely from and secured by the net revenues derived from the water and sewer system, connection fees in accordance with Resolution No. 3318 and 3319, and moneys deposited into the reserve and rate stabilization funds as allowed per the bond agreement. In addition, the Resolutions, allow the County to budget and appropriate, if necessary, Non-Ad Valorem Revenues, sufficient to pay the fiscal year principal and interest on the bond, in the event amounts available from the Pledged Funds are insufficient.

The refunding bonds interest rate is 4.0%, 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 \$1,695,445.

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

This pledge remains in effect until extinguishment or maturity of the debt in 2045, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2018, totaled \$45,777,019. Principal and interest payments on the bond required 41.55% 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 \$1,695,269 and \$4,079,991 respectively. \$ 27,525,000

Water System Revenue Refunding Bonds – Series 2016

On October 12, 2016, the County issued \$30,085,000 Water System Revenue Refunding Bonds – Series 2016. The proceeds of the bonds were used to refund the outstanding Water System Revenue Refunding Bonds – Series 2005 (refunded \$36,615,000) and to pay the cost of issuing the bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,233,490. This difference is reported as a deferred amount on the refunding. The County completed the refunding to reduce its annual debt service payments. The refunding decreased total debt service payments over fourteen years by \$9,142,489 and resulted in an economic gain of \$6,886,901.

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 2014. Interest varies from 4.0% to 5.0%, principal payable annually on September 1, commencing September 1, 2017, interest payable semi-annually on March 1 and September 1, commencing on March 1, 2017. Average remaining annual debt service is \$3,042,867.

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, 2018, totaled \$36,514,400. Annual principal and interest payments on the bond required 48.66% 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 \$3,048,150 and \$6,264,639, respectively. 26,985,000

Total bonds payable – business-type activities	66,635,000
Less: current portion	(4,630,000)
Long-term portion of business-type activities' bonds payable	\$ 62,005,000

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

The annual debt service requirements to maturity for bonds payable at September 30, 2018, are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 4,630,000	\$ 2,818,989	\$ 7,448,989
2020	4,790,000	2,646,931	7,436,931
2021	4,970,000	2,444,544	7,414,544
2022	5,145,000	2,254,502	7,399,502
2023	5,325,000	2,055,522	7,380,522
2024-2028	15,815,000	7,884,963	23,699,963
2029-2033	10,250,000	4,314,000	14,564,000
2034-2038	5,575,000	2,903,150	8,478,150
2039-2043	6,940,000	1,535,150	8,475,150
2044-2045	3,195,000	193,000	3,388,000
Total	\$ 66,635,000	\$ 29,050,751	\$ 95,685,751

	Balance September 30, 2017 (as restated)	Additions	Deductions	Balance September 30, 2018	Due Within One Year
Bonds payable	\$ 71,115,000	\$ -	\$(4,480,000)	\$ 66,635,000	\$4,630,000
Adjusted for deferred amounts on Issuance discounts/premiums	5,968,388	-	(456,752)	5,511,636	-
Total bonds payable	77,083,388	-	(4,936,752)	72,146,636	4,630,000
Notes payable	24,584,285	-	(2,572,573)	22,011,712	2,215,368
Capital leases payable	14,962	1,582,031	(184,758)	1,412,235	342,938
Other postemployment benefits (as restated)	1,668,293	52,619	-	1,720,912	-
Accrued compensated absences	658,932	270,173	(264,189)	664,916	297,200
Landfill closure and postclosure liability	7,326,439	520,420	-	7,846,859	-
Net pension liability	13,137,436	340,048	-	13,477,484	-
Business-type activity				\$119,280,75	
long-term liabilities	\$124,473,735	\$ 2,765,291	\$(7,958,272)	4	\$7,485,506

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, 2018, there was no arbitrage liability for business-type activities.

NOTE 14 – COMPENSATED ABSENCES

The County's compensated absences at September 30, 2018, are as follows:

	Governmental Activities	Business-type Activities	Total
Current	\$ 1,196,804	\$ 297,200	\$ 1,494,004
Long-term	3,671,311	367,716	4,039,027
Total	\$ 4,868,115	\$ 664,916	\$ 5,533,031

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

The County's routine transfers include transfers, (a) to match for special revenue grant requirements, (b) to other funds based on budgetary requirements, and (c) for 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, 2018, were as follows:

Transfer Out	Transfer In	
General Fund	Transportation Fund	\$ 9,515,867
	Other nonmajor governmental funds	137,882
	Emergency Medical Services Fund	<u>2,143,650</u>
		<u>\$ 11,797,399</u>

Interfund receivables and payables arise from interfund transactions for operating purposes and are recorded by all funds affected in the period in which transactions are executed. At September 30, 2018, interfund receivables and payables are as follows:

Receivable Fund	Payable Fund		
General Fund	Solid Waste Fund	\$ 750,000	
	EMS Fund	300,000	
	Internal service funds	<u>193,330</u>	\$ 1,243,330
Transportation Fund	Solid Waste Fund	800,000	
	EMS Fund	250,000	
	Internal service funds	<u>164,978</u>	1,214,978
Tourist Development Fund	General Fund	<u>323,475</u>	323,475
Wholesale Water System Fund	Solid Waste Fund	810,064	
	EMS Fund	709,191	
	Internal service funds	<u>274,872</u>	1,794,927
Retail Water & Wastewater Fund	Internal service funds	<u>117,548</u>	117,548

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

Receivable Fund	Payable Fund		
Solid Waste fund	General Fund	\$ 81	
	Internal service funds	512,014	
			\$ 512,095
Emergency Medical Services Fund	Internal service funds	141,171	
			141,171
Other nonmajor governmental funds	Internal service funds	147,667	
			147,667
Internal service funds	General Fund	9,341	
	Transportation Fund	49,491	
	Tourist Development Fund	116	
	Other nonmajor governmental funds	4,889	
	Wholesale Water System Fund	5,109	
	Retail Water & Wastewater Fund	5,686	
	Solid Waste Fund	184	
	Building Service Fund	1,280	
	Emergency Medical Services Fund	8,284	
	Internal service funds	322	
			84,702
			<u>\$ 5,579,893</u>

An interfund advance was made to the MSTU fire protection fund from the building services fund in 2012 and 2014 to provide funds for operations. This advance is expected to be repaid within six years of September 30, 2018. The balance of this advance as of September 30, 2018, was \$344,611.

An interfund advance was made to the retail water & wastewater fund from the general fund in 2016 to provide funds for operations. This advance is expected to be repaid within six years of September 30, 2018. The balance of this advance as of September 30, 2018, was \$1,155,014.

NOTE 16 – FUND BALANCE

The detail related to fund balance classifications for governmental funds as of September 30, 2018, consists of the following:

	General	Tourist Development	Transportation	Nonmajor Governmental	Total
Nonspendable					
Not in spendable form for advances to other funds	\$ 1,155,014	\$ -	\$ -	\$ -	\$ 1,155,014
Not in spendable form for prepaids	156,557	587,294	-	28,913	772,764
Total nonspendable	\$ 1,311,571	\$ 587,294	\$ -	\$ 28,913	\$ 1,927,778

NOTE 16 – FUND BALANCE (CONTINUED)

	General	Tourist Development	Transportation	Nonmajor Governmental	Total
Restricted					
Enabling legislation	\$ 2,247,769	\$ 64,078,381	\$ 765,084	\$ 8,114,741	\$ 75,205,975
Debt service	5,022,807	4,792,402	-	66,056	9,881,265
Impact fees	1,219,731	-	-	705,826	1,925,557
Contractual	2,923,891	-	-	-	2,923,891
Total restricted	11,414,198	68,870,783	765,084	8,886,623	89,936,688
Assigned					
For disaster cleanup	1,000,000	-	-	-	1,000,000
For library	541,212	-	-	-	541,212
For neighborhood infrastructure and improvements	59,985	-	-	-	59,985
For future insurance costs	377,381	346	41,784	21,503	441,014
For animal control	51,985	-	-	-	51,985
For purpose of special revenue fund	-	-	19,367,024	598,568	19,965,592
Total assigned	2,030,176	346	19,408,808	620,071	22,059,401
Unassigned	11,823,770	-	-	-	11,823,770
Total fund balances	\$ 26,579,715	\$ 69,458,423	\$ 20,173,892	\$ 9,535,607	\$ 125,747,637

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, 2018, the Majette Landfill completed the required maintenance and monitoring for financial assurance.

Management currently estimates that the cost to close the Steelfield Landfill will be approximately \$5,385,208 and the postclosure costs to maintain and monitor the Steelfield Landfill will be approximately \$118,377 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, 2018, in the amount of \$7,846,858, which represents the cumulative amount reported to date, based on 87% 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 is estimated to cost to perform all closure and postclosure care in 2018. Actual cost may be higher due to inflation, deflation, changes in technology, or changes in applicable laws and regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County was in compliance with these requirements and at September 30, 2018, \$4,758,762 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, the County is contingently liable for bonds payable and notes payable guaranteed by the City of Callaway.

As of September 30, 2018, the County was contingently liable for the following amounts:

State Revolving Fund Loan Program – City of Callaway’s portion of note payable	\$ 823,713
Related interest expense	17,923
Wastewater System Revenue Refunding Bonds Series 2004 (see note 13)	3,633,000
Related interest expense	812,150
<hr/>	
Total contingent liability – joint venture	<u>\$ 5,286,786</u>

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments

At September 30, 2018 the County had open construction contract commitments as follows:

Fund	Contract Amount	Expended to Date	Remaining Commitment
General Fund	\$ 1,274,967	\$ 430,658	\$ 844,309
Transportation Fund	20,958,397	5,908,602	15,049,795
Tourist Development Fund	29,793,287	9,554,913	20,238,374
Other nonmajor governmental funds	12,487,451	3,590,142	8,897,309
Total contract commitments	\$ 64,514,102	\$ 19,484,315	\$ 45,029,788

NOTE 18 – CONDUIT DEBT OBLIGATIONS

During the course of normal operations, the County has 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. The County 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, 2018, are summarized as follows:

Issue	Date of Issue	Amount Outstanding September 30, 2018
Bay County, Florida Educational Facilities Revenue Bonds (Bay Haven Charter Academy) Series 2010 A & B	September 14, 2010	\$ 10,140,000
Bay County, Florida Industrial Development Revenue Refunding Bonds (Goodwill Industries - Big Bend, Inc.) Series 2017	April 1, 2017	\$ 9,786,797
Bay County, Florida Educational Facilities Revenue Bonds (Bay Haven Charter Academy Project) Series 2013 A & B	April 17, 2013	\$ 20,040,000
Bay County, Florida Educational Facilities Revenue Bonds (Bay Haven Charter Academy Project) Series 2016	October 1, 2016	\$ 4,835,000

NOTE 19 – WORKERS’ COMPENSATION – SELF INSURANCE

During fiscal year 1990, the County established a workers' compensation fund (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, 2018. The County purchases commercial insurance for claims in excess of coverage provided by the workers' compensation fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds, except those which include certain volunteer fire department personnel of the County, participate in the program and make payments to the workers' compensation fund based on estimates of the amounts needed to pay prior and current year claims. The claims liability of \$4,480,761 reported in the workers' compensation fund at September 30, 2018, 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 2017 and 2018 were as follows:

Year Ending September 30,	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2017	\$ 4,480,761	\$ 678,385	\$ (678,385)	\$ 4,480,761
2018	\$ 4,480,761	\$ 659,278	\$ (659,278)	\$ 4,480,761

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.

NOTE 20 – INSURANCE (CONTINUED)

Changes in the self insurers' fund's claims liability amount in fiscal years 2017 and 2018 were as follows:

Year Ending September 30,	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2017	\$ 250,000	\$ 2,618,057	\$ (2,618,057)	\$ 250,000
2018	\$ 250,000	\$ 2,289,819	\$ (2,289,819)	\$ 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

The County 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 the County; 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 the County. 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, 2018, the County's investment in the joint venture was \$4,598,149. Complete financial statements for the joint venture may be obtained from the Operator at P.O. Box 2269, Panama City, Florida 32402.

NOTE 21 – JOINT VENTURE (Continued)

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

Statement of Net Position	
September 30, 2018	
Assets	\$ 27,634,865
Deferred outflows	657,115
Liabilities	10,071,444
Net position	
Net investment in capital assets	11,762,842
Restricted for owners' rate reserve	2,764,588
Restricted for debt service	2,348,475
Unrestricted	1,344,631
Total net position	\$ 18,220,536

Statement of Activities	
Year Ended September 30, 2018	
Operating revenues	\$ 7,012,596
Operating expenses	(4,797,034)
Operating income	2,215,562
Nonoperating revenues (expenses), net	(463,026)
Income before distributions	1,752,536
Distributions to owners	(457,589)
Change in net position	1,294,947
Net position, beginning of year,	16,925,589
Net position, end of year	\$ 18,220,536

As of September 30, 2018, the County's portion of contributions and net position in the joint venture is as follows:

County investment, at September 30, 2017	\$ 4,080,742
Add: 2018 County share of net income	667,850
Less: 2018 distributions payable	(150,443)
County investment in joint venture at September 30, 2018	\$ 4,598,149

NOTE 22 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2018, the MPAWTF provided services to the County's retail water & wastewater fund. For the year ended September 30, 2018, the billings for these services totaled \$2,764,587.

As described in note 21, the County is an owner of the Military Point Advanced Wastewater Treatment Facility. The County incurs operational expenses on behalf of the joint venture. Reimbursement for these expenses amounted to \$2,443,460 for the year ended September 30, 2018.

In addition, during the current year the County recognized \$177,761 in interest income from the joint venture, which was subsequently used to satisfy interest expense of \$177,761, related to the State Revolving Fund Loan Program as discussed in note 13.

NOTE 23 – SUBSEQUENT EVENT

On October 10, 2018 the eye of Hurricane Michael, a category 5 hurricane, passed over Bay County, Florida, causing devastating destruction and property damage to buildings and businesses throughout the area. There was minor to substantial structural and water damage to many County owned buildings and infrastructures. Substantial structural and water damage was received to the Military Point Advanced Wastewater Treatment facility, which the County is a member of the joint venture. The County has approved the issuances of three revenue bonds (Series 2018 for \$50 million, Series 2019 for \$100 Million, and Series 2019c for \$100 million) to cover Hurricane Michael response, recovery, and mitigation costs in anticipation of FEMA and State reimbursements. At the time of issuance of these financial statements the full impact of the damages and their effects on the County's financial statements have not been determined.

NOTE 24 – COUNTY TAX ABATEMENTS

County property tax revenues were reduced by \$71,094 under an agreement entered into by the County through the Economic Development Program allowable under Florida Statute 196.012, for the purposes of increasing business activity and employment in the state. The County, through ordinance, provides abatements to new businesses or expansions of existing businesses that commit to creating jobs. These abatements temporarily reduce the assessed value of the real or personal property involved. The County program specifies a percentage reduction in property taxes for the recipients, up to 100 percent. As of September 30, 2018, nine County abatement agreements were with County businesses, of which none were entered into during the fiscal year.

NOTE 25 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

The following standards have been issued that may have an effect on the City but management has not yet determined the effect these statements will have on the City’s financial statements.

GASB Statement No. 84, *Fiduciary Activities*, was issued with the objective of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued with the objective to improvement the information that is disclosed in the notes to government financial statements related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simply accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, was issued to improvement to consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

NOTE 26 – PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the prior year audited financial statements, the County determined that the County’s capital assets in the governmental activities were improperly recorded in those financial statements. The effect of this error was an understatement of the net position and capital assets for the governmental activities in the prior year in the amount of \$190,630. As a result, an increase in the County’s capital assets and beginning net position of the governmental activities, as of September 30, 2017, has been reflected in these financial statements.

NOTE 26 – PRIOR PERIOD ADJUSTMENT (Continued)

Subsequent to the issuance of the prior year audited financial statements, the County determined that the County’s due from other governments in the transportation fund were improperly recorded in those financial statements. The effect of this error was an understatement of the County’s due from other governments, unrestricted net assets for the governmental activities, and fund balance of the transportation fund, respectively in the prior year in the amount of \$450,000. As a result, an increase in the County’s beginning net position of the governmental activities and fund balance of the transportation fund, as of September 30, 2017, has been reflected in these financial statements.

Subsequent to the issuance of the prior year audited financial statements, the County determined that the County’s prepaid expense in the tourist development fund were improperly recorded in those financial statements. The effect of this error was an overstatement of the County’s prepaid expenses, unrestricted net assets for the governmental activities, and the fund balance of the tourist development fund, respectively in the prior year in the amount of \$647,110. As a result, a decrease in the County’s beginning net position of the governmental activities and fund balance of the tourist development fund, as of September 30, 2017, has been reflected in these financial statements.

NOTE 27 – CHANGE IN ACCOUNTING PRINCIPLES

In 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, resulting in a decrease in beginning OPEB liability and restatement of beginning net position for the County’s governmental activities, business-type activities, and proprietary funds.

	Total Governmental Activities
Net position, as previously reported at September 30, 2017	\$ 200,545,137
Restatement adjustment	
Cumulative effect of application of GASB No. 75	6,193,200
Total restatement adjustment	6,193,200
Prior period adjustment, see note 26	(6,480)
Net position, as restated at September 30, 2018	\$ 206,731,857

	Wholesale Water System	Retail Water & Wastewater	Solid Waste	Builders Services	EMS	Total Business-type Activities
Net position, as previously reported at September 30, 2017	\$63,009,733	\$6,915,995	\$53,890,972	\$3,775,410	\$(6,233,461)	\$121,358,649
Restatement adjustment						
Net OPEB obligation	(95,357)	(128,398)	(77,041)	(73,840)	(182,170)	(556,806)
Total restatement adjustment	(95,357)	(128,398)	(77,041)	(73,840)	(182,170)	(556,806)
Net position, as restated at September 30, 2018	\$62,914,376	\$6,787,597	\$53,813,931	\$3,701,570	\$(6,415,631)	\$120,801,843

REQUIRED SUPPLEMENTARY INFORMATION

Bay County, Florida
Schedule of the County's Proportionate Share of the Net Pension Liability -
Florida Retirement System
September 30, 2018

June 30,	2018	2017	2016	2015
County's proportion of the net pension liability (asset)	0.2567074%	0.2529244%	0.2550759%	0.2425663%
County's proportionate share of the net pension liability (asset)	\$ 77,009,353	\$ 74,813,330	\$ 64,406,863	\$ 31,330,693
County's covered payroll	\$ 60,273,701	\$ 58,101,593	\$ 56,321,792	\$ 54,944,720
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	127.77%	128.76%	114.36%	57.02%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%

Disclosures for 2009 through 2014 are N/A because comparable information is not available at this time.

The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the fiscal year.

Bay County, Florida
Schedule of the County's Contributions - Florida Retirement System
September 30, 2018

<u>September 30,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	7,416,042	\$ 6,712,153	\$ 6,485,810	\$ 5,913,973	\$ 5,192,563
Contributions in relation to the contractually required contribution	(7,416,042)	(6,712,153)	(6,485,810)	(5,913,973)	(5,192,563)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	60,485,168	\$50,114,760	\$49,207,939	\$47,022,239	\$45,615,661
Contributions as a percentage of covered payroll	12.26%	13.39%	13.18%	12.58%	11.38%

Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

Bay County, Florida
 Schedule of the County's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy
 September 30, 2018

June 30,	2018	2017	2016	2015
County's proportion of the net pension liability (asset)	0.1844422%	0.1821278%	0.1822235%	0.1808524%
County's proportionate share of the net pension liability (asset)	\$ 19,521,574	\$ 19,473,943	\$ 21,237,389	\$ 18,444,101
County's covered payroll	\$ 60,273,701	\$ 58,101,593	\$ 56,321,792	\$ 54,944,720
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	32.39%	33.52%	37.71%	33.57%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	1.64%	0.97%	0.50%

Disclosures for 2009 through 2014 are N/A because comparable information is not available at this time.

The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the fiscal year.

Bay County, Florida
Schedule of the County's Contributions - Health Insurance Subsidy
Year Ended September 30, 2018

September 30,	2018	2017	2016	2015	2014
Contractually required contribution	1,003,122	\$ 975,599	\$ 959,484	\$ 691,330	\$ 608,663
Contributions in relation to the contractually required contribution	(1,003,122)	(975,599)	(959,484)	(691,330)	(608,663)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	60,485,168	\$ 50,114,760	\$ 47,022,239	\$ 47,022,239	\$ 45,615,661
Contributions as a percentage of covered payroll	1.66%	1.95%	1.95%	1.47%	1.33%

Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

Bay County, Florida

Schedule of Changes in the County's Total Other Postemployment Benefits Liability and related ratios
Year Ended September 30, 2018

Year Ended September 30,	2018
Total OPEB liability	
Service cost	\$ 1,592,740
Interest	581,292
Changes of assumptions	(915,074)
Benefit payments	(593,463)
Net change in total OPEB liability	665,495
Total OPEB liability - beginning	16,307,935
Total OPEB liability - ending	16,973,430
Covered payroll	51,896,540
Net OPEB liability as a percentage of covered payroll	32.71%

Notes to Schedule:

Note 1: GASB 75 requires information for 10 years. However, until a full 10 year trend is compiled, the County is presenting information for only those years for which information is available.

Note 2: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Bay County, Florida
 Schedule of Employer Contributions for Retirees' Health
 Insurance Other Postemployment Benefit Plans
 Year Ended September 30, 2018

Year Ended September 30,	2018
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	-
Contribution deficiency/(excess)	\$ -
County's covered payroll	\$ 51,896,540
Contributions as a percentage of covered payroll	0%

This schedule is intended to show information for 10 years. 2018 is the first year for this presentation, so no prior year data is available. Additional years will be included as they become available.

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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
ASSETS			
Cash and cash equivalents	\$ 222,663	\$ 42,686	\$ 30,910
Accounts receivable, net	-	-	-
Accrued interest receivable	11,193	8,352	2,320
Investments	2,909,254	556,904	403,868
Prepays	-	-	-
Due from other funds	-	-	-
Due from other governments	293,227	11,577	5,340
Restricted assets			
Cash and cash equivalents	-	162,459	-
Investments	-	2,123,481	-
Total assets	\$ 3,436,337	\$ 2,905,459	\$ 442,438
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 8,138	\$ 43,837	\$ 15,876
Unearned revenues	-	-	-
Due to other funds	-	-	3,244
Advance from other funds	-	-	-
Due to other governments	-	-	-
Total liabilities	8,138	43,837	19,120
Fund balance			
Nonspendable	-	-	-
Restricted	3,427,433	2,263,054	418,994
Assigned	766	598,568	4,324
Total fund balance	3,428,199	2,861,622	423,318
Total liabilities and fund balance	\$ 3,436,337	\$ 2,905,459	\$ 442,438

Bay County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2018

Special Revenue

MSTU Fire Protection	Court	Family Mediation	Records Modernization - Records	Records Modernization - Court
\$ 26,216	\$ 781,173	\$ 18,054	\$ 283,343	\$ 485,978
609	48,924	-	-	91,547
7,851	-	-	-	-
342,530	-	-	-	-
-	6,875	-	3,244	18,794
147,667	-	-	-	-
43,056	-	-	-	-
53,163	-	-	-	-
694,616	-	-	-	-
<u>\$ 1,315,708</u>	<u>\$ 836,972</u>	<u>\$ 18,054</u>	<u>\$ 286,587</u>	<u>\$ 596,319</u>
\$ 165,689	\$ 366,935	\$ 1,950	\$ -	\$ 11,016
988	2,375	-	-	-
1,645	-	-	-	-
344,611	-	-	-	-
446	-	-	-	-
<u>513,379</u>	<u>369,310</u>	<u>1,950</u>	<u>-</u>	<u>11,016</u>
-	6,875	-	3,244	18,794
785,916	460,787	16,104	283,343	566,509
16,413	-	-	-	-
<u>802,329</u>	<u>467,662</u>	<u>16,104</u>	<u>286,587</u>	<u>585,303</u>
<u>\$ 1,315,708</u>	<u>\$ 836,972</u>	<u>\$ 18,054</u>	<u>\$ 286,587</u>	<u>\$ 596,319</u>

Continued

	10% Fine Records Modernization	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
ASSETS				
Cash and cash equivalents	\$ 6,676	\$ 50,926	\$ 10,314	\$ 9,079
Accounts receivable, net	-	-	-	-
Accrued interest receivable	-	-	-	-
Investments	-	-	-	-
Prepays	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Total assets	\$ 6,676	\$ 50,926	\$ 10,314	\$ 9,079
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 6,676	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	6,676	-	-	-
Fund balance				
Nonspendable	-	-	-	-
Restricted	-	50,926	10,314	9,079
Assigned	-	-	-	-
Total fund balance	-	50,926	10,314	9,079
Total liabilities and fund balance	\$ 6,676	\$ 50,926	\$ 10,314	\$ 9,079

Bay County, Florida
 Combining Balance Sheet (Continued)
 Nonmajor Governmental Funds
 September 30, 2018

Special Revenue

Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$ 229,280	\$ 4,562	\$ 74,224	\$ 227,843	\$ 2,503,927
-	-	-	109,409	250,489
-	-	-	-	29,716
-	-	-	-	4,212,556
-	-	-	-	28,913
-	-	-	-	147,667
-	-	-	-	353,200
-	-	-	-	215,622
-	-	-	-	2,818,097
<u>\$ 229,280</u>	<u>\$ 4,562</u>	<u>\$ 74,224</u>	<u>\$ 337,252</u>	<u>\$ 10,560,187</u>
\$ -	\$ -	\$ -	\$ 51,154	\$ 671,271
-	-	-	-	3,363
-	-	-	-	4,889
-	-	-	-	344,611
-	-	-	-	446
-	-	-	51,154	1,024,580
-	-	-	-	28,913
229,280	4,562	74,224	286,098	8,886,623
-	-	-	-	620,071
<u>229,280</u>	<u>4,562</u>	<u>74,224</u>	<u>286,098</u>	<u>9,535,607</u>
<u>\$ 229,280</u>	<u>\$ 4,562</u>	<u>\$ 74,224</u>	<u>\$ 337,252</u>	<u>\$ 10,560,187</u>

	Public Safety	Intergovernmental Radio Communications	District Mosquito Control
REVENUES			
Taxes	\$ -	\$ -	\$ 1,220,791
Intergovernmental	-	-	56,994
Charges for services	818,318	439,783	-
Investment earnings	41,528	12,982	9,271
Contributions and donations	10,141	-	-
Miscellaneous	-	-	-
Total revenues	869,987	452,765	1,287,056
EXPENDITURES			
Current			
General government	-	-	-
Public safety	530,063	584,092	-
Human services	-	-	1,230,044
Capital outlay			
Public safety	1,712	2,362,975	-
Debt service			
Principal	878	-	1,666
Interest	40	66,163	132
Payment to refunded bond escrow agent	-	-	-
Bond issuance costs	-	-	-
Total expenditures	532,693	3,013,230	1,231,842
Excess (deficit) of revenues over (under) expenditures	337,294	(2,560,465)	55,214
OTHER FINANCING SOURCES			
Transfers in	-	78,967	58,915
Issuance of debt	-	4,603,000	-
Payment to refunded bond escrow agent	-	-	-
Total other financing sources	-	4,681,967	58,915
Net change in fund balance	337,294	2,121,502	114,129
Fund balance - beginning	3,090,905	740,120	309,189
Fund balance - ending	\$ 3,428,199	\$ 2,861,622	\$ 423,318

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2018

Special Revenue					
MSTU Fire Protection	Court	Family Mediation	Records Modernization - Records	Records Modernization - Court	
\$ 8,059,393	\$ -	\$ -	\$ -	\$ -	
368,113	-	-	-	-	
145,310	4,345,086	24,000	127,357	381,687	
44,351	-	-	-	-	
319,027	-	-	-	-	
649	-	-	-	-	
8,936,843	4,345,086	24,000	127,357	381,687	
-	4,332,667	21,725	62,392	295,214	
7,576,652	-	-	-	-	
-	-	-	-	-	
993,003	-	-	-	-	
252,227	-	-	-	-	
201,230	-	-	-	-	
430,053	-	-	-	-	
16,099	-	-	-	-	
9,469,264	4,332,667	21,725	62,392	295,214	
(532,421)	12,419	2,275	64,965	86,473	
-	-	-	-	-	
3,410,521	-	-	-	-	
(3,401,697)	-	-	-	-	
8,824	-	-	-	-	
(523,597)	12,419	2,275	64,965	86,473	
1,325,926	455,243	13,829	221,622	498,830	
\$ 802,329	\$ 467,662	\$ 16,104	\$ 286,587	\$ 585,303	

Continued

	10% Fine Records Modernization	Law Enforcement Training	Special Law Enforcement Trust	Special Contribution
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	75,921	37,275	5,319
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	75,921	37,275	5,319
EXPENDITURES				
Current				
General government	9,307	-	-	-
Public safety	-	77,305	75,745	3,542
Human services	-	-	-	-
Capital outlay				
Public safety	-	-	21,872	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	9,307	77,305	97,617	3,542
Excess (deficit) of revenues over (under) expenditures	(9,307)	(1,384)	(60,342)	1,777
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Issuance of debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	(9,307)	(1,384)	(60,342)	1,777
Fund balance - beginning	9,307	52,310	70,656	7,302
Fund balance - ending	\$ -	\$ 50,926	\$ 10,314	\$ 9,079

Bay County, Florida
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance (Continued)
Nonmajor Governmental Funds
Year Ended September 30, 2018

Special Revenue				
Crime Prevention	Federal Seizure Account	Seizure Trust	Inmate Welfare	Total Nonmajor Governmental Funds
\$	-	\$	-	\$
189,331	3,473	117,535	-	9,280,184
-	-	-	909,140	853,961
38	4	-	-	7,190,681
-	-	-	-	108,174
-	-	-	-	329,168
-	-	-	-	649
189,369	3,477	117,535	909,140	17,762,817
-	-	-	-	4,721,305
48,064	8,700	99,051	739,395	9,742,609
-	-	-	-	1,230,044
-	-	47,473	77,172	3,504,207
-	-	-	-	254,771
-	-	-	-	267,565
-	-	-	-	430,053
-	-	-	-	16,099
48,064	8,700	146,524	816,567	20,166,653
141,305	(5,223)	(28,989)	92,573	(2,403,836)
-	-	-	-	137,882
-	-	-	-	8,013,521
-	-	-	-	(3,401,697)
-	-	-	-	4,749,706
141,305	(5,223)	(28,989)	92,573	2,345,870
87,975	9,785	103,213	193,525	7,189,737
\$	229,280	\$	4,562	\$
74,224	286,098	\$	9,535,607	

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Public Safety
Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 806,665	\$ 806,665	\$ 818,318	\$ 11,653
Investment earnings	20,000	20,000	41,528	21,528
Contributions and donations	-	-	10,141	10,141
Total revenues	826,665	826,665	869,987	43,322
EXPENDITURES				
Current				
Public safety	678,514	678,514	530,063	148,451
Capital outlay				
Public safety	125,000	125,000	1,712	123,288
Debt service				
Principal	-	-	878	(878)
Interest	-	-	40	(40)
Total expenditures	803,514	803,514	532,693	270,821
Excess (deficit) of revenues over (under) expenditures	23,151	23,151	337,294	314,143
Net change in fund balance	\$ 23,151	\$ 23,151	337,294	\$ 314,143
Fund balance - beginning			<u>3,090,905</u>	
Fund balance - ending			<u><u>\$ 3,428,199</u></u>	

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Intergovernmental Radio Communications
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 447,978	\$ 447,978	\$ 439,783	\$ (8,195)
Investment earnings	1,000	1,000	12,982	11,982
Total revenues	448,978	448,978	452,765	3,787
EXPENDITURES				
Current				
Public safety	12,411,793	12,390,215	584,092	11,806,123
Capital outlay				
Public safety	4,500	26,078	2,362,975	(2,336,897)
Debt service				
Interest	-	-	66,163	(66,163)
Total expenditures	12,416,293	12,416,293	3,013,230	9,403,063
Excess (deficit) of revenues over (under) expenditures	(11,967,315)	(11,967,315)	(2,560,465)	9,406,850
OTHER FINANCING SOURCES				
Transfers in	78,967	78,967	78,967	-
Transfers out	(1,248,746)	(1,248,746)	-	1,248,746
Issuance of debt	13,000,000	13,000,000	4,603,000	(8,397,000)
Total other financing sources	11,830,221	11,830,221	4,681,967	(7,148,254)
Net change in fund balance	\$ (137,094)	\$ (137,094)	2,121,502	\$ 2,258,596
Fund balance - beginning			740,120	
Fund balance - ending			\$ 2,861,622	

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
District Mosquito Control
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,199,329	\$ 1,199,329	\$ 1,220,791	\$ 21,462
Intergovernmental	47,310	52,566	56,994	4,428
Investment earnings	2,500	2,500	9,271	6,771
Total revenues	1,249,139	1,254,395	1,287,056	32,661
EXPENDITURES				
Current				
Human services	1,321,793	1,327,049	1,230,044	97,005
Debt service				
Principal	-	-	1,666	(1,666)
Interest	-	-	132	(132)
Total expenditures	1,321,793	1,327,049	1,231,842	95,207
Excess (deficit) of revenues over (under) expenditures	(72,654)	(72,654)	55,214	127,868
OTHER FINANCING SOURCES				
Transfers in	58,915	58,915	58,915	-
Total other financing sources	58,915	58,915	58,915	-
Net change in fund balance	\$ (13,739)	\$ (13,739)	\$ 114,129	\$ 127,868
Fund balance - beginning			309,189	
Fund balance - ending			\$ 423,318	

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
MSTU Fire Protection
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,911,787	\$ 8,059,287	\$ 8,059,393	\$ 106
Intergovernmental	387,231	387,231	368,113	(19,118)
Charges for services	60,000	60,000	145,310	85,310
Investment earnings	25,000	25,000	44,351	19,351
Contributions and donations	-	312,447	319,027	6,580
Miscellaneous	-	-	649	649
Total revenues	8,384,018	8,843,965	8,936,843	92,878
EXPENDITURES				
Current				
Public safety	7,289,720	8,125,952	7,576,652	549,300
Capital outlay				
Public safety	2,840,000	3,339,069	993,003	2,346,066
Debt service				
Principal	545,152	231,952	252,227	(20,275)
Interest	228,757	228,757	201,230	27,527
Payment to refunded bond escrow agent	-	-	430,053	(430,053)
Bond issuance costs	-	-	16,099	(16,099)
Total expenditures	10,903,629	11,925,730	9,469,264	2,902,618
Excess (deficit) of revenues over (under) expenditures	(2,519,611)	(3,081,765)	(532,421)	2,549,344
OTHER FINANCING SOURCES				
Issuance of debt	2,000,000	2,000,000	3,410,521	1,410,521
Payment to refunded bond escrow agent	-	-	(3,401,697)	(3,401,697)
Total other financing sources	2,000,000	2,000,000	8,824	(1,991,176)
Net change in fund balance	\$ (519,611)	\$ (1,081,765)	(523,597)	\$ 558,168
Fund balance - beginning			<u>1,325,926</u>	
Fund balance - ending			<u>\$ 802,329</u>	

Bay County, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Court
Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 3,569,155	\$ 4,345,101	\$ 4,345,086	\$ (15)
<u>Total revenues</u>	<u>3,569,155</u>	<u>4,345,101</u>	<u>4,345,086</u>	<u>(15)</u>
EXPENDITURES				
Current				
General government	3,569,155	4,345,101	4,332,667	12,434
Capital outlay				
General government	-	-	-	-
<u>Total expenditures</u>	<u>3,569,155</u>	<u>4,345,101</u>	<u>4,332,667</u>	<u>12,434</u>
<u>Excess (deficit) of revenues over (under) expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,419</u>	<u>\$ 12,419</u>
Fund balance - beginning			<u>455,243</u>	
Fund balance - ending			<u>\$ 467,662</u>	

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, 2018

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 127,199	\$ 404,886	\$ 82,091	\$ 52,985	\$ 667,161
Accounts receivable, net	129,936	12,992	132	9,206	152,266
Accrued interest	1,308	19,986	2,456	2,051	25,801
Prepaid expenses	-	201,395	1,106,602	-	1,307,997
Investments	608,521	5,290,139	1,072,583	692,283	7,663,526
Due from other governments	1,338	-	-	-	1,338
Due from other funds	78,978	-	-	5,724	84,702
Total current assets	947,280	5,929,398	2,263,864	762,249	9,902,791
Capital assets					
Buildings	239,802	-	-	618,642	858,444
Improvements	140,043	-	-	-	140,043
Furniture and equipment	358,712	6,599	67,027	666,976	1,099,314
Less: accumulated depreciation	(552,535)	(4,508)	(65,633)	(833,727)	(1,456,403)
Total capital assets, net	186,022	2,091	1,394	451,891	641,398
Total assets	1,133,302	5,931,489	2,265,258	1,214,140	10,544,189
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to OPEB	8,289	1,094	124	5,195	14,702
Deferred outflows related to pension	339,871	48,867	42,534	295,005	726,277
Total deferred outflows of resources	348,160	49,961	42,658	300,200	740,979
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	121,189	11,080	297,110	38,834	468,213
Accrued compensated absences	38,813	9,444	7,073	29,603	84,933
Due to other funds	251,790	198,486	958,611	143,015	1,551,902
Capital leases payable	2,336	981	654	4,719	8,690
Estimated liability for self insured losses, current	-	508,659	-	-	508,659
Total current liabilities	414,128	728,650	1,263,448	216,171	2,622,397
Noncurrent liabilities					
Capital leases payable	3,215	1,184	789	7,478	12,666
Estimated liability for self insured losses	-	3,972,102	-	-	3,972,102
Accrued compensated absences	56,789	9,156	6,182	44,679	116,806
Net OPEB obligation	271,445	21,463	10,613	149,594	453,115
Net pension liability	791,700	115,306	102,803	695,892	1,705,701
Total noncurrent liabilities	1,123,149	4,119,211	120,387	897,643	6,260,390
Total liabilities	1,537,277	4,847,861	1,383,835	1,113,814	8,882,787
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension	79,897	16,345	14,302	71,660	182,204
Deferred inflows related to OPEB	12,890	1,701	193	8,078	22,862
Total deferred inflows of resources	92,787	18,046	14,495	79,738	205,066
NET POSITION					
Net investment in capital assets	180,471	(74)	(49)	439,694	620,042
Unrestricted	(329,073)	1,115,617	909,635	(118,906)	1,577,273
Total net position	\$ (148,602)	\$ 1,115,543	\$ 909,586	\$ 320,788	\$ 2,197,315

Bay County, Florida
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position
Internal Service Funds
Year Ended September 30, 2018

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
OPERATING REVENUES					
Charges for services	\$ 4,548,296	\$ 1,095,494	\$ 2,462,756	\$ 1,465,123	\$ 9,571,669
Miscellaneous	-	12,992	-	1,663	14,655
Total operating revenues	4,548,296	1,108,486	2,462,756	1,466,786	9,586,324
OPERATING EXPENSES					
Personal services	1,352,331	269,858	152,823	1,014,132	2,789,144
Contracted services	114,247	36,721	11,927	184,941	347,836
Repairs and maintenance	271,134	814	35	22,420	294,403
Utilities	372,271	-	-	21,673	393,944
Depreciation	43,384	1,394	929	34,861	80,568
Materials	2,226,593	-	-	-	2,226,593
Insurance claims	-	756,810	-	-	756,810
Other operating expenses	172,717	43,356	2,297,109	191,361	2,704,543
Total operating expenses	4,552,677	1,108,953	2,462,823	1,469,388	9,593,841
Operating income	(4,381)	(467)	(67)	(2,602)	(7,517)
NONOPERATING REVENUES (EXPENSES)					
Interest income					
Interest and fiscal charges	(218)	(139)	-	(282)	(639)
Investment earnings (loss)	2,085	76,229	6,220	7,727	92,261
Total nonoperation revenues (expenses)	1,867	76,090	6,220	7,445	91,622
Change in net position	(2,514)	75,623	6,153	4,843	84,105
Total net position (deficit) -					
beginning (as originally stated)	(79,000)	1,051,144	911,731	368,721	2,252,596
Restatement adjustment	(67,088)	(11,224)	(8,298)	(52,776)	(139,386)
Total net position (deficit) -					
beginning (as restated)	(146,088)	1,039,920	903,433	315,945	2,113,210
Total net position - ending	\$ (148,602)	\$ 1,115,543	\$ 909,586	\$ 320,788	\$ 2,197,315

Bay County, Florida
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2018

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and others	\$ 4,762,548	\$ 1,082,502	\$ 2,462,624	\$ 1,469,559	\$ 9,777,233
Cash received from miscellaneous operating activities	-	12,992	-	1,663	14,655
Cash paid to suppliers for goods and services	(2,909,812)	(716,769)	(1,622,464)	(417,212)	(5,666,257)
Cash paid to employees for services	(1,245,655)	(253,462)	(128,752)	(922,562)	(2,550,431)
Net cash provided by operating activities	607,081	125,263	711,408	131,448	1,575,200
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	-	-
Net cash provided by noncapital financing activities	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	-	-	-	-
Principal paid on long-term debt	(3,056)	(940)	(626)	(3,981)	(8,603)
Interest paid on long-term debt	(246)	-	-	(282)	(528)
Purchase of capital assets	(10,514)	-	-	(10,297)	(20,811)
Net cash (used in) capital and related financing activities	(13,816)	(940)	(626)	(14,560)	(29,942)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturities of investment securities	(152,693)	2,578,137	(272,418)	221,555	2,374,581
Purchase of investments	(326,177)	(2,744,222)	(390,420)	(334,915)	(3,795,734)
Interest and dividends on investments	2,540	74,901	4,425	7,466	89,332
Net cash provided by (used in) investing activities	(476,330)	(91,184)	(658,413)	(105,894)	(1,331,821)
Net increase (decrease) in cash and cash equivalents	116,935	33,139	52,369	10,994	213,437
Cash and cash equivalents - beginning	10,264	371,747	29,722	41,991	453,724
Cash and cash equivalents - ending	\$ 127,199	\$ 404,886	\$ 82,091	\$ 52,985	\$ 667,161
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Assets acquired via capital lease	\$ 3,848	\$ -	\$ -	\$ 9,805	\$ 13,653

Continued

Bay County, Florida
Combining Statement of Cash Flows (Continued)
Internal Service Funds
Year Ended September 30, 2018

	Other Internal Services	Workers' Compensation	Insurance	Utilities Administration	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ (4,381)	\$ (467)	\$ (67)	\$ (2,602)	\$ (7,517)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	43,384	1,394	929	34,861	80,568
(Increase) decrease in assets					
Accounts receivable, net	17,113	(12,992)	(132)	3,416	7,405
Prepaid expenses	-	11,765	50,659	-	62,424
Due from other funds	197,647	-	-	1,020	198,667
Due from other governments	(508)	-	-	-	(508)
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(4,640)	(6,791)	(7,107)	4,535	(14,003)
Deferred revenue	-	-	-	-	-
Accrued compensated absences	10,925	(2,290)	8,755	16,905	34,295
Due to other funds	251,790	115,958	643,055	(1,352)	1,009,451
Net OPEB obligation	6,723	887	101	4,213	11,924
Net pension liability	27,496	5,599	4,933	22,006	60,034
(Increase) in deferred outflows:					
related to net pension	14,952	3,045	2,682	11,967	32,646
related to OPEB	(8,289)	(1,094)	(124)	(5,195)	(14,702)
Decrease in deferred inflows					
related to OPEB	12,890	1,701	193	8,078	22,862
related to net pension	41,979	8,548	7,531	33,596	91,654
Total adjustments	611,462	125,730	711,475	134,050	1,582,717
Net cash provided by operating activities	\$ 607,081	\$ 125,263	\$ 711,408	\$ 131,448	\$ 1,575,200

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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 billed on Child Support Title IV-D which are received by the Bay County Sheriff's Office.

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

Sheriff's Fees – to account for the fees charged by the Bay County Sheriff's Office for the service of process in civil cases.

Bay County, Florida
Combining Statement of Fiduciary Net Position
Agency Funds
September 30, 2018

	Fines, Forfeitures and Other Fees	Jury and Witness	Tax Deed Assets	Support
ASSETS				
Cash and cash equivalents	\$ 2,065,865	\$ 25,153	\$ 523,164	\$ 30,636
Accounts receivable, net	-	-	-	-
Total assets	\$ 2,065,865	\$ 25,153	\$ 523,164	\$ 30,636
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 523,164	\$ 30,636
Due to others	-	-	-	-
Due to other governments	2,065,865	25,153	-	-
Total liabilities	\$ 2,065,865	\$ 25,153	\$ 523,164	\$ 30,636

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Position (Continued)
Agency Funds
September 30, 2018

	Court Registry	Cash Bond	Restitution
ASSETS			
Cash and cash equivalents	\$ 2,043,382	\$ 520,428	\$ 51,064
Accounts receivable, net	-	-	-
Total assets	\$ 2,043,382	\$ 520,428	\$ 51,064
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,043,382	\$ -	\$ 51,064
Due to others	-	-	-
Due to other governments	-	520,428	-
Total liabilities	\$ 2,043,382	\$ 520,428	\$ 51,064

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Position (Continued)
Agency Funds
September 30, 2018

	Property Tax	Tag	Other Suspense
ASSETS			
Cash and cash equivalents	\$ 1,962,941	\$ 892,196	\$ 13,291
Accounts receivable, net	1,083	181	-
Total assets	\$ 1,964,024	\$ 892,377	\$ 13,291
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to others	-	-	-
Due to other governments	\$ 1,964,024	\$ 892,377	\$ 13,291
Total liabilities	\$ 1,964,024	\$ 892,377	\$ 13,291

Continued

Bay County, Florida
Combining Statement of Fiduciary Net Position (Continued)
Agency Funds
September 30, 2018

	Sheriff's Fees	Individual Depositors	Forfeitures	Total
ASSETS				
Cash and cash equivalents	\$ 60,725	\$ 53,823	\$ 24,023	\$ 8,266,691
Accounts receivable, net	-	-	-	1,264
Total assets	\$ 60,725	\$ 53,823	\$ 24,023	\$ 8,267,955
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 53,823	\$ -	\$ 2,702,069
Due to others	-	-	24,023	24,023
Due to other governments	60,725	-	-	5,541,863
Total liabilities	\$ 60,725	\$ 53,823	\$ 24,023	\$ 8,267,955

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended September 30, 2018

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
FINES, FORFEITURES, AND OTHER FEES				
ASSETS				
Cash and cash equivalents	\$ 2,437,546	\$ 33,867,365	\$ 34,239,046	\$ 2,065,865
Total assets	\$ 2,437,546	\$ 33,867,365	\$ 34,239,046	\$ 2,065,865
LIABILITIES				
Due to other governments	\$ 2,437,546	\$ 33,867,365	\$ 34,239,046	\$ 2,065,865
Total liabilities	\$ 2,437,546	\$ 33,867,365	\$ 34,239,046	\$ 2,065,865
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 27,697	\$ 37,672	\$ 40,216	\$ 25,153
Total assets	\$ 27,697	\$ 37,672	\$ 40,216	\$ 25,153
LIABILITIES				
Due to other governments	\$ 27,697	\$ 37,672	\$ 40,216	\$ 25,153
Total liabilities	\$ 27,697	\$ 37,672	\$ 40,216	\$ 25,153
TAX DEED ASSETS				
ASSETS				
Cash and cash equivalents	\$ 905,529	\$ 762,643	\$ 1,145,008	\$ 523,164
Total assets	\$ 905,529	\$ 762,643	\$ 1,145,008	\$ 523,164
LIABILITIES				
Accounts payable and accrued liabilities	\$ 905,529	\$ 762,643	\$ 1,145,008	\$ 523,164
Total liabilities	\$ 905,529	\$ 762,643	\$ 1,145,008	\$ 523,164

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Agency Funds
Year Ended September 30, 2018

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 17,338	\$ 914,053	\$ 900,755	\$ 30,636
Total assets	\$ 17,338	\$ 914,053	\$ 900,755	\$ 30,636
LIABILITIES				
Accounts payable and accrued liabilities	\$ 17,338	\$ 914,053	\$ 900,755	\$ 30,636
Total liabilities	\$ 17,338	\$ 914,053	\$ 900,755	\$ 30,636
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,557,672	\$ 60,892,842	\$ 60,407,132	\$ 2,043,382
Total assets	\$ 1,557,672	\$ 60,892,842	\$ 60,407,132	\$ 2,043,382
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,557,672	\$ 60,892,842	\$ 60,407,132	\$ 2,043,382
Total liabilities	\$ 1,557,672	\$ 60,892,842	\$ 60,407,132	\$ 2,043,382
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 647,162	\$ 663,213	\$ 789,947	\$ 520,428
Total assets	\$ 647,162	\$ 663,213	\$ 789,947	\$ 520,428
LIABILITIES				
Due to other governments	\$ 647,162	\$ 663,213	\$ 789,947	\$ 520,428
Total liabilities	\$ 647,162	\$ 663,213	\$ 789,947	\$ 520,428

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Agency Funds
Year Ended September 30, 2018

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 43,165	\$ 288,433	\$ 280,534	\$ 51,064
Total assets	\$ 43,165	\$ 288,433	\$ 280,534	\$ 51,064
LIABILITIES				
Accounts payable and accrued liabilities	\$ 43,165	\$ 288,433	\$ 280,534	\$ 51,064
Total liabilities	\$ 43,165	\$ 288,433	\$ 280,534	\$ 51,064
PROPERTY TAX				
ASSETS				
Cash and cash equivalents	\$ 2,117,521	\$ 214,285,730	\$ 214,440,310	\$ 1,962,941
Accounts receivable, net	50	80,507	79,474.00	1,083
Total assets	\$ 2,117,571	\$ 214,366,237	\$ 214,519,784	\$ 1,964,024
LIABILITIES				
Due to other governments	\$ 2,117,571	\$ 214,366,237	\$ 214,519,784	\$ 1,964,024
Total liabilities	\$ 2,117,571	\$ 214,366,237	\$ 214,519,784	\$ 1,964,024
TAG				
ASSETS				
Cash and cash equivalents	\$ 477,484	\$ 25,381,975	\$ 24,967,263	\$ 892,196
Accounts receivable, net	624	1,364	1,807	181
Total assets	\$ 478,108	\$ 25,383,339	\$ 24,969,070	\$ 892,377
LIABILITIES				
Due to other governments	\$ 478,108	\$ 25,383,339	\$ 24,969,070	\$ 892,377
Total liabilities	\$ 478,108	\$ 25,383,339	\$ 24,969,070	\$ 892,377
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ 12,979	\$ 87,263	\$ 86,951	\$ 13,291
Total assets	\$ 12,979	\$ 87,263	\$ 86,951	\$ 13,291
LIABILITIES				
Due to other governments	\$ 12,979	\$ 87,263	\$ 86,951	\$ 13,291
Total liabilities	\$ 12,979	\$ 87,263	\$ 86,951	\$ 13,291

Continued

Bay County, Florida
Combining Statement of Changes in Assets and Liabilities (Continued)
Agency Funds
Year Ended September 30, 2018

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 55,031	\$ 35,089	\$ 36,297	\$ 53,823
Total assets	\$ 55,031	\$ 35,089	\$ 36,297	\$ 53,823
LIABILITIES				
Accounts payable and accrued liabilities	\$ 55,031	\$ 35,089	\$ 36,297	\$ 53,823
Total liabilities	\$ 55,031	\$ 35,089	\$ 36,297	\$ 53,823
FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 164,088	\$ 44,106	\$ 184,171	\$ 24,023
Total assets	\$ 164,088	\$ 44,106	\$ 184,171	\$ 24,023
LIABILITIES				
Due to others	\$ 164,088	\$ 44,106	\$ 184,171	\$ 24,023
Total liabilities	\$ 164,088	\$ 44,106	\$ 184,171	\$ 24,023
SHERIFF'S FEES				
ASSETS				
Cash and cash equivalents	\$ 42,497	\$ 215,709	\$ 197,481	\$ 60,725
Total assets	\$ 42,497	\$ 215,709	\$ 197,481	\$ 60,725
LIABILITIES				
Due to other governments	\$ 42,497	\$ 215,709	\$ 197,481	\$ 60,725
Total liabilities	\$ 42,497	\$ 215,709	\$ 197,481	\$ 60,725
COMBINED TOTALS				
ASSETS				
Cash and cash equivalents	\$ 8,505,709	\$ 337,476,093	\$ 337,715,111	\$ 8,266,691
Investments	-	-	-	-
Accounts receivable, net	674	81,871	81,281	1,264
Total assets	\$ 8,506,383	\$ 337,557,964	\$ 337,796,392	\$ 8,267,955
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,578,735	\$ 62,893,060	\$ 62,769,726	\$ 2,702,069
Due to others	164,088	44,106	184,171	24,023
Due to other governments	5,763,560	274,620,798	274,842,495	5,541,863
Total liabilities	\$ 8,506,383	\$ 337,557,964	\$ 337,796,392	\$ 8,267,955

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Honorable County Commissioners
Bay County, Florida

Report on the Financial Statements

We have audited the financial statements of Bay County, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 30, 2019.

Auditors' Responsibility

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 30, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not Bay County, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) 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.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Bay County, Florida. It is management's responsibility to monitor Bay County, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of This Letter

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, the Commissioners of Bay County, and applicable management, and is not intended to be and should not be used by anyone other than these specific parties.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019



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INDEPENDENT ACCOUNTANTS' REPORT

The Honorable County Commissioners
Bay County, Florida

We have examined Bay County, Florida's (County) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*; Section 365.172(10), Florida Statutes, *Authorized Expenditures of E911 Fee*; and Section 365.173(2)(d), Florida Statutes, *Distribution and Use of (E911) Funds*; for the year ended September 30, 2018. Management of the County is responsible for the County's compliance with the specified requirements. Our responsibility is to express an opinion on the County's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the County complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the County complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the County's compliance with specified requirements.

In our opinion, the County complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*; Section 365.172(10), Florida Statutes, *Authorized Expenditures of E911 Fee*; and Section 365.173(2)(d), Florida Statutes, *Distribution and Use of (E911) Funds*; for the year ended September 30, 2018

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

Carr, Riggs & Ingram, LLC

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

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INDEPENDENT AUDITORS' 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, each major discretely presented component unit, each major fund, and the aggregate remaining fund information of Bay County, Florida, as of and for the year ended September 30, 2018, and the related notes to basic financial statements, which collectively comprise Bay County, Florida's basic financial statements and have issued our report thereon dated June 30, 2019.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay County, Florida'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. As a result of our tests, we noted one compliance matter, described in the accompanying schedule of findings and questioned costs as item 2018-002.

Bay County, Florida's Response to Findings

Bay County, Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bay County, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE 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 (County) compliance with the types of compliance requirements described in the *OMB 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, 2018. The County's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *State of Florida Rules of the Auditor General*. Those standards, the Uniform Guidance, 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, 2018.

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 the Uniform Guidance 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 a 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 the Uniform Guidance 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
June 30, 2019

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Bay County, Florida
 Schedule of Findings and Questioned Costs
 Federal Awards and State Financial Assistance
 Year Ended September 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 auditors' 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 the Uniform Guidance or Section 10.557, Rules of the Auditor General? Yes No

Identification of major federal programs and state projects:

<u>CFDA Number</u>	<u>Major Federal Programs</u>
Federal Transit Cluster	
20.507	Federal transit – Formula Grants (Urbanized Area Formula Grant)
20.526	Bus and Bus Facilities Formula Program
66.460	Nonpoint Source Implementation Grants
97.039	Hazard Mitigation Grant
90.401	Help America Vote Act Requirements Payments

Continued

Bay County, Florida
 Schedule of Findings and Questioned Costs
 Federal Awards and State Financial Assistance (Continued)
 Year Ended September 30, 2018

<u>CSFA Number</u>	<u>Major State Projects</u>
37.003	Beach Management Funding Assistance Program
55.005	Seaport Grant Programs

Dollar threshold used to distinguish between Type A and Type B programs:	<u>Federal</u> \$ 750,000	<u>State</u> \$ 300,000
Auditee qualified as low-risk auditee for Federal Single Audit?	___ Yes	_√_ No

Section II - Financial Statement Findings

Finding

Bay County 2018-001

Condition: Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. Subsequent to the prior fiscal year end adjustments were identified related to fixed assets, revenue, and accounts receivable that required adjustments.

Criteria: Internal controls should prevent, or detect and correct adjustment timely to provide materially correct financial information.

Cause: The County's controls did not identify the adjustments timely.

Effect: Adjustments were required for prior year balances.

Recommendation: We recommend that the County staff continue to strive toward identifying proposed audit adjustments more timely.

Views of Responsible Officials and Planned Corrective Action: Management agrees with auditors' recommendation.

Bay County 2018-002

Condition/Criteria: The County violated provisions of Section 129.06 (2)(a-f) of the Florida Statutes by amending the fiscal year 2018 budget after the first 60 days of the current year end.

Bay County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2018

Cause: Subsequent to current year end the County, as noted in Note 23- Subsequent Events, received devastating destruction and property damage from Hurricane Michael. The resulting immediate response and cleanup prevented the Board from taking timely action to amend the final fiscal year end budget.

Effect: The County was not in compliance with State laws.

Recommendation: We recommend that the County staff continue to strive for timely amendments to the budgets in accordance with the State laws.

Views of Responsible Officials and Planned Corrective Action: The cause of this compliance was related to a category 5 hurricane. Regardless, management agrees with auditors' recommendation.

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, 2018

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

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Passed through to Subrecipients	Expenditures
FEDERAL AWARDS				
Federal Transit Cluster-Cluster				
Department of Transportation				
Federal Transit_Formula Grants				
Federal Transit_Formula Grants	20.507	X066--FL-2018-066-00	\$ -	\$ 541,000
Federal Transit_Formula Grants	20.507	X043--FL-2018-043-00	-	187,500
Federal Transit_Formula Grants	20.507	X096--FL-2017-096-00	-	1,131,902
Federal Transit_Formula Grants	20.507	X897--FL-90-X897	-	242,616
Federal Transit_Formula Grants	20.507	X086--FL-2018-86-00	-	140,626
Total Federal Transit_Formula Grants			-	2,243,644
Bus and Bus Facilities Formula Grants				
Bus and Bus Facilities Formula Grants	20.526	X093--FL-2017-093-00	-	382,329
Bus and Bus Facilities Formula Grants	20.526	X030--FL-2018-030-00	-	290,801
Total Bus and Bus Facilities Formula Grants			-	673,130
Total Department of Transportation			-	2,916,774
Total Federal Transit Cluster-Cluster				2,916,774
Highway Planning and Construction Cluster-Cluster				
Department of Transportation				
Passed through Florida Department of Transportation				
Highway Planning and Construction				
Highway Planning and Construction	20.205	G0K56	-	75,273
Highway Planning and Construction	20.205	G0969	-	6,674
Highway Planning and Construction	20.205	G0D30	-	788,635
Highway Planning and Construction	20.205	G0D15	-	345,805
Highway Planning and Construction	20.205	G0A42	-	4,432,000
Total Highway Planning and Construction			-	5,648,387
Total passed through Florida Department of Transportation			-	5,648,387
Total Department of Transportation			-	5,648,387
Total Highway Planning and Construction Cluster-Cluster				5,648,387
Highway Safety Cluster-Cluster				
Department of Transportation				
Passed through Florida Department of Transportation				
State and Community Highway Safety				
State and Community Highway Safety	20.600	SC-18-13-14	-	100,000
Total State and Community Highway Safety			-	100,000
National Priority Safety Programs				
National Priority Safety Programs	20.616	M5HVE-18-06-02	-	30,853
Total National Priority Safety Programs			-	30,853
Total passed through Florida Department of Transportation			-	130,853
Total Department of Transportation			-	130,853
Total Highway Safety Cluster-Cluster				130,853
Other Programs				
Department of Homeland Security				
Passed through State of Florida Division of Emergency Management				
Hazard Mitigation Grant				
Hazard Mitigation Grant	97.039	16HM-1F-01-13-01-200	-	395,334
Hazard Mitigation Grant	97.039	17HM-9J-01-13-01-315	-	(849)
Hazard Mitigation Grant	97.039	17HM-9J-01-13-01-316	-	247,550
Total Hazard Mitigation Grant			-	642,035
Emergency Management Performance Grants				
Emergency Management Performance Grants	97.042	18-FG-7A01-13-01-172	-	52,183
Emergency Management Performance Grants	97.042	19-FG-AF-01-13-01-061	-	31,300
Total Emergency Management Performance Grants			-	83,483

(Continued)

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Passed through to Subrecipients	Expenditures
Homeland Security Grant				
Homeland Security Grant	97.067	17DS-V4-01-13-01-351	\$ -	\$ 24,467
Homeland Security Grant	97.067	18-DS-X1-01-13-23-340	-	26,400
Homeland Security Grant	97.067	17-DS-V4-01-13-01-322	-	183,992
Homeland Security Grant	97.067	18-DS-X1-01-13-01-341	-	14,967
Total Homeland Security Grant			-	249,826
Staffing for Adequate Fire and Emergency Response (SAFER)				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00818	-	306,835
Total Staffing for Adequate Fire and Emergency Response (SAFER)			-	306,835
Total Passed through State of Florida Division of Emergency Management			-	1,282,179
Total Department of Homeland Security			-	1,282,179
United States Department of Justice				
Passed through State of Florida Department of Legal Affairs				
Crime Victim Assistance				
Crime Victim Assistance	16.575	VOCA-2017	-	35,014
Total Crime Victim Assistance			-	35,014
Total Passed through State of Florida Department of Legal Affairs			-	35,014
Passed through State of Florida Department of Children and Families				
Passed through the Florida Coalition Against Domestic Violence				
Violence Against Women Formula Grants				
Violence Against Women Formula Grants	16.588	18-8045-LE-INV	-	49,237
Violence Against Women Formula Grants	16.588	19-8045-LE-INV	-	16,394
Violence Against Women Formula Grants	16.588	18-8045-LE-ENH	-	76,645
Violence Against Women Formula Grants	16.588	19-8045-LE-ENH	-	30,331
Total Violence Against Women Formula Grants			-	172,607
Total Passed through the Florida Coalition Against Domestic Violence			-	172,607
Total Passed through State of Florida Department of Children and Families			-	172,607
Edward Byrne Memorial Justice Assistance Program				
Edward Byrne Memorial Justice Assistance Program	16.738	2017-H2440-FL-DJ	-	23,949
Total Edward Byrne Memorial Justice Assistance Program			-	23,949
Total United States Department of Justice			-	231,570
Department of Transportation				
Formula Grants for Rural Areas				
Formula Grants for Rural Areas	20.509	G0Q99	-	125,000
Total Formula Grants for Rural Areas			-	125,000
Total Department of Transportation			-	125,000
United States Environmental Protection Agency				
Passed through the Florida Department of Environmental Protection				
Nonpoint Source Implementation Grants				
Nonpoint Source Implementation Grants	66.460	NF005	-	641,738
Nonpoint Source Implementation Grants	66.460	NF009	-	281,288
Total Nonpoint Source Implementation Grants			-	923,026
Total Passed through the Florida Department of Environmental Protection			-	923,026
Total United States Environmental Protection Agency			-	923,026
Department of Health and Human Services				
Passed through Florida Department of Revenue				
Child Support Enforcement				
Child Support Enforcement	93.563	COC01	-	123,231
Total Child Support Enforcement			-	123,231
Total Passed through Florida Department of Revenue			-	123,231
Total Department of Health and Human Services			-	123,231
Various Agencies				
Passed through Florida Department of State Division of Elections				
Help America Vote Act Requirements Payments				
Help America Vote Act Requirements Payments	90.401	MOA2018-2019-001-BAY	-	156,610
Help America Vote Act Requirements Payments	90.401	MOA2018-2019-0002-BAY	-	18,619
Total Help America Vote Act Requirements Payments			-	175,229
Total Passed through Florida Department of State Division of Elections			-	175,229
Total Various Agencies			-	175,229
Total Other Programs			-	2,860,235
Total Expenditures of Federal Awards			-	11,556,249

(Continued)

Bay County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Passed through to Subrecipients	Expenditures
STATE FINANCIAL ASSISTANCE				
Division of Emergency Management				
Emergency Management Preparedness	31.063	18-BG-W9-01-13-01-173	\$ -	\$ 67,504
Emergency Management Preparedness	31.063	18-BG-21-01-13-01-057	-	37,571
Total Division of Emergency Management			-	105,075
Department of Environmental Protection				
Beach Management Funding Assistance Program	37.003	18BA1	-	4,628,670
Beach Management Funding Assistance Program	37.003	13BA1	-	8,141
Total Department of Environmental Protection			-	4,636,811
Department of Agriculture and Consumer Services				
Mosquito Control	42.003	024754	-	52,567
Total Department of Agriculture and Consumer Services			-	52,567
Department of State, Division of Library and Information Services				
State Aid to Libraries	45.030	17-ST-41	-	42,059
State Aid to Libraries	45.030	17-ST-42	-	2,590
State Aid to Libraries	45.030	17-ST-43	-	8,448
State Aid to Libraries	45.030	17-ST-44	-	13,327
State Aid to Libraries	45.030	18-ST-41	-	297,272
State Aid to Libraries	45.030	18-ST-42	-	60,200
State Aid to Libraries	45.030	18-ST-43	-	52,901
State Aid to Libraries	45.030	18-ST-44	-	41,633
Total Department of State, Division of Library and Information Services			-	518,430
Department of Economic Opportunity				
Passed through Florida Housing Finance Corporation State Housing Initiatives Partnership Program	40.901	----	579,634	579,634
Total Department of Economic Opportunity			579,634	579,634
Department of Transportation				
The Transportation Disadvantaged Trip & Equipment	55.001	G0S74	-	70,067
The Transportation Disadvantaged Trip & Equipment	55.001	G0X07	-	115,411
The Transportation Disadvantaged Trip & Equipment	55.001	G0M24	-	349,524
Seaport Grant	55.005	G0U31	-	1,160,814
Public Transit Block Grant	55.010	G0E62	-	436,520
Transit Corridor Development Program	55.013	G0R51	-	211,785
Transportation Regional Incentive Program (Trip)	55.026	G0R85	-	209,816
Total Department of Transportation			-	2,553,937
Department of Health				
County Grant Awards	64.005	C5003		26,839
County Grant Awards	64.005	C6003	-	26,643
Total Department of Health			-	53,482
Department of Highway Safety and Motor Vehicles				
Florida Arts License Plates Project	76.041	2017Tags	-	98
Total Department of Highway Safety and Motor Vehicles			-	98
Fish and Wildlife Conservation Commission				
Artificial Reef Grants Program	77.007	FWC-15157	-	50,125
Total Fish and Wildlife Conservation Commission			-	50,125
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 579,634	\$ 8,550,159

Notes to Schedule

- The County follows the modified accrual basis of accounting in preparing this schedule. This method is consistent with the preparation of the County's financial statements.
- The County has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.



BOARD OF COUNTY
COMMISSIONERS

www.baycountyfl.com

340 WEST 11th STREET
PANAMA CITY, FL 32401

COMMISSIONER

COMMISSIONER
DISTRICT I

ROBERT CARR
DISTRICT I

WILLIAM F. DICKENS
DISTRICT II

DAVID DICKENS
DISTRICT II

DAVID DICKENS (SUNSHINE)
DISTRICT I

ROBERT J. MADDALENI
COUNTY MANAGER

June 30, 2019

**Bay County, Florida
Management's Corrective Action Plan
For the Fiscal Year Ended September 30, 2018**

Finding Number: 2018-001

Planned Corrective Action:

In preparing the next year's Annual Financial Report the County will strive towards identifying and recording all proposed audit adjustments more timely. This will include coordinating with all County departments to insure that the accounting department is made aware of all adjustments.

Anticipated Completion Date: 11/30/2019

Finding Number: 2018-002

Planned Corrective Action:

The County is aware of the requirement of Section 129.06(2)(a-f) of the Florida Statutes. County staff will strive towards identifying and recording amendments to the budgets more timely in accordance with these state laws.

Anticipated Completion Date: 11/30/2019

Responsible Contact Person: Katy Nail

Katy Nail

Finance Officer

BAY COUNTY, FLORIDA
CONSTITUTIONAL OFFICERS
FOR THE FISCAL YEAR-ENDED SEPTEMBER 30, 2018

SUPERVISOR OF ELECTIONS

Mark Andersen

TAX COLLECTOR

Chuck Perdue

CLERK OF COURT AND COMPTROLLER

Bill Kinsaul

SHERIFF

Tommy Ford

PROPERTY APPRAISER

Dan Sowell

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Constitutional Officers
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the major fund of the Bay County Supervisor of Elections, as of and for the fiscal year ended September 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Bay County Supervisor of Elections' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 auditors consider 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 financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Bay County Supervisor of Elections as of September 30, 2018, the respective changes in financial position thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with these Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the major fund only for that portion of the major fund of Bay County, Florida that is attributable to the Bay County Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of Bay County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019, on our consideration of the Bay County Supervisor of Elections' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements and other matters included under the heading Independent Auditors' 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 purpose of that report is solely 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 effectiveness of the Bay County Supervisor of Elections' 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

Bay County Supervisor of Elections
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 166,745
Cash and cash equivalents - restricted	33,176
Total assets	\$ 199,921
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued liabilities	\$ 60,209
Due to other governments	106,536
Unearned revenue	33,176
Total liabilities	199,921
Fund balance	-
Total liabilities and fund balance	\$ 199,921

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, 2018

	General Fund
REVENUES	
Intergovernmental	\$ 175,229
Charges for services	8,603
Total revenues	183,832
EXPENDITURES	
Current	
General government	1,526,706
Capital outlay	
General government	141,663
Total expenditures	1,668,369
Excess (deficit) of revenues over (under) expenditures	(1,484,537)
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	1,590,216
Transfer out/return of excess fees	(105,679)
Total other financing sources (uses)	1,484,537
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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 208,405	\$ 175,229	\$ (33,176)
Charges for services	-	-	8,603	8,603
Total revenues	-	208,405	183,832	(24,573)
EXPENDITURES				
Current				
General government	1,586,729	1,631,622	1,526,706	104,916
Capital outlay				
General government	7,000	170,512	141,663	28,849
Total expenditures	1,593,729	1,802,134	1,668,369	133,765
Excess (deficit) of revenues over (under) expenditures	(1,593,729)	(1,593,729)	(1,484,537)	109,192
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,593,729	1,593,729	1,590,216	(3,513)
Transfer out/return of excess fees	-	-	(105,679)	(105,679)
Total other financing sources (uses)	1,593,729	1,593,729	1,484,537	(109,192)
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 (Supervisor of Elections) is an integral part of Bay County, Florida (County) 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 the County's basic financial statements. The Supervisor of Elections operates on a budgetary system, whereby appropriated funds are received from the Board of County Commissioners (Board) and any unexpended appropriations are remitted to the Board after the end of the fiscal year.

The Supervisor of Elections' financial statements have been prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida (Rules). These financial statements are the fund financial statements required by generally accepted accounting principles (GAAP). However, these fund statements do not constitute a complete presentation because, in conformity with the Rules, the Supervisor of Elections has not presented reconciliations to the government-wide financial statements, the government-wide financial statements, management's discussion and analysis, or the pension or the other postemployment benefit related required supplementary information. Also, certain notes to special-purpose financial statements may supplement rather than duplicate the notes included in the County's financial statements. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the major fund, only for that portion of the major fund, of Bay County, Florida, that is attributable to the Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of Bay County, Florida, as of September 30, 2018, and the changes in its financial position, for the fiscal year then ended in accordance with GAAP.

Basis of Presentation - Fund Accounting – Accounts are organized on the basis of fund types, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund type is used by the Supervisor of Elections:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of the Supervisor of Elections. It is used to account for all financial resources except those required to be accounted for in 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.

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.

The governmental fund type is accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the fiscal period. 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 is no nonspendable fund balance at September 30, 2018.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. There is no restricted fund balance at September 30, 2018.

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. Commitments may be established, modified, or rescinded only through ordinances approved by the Board. There is no committed fund balance at September 30, 2018.

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 by the Board including board resolution, board memorandum, or budget appropriations. There is no assigned fund balance at September 30, 2018.

Unassigned – This category is the residual classification for the Supervisor of Elections' fund balances. There is no unassigned fund balance at September 30, 2018.

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 Supervisor of Elections' budget is governed by Chapter 129, Florida Statutes. The budget is prepared and adopted on a basis of accounting consistent with GAAP. Budgetary data presented in the accompanying special-purpose financial statements in the final budgeted amounts column represent the final budgetary data. In this

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

column, the effects of budget amendments have been applied to original budgetary data. All budget appropriations lapse after the end of the fiscal year.

Employee Leave Benefits – It is the Supervisor of Elections’ policy to grant 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 Supervisor of Elections are accounted for by the County and are included in the County's basic financial statements. Under Florida law, the County holds legal title and is accountable for these assets.

Cash and Cash Equivalents – The Supervisor of Elections considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Estimates – The preparation of financial statements in conformity with GAAP 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 June 30, 2019, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS

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

NOTE 3 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description – The 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,

NOTE 3 – RETIREMENT PLANS (Continued)

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 FRS. 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 Supervisor of Elections is required to contribute at an actuarially determined rate. Rates effective for October 1, 2017 through June 30, 2018, were 7.92%, 22.71%, and 45.50% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2018 through September 30, 2018, were 8.26%, 24.06%, and 48.70% 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 13.26% for October 1, 2017 through June 30, 2018 and 14.03% for July 1, 2018 through September 30, 2018, with no employee contribution required.

The contribution requirements of plan members and the 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, 2018, 2017, and 2016 were \$97,694, \$87,870, and \$77,679, 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, 2018, were \$15,188.

Defined Contribution Pension 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, 2017 through June 30, 2018, were 7.92%, 22.71%, and 45.50% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2018 through September 30, 2018, were 8.26%, 24.06%, and 48.70% 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 \$4,149 and \$1,554, respectively.

The obligations and disclosures required under GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, are accounted for and disclosed in the County's financial statements.

NOTE 4 – SUBSEQUENT EVENT

On October 10, 2018, the eye of Hurricane Michael, a category 5 hurricane, passed over Bay County, Florida causing devastating and extensive destruction and property damage to buildings and businesses throughout the area. At the time of issuance of these financial statements the impact of the damages and their effects on the Supervisor of Elections' financial statements has not been determined.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Bay County Supervisor of Elections as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 30, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 special-purpose financial statements. The Bay County Supervisor of Elections was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Supervisor of Elections has no component units.

The Honorable Mark Andersen
Bay County Supervisor of Elections
Page Two

Financial Management

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Bay County Supervisor of Elections 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
June 30, 2019



Carr, Riggs & Ingram, LLC
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Panama City Beach, FL 32413

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the Bay County, Florida Supervisor of Elections' (Supervisor of Elections) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the Supervisor of Elections' compliance with the specified requirements. Our responsibility is to express an opinion on the Supervisor of Elections' compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Supervisor of Elections complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Supervisor of Elections complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on Bay County Supervisor of Elections' compliance with specified requirements.

In our opinion, the Supervisor of Elections complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018.

This report is intended solely for the information and use of the Bay County Supervisor of Elections, management and the State of Florida 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
June 30, 2019

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INDEPENDENT AUDITORS' 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 financial statements of the major fund of the Bay County Supervisor of Elections as of and for the year ended September 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Bay County Supervisor of Elections' basic special-purpose financial statements, and have issued our report thereon dated June 30, 2019, which contains an emphasis of matter to refer to a basis of accounting required for compliance with state filing requirements, however, our report was not modified with respect to this matter.

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 the Bay County Supervisor of Elections' internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

The Honorable Mark Andersen
Bay County Supervisor of Elections
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay County Supervisor of Elections' special-purpose financial statements are free 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
June 30, 2019

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Bay County Clerk of Court and Comptroller, as of and for the fiscal year ended September 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Bay County Clerk of Court and Comptroller's 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.

Auditors' 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 auditors' 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 auditors consider 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 financial position of each major fund and the aggregate remaining fund information of the Bay County Clerk of Court and Comptroller as of September 30, 2018, the respective changes in financial position thereof and the budgetary comparisons for the general and court funds for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with these Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund and the aggregate remaining fund information only for that portion of the major funds, and the aggregate remaining fund information of Bay County, Florida that is attributable to the Bay County Clerk of Court and Comptroller. They do not purport to, and do not, present fairly the financial position of Bay County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bay County Clerk of Court and Comptroller's special-purpose financial statements. The combining statement of changes in assets and liabilities—agency funds, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The combining statement of changes in assets and liabilities—agency funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of changes in assets and liabilities—agency funds is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019, on our consideration of the Bay County Clerk of Court and Comptroller's internal control over financial reporting and on our tests of its compliance with certain provisions of

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

laws, rules, regulations, contracts, grant agreements and other matters included under the heading Independent Auditors' 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 purpose of that report is solely 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 effectiveness of the Bay County Clerk of Court and Comptroller's 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

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Bay County Clerk of Court and Comptroller
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Court	Records Modernization - Records	10% Fine Records Modernization	Records Modernization - Court	Family Mediation	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 685,879	\$ 781,173	\$ 283,343	\$ 6,676	\$ 485,978	\$ 18,054	\$ 2,261,103
Accounts receivable, net	135,586	48,924	-	-	91,547	-	276,057
Prepaid items	2,462	6,875	3,244	-	18,794	-	31,375
Total assets	\$ 823,927	\$ 836,972	\$ 286,587	\$ 6,676	\$ 596,319	\$ 18,054	\$ 2,568,535
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable and accrued liabilities	\$ 126,360	\$ 366,935	\$ -	\$ 6,676	\$ 11,016	\$ 1,950	\$ 512,937
Unearned revenue	284,976	2,375	-	-	-	-	287,351
Due to other governments	412,591	-	-	-	-	-	412,591
Total liabilities	823,927	369,310	-	6,676	11,016	1,950	1,212,879
Fund balance							
Nonspendable	2,462	6,875	3,244	-	18,794	-	31,375
Restricted	-	460,787	283,343	-	566,509	16,104	1,326,743
Unassigned	(2,462)	-	-	-	-	-	(2,462)
Total fund balance	-	467,662	286,587	-	585,303	16,104	1,355,656
Total liabilities and fund balance	\$ 823,927	\$ 836,972	\$ 286,587	\$ 6,676	\$ 596,319	\$ 18,054	\$ 2,568,535

Bay County Clerk of Court and Comptroller
Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2018

	General Fund	Court	Records Modernization - Records	10% Fine Records Modernization	Records Modernization - Court	Family Mediation	Total Governmental Funds
REVENUES							
Intergovernmental revenue	\$ 119,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,649
Charges for services	2,028,216	4,345,086	127,357	-	381,687	24,000	6,906,346
Miscellaneous	50,305	-	-	-	-	-	50,305
Total revenues	2,198,170	4,345,086	127,357	-	381,687	24,000	7,076,300
EXPENDITURES							
Current							
General government	3,358,469	4,332,667	62,392	9,307	295,214	21,725	8,079,774
Capital outlay							
General government	208,636	-	-	-	-	-	208,636
Total expenditures	3,567,105	4,332,667	62,392	9,307	295,214	21,725	8,288,410
Excess (deficit) of revenues over (under) expenditures	(1,368,935)	12,419	64,965	(9,307)	86,473	2,275	(1,212,110)
OTHER FINANCING SOURCES (USES)							
Budget appropriations from Board of County Commissioners	1,458,051	-	-	-	-	-	1,458,051
Transfer out/return of excess fees	(89,116)	-	-	-	-	-	(89,116)
Total other financing sources (uses)	1,368,935	-	-	-	-	-	1,368,935
Net change in fund balance	-	12,419	64,965	(9,307)	86,473	2,275	156,825
Fund balance - beginning	-	455,243	221,622	9,307	498,830	13,829	1,198,831
Fund balance - ending	\$ -	\$ 467,662	\$ 286,587	\$ -	\$ 585,303	\$ 16,104	\$ 1,355,656

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 359,409	\$ 234,917	\$ 119,649	\$ (115,268)
Charges for services	1,696,309	1,823,829	2,028,216	204,387
Miscellaneous	14,350	50,306	50,305	(1)
Total revenues	2,070,068	2,109,052	2,198,170	89,118
EXPENDITURES				
Current				
General government	3,445,619	3,564,370	3,358,469	205,901
Capital outlay				
General government	82,500	2,733	208,636	(205,903)
Total expenditures	3,528,119	3,567,103	3,567,105	(2)
Excess (deficit) of revenues over (under) expenditures	(1,458,051)	(1,458,051)	(1,368,935)	89,116
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	1,458,051	1,458,051	1,458,051	-
Transfer out/return of excess fees	-	-	(89,116)	(89,116)
Total other financing sources (uses)	1,458,051	1,458,051	1,368,935	(89,116)
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, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	\$ 3,569,155	\$ 4,345,101	\$ 4,345,086	\$ (15)
Total revenues	3,569,155	4,345,101	4,345,086	(15)
EXPENDITURES				
Current				
General government	3,569,155	4,345,101	4,332,667	12,434
Total expenditures	3,569,155	4,345,101	4,332,667	12,434
Net change in fund balance	\$ -	\$ -	12,419	\$ 12,419
Fund balance - beginning			455,243	
Fund balance - ending			\$ 467,662	

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, 2018

ASSETS

Cash and cash equivalents	\$ 5,259,692
<hr/>	
Total assets	\$ 5,259,692
<hr/> <hr/>	

LIABILITIES

Accounts payable and accrued liabilities	\$ 2,648,246
Due to other governments	2,611,446
<hr/>	
Total liabilities	\$ 5,259,692
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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 (County) and is an elected Constitutional Officer who is governed by state statutes and regulations. The financial statements of the Clerk are included in the County’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 (Board) and any unexpended appropriations are remitted to the Board 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).

The Clerk’s financial statements have been prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida (Rules). These financial statements are the fund financial statements required by generally accepted accounting principles (GAAP). However, these fund statements do not constitute a complete presentation because, in conformity with the Rules, the Clerk has not presented reconciliations to the government-wide financial statements, the government-wide financial statements, management’s discussion and analysis, or the pension or the other postemployment benefit related required supplementary information. Also, certain notes to special-purpose financial statements may supplement rather than duplicate the notes included in the County’s financial statements. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and the aggregate remaining fund information, only for that portion of each major fund, and the aggregate remaining fund information, of Bay County, Florida, that is attributable to the Clerk. They do not purport to, and do not, present fairly the financial position of Bay County, Florida, as of September 30, 2018, and the changes in its financial position, for the fiscal year then ended in accordance with GAAP.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type

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

Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities generally are included on the balance sheet. Fund balance (net current assets) is considered a 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, revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the fiscal period. 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 at September 30, 2018, is \$31,375.

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 at September 30, 2018, is \$1,326,743, all related to enabling legislation.

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. Commitments may be established, modified, or rescinded only through ordinances approved by the Board. There is no committed fund balance at September 30, 2018.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

purpose through action by the Board including board resolution, board memorandum, or budget appropriations. There is no assigned fund balance at September 30, 2018.

Unassigned – This category is the residual classification for the Clerk’s fund balances. The unassigned fund balance at September 30, 2018, is a deficit of \$2,462.

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 GAAP. 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. 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, demand deposits, and highly liquid debt instruments with original maturities of three months or less.

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 or more 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 County and are included in the County’s basic financial statements. Under Florida law, the County holds legal title and is accountable for these assets.

Estimates – The preparation of financial statements in conformity with GAAP 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 June 30, 2019, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposit Policies – The Clerk considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

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

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2018, accounts receivable, net is summarized as follows:

	Governmental Funds	Agency Funds	Total Accounts Receivable
Accounts receivable	\$ 276,057	\$ -	\$ 276,057
Less: allowance for doubtful accounts	-	-	-
Accounts receivable, net	\$ 276,057	\$ -	\$ 276,057

The Clerk considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2018.

NOTE 4 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description – The Clerk 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 FRS. 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 Clerk is required to contribute at an actuarially determined rate. Rates effective for October 1, 2017 through June 30, 2018, were 7.92%, 22.71%, and 45.50% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2018 through

NOTE 4 – RETIREMENT PLANS (Continued)

September 30, 2018, were 8.26%, 24.06%, and 48.70% 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 (DRO) was 13.26% for October 1, 2017 through June 30, 2018 and 14.03% for July 1, 2018 through September 30, 2018, with no employee contribution required.

The contribution requirements of plan members and the Clerk are established and may be amended by the Florida Legislature. The Clerk's contributions to FRS for the years ending September 30, 2018, 2017, and 2016 were \$433,028, \$396,768, and \$413,361, 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, 2018, were \$99,520.

Defined Contribution Pension 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. FRS Investment Plan is administered by the SBA. 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, 2017 through June 30, 2018, were 7.92%, 22.71%, and 45.50% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2018 through September 30, 2018, were 8.26%, 24.06%, and 48.70% 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 \$32,964 and \$10,505, respectively.

The obligations and disclosures required under GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, are accounted for and disclosed in the County's financial statements.

NOTE 5 – SUBSEQUENT EVENT

On October 10, 2018, the eye of Hurricane Michael, a category 5 hurricane, passed over Bay County, Florida causing devastating and extensive destruction and property damage to buildings and businesses throughout the area. At the time of issuance of these financial statements the impact of the damages and their effects on the Clerk's financial statements has not been determined.

AGENCY FUNDS

Bay County Clerk of Court and Comptroller
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended September 30, 2018

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ 2,437,546	\$ 33,867,365	\$ 34,239,046	\$ 2,065,865
Total assets	\$ 2,437,546	\$ 33,867,365	\$ 34,239,046	\$ 2,065,865
LIABILITIES				
Due to other governments	\$ 2,437,546	\$ 33,867,365	\$ 34,239,046	\$ 2,065,865
Total liabilities	\$ 2,437,546	\$ 33,867,365	\$ 34,239,046	\$ 2,065,865
JURY AND WITNESS				
ASSETS				
Cash and cash equivalents	\$ 27,697	\$ 37,672	\$ 40,216	\$ 25,153
Total assets	\$ 27,697	\$ 37,672	\$ 40,216	\$ 25,153
LIABILITIES				
Due to other governments	\$ 27,697	\$ 37,672	\$ 40,216	\$ 25,153
Total liabilities	\$ 27,697	\$ 37,672	\$ 40,216	\$ 25,153
TAX DEED				
ASSETS				
Cash and cash equivalents	\$ 905,529	\$ 762,643	\$ 1,145,008	\$ 523,164
Total assets	\$ 905,529	\$ 762,643	\$ 1,145,008	\$ 523,164
LIABILITIES				
Accounts payable and accrued liabilities	\$ 905,529	\$ 762,643	\$ 1,145,008	\$ 523,164
Total liabilities	\$ 905,529	\$ 762,643	\$ 1,145,008	\$ 523,164
SUPPORT				
ASSETS				
Cash and cash equivalents	\$ 17,338	\$ 914,053	\$ 900,755	\$ 30,636
Total assets	\$ 17,338	\$ 914,053	\$ 900,755	\$ 30,636
LIABILITIES				
Accounts payable and accrued liabilities	\$ 17,338	\$ 914,053	\$ 900,755	\$ 30,636
Total liabilities	\$ 17,338	\$ 914,053	\$ 900,755	\$ 30,636

Continued

Bay County Clerk of Court and Comptroller
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended September 30, 2018

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
COURT REGISTRY				
ASSETS				
Cash and cash equivalents	\$ 1,557,672	\$ 60,892,842	\$ 60,407,132	\$ 2,043,382
Total assets	\$ 1,557,672	\$ 60,892,842	\$ 60,407,132	\$ 2,043,382
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,557,672	\$ 60,892,842	\$ 60,407,132	\$ 2,043,382
Total liabilities	\$ 1,557,672	\$ 60,892,842	\$ 60,407,132	\$ 2,043,382
CASH BOND				
ASSETS				
Cash and cash equivalents	\$ 647,162	\$ 663,213	\$ 789,947	\$ 520,428
Total assets	\$ 647,162	\$ 663,213	\$ 789,947	\$ 520,428
LIABILITIES				
Due to other governments	\$ 647,162	\$ 663,213	\$ 789,947	\$ 520,428
Total liabilities	\$ 647,162	\$ 663,213	\$ 789,947	\$ 520,428
RESTITUTION				
ASSETS				
Cash and cash equivalents	\$ 43,165	\$ 288,433	\$ 280,534	\$ 51,064
Total assets	\$ 43,165	\$ 288,433	\$ 280,534	\$ 51,064
LIABILITIES				
Accounts payable and accrued liabilities	\$ 43,165	\$ 288,433	\$ 280,534	\$ 51,064
Total liabilities	\$ 43,165	\$ 288,433	\$ 280,534	\$ 51,064
TOTAL - AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 5,636,109	\$ 97,426,221	\$ 97,802,638	\$ 5,259,692
Total assets	\$ 5,636,109	\$ 97,426,221	\$ 97,802,638	\$ 5,259,692
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,523,704	\$ 62,857,971	\$ 62,733,429	\$ 2,648,246
Due to other governments	3,112,405	34,568,250	35,069,209	2,611,446
Total liabilities	\$ 5,636,109	\$ 97,426,221	\$ 97,802,638	\$ 5,259,692

See independent auditors' report

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Bay County Clerk of Court and Comptroller as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 30, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., 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.

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

Financial Management

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Bay County Clerk of Court and Comptroller and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the Bay County, Florida's Clerk of Court and Comptroller's (Clerk) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*; Section 61.181, Florida Statutes, *Depository for Alimony Transactions, Support, Maintenance, and Support, Payments; Fees*; Sections 28.35, Florida Statutes, *Florida Clerks of Court Operations Corporation*; and 28.36, Florida Statutes, *Budget Procedure*; during the year ended September 30, 2018. Management is responsible for the Clerk's compliance with the specified requirements. Our responsibility is to express an opinion on the Clerk's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Clerk complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Clerk complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Clerk's compliance with specified requirements.

In our opinion, the Clerk complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*; Section 61.181, Florida Statutes, *Depository for Alimony Transactions, Support, Maintenance, and Support, Payments; Fees*; Sections 28.35, Florida Statutes, *Florida Clerks of Court Operations Corporation*; and 28.36, Florida Statutes, *Budget Procedure*; during the year ended September 30, 2018.

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

Carr, Riggs & Ingram, LLC

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

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INDEPENDENT AUDITORS' 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 financial statements of each major fund and the aggregate remaining fund information of the Bay County Clerk of Court and Comptroller, as of and for the year ended September 30, 2018, and the related notes to special-purpose 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 June 30, 2019, which contains an emphasis of matter to refer to a basis of accounting required for compliance with state filing requirements, however, our report was not modified with respect to this matter.

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.

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 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*.

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
June 30, 2019

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the major fund of the Bay County Property Appraiser, as of and for the fiscal year ended September 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Bay County Property Appraiser's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 auditors consider 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 financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Bay County Property Appraiser as of September 30, 2018, the respective changes in financial position thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with these Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the major fund only for that portion of the major fund of Bay County, Florida that is attributable to the Bay County Property Appraiser. They do not purport to, and do not, present fairly the financial position of Bay County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019, on our consideration of the Bay County Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements and other matters included under the heading Independent Auditors' 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 purpose of that report is solely 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 effectiveness of the Bay County Property Appraiser's 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.

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

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

Bay County Property Appraiser
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 168,649
Accounts receivable, net	5,918
<hr/>	
Total assets	\$ 174,567
<hr/>	
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued liabilities	\$ 85,719
Due to other governments	88,848
<hr/>	
Total liabilities	174,567
Fund balance	-
<hr/>	
Total liabilities and fund balance	\$ 174,567
<hr/>	

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, 2018

	General Fund
REVENUES	
Charges for services	\$ 2,042
Interest income	2,322
Total revenues	4,364
EXPENDITURES	
Current	
General government	3,050,175
Capital outlay	
General government	31,086
Debt service	
Principal retirement	15,939
Interest and fiscal charges	2,837
Total expenditures	3,100,037
Excess (deficit) of revenues over (under) expenditures	(3,095,673)
OTHER FINANCING SOURCES (USES)	
Budget appropriations from Board of County Commissioners	3,140,256
Budget appropriations from other taxing districts	44,265
Transfer out/return of excess fees from Board of County Commissioners	(87,613)
Transfer out/return of excess fees from other taxing districts	(1,235)
Total other financing sources (uses)	3,095,673
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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 2,042	\$ 2,042
Interest income	-	-	2,322	2,322
Total revenues	-	-	4,364	4,364
EXPENDITURES				
Current				
General government	3,125,561	3,133,660	3,050,175	83,485
Capital outlay				
General government	32,086	32,086	31,086	1,000
Debt service				
Principal retirement	15,938	15,938	15,939	(1)
Interest and fiscal charges	2,837	2,837	2,837	-
Total expenditures	3,176,422	3,184,521	3,100,037	84,484
Excess (deficit) of revenues over (under) expenditures	(3,176,422)	(3,184,521)	(3,095,673)	88,848
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	3,132,270	3,140,256	3,140,256	-
Budget appropriations from Board of County Commissioners	44,152	44,265	44,265	-
Transfer out/return of excess fees from Board of County Commissioners	-	-	(87,613)	(87,613)
Transfer out/return of excess fees from other taxing districts	-	-	(1,235)	(1,235)
Total other financing sources (uses)	3,176,422	3,184,521	3,095,673	(88,848)
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 (Property Appraiser) is an integral part of Bay County, Florida (County) and is an elected Constitutional Officer who is governed by state statutes and regulations. The financial statements of the Property Appraiser are included in the County's basic financial statements. The Property Appraiser operates on a budgetary system, whereby appropriated funds are received from the Board of County Commissioners (Board) and any unexpended appropriations are remitted to the Board after the end of the fiscal year.

The Property Appraiser's financial statements have been prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida (Rules). These financial statements are the fund financial statements required by generally accepted accounting principles (GAAP). However, these fund statements do not constitute a complete presentation because, in conformity with the Rules, the Property Appraiser has not presented reconciliations to the government-wide financial statements, the government-wide financial statements, management's discussion and analysis, or the pension or the other postemployment benefit related required supplementary information. Also, certain notes to special-purpose financial statements may supplement rather than duplicate the notes included in the County's financial statements. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the major fund, only for that portion of the major fund, of Bay County, Florida, that is attributable to the Property Appraiser. They do not purport to, and do not, present fairly the financial position of Bay County, Florida, as of September 30, 2018, and the changes in its financial position, for the fiscal year then ended in accordance with GAAP.

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 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.

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.

The governmental fund type is accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the fiscal period. 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 is no nonspendable fund balance at September 30, 2018.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. There is no restricted fund balance at September 30, 2018.

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. Commitments may be established, modified, or rescinded only through ordinances approved by the Board. There is no committed fund balance at September 30, 2018.

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 by the Board including board resolution, board memorandum, or budget appropriations. There is no assigned fund balance at September 30, 2018.

Unassigned – This category is the residual classification for the Property Appraiser's fund balances. There is no unassigned fund balance at September 30, 2018.

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 GAAP. Budgetary data presented in the accompanying special-purpose financial

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Property Appraiser are accounted for by the County and are included in the County's basic financial statements. Under Florida law, the County holds legal title and is accountable for these assets.

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

Cash and Cash Equivalents – The Property Appraiser considers all highly liquid debt instruments with original maturities 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 allowance for doubtful accounts. As of September 30, 2018, there was no allowance for doubtful accounts because the Property Appraiser considers all receivables to be collectible.

Estimates – The preparation of financial statements in conformity with GAAP 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 June 30, 2019, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS

Custodial Credit Risk of Deposits – All cash resources of the 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 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 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description – The 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 FRS. 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 Property Appraiser is required to contribute at an actuarially determined rate. Rates effective for October 1, 2017 through June 30, 2018, were 7.92%, 22.71%, and 45.50% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2018 through September 30, 2018, were 8.26%, 24.06%, and 48.70% 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 13.26% for October 1, 2017 through June 30, 2018 and 14.03% for July 1, 2018 through September 30, 2018, with no employee contribution required.

The contribution requirements of plan members and the Property Appraiser are established and may be amended by the Florida Legislature. The Property Appraiser's contributions to FRS for the years ending September 30, 2018, 2017, and 2016 were \$267,849, \$235,513, and \$220,054 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, 2018, were \$45,044.

Defined Contribution Pension 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. 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 – Investment Plan is funded through employee and employer contributions. Rates for October 1, 2017 through June 30, 2018, were 7.92%, 22.71%, and 45.50% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2018 through September 30, 2018, were 8.26%, 24.06%, and 48.70% for regular employees, senior management, and elected county officials, respectively. Employee

NOTE 3 – RETIREMENT PLANS (Continued)

contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$3,498 and \$1,306, respectively.

The obligations and disclosures required under GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, are accounted for and disclosed in the County's financial statements.

NOTE 4 – SUBSEQUENT EVENT

On October 10, 2018, the eye of Hurricane Michael, a category 5 hurricane, passed over Bay County, Florida causing devastating and extensive destruction and property damage to buildings and businesses throughout the area. At the time of issuance of these financial statements the impact of the damages and their effects on the Property Appraiser's financial statements has not been determined.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Bay County Property Appraiser as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 30, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 special-purpose financial statements. The Bay County Property Appraiser was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Bay County Property Appraiser has no component units.

The Honorable Dan Sowell
Bay County Property Appraiser
Page Two

Financial Management

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Bay County Property Appraiser and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019



Carr, Riggs & Ingram, LLC
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Panama City Beach, FL 32413

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the Bay County Property Appraiser's (Property Appraiser) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the Property Appraiser's compliance with those requirements. Our responsibility is to express an opinion on the Bay County Property Appraiser's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Property Appraiser complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about the Property Appraiser complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Bay County Property Appraiser's compliance with specified requirements.

In our opinion, the Property Appraiser complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018.

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

Carr, Riggs & Ingram, LLC

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

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INDEPENDENT AUDITORS' 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 financial statements of the major fund of the Bay County Property Appraiser, as of and for the year ended September 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Bay County Property Appraiser's basic special-purpose financial statements, and have issued our report thereon dated June 30, 2019, which contains an emphasis of matter to refer to a basis of accounting required for compliance with state filing requirements, however, our report was not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Bay County Property Appraiser's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

INDEPENDENT AUDITORS' REPORT

The Honorable Chuck Perdue
Bay County Tax Collector
Bay County, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the major fund and the aggregate remaining fund information of the Bay County Tax Collector, as of and for the fiscal year ended September 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Bay County Tax Collector's 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.

Auditors' 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 auditors' 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 auditors consider 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund and the aggregate remaining fund information of the Bay County Tax Collector as of September 30, 2018, the respective changes in financial position thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with these Rules, the accompanying financial statements are intended to present the financial position and changes in financial position only for that portion of the major fund and the aggregate remaining fund information of Bay County, Florida that is attributable to the Bay County Tax Collector. They do not purport to, and do not, present fairly the financial position of Bay County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bay County Tax Collector's special-purpose financial statements. The combining statement of changes in assets and liabilities—agency funds, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The combining statement of changes in assets and liabilities—agency funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of changes in assets and liabilities—agency funds is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019 on our consideration of the Bay County Tax Collector's internal control over financial

The Honorable Chuck Perdue
Bay County Tax Collector
Page Three

reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements and other matters included under the heading Independent Auditors' 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 purpose of that report is solely 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 effectiveness of the Bay County Tax Collector's 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

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Bay County Tax Collector
Special-Purpose Balance Sheet
Governmental Fund
September 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,348,641
Accounts receivable, net	24,751
<hr/>	
Total assets	\$ 1,373,392
<hr/> <hr/>	
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued liabilities	\$ 294,865
Due to other governments	1,078,527
<hr/>	
Total liabilities	1,373,392
Fund balance	-
<hr/>	
Total liabilities and fund balance	\$ 1,373,392
<hr/> <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, 2018

	General Fund
REVENUES	
Commissions	
Bay County, Florida Board of County Commissioners	\$ 3,629,812
Other governmental units	143,576
Charges for services	2,007,494
Miscellaneous	17,479
Total revenues	5,798,361
EXPENDITURES	
Current	
General government	4,591,469
Capital outlay	
General government	155,523
Debt service	
Principal retirement	10,240
Total expenditures	4,757,232
Excess of revenues over expenditures	1,041,129
OTHER FINANCING SOURCES (USES)	
Debt issued	36,703
Transfers out	
Distribution of excess commissions to the Bay County, Florida Board of County Commissioners	(1,036,634)
Distribution of excess commissions to other governmental units	(41,198)
Total other financing sources (uses)	(1,041,129)
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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Commissions				
Bay County, Florida Board of County Commissioners	\$ 3,737,340	\$ 3,737,340	\$ 3,629,812	\$ (107,528)
Other governmental units	-	-	143,576	143,576
Charges for services	1,870,101	1,945,101	2,007,494	62,393
Miscellaneous	75,000	-	17,479	17,479
Total revenues	5,682,441	5,682,441	5,798,361	115,920
EXPENDITURES				
Current				
General government	4,352,724	4,845,618	4,591,469	254,149
Capital outlay				
General government	139,085	140,024	155,523	(15,499)
Debt service				
Principal retirement	-	-	10,240	(10,240)
Total expenditures	4,491,809	4,985,642	4,757,232	228,410
Excess of revenues over expenditures	1,190,632	696,799	1,041,129	344,330
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	36,703	36,703
Transfers out				
Distribution of excess commissions to the Bay County, Florida Board of County of County Commissioners	(1,190,632)	(696,799)	(1,036,634)	(339,835)
Distribution of excess commissions to other governmental units	-	-	(41,198)	(41,198)
Total other financing sources (uses)	(1,190,632)	(696,799)	(1,041,129)	(344,330)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

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, 2018

ASSETS

Cash and cash equivalents	\$ 2,855,137
Accounts receivable, net	1,264
<hr/>	
Total assets	\$ 2,856,401
<hr/> <hr/>	

LIABILITIES

Due to other governments	\$ 2,856,401
<hr/>	
Total liabilities	\$ 2,856,401
<hr/> <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 (Tax Collector) is an integral part of Bay County, Florida (County) and is an elected Constitutional Officer who is governed by state statutes and regulations. The financial statements of the Tax Collector are included in Bay County, Florida's basic financial statements. The Tax Collector operates on a fee system. Under the fee system, the officer retains fees, commissions, and other revenue to pay all operating expenditures, including statutory compensation. Any excess funds after the end of the fiscal year are distributed to each governmental unit in the same proportion as the fees paid by that governmental unit to the total fee income.

The Tax Collector's financial statements have been prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida (Rules). These financial statements are the fund financial statements required by generally accepted accounting principles (GAAP). However, these fund statements do not constitute a complete presentation because, in conformity with the Rules, the Tax Collector has not presented reconciliations to the government-wide financial statements, the government-wide financial statements, management's discussion and analysis, or the pension or the other postemployment benefit related required supplementary information. Also, certain notes to special-purpose financial statements may supplement rather than duplicate the notes included in the County's financial statements. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the major fund and the aggregate remaining fund information, only for that portion of the major fund, and the aggregate remaining fund information, of Bay County, Florida, that is attributable to the Tax Collector. They do not purport to, and do not, present fairly the financial position of Bay County, Florida, as of September 30, 2018, and the changes in its financial position, for the fiscal year then ended in accordance with GAAP.

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 Tax Collector:

Governmental Fund Type

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

Fiduciary Fund Type

Agency Funds – Agency funds are used to account for assets held by the 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.

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.

The governmental fund type and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the fiscal period. 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 is no nonspendable fund balance at September 30, 2018.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. There is no restricted fund balance at September 30, 2018.

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. Commitments may be established, modified, or rescinded only through ordinances approved by the Board. There is no committed fund balance at September 30, 2018.

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 by the Board including board resolution, board memorandum, or budget appropriations. There is no assigned fund balance at September 30, 2018.

Unassigned – This category is the residual classification for the Tax Collector's fund balance. There is no unassigned fund balance at September 30, 2018.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Tax Collector's budget is governed by Chapter 129, Florida Statutes. The budget is prepared and adopted on a basis of accounting consistent with GAAP. Budgetary data presented in the accompanying special-purpose financial statements represent the original and final budgetary data. All budget appropriations lapse at the end of the fiscal year.

Employee Leave Benefits – It is the Bay County Tax Collector's policy to grant employees who leave in good standing payment for up to 240 hours of earned, unused paid time off. The paid time off policy allows for full-time employees to accumulate 6 to 10 hours per pay period, depending on the length of service.

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

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

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 GAAP 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 June 30, 2019, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS

Deposit Policies – The Tax Collector considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Custodial Credit Risk of Deposits – All cash resources of the 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 3 – ACCOUNTS RECEIVABLE, NET

At September 30, 2018, accounts receivable, net is summarized as follows:

	Governmental Funds	Agency Funds
Accounts receivable	\$ 24,751	\$ 1,264
Less: allowance for doubtful accounts	-	-
Accounts receivable, net	\$ 24,751	\$ 1,264

The Tax Collector considers all amounts collectible; therefore, there is no provision for doubtful accounts at September 30, 2018.

NOTE 4 – PROPERTY TAXES

Property tax revenue is recognized when levied to the extent that it results in current receivables. The Bay County 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 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 FRS. 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.

NOTE 5 – RETIREMENT PLANS (Continued)

Funding Policy – FRS is funded through employee and employer contributions. The Tax Collector is required to contribute at an actuarially determined rate. Rates effective for October 1, 2017 through June 30, 2018, were 7.92%, 22.71%, and 45.50% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2018 through September 30, 2018, were 8.26%, 24.06%, and 48.70% 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 13.26% for October 1, 2017 through June 30, 2018 and 14.03% for July 1, 2018 through September 30, 2018, with no employee contribution required.

The contribution requirements of plan members and the Tax Collector are established and may be amended by the Florida Legislature. The Tax Collector's contributions to FRS for the years ending September 30, 2018, 2017, and 2016 were \$235,350, \$214,114, and \$150,075, 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, 2018, were \$55,190.

Defined Contribution Pension 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. FRS Investment Plan is administered by the SBA. 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, 2017 through June 30, 2018, were 7.92%, 22.71%, and 45.50% for regular employees, senior management, and elected county officials, respectively. Rates effective for July 1, 2018 through September 30, 2018, were 8.26%, 24.06%, and 48.70% 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 \$111,681 and \$15,701, respectively.

The obligations and disclosures required under GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, are accounted for and disclosed in the County's financial statements.

NOTE 6 – SUBSEQUENT EVENT

On October 10, 2018, the eye of Hurricane Michael, a category 5 hurricane, passed over Bay County, Florida causing devastating and extensive destruction and property damage to buildings and businesses throughout the area. At the time of issuance of these financial statements the impact of the damages and their effects on the Tax Collector's financial statements has not been determined.

AGENCY FUNDS

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Bay County Tax Collector
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended September 30, 2018

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 2,117,521	\$ 214,285,730	\$ 214,440,310	\$ 1,962,941
Accounts receivable, net	50	80,507	79,474	1,083
Total assets	\$ 2,117,571	\$ 214,366,237	\$ 214,519,784	\$ 1,964,024
LIABILITIES				
Due to other governments	\$ 2,117,571	\$ 214,366,237	\$ 214,519,784	\$ 1,964,024
Total liabilities	\$ 2,117,571	\$ 214,366,237	\$ 214,519,784	\$ 1,964,024
TAG FUND				
ASSETS				
Cash and cash equivalents	\$ 477,484	\$ 25,381,975	\$ 24,967,263	\$ 892,196
Accounts receivable, net	624	1,364	1,807	181
Total assets	\$ 478,108	\$ 25,383,339	\$ 24,969,070	\$ 892,377
LIABILITIES				
Due to other governments	\$ 478,108	\$ 25,383,339	\$ 24,969,070	\$ 892,377
Total liabilities	\$ 478,108	\$ 25,383,339	\$ 24,969,070	\$ 892,377
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,595,005	\$ 239,667,705	\$ 239,407,573	\$ 2,855,137
Accounts receivable, net	674	81,871	81,281	1,264
Total assets	\$ 2,595,679	\$ 239,749,576	\$ 239,488,854	\$ 2,856,401
LIABILITIES				
Due to other governments	\$ 2,595,679	\$ 239,749,576	\$ 239,488,854	\$ 2,856,401
Total liabilities	\$ 2,595,679	\$ 239,749,576	\$ 239,488,854	\$ 2,856,401

See independent auditors' report

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Honorable Chuck Perdue
Bay County Tax Collector
Bay County, Florida

Report on the Financial Statements

We have audited the financial statements of the Bay County Tax Collector as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 30, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 special-purpose 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.

The Honorable Chuck Perdue
Bay County Tax Collector
Page Two

Financial Management

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Bay County Tax Collector and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019



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Suite 200
Panama City Beach, FL 32413

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INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Chuck Perdue
Bay County Tax Collector
Bay County, Florida

We have examined the Bay County Tax Collector's (Tax Collector) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the Tax Collector's compliance with the specified requirements. Our responsibility is to express an opinion on the Bay County Tax Collector's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Tax Collector complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Tax Collector complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Tax Collector's compliance with specified requirements.

In our opinion, the Tax Collector complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018.

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

Carr, Riggs & Ingram, LLC

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

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INDEPENDENT AUDITORS' 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 Chuck Perdue
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 financial statements of the major fund and aggregate remaining fund information of the Bay County Tax Collector, as of and for the year ended September 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Bay County Tax Collector's basic special-purpose financial statements, and have issued our report thereon dated June 30, 2019, which contains an emphasis of matter to refer to a basis of accounting required for compliance with state filing requirements, however, our report was not modified with respect to this matter.

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.

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.

The Honorable Chuck Perdue
Bay County Tax Collector
Page Two

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 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
June 30, 2019

INDEPENDENT AUDITORS' REPORT

The Honorable Tommy Ford
Bay County Sheriff
Bay County, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Bay County Sheriff, as of and for the fiscal year ended September 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Bay County Sheriff's 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.

Auditors' 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 auditors' 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 auditors consider 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 financial position of each major fund and the aggregate remaining fund information for the Bay County Sheriff as of September 30, 2018, the respective changes in financial position thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with these Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund and the aggregate remaining fund information, only for that portion of the major funds and the aggregate remaining fund information, of Bay County, Florida that is attributable to the Bay County Sheriff. They do not purport to, and do not, present fairly the financial position of Bay County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bay County Sheriff's special-purpose financial statements. The combining balance sheet–nonmajor governmental funds; combining statement of revenues, expenditures and changes in fund balance–nonmajor governmental funds; and combining statement of changes in assets and liabilities–agency funds, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining balance sheet–nonmajor governmental funds; combining statement of revenues, expenditures and changes in fund balance–nonmajor governmental funds; and combining statement of changes in assets and liabilities–agency funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet–nonmajor governmental funds; combining statement of revenues, expenditures and changes

The Honorable Tommy Ford
Bay County Sheriff
Page Three

in fund balance–nonmajor governmental funds; and combining statement of changes in assets and liabilities–agency funds are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019, on our consideration of the Bay County Sheriff’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements and other matters included under the heading Independent Auditors’ 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 purpose of that report is solely 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 effectiveness of the Bay County Sheriff’s 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.

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

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

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Bay County Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Inmate Welfare	Crime Prevention	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 545,858	\$ 227,843	\$ 229,280	\$ 149,105	\$ 1,152,086
Accounts receivable, net	265,987	109,409	-	-	375,396
Total assets	\$ 811,845	\$ 337,252	\$ 229,280	\$ 149,105	\$ 1,527,482
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued liabilities	\$ 359,633	\$ 51,154	\$ -	\$ -	\$ 410,787
Due to other governments	229,120	-	-	-	229,120
Unearned revenue	223,092	-	-	-	223,092
Total liabilities	811,845	51,154	-	-	862,999
Fund balance					
Restricted	-	286,098	229,280	149,105	664,483
Total liabilities and fund balance	\$ 811,845	\$ 337,252	\$ 229,280	\$ 149,105	\$ 1,527,482

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, 2018

	General Fund	Inmate Welfare	Crime Prevention	Other Governmental Funds	Total Governmental Funds
REVENUES					
Intergovernmental revenue	\$ 3,273,096	\$ -	\$ 189,331	\$ 239,523	\$ 3,701,950
Interest income	2,419	-	38	4	2,461
Charges for services	-	909,140	-	-	909,140
Miscellaneous	92,563	-	-	-	92,563
Total revenues	3,368,078	909,140	189,369	239,527	4,706,114
EXPENDITURES					
Current					
Public safety	40,590,088	739,395	48,064	264,343	41,641,890
Capital outlay					
Public safety	1,440,362	77,172	-	69,345	1,586,879
Debt service					
Principal retirement	769,781	-	-	-	769,781
Interest and fiscal charges	34,495	-	-	-	34,495
Total expenditures	42,834,726	816,567	48,064	333,688	44,033,045
Excess (deficit) of revenues over (under) expenditures	(39,466,648)	92,573	141,305	(94,161)	(39,326,931)
OTHER FINANCING SOURCES (USES)					
Budget appropriations from					
Board of County Commissioners	38,860,512	-	-	-	38,860,512
Debt issuance	835,256	-	-	-	835,256
Transfer out/return of excess fees	(229,120)	-	-	-	(229,120)
Total other financing sources (uses)	39,466,648	-	-	-	39,466,648
Net change in fund balance	-	92,573	141,305	(94,161)	139,717
Fund balance - beginning	-	193,525	87,975	243,266	524,766
Fund balance - ending	\$ -	\$ 286,098	\$ 229,280	\$ 149,105	\$ 664,483

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 2,693,053	\$ 3,176,877	\$ 3,273,096	\$ 96,219
Interest income	-	-	2,419	2,419
Miscellaneous	-	-	92,563	92,563
Total revenues	2,693,053	3,176,877	3,368,078	191,201
EXPENDITURES				
Current				
Public safety	40,143,381	40,633,087	40,590,088	42,999
Capital outlay				
Public safety	600,026	600,026	1,440,362	(840,336)
Debt service				
Principal retirement	769,781	769,781	769,781	-
Interest and fiscal charges	34,495	34,495	34,495	-
Total expenditures	41,547,683	42,037,389	42,834,726	(797,337)
Excess (deficit) of revenues over (under) expenditures	(38,854,630)	(38,860,512)	(39,466,648)	(606,136)
OTHER FINANCING SOURCES (USES)				
Budget appropriations from Board of County Commissioners	38,854,630	38,860,512	38,860,512	-
Debt issuance	-	-	835,256	835,256
Transfer out/return of excess fees	-	-	(229,120)	(229,120)
Total other financing sources (uses)	38,854,630	38,860,512	39,466,648	606,136
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, 2018

ASSETS

Cash and cash equivalents	\$ 151,862
<hr/>	
Total assets	\$ 151,862
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LIABILITIES

Accounts payable	\$ 53,823
Due to other governments	74,016
Due to others	24,023
<hr/>	
Total liabilities	\$ 151,862
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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 (Sheriff) is an integral part of Bay County, Florida (County) and is an elected Constitutional Officer who is governed by state statutes and regulations. The financial statements of the Sheriff are included in the County’s basic financial statements. The office of the Sheriff operates on a budgetary system, whereby appropriated funds of the general fund are received from the Board of County Commissioners (Board) and unexpended appropriations are remitted to the Board after the end of the fiscal year.

The Sheriff’s financial statements have been prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida (Rules). These financial statements are the fund financial statements required by generally accepted accounting principles (GAAP). However, these fund statements do not constitute a complete presentation because, in conformity with the Rules, the Sheriff has not presented reconciliations to the government-wide financial statements, the government-wide financial statements, management’s discussion and analysis, or the pension or the other postemployment benefit related required supplementary information. Also, certain notes to special-purpose financial statements may supplement rather than duplicate the notes included in the County’s financial statements. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position, where applicable, of each major fund, and the aggregate remaining fund information, only for that portion of each major fund, and the aggregate remaining fund information, of Bay County, Florida, that is attributable to the Sheriff. They do not purport to, and do not, present fairly the financial position of Bay County, Florida, as of September 30, 2018, and the changes in its financial position, for the fiscal year then ended in accordance GAAP.

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 Sheriff. 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 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.

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, revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of then end of the fiscal period. 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 is no nonspendable fund balance at September 30, 2018.

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 at September 30, 2018, is \$664,483, all related to enabling legislation.

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. Commitments may be established, modified, or rescinded only through ordinances approved by the Board. There is no committed fund balance at September 30, 2018.

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 by the Board including board resolution, board memorandum, or budget appropriations. There is no assigned fund balance at September 30, 2018.

Unassigned – This category is the residual classification for the Sheriff's fund balances. There is no unassigned fund balance at September 30, 2018.

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 GAAP. 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. Any excess expenditures over budgeted amounts are a result of unbudgeted revenues with offsetting related unbudgeted expenses or reimbursements. 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 other 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 County's 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 debt instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date of Management’s Review – In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 30, 2019, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS

Custodial Credit Risk of Deposits – 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, 2018, accounts receivable, net is summarized as follows:

	General Fund	Inmate Welfare Fund	Total
Total accounts receivable	\$ 265,987	\$ 109,409	\$ 375,396
Less: allowance for doubtful accounts	-	-	-
Accounts receivable, net	\$ 265,987	\$ 109,409	\$ 375,396

The Sheriff considers all amounts collectible; therefore there is no provision for doubtful accounts at September 30, 2018.

NOTE 4 – RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description – The 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 FRS. 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.

NOTE 4 – RETIREMENT PLANS (Continued)

Funding Policy – FRS is funded through employee and employer contributions. The Sheriff is required to contribute at an actuarially determined rate. Rates effective for October 1, 2017 through June 30, 2018, were 7.92%, 22.71%, 23.27%, and 45.50% for regular employees, senior management, special risk, and elected county officials, respectively. Rates effective for July 1, 2018 through September 30, 2018, were 8.26%, 24.06%, 24.50%, and 48.70% for regular employees, senior management, special risk, 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 13.26% for October 1, 2017 through June 30, 2018, and 14.03% for July 1, 2018 through September 30, 2018, with no employee contribution required.

The contribution requirements of plan members and the Sheriff are established and may be amended by the Florida Legislature. The Sheriff's contributions to FRS for the years ending September 30, 2018, 2017, and 2016 were \$3,564,811, \$3,403,392, and \$3,326,043, 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, 2018, were \$533,555.

Defined Contribution Pension 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. FRS Investment Plan is administered by the SBA. 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, 2017 through June 30, 2018, were 7.92%, 22.71%, 23.27%, and 45.50% for regular employees, senior management, special risk, and elected county officials, respectively. Rates effective for July 1, 2018 through September 30, 2018, were 8.26%, 24.06%, 24.50%, and 48.70% for regular employees, senior management, special risk, and elected county officials, respectively. Employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan totaled \$531,748 and \$94,038, respectively.

The obligations and disclosures required under GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, are accounted for and disclosed in the County's financial statements.

NOTE 5 – GENERAL FUND EXPENDITURES

For the year ended September 30, 2018, the expenditures of the General Fund exceeded the final budgeted amount by \$797,337. This was a result of a debt issuance of \$835,256 that was used for the purchase of capital assets and therefore increased capital outlay by that amount.

NOTE 6 – SUBSEQUENT EVENT

On October 10, 2018, the eye of Hurricane Michael, a category 5 hurricane, passed over Bay County, Florida causing devastating and extensive destruction and property damage to buildings and businesses throughout the area. At the time of issuance of these financial statements the impact of the damages and their effects on the Sheriff's financial statements has not been determined.

NONMAJOR GOVERNMENTAL FUNDS

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Bay County Sheriff
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2018

	Special Contribution	Special Law Enforcement	Federal Seizure Account	Seizure Trust	Law Enforcement Training	Total
ASSETS						
Cash and cash equivalents	\$ 9,079	\$ 10,314	\$ 4,562	\$ 74,224	\$ 50,926	\$ 149,105
Total assets	\$ 9,079	\$ 10,314	\$ 4,562	\$ 74,224	\$ 50,926	\$ 149,105
LIABILITIES AND FUND BALANCE						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance						
Restricted	9,079	10,314	4,562	74,224	50,926	149,105
Total liabilities and fund balance	\$ 9,079	\$ 10,314	\$ 4,562	\$ 74,224	\$ 50,926	\$ 149,105

Bay County Sheriff
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2018

	Special Contribution	Special Law Enforcement	Federal Seizure Account	Seizure Trust	Law Enforcement Training	Total
REVENUES						
Intergovernmental revenue	\$ 5,319	\$ 37,275	\$ 3,473	\$ 117,535	\$ 75,921	\$ 239,523
Interest income	-	-	4	-	-	4
Total revenues	5,319	37,275	3,477	117,535	75,921	239,527
EXPENDITURES						
Current						
Public safety	3,542	75,745	8,700	99,051	77,305	264,343
Capital outlay						
Public safety	-	21,872	-	47,473	-	69,345
Total expenditures	3,542	97,617	8,700	146,524	77,305	333,688
Net change in fund balance	1,777	(60,342)	(5,223)	(28,989)	(1,384)	(94,161)
Fund balance - beginning	7,302	70,656	9,785	103,213	52,310	243,266
Fund balance - ending	\$ 9,079	\$ 10,314	\$ 4,562	\$ 74,224	\$ 50,926	\$ 149,105

See independent auditors' report

AGENCY FUNDS

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Bay County Sheriff
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended September 30, 2018

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
OTHER SUSPENSE				
ASSETS				
Cash and cash equivalents	\$ 12,979	\$ 87,263	\$ 86,951	\$ 13,291
Total assets	\$ 12,979	\$ 87,263	\$ 86,951	\$ 13,291
LIABILITIES				
Due to other governments	\$ 12,979	\$ 87,263	\$ 86,951	\$ 13,291
Total liabilities	\$ 12,979	\$ 87,263	\$ 86,951	\$ 13,291
INDIVIDUAL DEPOSITORS				
ASSETS				
Cash and cash equivalents	\$ 55,031	\$ 35,089	\$ 36,297	\$ 53,823
Total assets	\$ 55,031	\$ 35,089	\$ 36,297	\$ 53,823
LIABILITIES				
Accounts payable	\$ 55,031	\$ 35,089	\$ 36,297	\$ 53,823
Total liabilities	\$ 55,031	\$ 35,089	\$ 36,297	\$ 53,823
FORFEITURE				
ASSETS				
Cash and cash equivalents	\$ 164,088	\$ 44,106	\$ 184,171	\$ 24,023
Total assets	\$ 164,088	\$ 44,106	\$ 184,171	\$ 24,023
LIABILITIES				
Due to others	\$ 164,088	\$ 44,106	\$ 184,171	\$ 24,023
Total liabilities	\$ 164,088	\$ 44,106	\$ 184,171	\$ 24,023
SHERIFF'S FEES				
ASSETS				
Cash and cash equivalents	\$ 42,497	\$ 215,709	\$ 197,481	\$ 60,725
Total assets	\$ 42,497	\$ 215,709	\$ 197,481	\$ 60,725
LIABILITIES				
Due to other governments	\$ 42,497	\$ 215,709	\$ 197,481	\$ 60,725
Total liabilities	\$ 42,497	\$ 215,709	\$ 197,481	\$ 60,725
TOTAL - AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 274,595	\$ 382,167	\$ 504,900	\$ 151,862
Total assets	\$ 274,595	\$ 382,167	\$ 504,900	\$ 151,862
LIABILITIES				
Accounts payable	\$ 55,031	\$ 35,089	\$ 36,297	\$ 53,823
Due to other governments	55,476	302,972	284,432	74,016
Due to others	164,088	44,106	184,171	24,023
Total liabilities	\$ 274,595	\$ 382,167	\$ 504,900	\$ 151,862

See independent auditors' report

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Honorable Tommy Ford
Bay County Sheriff
Bay County, Florida

Report on the Financial Statements

We have audited the financial statements of the Bay County Sheriff as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 30, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 the Constitution of the State of Florida. Article VIII, Section 1(d). The Bay County Sheriff has no component units.

The Honorable Tommy Ford
Bay County Sheriff
Page Two

Financial Management

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Bay County Sheriff 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
June 30, 2019



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INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Tommy Ford
Bay County Sheriff
Bay County, Florida

We have examined the Bay County Sheriff's (Sheriff) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the Sheriff's compliance with the specified requirements. Our responsibility is to express an opinion on the Sheriff's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Sheriff complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Sheriff complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Bay County Sheriff's compliance with specified requirements.

In our opinion, the Sheriff complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018.

This report is intended solely for the information and use of the Bay County Sheriff, management and the State of Florida 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
June 30, 2019

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INDEPENDENT AUDITORS' 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 Tommy Ford
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 financial statements of each major fund and the aggregate remaining fund information of the Bay County Sheriff as of and for the year ended September 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Bay County Sheriff's basic special-purpose financial statements, and have issued our report thereon dated June 30, 2019, which contains an emphasis of matter to refer to a basis of accounting required for compliance with state filing requirements, however, our report was not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Bay County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bay County Sheriff'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.

The Honorable Tommy Ford
Bay County Sheriff
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay County Sheriff's special-purpose financial statements are free 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, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
June 30, 2019

