

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## CITY OF CALLAWAY, FLORIDA

Fiscal Year Ended September 30, 2007



City of Callaway, Florida  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2007

**Prepared by:** **Alice Bennett**  
**Director of Finance**

**Judy Whitis**  
**City Manager**

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## Introductory Section

**MAYOR**

Kenneth L. Meer

**COMMISSIONERS**Dennis A. DeLapp  
Thomas W. Abbott  
George H. Smith  
Mike T. Jones**CITY MANAGER**Judy S. Whitis  
Phone (850) 871-6000  
Fax (850) 871-2444**CITY CLERK**Genette R. Bernal  
Phone (850) 871-6000  
Fax (850) 871-2444**FINANCE DEPARTMENT**Director Alice M. Bennett, CPA  
Phone (850) 871-6000  
Fax (850) 871-24446601 EAST HWY, 22 • CALLAWAY, FLORIDA 32404  
PHONE (850) 871-6000 • FAX (850) 871-2444  
Email: [www.cityofcallaway.com](http://www.cityofcallaway.com)**PUBLIC WORKS DEPARTMENT**Director John H. Adams, Jr.  
Phone (850) 871-1033  
Fax (850) 871-2416**PLANNING/CODE ENFORCEMENT**Director Amanda J. Richard  
Phone (850) 871-6000  
Fax (850) 871-2444**FIRE DEPARTMENT**Chief Jack T. McKinney  
Phone (850) 871-2753  
Fax (850) 871-5564**LEISURE SERVICES DEPARTMENT**Director Tim Legare  
Phone (850) 874-0031  
Fax (850) 874-0706**ARTS & CONFERENCE CENTER**Director Cobb Wynn  
Phone (850) 874-0035  
Fax (850) 874-0706

March 24, 2008

Honorable Mayor and City Commissioners  
City of Callaway, Florida

We are pleased to present to you and the citizens of Callaway the accompanying Comprehensive Annual Financial Report (CAFR) for the City of Callaway, Florida for the fiscal year ended September 30, 2007. This report was prepared by the Director of Finance and the City Manager. Responsibility for the accuracy of the presented data, and the completeness and fairness of the presentation including all disclosures, rests with the Office of the Director of Finance. 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 City 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 City's financial affairs have been included.

The purpose of this letter is to point out narratively the highlights of the City's financial operations for the fiscal year. 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 the City of Callaway.

## **General Information**

The City has prepared its financial statements 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 established a reporting model that the City has reported in five parts:

1. Management’s Discussion and Analysis; a narrative report providing significant information about the City and how the City’s financial position has changed from September 30, 2006, to September 30, 2007, 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 City;
3. Fund Financial Statements; statements which report on the major individual governmental and proprietary funds of the City;
4. Budgetary Comparisons for the City’s general fund and major special revenue funds, and;
5. The notes to those 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 cities 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 City. Except as noted within the Notes to the Basic Financial Statements, the City of Callaway Commissioners adopt budgets for all funds. 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. All appropriations are reviewed at year-end for accuracy. If required, encumbrances are rolled over into a new year.

### **The Reporting Entity and Its Services**

The City of Callaway is a chartered city established under the legal authority of the Constitution and the Laws of the State of Florida. The City provides a full range of services. These include public safety (law enforcement and fire), physical environment, economic environment, highways and streets, general administrative services, culture, and recreation.

In addition the City also operates three enterprise activities: Water, Sewer, and Solid Waste services.

### **Cash Management**

Residual cash held during the year was invested in non-negotiable certificates of deposit, State Pooled Investment Fund – State Board of Administration and savings accounts for the majority of the fiscal year. All investments were adequately insured by the Federal Deposit Insurance Corporation, guaranteed by the U.S. Treasury, or were collateralized in accordance with Florida law.

### **Risk Management**

Risk Management programs within the City consist of the following programs: Workers Compensation coverage by Florida Municipal Insurance Trust, property and liability insurance, as well as public officials insurance; self-insured dental

services for employees; and City-paid disability and term life insurance for all full time employees, as well as subsidies of health insurance.

## **Economic Condition and Outlook**

The City of Callaway is an urban community in Bay County, east of Panama City in the Panhandle region of Florida. The community is situated on the northern shores of East bay and is separated from the Gulf of Mexico by East Bay and a peninsula occupied by Tyndall Air Force Base.

Tyndall Air Force Base is a major contributor to Callaway's economy, with a large percentage of the residents being associated with this military installation or being retired personnel. Unlike less fortunate areas in Florida, Tyndall Air Force Base has been spared from closing, and in fact has even grown with the consolidation of certain military services. Tyndall Air Force Base has secured its position in this area with the addition of the new F-22 fighter and as a primary training facility for this new aircraft. Providing homes for Tyndall employees, both military and civilian, has been a major growth factor for the community, and the economic impact was a growth force for the City and surrounding communities.

In addition to this major economic contribution from the military, many have chosen the City of Callaway as their home, even though they may work in another area. As a bedroom community, demand for housing has brought about other developments that have added to the economic base of the City such as shopping centers, banks, fast-food chains, restaurants, retail outlets, retirement facilities and a nursing home facility.

## **Major Initiatives**

For the Year- The City of Callaway is continuing to develop an 80 acre parcel into a recreational complex for the citizens of Callaway. The total project cost, including land, roads, and structures is estimated to be \$4,400,000. The City has applied for and received various community development grants to help offset the cost of the complex. The City issued bonds in October of 1998 for \$1,037,000 and May 2003 for \$900,000 towards the cost of the complex as well. The City has completed baseball and softball fields, a concession stand with a full service kitchen, bleachers, roadways, batting cages, soccer and football fields, and walking paths. The City has been approved for grants totaling \$217,500 with 25% matching funds from the Florida Department of Agriculture for one tennis court, one basketball court, a walking path and a Leisure Services

building is scheduled for completion in FY2008 with offices, a break room and equipment storage. The City has implemented the first stage of an automatic meter reading (AMR) system. This technology uses cell phone towers to “call in” the readings for an hourly and daily readout of accounts on which it has been installed.

The Arts and Conference Center houses an outdoor agriculture/farmers market, a large auditorium, a commission meeting room, a multi-purpose room, a catering kitchen, office and storage areas. Events held at the new center include weddings, political campaign events, school dances, reunions, wedding receptions, holiday parties, banquets, business meetings and seminars. The Arts and Conference Center cost approximately \$1,200,000, with a portion of the funds received from the state for the agriculture/farmers market center in the amount of \$200,000. The City used \$434,000 from the sale of a building and land to offset some of the cost of the Center. The Arts and Conference Center continues to be a popular gathering place for citizens of Callaway and surrounding cities, as well.

During Fiscal Year 2004 the City of Callaway Commission voted to enact a City ad valorem tax in the amount of 2 mills beginning Fiscal Year 2005. The tax is collected via the Bay County Property Appraiser’s Office and is distributed to the City monthly.

*For the Future-* During the Fiscal Year 2006, the City was approved for a U. S. Department of Agriculture low interest loan in the amount of \$2,000,000 with a \$100,000 grant to fund a new Public Safety Building that will eventually house our law enforcement and fire department. Design of the building has been completed and approved by USDA. Construction is scheduled to begin in FY2008.

The potential for residential and commercial development in Callaway’s growth area continues to increase as a result of the changes that occurred within the St. Joe Paper Company. This corporation, with holdings near one million acres of land, has changed from primarily a paper product producer to a land-developer. The City continues to work with various developers who would like to have a major growth impact on the City of Callaway by building large scale subdivisions that include amenities and retail development growth. The City’s growth continues at a somewhat slower pace than in recent years. A large commercial development is still underway in our commercial corridors.

With residential and commercial development under construction and in the planning stages, the City has also undertaken a major four million dollar expansion of the utility infrastructure to provide services to the newly developed areas. A three million gallon ground storage tank has been designed and is scheduled to begin construction in the next 12 months.

The City formed the Callaway Community Redevelopment Agency to implement an approved plan for redevelopment improvements within a specific area. A trust fund was established by the City for, and on behalf of, the Community Redevelopment Agency. Each year, the incremental increase in ad valorem taxes levied by all taxing authorities within the redevelopment area will be paid into the trust fund to be disbursed for improvements which were designated in the approved plan for redevelopment in the defined area.

### **Independent Audit**

In compliance with the laws of the State of Florida, the City of Callaway was audited by independent certified public accountants. The opinion of Carr, Riggs, & Ingram, LLC may be found in the Financial Section of this report. The specific report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards* can be found on page D-1 of the Financial Section.

### **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 the City of Callaway for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2006. This was the 14<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

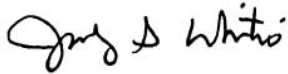
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## Acknowledgements

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated services of the entire staff of the City Hall, the Department Heads of the City, and full cooperation and consultation of the firm of Carr, Riggs, & Ingram LLC.

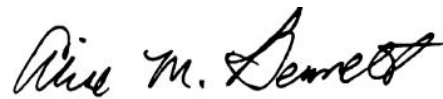
In closing, without the leadership, support and policies provided by the City Commission in conducting the financial operations of the City in a sound and progressive manner, preparation of this report would not have been possible.

Sincerely,



Judy S. Whitis,  
City Manager

Sincerely,



Alice M. Bennett,  
Director of Finance

***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 the City of Callaway, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2006.*

*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 meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Callaway  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

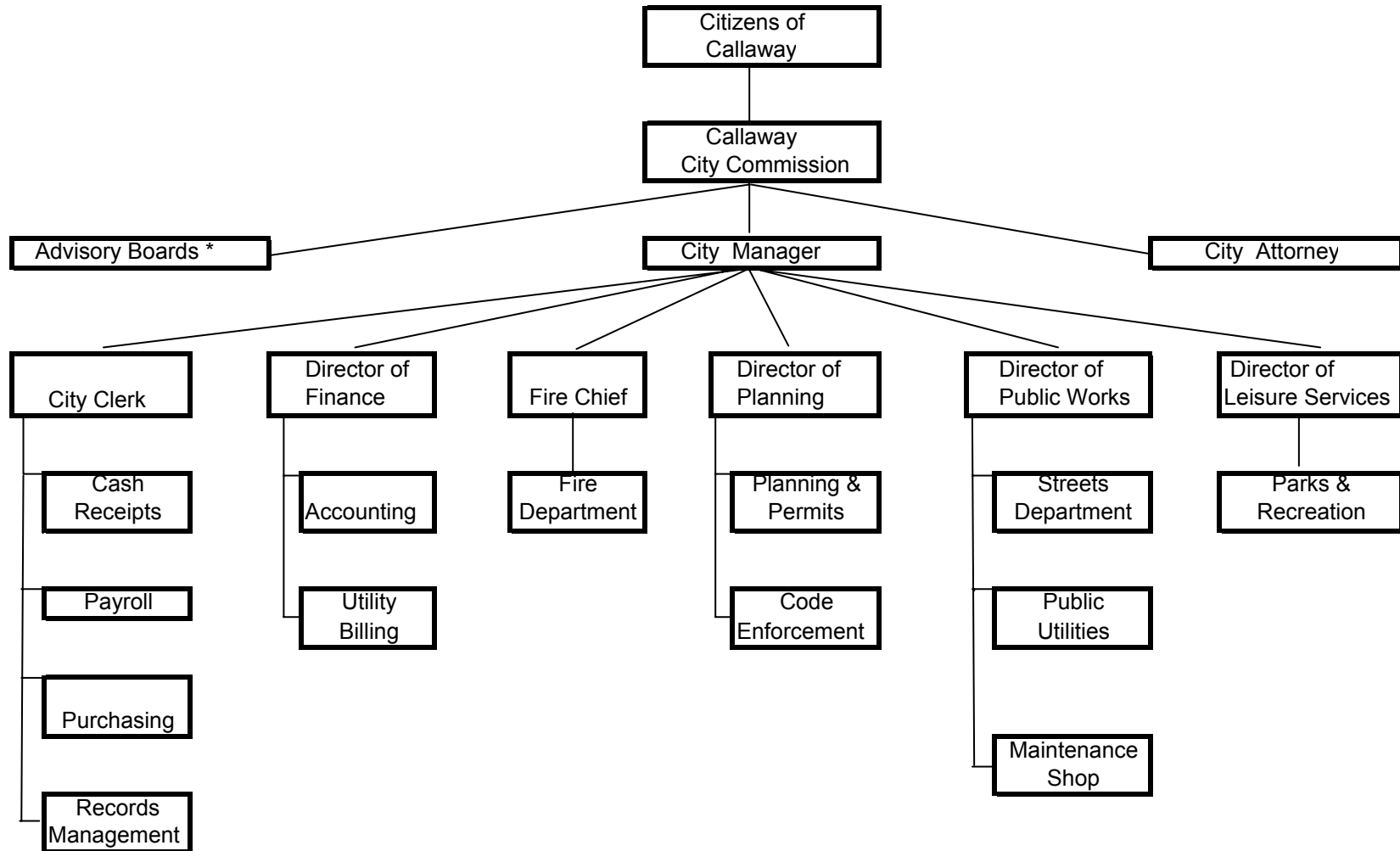
President

*Jeffrey R. Emer*

Executive Director



# City of Callaway Organizational Chart



A-10

\* Advisory Boards consist of Planning, Adjustments, and Municipal Code Enforcement.

# PRINCIPAL OFFICIALS OF THE CITY

## **CITY COMMISSION**

Kenneth L. Meer, Mayor

Dennis A. DeLapp  
Commissioner, Ward I

Thomas W. Abbott  
Commissioner, Ward II

George H. Smith  
Commissioner, Ward III

Mike T. Jones  
Commissioner, Ward IV

## **CITY MANAGER**

Judy S. Whitis

## **DEPARTMENT HEADS**

Genette R. Bernal, City Clerk

Jack McKinney, Fire Chief

John H. Adams Jr., Director of Public Works

Alice M. Bennett, Director of Finance

Amanda Richard, Director of Planning

Tim Legare, Director of Leisure Services

## **CITY ATTORNEY**

Michael B. Duncan  
Harrison, Sale, McCloy,  
Thompson & Duncan, Chartered

## **INDEPENDENT CERTIFIED**

**PUBLIC ACCOUNTANTS**  
Carr, Riggs, & Ingram, LLC



The City of Callaway is an urban community in Bay County east of Panama City, in the Panhandle region of Northwest Florida. This community is separated from the Gulf of Mexico by East Bay and Tyndall Air Force Base.

## Financial Section

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor, Members of the  
City Commission and City Manager  
City of Callaway, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Callaway, Florida (the City), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Callaway, Florida, as of September 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages B-3 through B-10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, statistical section, and supplementary schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplementary schedules listed in the table of contents have been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Panama City Beach, Florida  
March 24, 2008

## Management's Discussion and Analysis

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

### Financial Highlights

- Total assets of the City exceeded total liabilities by \$25,900,833 (net assets). Of this amount, \$2,818,070 is unrestricted net assets for Governmental Activities and \$4,190,277 is unrestricted net assets for Business-type Activities, while \$2,588,102 is restricted net assets for Business-type Activities.
- Total net assets increased by \$841,907. Of this amount, \$131,124 is attributable to Governmental Activities and \$710,783 is attributable to Business-type Activities.
- As of September 30, 2007, the general fund's unreserved fund balance was \$2,778,179 or 52% of total general fund expenditures.
- Governmental Activities revenues increased to \$5,578,772 or 1%, while Governmental Activities expenditures increased 11% to \$5,627,648. Business-type Activities revenues decreased to \$6,137,325 or 41%, while Business-type Activities expenditures increased 6% to \$5,246,542.

### Overview of the Financial Statements

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

### Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net assets* and *statement of activities*. These statements are designed to provide readers with an overview of the City's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities, as well as the change in net assets. Governmental activities are primarily supported by gross receipts taxes, utility taxes, franchise fees, and state shared revenues, while business-type activities are supported by charges to the users of activities, such as water, sewer and solid waste charges.

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

The *statement of activities* presents information on all revenues and expenditures of the City and the change in net assets for the fiscal year. All changes in net assets are reported as soon

as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation and sick leave).

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

The government-wide financial statements include only the City (known as the *primary government*), since there are no legally separate component units.

### ***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 City to account for revenues that are restricted to certain uses, or to comply with legal requirements. The two major categories of funds found in the City's *fund financial statements* include: governmental funds and proprietary funds.

*Fund financial statements* provide financial information for the City's major funds and more detailed information about the City'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 *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by Governmental Activities and Business-type Activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various activities, or functions provided by the City. All assets of the City, including buildings, land, and infrastructure are reported in the statement of net assets, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the City. The statement of activities includes depreciation on all long lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid doubling up the revenues and expenditures. The *fund financial statements* provide a presentation of the City's major funds, along with a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue 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 basic financial statements* provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting practices of the City, investments of the City, and long-term debt are just a few of the items included in the notes to basic financial statements.

## Financial Analysis of the City

The following schedule provides a summary of the assets, liabilities and net assets of the City for the fiscal years ending September 30, 2007 and 2006. The City is able to report positive balances in all three categories of net assets, for the government as a whole, and for its governmental and business-type activities.

September 30,	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 3,171,651	\$ 3,089,214	\$44,638,830	\$28,100,517	\$47,810,481	\$31,189,731
Capital assets	6,177,077	6,276,609	11,543,533	7,715,570	17,720,610	13,992,179
Total assets	9,348,728	9,365,823	56,182,363	35,816,087	65,531,091	45,181,910
Current liabilities	507,308	505,895	2,085,341	1,993,796	2,592,649	2,499,691
Noncurrent liabilities	1,164,168	1,313,800	35,873,441	16,309,493	37,037,609	17,623,293
Total liabilities	1,671,476	1,819,695	37,958,782	18,303,289	39,630,258	20,122,984
Net assets invested in capital assets, net of related debt	4,859,182	4,788,414	11,445,202	7,587,634	16,304,384	12,376,048
Net assets – restricted	-	-	2,588,102	3,830,294	2,588,102	3,830,294
Net assets – unrestricted	2,818,070	2,757,714	4,190,277	6,094,870	7,008,347	8,852,584
Total net assets	\$ 7,677,252	\$ 7,546,128	\$18,223,581	\$17,512,798	\$25,900,833	\$25,058,926

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents 63% of the City's net assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net assets*, representing 10% of the City's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of net assets is *unrestricted net assets* (\$7,008,347), which may be used to help meet the government's ongoing obligations to citizens and creditors.

Governmental activities liabilities decreased primarily due to payments made on capital leases and bonds payable.

Business-type activities liabilities increased primarily due to issuance of revenue bonds.

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

### Changes in Net Assets

Year ended September 30,	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Program revenues</b>						
Charges for services	\$ 227,599	\$ 180,154	\$ 5,794,932	\$ 9,582,154	\$ 6,022,531	\$ 9,762,308
Operating grants/ contributions	-	-	3,694	368,236	3,694	368,236
Capital grants/ contributions	-	-	-	201,916	-	201,916
<b>General revenues</b>						
Gross receipts taxes	3,417,744	3,470,796	-	-	3,417,744	3,470,796
Utility taxes/ franchise fees	1,706,276	1,655,113	-	-	1,706,276	1,655,113
Other	227,153	222,392	338,699	230,700	565,852	453,092
<b>Total revenues</b>	<b>5,578,772</b>	<b>5,528,455</b>	<b>6,137,325</b>	<b>10,383,006</b>	<b>11,716,097</b>	<b>15,911,461</b>
<b>Expenses</b>						
General government	1,481,783	1,249,361	-	-	1,481,783	1,249,361
Public safety	1,980,656	1,736,545	-	-	1,980,656	1,736,545
Highways and streets	1,044,888	1,110,675	-	-	1,044,888	1,110,675
Maintenance	157,516	129,386	-	-	157,516	129,386
Culture/recreation	891,381	746,788	-	-	891,384	746,788
Interest on long-term debt	71,421	91,070	-	-	71,421	91,070
Water	-	-	1,839,575	1,633,827	1,839,575	1,633,827
Sewer	-	-	2,934,665	2,809,862	2,934,665	2,809,862
Solid waste	-	-	472,302	508,373	472,302	508,373
<b>Total expenses</b>	<b>5,627,648</b>	<b>5,063,825</b>	<b>5,246,542</b>	<b>4,952,062</b>	<b>10,874,190</b>	<b>10,015,887</b>
Transfers	180,000	150,000	(180,000)	(150,000)	-	-
<b>Increase in net assets</b>	<b>131,124</b>	<b>614,630</b>	<b>710,783</b>	<b>5,280,944</b>	<b>841,907</b>	<b>5,895,574</b>
<b>Net assets – beginning</b>	<b>7,546,128</b>	<b>6,931,498</b>	<b>17,512,798</b>	<b>12,231,854</b>	<b>25,058,926</b>	<b>19,163,352</b>
<b>Net assets – ending</b>	<b>\$ 7,677,252</b>	<b>\$ 7,546,128</b>	<b>\$18,223,581</b>	<b>\$17,512,798</b>	<b>\$25,900,833</b>	<b>\$25,058,926</b>

Governmental activities revenues exceeded expenses by \$131,124, while business-type activities revenues exceeded expenses by \$710,783. Total revenues decreased \$4,195,364 from the previous year. Revenues decreased as a result of several factors, primarily a decrease in water and sewer impact fees and capital extension fees and income from the joint venture. Total expenses increased \$858,303 from the previous year.

92% of the revenues for governmental activities were generated by taxes and franchise fees (including inter-governmental). Most of the governmental resources were expended for public safety (35%), general government (26%), and highways and streets (19%) activities.

Charges for services provided 94% of the revenues for business-type activities.

The sewer fund consumed 56% of business-type activities expenses.

## **Financial Analysis of the City's Funds**

### **Governmental Funds**

#### **General Fund**

The main operating fund of the City is the General Fund. As of September 30, 2007, total assets were \$3,171,651 and total liabilities were \$285,304. At the end of fiscal year 2007, unreserved fund balance of the general fund was \$2,778,179, while total fund balance equaled \$2,886,347. Intergovernmental revenues were \$167,863 less than anticipated and operating expenditures for the General Fund were less than anticipated in the amount of \$160,423.

#### **Community Redevelopment Fund**

The other major governmental fund of the City is the Community Redevelopment Fund. This fund was established during the current fiscal year to be used as the operating fund of the Callaway Redevelopment Agency. As of September 30, 2007, there has been no activity in this fund.

#### **Other Governmental Funds**

The debt service fund is used by the City to account for principal and interest payments on general fund debt. The City does not adopt a budget for the debt service fund, instead debt service fund revenues and expenditures are budgeted indirectly as transfers to the debt service fund and interest expense in the general fund.

The capital projects fund is used by the City to account for the cost of construction of major projects. The City does not adopt a budget for the capital projects fund, instead capital projects fund revenues and expenditures are budgeted indirectly as transfers to the capital projects fund in the general fund.

### **Proprietary Funds**

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

Unrestricted net assets of proprietary funds at the years ended September 30, 2007 and 2006:

<b>Fund</b>	<b>2007</b>	<b>2006</b>
Water	\$ (772,395)	\$ 894,705
Sewer	4,755,440	4,983,505
Solid waste	207,232	216,660
<b>Total</b>	<b>\$ 4,190,277</b>	<b>\$ 6,094,870</b>

The *Proprietary Funds* are used to account for the operations of the City's utility systems. Refer to the statement of net assets – proprietary funds and the statement of revenues, expenses, and changes in fund net assets – proprietary funds for specific numerical data.

### Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2007, was \$17,720,610 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Sewer improvements in the amount of \$819,530 included the installation of new sewer lines, including construction in progress.
- Water improvements in the amount of \$3,421,916 included the installation of new water lines, including construction in progress.
- \$239,319 was expended in the general fund for the purchase of new equipment.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 846,594	\$ 846,594	\$ 154,433	\$ -	\$ 1,001,027	\$ 846,594
Buildings	601,795	602,545	177,407	172,502	779,202	775,047
Improvements	4,106,688	4,316,704	10,216,891	4,507,493	14,323,579	8,824,197
Machinery and equipment	458,358	490,641	825,215	464,372	1,283,573	955,013
Construction in progress	163,642	20,125	169,587	2,571,203	333,229	2,591,328
<b>Total</b>	<b>\$ 6,177,077</b>	<b>\$ 6,276,609</b>	<b>\$11,543,533</b>	<b>\$ 7,715,570</b>	<b>\$17,720,610</b>	<b>\$13,992,179</b>

Additional information on the City's capital assets can be found in Note 6 – Capital Assets, of the notes to the basic financial statements.

### Debt Management

At the end of the current fiscal year, the City had total outstanding debt in the amount of \$37,596,212. This debt amount represents notes payable, revenue bond payable, and capital leases secured by specified revenue sources and equipment. In July 2007, the City incurred debt related to the issuance of revenue bonds in the amount of \$20,435,000. Proceeds from these bonds will be used in water and sewer system expansion.

## Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Capital leases	\$ 18,419	\$ 61,135	\$ 98,331	\$ 127,936	\$ 116,750	\$ 189,071
Notes payable	-	-	8,681,618	9,312,560	8,681,618	9,312,560
Revenue bonds payable	1,299,476	1,427,060	27,498,368	7,185,000	28,797,844	8,612,060
Total	<b>\$ 1,317,895</b>	\$ 1,488,195	<b>\$36,278,317</b>	\$16,625,496	<b>\$37,596,212</b>	\$ 18,113,691

Principal repayments during the year for governmental activities were \$170,300 and for business-type activities was \$900,547. Revenue bonds payable in the business-type activities includes an unamortized bond premium in the amount of \$118,368.

More detail on the City's liabilities is presented in notes 7, 8 and 9 of the notes to basic financial statements.

### Economic Factors and Next Year's Budget and Rates

In spite of a slow down in new construction and redevelopment, the City's economy remained strong during the current fiscal year. Long-term demographic trends continue to make the area attractive. The unemployment rate in our area continued to fall below the national average.

In the coming years, the City will be making major additions and enhancements to its utility systems. Projects have been approved in our water department for additional water mains and a new ground storage tank with booster pump system. The sewer department will be adding additional force mains and a new lift station.

The City has received approval from USDA – Rural Development for a low-interest, long-term loan to construct a new public safety building. They have also approved a grant of \$100,000 to be awarded to the City for this project. The City looks forward to beginning construction of the new facility in the next fiscal year.

As part of the regular budget monitoring process, the finance department prepares a monthly financial report that the City Manager and City Commission can use to follow the actual performance of revenue and expenditure estimates. In addition, quarterly analysis of the budget estimates versus the actual results are presented for monitoring compliance with the approved budget. When necessary, the City Commission passes amended budget resolutions.

The City also levied an ad valorem tax for the fiscal year beginning October 1, 2007. The millage rate will be 2.00 mils on a gross taxable value of \$555,853,021 as certified by the Bay County Property Appraiser on June 19, 2007. On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. The amendment increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 and \$75,000), except for school district taxes. It also allows property owners to transfer up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes limits the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less. The Amendment also provides a \$25,000 exemption for tangible personal property. This amendment will not take effect until fiscal year 2009.

This report was prepared by management of the City. Questions concerning this report or requests for additional information should be addressed to the City of Callaway, 6601 East Highway 22, Callaway, Florida 32404, attention: Director of Finance.

City of Callaway, Florida  
Statement of Net Assets  
September 30, 2007

Primary Government			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,674,182	\$ 1,246,336	\$ 3,920,518
Accounts receivable (net of allowance for doubtful accounts)	206,507	482,750	689,257
Taxes receivable	16,115	-	16,115
Notes receivable	-	893,863	893,863
Other receivables	-	4,333	4,333
Due from other governments	166,585	-	166,585
Due from joint venture	-	126,177	126,177
Due from employees	94	-	94
Inventory	32,719	-	32,719
Prepaid expenses	75,449	-	75,449
Unamortized bond issue costs, current	-	45,048	45,048
Restricted assets			
Cash and cash equivalents	-	2,117,391	2,117,391
Investments in pooled accounts	-	19,306,186	19,306,186
Investment in certificates of deposit	-	1,005,766	1,005,766
Total current assets	3,171,651	25,227,850	28,399,501
Noncurrent assets			
Note receivable-joint venture	-	14,732,755	14,732,755
Unamortized bond issue costs	-	1,298,881	1,298,881
Investment in joint venture	-	3,379,344	3,379,344
Capital assets (not being depreciated)	1,010,236	324,020	1,334,256
Capital assets (being depreciated, net)	5,166,841	11,219,513	16,386,354
Total noncurrent assets	6,177,077	30,954,513	37,131,590
Total assets	\$ 9,348,728	\$ 56,182,363	\$ 65,531,091

(Continued)

City of Callaway, Florida  
Statement of Net Assets (Continued)  
September 30, 2007

<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 220,152	\$ 679,292	\$ 899,444
Accrued payroll liabilities	63,352	36,677	100,029
Accrued interest	9,742	172,075	181,817
Deferred revenues	1,800	-	1,800
Due to joint venture	-	201,089	201,089
Retainages payable	-	3,000	3,000
<b>Total current liabilities</b>	<b>295,046</b>	<b>1,092,133</b>	<b>1,387,179</b>
<b>Noncurrent liabilities</b>			
<b>Due within 1 year</b>			
Notes payable	-	648,863	648,863
Capital leases	18,419	31,138	49,557
Revenue bonds payable, net	135,308	259,930	395,238
Accrued compensated absences	58,535	53,277	111,812
<b>Due in more than 1 year</b>			
Customer deposits	-	535,055	535,055
Notes payable	-	8,032,755	8,032,755
Capital leases	-	67,193	67,193
Revenue bonds payable, net	1,164,168	27,238,438	28,402,606
<b>Total noncurrent liabilities</b>	<b>1,376,430</b>	<b>36,866,649</b>	<b>38,243,079</b>
<b>Total liabilities</b>	<b>1,671,476</b>	<b>37,958,782</b>	<b>39,630,258</b>
<b>Net assets</b>			
Invested in capital assets (net of related debt)	4,859,182	11,445,202	16,304,384
Restricted for impact fees	-	2,588,102	2,588,102
Unrestricted	2,818,070	4,190,277	7,008,347
<b>Total net assets</b>	<b>\$ 7,677,252</b>	<b>\$ 18,223,581</b>	<b>\$ 25,900,833</b>

City of Callaway, Florida  
Statement of Activities  
Year Ended September 30, 2007

	Program Revenues			Net (Expenses) Revenues and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions / Programs</b>							
Governmental activities							
General government	\$ 1,481,783	\$ 123,580	\$ -	\$ -	\$ (1,358,203)	\$ -	\$ (1,358,203)
Public safety	1,980,656	74,132	-	-	(1,906,524)	-	(1,906,524)
Highways and streets	1,044,888	-	-	-	(1,044,888)	-	(1,044,888)
Maintenance	157,516	-	-	-	(157,516)	-	(157,516)
Parks and recreation	891,384	29,887	-	20,720	(840,777)	-	(840,777)
Interest on long-term debt	71,421	-	-	-	(71,421)	-	(71,421)
Total governmental activities	5,627,648	227,599	-	20,720	(5,379,329)	-	(5,379,329)
Business-type activities							
Water	1,839,575	2,094,382	-	-	-	254,807	254,807
Sewer	2,934,665	3,275,753	-	-	-	341,088	341,088
Solid waste	472,302	424,797	3,694	-	-	(43,811)	(43,811)
Total business-type activities	5,246,542	5,794,932	3,694	-	-	552,084	552,084
Total primary government	\$ 10,874,190	\$ 6,022,531	\$ 3,694	\$ 20,720	(5,379,329)	552,084	(4,827,245)
General revenues							
Utility					990,749	-	990,749
Ad valorem					1,011,027	-	1,011,027
Franchise fees					715,527	-	715,527
Sales tax					418,096	-	418,096
Mobile home licenses					1,044	-	1,044
Alcoholic beverage tax					2,987	-	2,987
Communication services tax					418,849	-	418,849
Local option gas tax					248,106	-	248,106
Half cent sales tax					1,153,900	-	1,153,900
Motor fuel tax					163,735	-	163,735
Miscellaneous revenues					82,032	1,349	83,381
Interest earnings					124,401	337,350	461,751
Transfers					180,000	(180,000)	-
Total general revenues, interest and transfers					5,510,453	158,699	5,669,152
Change in net assets					131,124	710,783	841,907
Net assets - beginning					7,546,128	17,512,798	25,058,926
Net assets - ending					\$ 7,677,252	\$ 18,223,581	\$ 25,900,833

City of Callaway, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2007

	General	Other Governmental Funds	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,674,182	\$ -	\$ 2,674,182
Accounts receivable (net of allowance for doubtful accounts)	206,507	-	206,507
Taxes receivable	16,115	-	16,115
Due from other governments	166,585	-	166,585
Due from employees	94	-	94
Inventory	32,719	-	32,719
Prepaid expenses	75,449	-	75,449
<b>Total assets</b>	<b>\$ 3,171,651</b>	<b>\$ -</b>	<b>\$ 3,171,651</b>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 220,152	\$ -	\$ 220,152
Accrued payroll liabilities	63,352	-	63,352
Deferred revenues	1,800	-	1,800
<b>Total liabilities</b>	<b>285,304</b>	<b>-</b>	<b>285,304</b>
<b>Fund balances</b>			
Reserved for			
Prepaid expenses	75,449	-	75,449
Inventory	32,719	-	32,719
Unreserved	2,778,179	-	2,778,179
<b>Total fund balances</b>	<b>2,886,347</b>	<b>-</b>	<b>2,886,347</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,171,651</b>	<b>\$ -</b>	
Amounts reported for governmental activities in the statement of net assets are different because			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			6,177,077
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(1,386,172)
<b>Net assets of governmental activities</b>			<b>\$ 7,677,252</b>

City of Callaway, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2007

	General	Other Governmental Funds	Total
<b>Revenues</b>			
Taxes			
Utility	\$ 1,409,598	\$ -	\$ 1,409,598
Ad valorem	1,011,027	-	1,011,027
Franchise fees	715,527	-	715,527
Local option gas tax	248,106	-	248,106
Intergovernmental	1,739,762	-	1,739,762
Charges for services	103,838	-	103,838
Licenses and permits	123,410	-	123,410
Fines and forfeitures	31,685	-	31,685
Rents	322	-	322
Interest	124,401	-	124,401
Park contributions	20,720	-	20,720
Other fees and miscellaneous	50,974	-	50,974
Total revenues	5,579,370	-	5,579,370
<b>Expenditures</b>			
Current			
General government	1,335,586	-	1,335,586
Public safety	1,935,721	-	1,935,721
Highways and streets	963,718	-	963,718
Maintenance	150,365	-	150,365
Parks and recreation	702,957	-	702,957
Debt service			
Principal	-	170,300	170,300
Interest and fiscal charges	-	61,679	61,679
Capital outlay			
General government	17,742	-	17,742
Public safety	9,171	126,008	135,179
Highways and streets	97,311	-	97,311
Maintenance	20,258	-	20,258
Parks and recreation	94,837	3,770	98,607
Total expenditures	5,327,666	361,757	5,689,423
Excess (deficit) of revenues over (under) expenditures	251,704	(361,757)	(110,053)
<b>Other financing sources (uses)</b>			
Transfers from other funds	180,000	361,757	541,757
Transfer to capital projects fund	(129,778)	-	(129,778)
Transfer to debt service fund	(231,979)	-	(231,979)
Proceeds from sale of surplus property	160	-	160
Total other financing sources (uses)	(181,597)	361,757	180,160
<b>Net change in fund balance</b>	70,107	-	70,107
<b>Fund balance - beginning</b>	2,816,240	-	2,816,240
<b>Fund balance - ending</b>	\$ 2,886,347	\$ -	\$ 2,886,347

City of Callaway, Florida  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities  
 Year Ended September 30, 2007

Amounts reported for governmental activities in the statement of activities (page B-13) are different because:

Net change in fund balances - total governmental funds (page B-15)	\$ 70,107
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(98,774)
Governmental funds report sales of surplus property as revenues. However, in the statement of activities the cost and accumulated depreciation of the assets sold are offset against the sales proceeds. This amount is the net effect of these differences in treatment of sale of surplus property.	(758)
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.	(9)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of the 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.	160,558
Change in net assets of governmental activities (page B-13)	\$ 131,124

City of Callaway, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual  
General Fund  
Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>Revenues</b>				
Taxes				
Utility	\$ 1,363,040	\$ 1,457,000	\$ 1,409,598	\$ (47,402)
Ad valorem	1,024,911	942,000	1,011,027	69,027
Franchise fees	624,000	705,000	715,527	10,527
Local option gas tax	257,332	248,000	248,106	106
Intergovernmental	1,937,903	1,907,625	1,739,762	(167,863)
Charges for services	109,539	94,582	103,838	9,256
Licenses and permits	110,000	123,700	123,410	(290)
Fines and forfeitures	24,100	32,000	31,685	(315)
Rents	1,000	1,000	322	(678)
Interest	95,000	130,000	124,401	(5,599)
Federal grants	217,500	217,500	-	(217,500)
Park contributions	-	20,000	20,720	720
Other fees and miscellaneous	31,800	26,425	50,974	24,549
<b>Total revenues</b>	<b>5,796,125</b>	<b>5,904,832</b>	<b>5,579,370</b>	<b>(325,462)</b>
<b>Expenditures</b>				
Current				
General government				
Legislative	97,866	89,366	83,870	5,496
Administration	206,554	206,554	205,145	1,409
Finance	28,658	28,658	26,888	1,770
Legal	187,000	187,000	143,683	43,317
Planning and code enforcement	492,071	641,171	570,137	71,034
General government	361,002	361,002	323,605	37,397
<b>Total general government</b>	<b>1,373,151</b>	<b>1,513,751</b>	<b>1,353,328</b>	<b>160,423</b>
Public safety				
Police	1,064,579	1,064,579	1,064,579	-
Fire	848,857	938,745	880,313	58,432
<b>Total public safety</b>	<b>1,913,436</b>	<b>2,003,324</b>	<b>1,944,892</b>	<b>58,432</b>
<b>Highways and streets</b>	<b>1,366,702</b>	<b>1,371,476</b>	<b>1,061,029</b>	<b>310,447</b>
<b>Maintenance</b>	<b>159,671</b>	<b>172,997</b>	<b>170,623</b>	<b>2,374</b>
<b>Parks and recreation</b>	<b>888,831</b>	<b>904,370</b>	<b>797,794</b>	<b>106,576</b>
<b>Total expenditures</b>	<b>5,701,791</b>	<b>5,965,918</b>	<b>5,327,666</b>	<b>638,252</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>\$ 94,334</b>	<b>\$ (61,086)</b>	<b>\$ 251,704</b>	<b>\$ 312,790</b>

(Continued)

City of Callaway, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual  
General Fund (Continued)  
Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>Other financing sources (uses)</b>				
Transfer from water fund	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Transfer from sewer fund	130,000	130,000	130,000	-
Transfer to capital projects fund	(2,698,120)	(2,698,120)	(129,778)	2,568,342
Transfer to debt service fund	(246,047)	(246,047)	(231,979)	14,068
Proceeds from long term financing	2,428,120	2,428,120	-	(2,428,120)
Proceeds from sale of surplus property	5,000	2,000	160	(1,840)
<b>Total other financing sources (uses)</b>	<b>(331,047)</b>	<b>(334,047)</b>	<b>(181,597)</b>	<b>152,450</b>
<b>Net change in fund balance</b>	<b>(236,713)</b>	<b>(395,133)</b>	<b>70,107</b>	<b>465,240</b>
<b>Fund balance - beginning</b>	<b>1,894,909</b>	<b>2,816,240</b>	<b>2,816,240</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 1,658,196</b>	<b>\$ 2,421,107</b>	<b>\$ 2,886,347</b>	<b>\$ 465,240</b>

City of Callaway, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2007

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Solid Waste	Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 553,795	\$ 489,903	\$ 202,638	\$ 1,246,336
Accounts receivable (net of allowance for doubtful accounts)	165,568	283,329	33,853	482,750
Note receivable-joint venture	-	893,863	-	893,863
Other receivables	4,333	-	-	4,333
Due from joint venture	-	126,177	-	126,177
Interfund balances	-	1,323,634	-	1,323,634
Unamortized bond issue costs, curren	23,122	21,926	-	45,048
Restricted assets				
Cash-deposits escrow	535,055	-	-	535,055
Cash-impact fees	-	1,582,336	-	1,582,336
Investment in pooled accounts	9,909,377	9,396,809	-	19,306,186
Investment in CD-impact fees	-	1,005,766	-	1,005,766
<b>Total current assets</b>	<b>11,191,250</b>	<b>15,123,743</b>	<b>236,491</b>	<b>26,551,484</b>
Noncurrent assets				
Note receivable-joint venture	-	14,732,755	-	14,732,755
Unamortized bond issue costs	666,683	632,198	-	1,298,881
Investment in joint venture	-	3,379,344	-	3,379,344
Capital assets				
Property, plant and equipment	8,950,722	7,429,456	725,428	17,105,606
Less accumulated depreciation	(2,032,458)	(2,950,807)	(578,808)	(5,562,073)
<b>Total noncurrent assets</b>	<b>7,584,947</b>	<b>23,222,946</b>	<b>146,620</b>	<b>30,954,513</b>
<b>Total assets</b>	<b>\$ 18,776,197</b>	<b>\$ 38,346,689</b>	<b>\$ 383,111</b>	<b>\$ 57,505,997</b>

(Continued)

City of Callaway, Florida  
Statement of Net Assets  
Proprietary Funds (Continued)  
September 30, 2007

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Solid Waste	Total
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 86,480	\$ 576,494	\$ 16,318	\$ 679,292
Accrued payroll liabilities	17,733	13,188	5,756	36,677
Accrued interest	88,326	83,749	-	172,075
Due to joint venture	-	201,089	-	201,089
Interfund balances	1,323,634	-	-	1,323,634
Retainages payable	3,000	-	-	3,000
Notes payable	-	648,863	-	648,863
Capital leases payable	-	-	31,138	31,138
Bonds payable	7,664	252,266	-	259,930
Accrued compensated absences	26,578	19,514	7,185	53,277
<b>Total current liabilities</b>	<b>1,553,415</b>	<b>1,795,163</b>	<b>60,397</b>	<b>3,408,975</b>
Noncurrent liabilities				
Customer deposits	535,055	-	-	535,055
Notes payable	-	8,032,755	-	8,032,755
Capital lease payable	-	-	67,193	67,193
Bonds payable	10,541,858	16,696,580	-	27,238,438
<b>Total noncurrent liabilities</b>	<b>11,076,913</b>	<b>24,729,335</b>	<b>67,193</b>	<b>35,873,441</b>
<b>Total liabilities</b>	<b>12,630,328</b>	<b>26,524,498</b>	<b>127,590</b>	<b>39,282,416</b>
<b>Net assets</b>				
Invested in capital assets (net of related debt)	6,918,264	4,478,649	48,289	11,445,202
Restricted for impact fees	-	2,588,102	-	2,588,102
Unrestricted	(772,395)	4,755,440	207,232	4,190,277
<b>Total net assets</b>	<b>\$ 6,145,869</b>	<b>\$ 11,822,191</b>	<b>\$ 255,521</b>	<b>\$ 18,223,581</b>

City of Callaway, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Year Ended September 30, 2007

<b>Business-type Activities / Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Operating revenues</b>				
Charges for services				
Water, sewer, and solid waste sales	\$ 1,864,661	\$ 3,066,181	\$ 413,379	\$ 5,344,221
Connection, reset and reactivation fees	16,945	210	-	17,155
Late fees	43,266	74,572	9,796	127,634
Tap fees	7,916	2,937	-	10,853
Other utility income	49,901	-	1,551	51,452
Miscellaneous income	-	502	1,420	1,922
Impact fees	111,693	253,693	-	365,386
<b>Total operating revenues</b>	<b>2,094,382</b>	<b>3,398,095</b>	<b>426,146</b>	<b>5,918,623</b>
<b>Operating expenses</b>				
Personal services	730,755	570,023	230,071	1,530,849
Amortization	3,854	3,654	-	7,508
Communication services	4,775	2,551	420	7,746
Contractual services	42,628	15,610	11,085	69,323
Depreciation	235,750	250,916	57,359	544,025
Fuel and lubricants	22,869	16,550	34,374	73,793
Heat, light and power	5,863	41,466	127	47,456
Insurance	22,094	14,924	12,291	49,309
Miscellaneous	12,914	8,183	8,789	29,886
Office supplies	4,953	7,220	78	12,251
Operating supplies	9,008	4,175	177	13,360
Printing and binding	4,223	2,970	669	7,862
Professional services	18,333	36,614	5,092	60,039
Public utility services	572,128	1,797,542	-	2,369,670
Rentals	3,336	2,870	48	6,254
Repairs and maintenance	86,635	73,424	22,970	183,029
Road materials and supplies	13,604	39,865	-	53,469
Tipping fees	-	-	72,642	72,642
Transportation	14,683	13,755	12,851	41,289
Travel and per diem	8,748	4,372	-	13,120
Uncollectible accounts	22,422	27,981	3,259	53,662
<b>Total operating expenses</b>	<b>1,839,575</b>	<b>2,934,665</b>	<b>472,302</b>	<b>5,246,542</b>
<b>Net operating income (loss)</b>	<b>254,807</b>	<b>463,430</b>	<b>(46,156)</b>	<b>672,081</b>
<b>Nonoperating revenues</b>				
Interest income-impact fees	59,645	130,272	-	189,917
Interest income-other	60,111	78,458	8,864	147,433
Federal grant	-	-	3,694	3,694
Loss from joint venture	-	(122,342)	-	(122,342)
<b>Total nonoperating revenues</b>	<b>119,756</b>	<b>86,388</b>	<b>12,558</b>	<b>218,702</b>
Transfers out	(50,000)	(130,000)	-	(180,000)
<b>Change in net assets</b>	<b>324,563</b>	<b>419,818</b>	<b>(33,598)</b>	<b>710,783</b>
<b>Net assets - beginning</b>	<b>5,821,306</b>	<b>11,402,373</b>	<b>289,119</b>	<b>17,512,798</b>
<b>Net assets - ending</b>	<b>\$ 6,145,869</b>	<b>\$ 11,822,191</b>	<b>\$ 255,521</b>	<b>\$ 18,223,581</b>

See accompanying notes  
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City of Callaway, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2007

<b>Business-type Activities / Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Operating activities</b>				
Receipts from customers and users	\$ 2,020,460	\$ 3,398,907	\$ 429,106	\$ 5,848,473
Payments to suppliers	(1,002,617)	(1,851,246)	(171,724)	(3,025,587)
Payments to employees	(732,936)	(565,014)	(229,934)	(1,527,884)
Net cash provided by operating activities	284,907	982,647	27,448	1,295,002
<b>Noncapital financing activities</b>				
Transfer to other funds	(50,000)	(130,000)	-	(180,000)
Net cash used by noncapital financing activities	(50,000)	(130,000)	-	(180,000)
<b>Capital and related financing activities</b>				
Proceeds from issuance of revenue bonds	9,855,863	9,346,068	-	19,201,931
Purchase of investments	(9,909,377)	(9,396,809)	-	(19,306,186)
Principal payments on capital leases	-	-	(29,605)	(29,605)
Acquisition of capital assets	(3,575,325)	(869,378)	(3,584)	(4,448,287)
Net cash used by capital and related financing activities	(3,628,839)	(920,119)	(33,189)	(4,582,147)
<b>Investing activities</b>				
Purchase of certificates of deposit	-	(51,815)	-	(51,815)
Sale of certificates of deposit	929,894	-	-	929,894
Distributions from joint venture	-	155,408	-	155,408
Interest received	119,756	208,730	12,558	341,044
Net cash provided by investing activities	1,049,650	312,323	12,558	1,374,531
<b>Net change in cash and cash equivalents</b>	(2,344,282)	244,851	6,817	(2,092,614)
<b>Cash and cash equivalents - beginning</b>	3,433,132	1,827,388	195,821	5,456,341
<b>Cash and cash equivalents - ending</b>	\$ 1,088,850	\$ 2,072,239	\$ 202,638	\$ 3,363,727
<b>Classified as</b>				
Current assets - cash and cash equivalents	\$ 553,795	\$ 489,903	\$ 202,638	\$ 1,246,336
Restricted assets - cash and cash equivalents	535,055	1,582,336	-	2,117,391
<b>Total cash and cash equivalents</b>	\$ 1,088,850	\$ 2,072,239	\$ 202,638	\$ 3,363,727

(Continued)

City of Callaway, Florida  
Statement of Cash Flows  
Proprietary Funds (Continued)  
Year Ended September 30, 2007

<b>Business-type Activities / Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Solid waste</b>	<b>Total</b>
<b>Reconciliation of net operating income (loss) to net cash provided by operating activities</b>				
Net operating income (loss)	\$ 254,807	\$ 463,430	\$ (46,156)	\$ 672,081
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	235,750	250,916	57,359	544,025
Amortization of bond costs	3,854	3,654	-	7,508
(Increase) decrease in assets				
Accounts receivable	(23,834)	(5,187)	2,035	(26,986)
Other receivables	(598)	-	-	(598)
Increase (decrease) in liabilities				
Accounts payable	(132,300)	258,826	13,148	139,674
Accrued expenses	2,322	2,343	788	5,453
Accrued compensated absences	(4,503)	2,666	(651)	(2,488)
Customer deposits	(49,490)	-	-	(49,490)
Due to other governments	(1,101)	-	-	(1,101)
Due to other funds	-	5,999	925	6,924
<b>Total adjustments</b>	<b>30,100</b>	<b>519,217</b>	<b>73,604</b>	<b>622,921</b>
<b>Net cash provided by operating activities</b>	<b>\$ 284,907</b>	<b>\$ 982,647</b>	<b>\$ 27,448</b>	<b>\$ 1,295,002</b>
<b>Noncash investing, capital and noncapital financing activities</b>				
Reduction in note receivable - joint venture	\$ -	\$ 870,942	\$ -	\$ 870,942
Reduction in notes payable	\$ -	\$ 630,942	\$ -	\$ 630,942
Reduction in bonds payable	\$ -	\$ 240,000	\$ -	\$ 240,000

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Callaway (the City) have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

This summary of the City's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

**Reporting Entity**

The City of Callaway, established pursuant to Chapter 67-1190, Laws of Florida, is a political subdivision of the State of Florida and is located in Bay County. The City occupies approximately twelve square miles on the northern shore of East Bay. It operates under a Commissioner/Manager form of government and provides the following services as authorized by its charter: general government, public safety, highways and streets, maintenance, parks and recreation, public improvements, planning and zoning, utility services and general administrative services.

**Measurement Focus and Basis of Accounting**

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

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

**Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. 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.

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. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 City chooses to eliminate the indirect costs between governmental activities to avoid duplicating revenues and expenditures.

***Fund Financial Statements***

The underlying accounting system of the City 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 and proprietary 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.

***Governmental Funds***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 under the accrual basis of accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

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

Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an "other financing source" rather than as a fund liability.

***Proprietary Funds***

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The City applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not contradict GASB pronouncements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than an "other financing source." Amounts paid to reduce long-term indebtedness are reported as reductions of the related liabilities, rather than as expenses.

***Basis of Presentation***

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has used GASB Statement 34 minimum criteria for

Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

major fund determination to determine which funds are required to be reported as major funds. The nonmajor governmental 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 City. It is used to account for all activities of the general government except those required to be accounted for in another fund.

***Proprietary Major Funds***

Water Fund – The water fund is used to account for operations and activities related to the water system within the City.

Sewer Fund – The sewer fund is used to account for operations and activities related to the sewer system within the City.

Solid Waste Fund – The solid waste fund is used to account for the operations and activities related to solid waste services within the City.

***Noncurrent Governmental Assets/Liabilities***

GASB Statement 34 requires noncurrent governmental assets, such as land, buildings and equipment, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net assets.

***Budgets***

Annual budgets are legally adopted for all governmental funds and all proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations according to Florida Statutes.

The City budgets expenditures at the department level. Only the City Commission can approve budget amendments that change the total approved budget appropriation of an individual department. Department managers can transfer appropriations within the departmental budget, but cannot change the total appropriation of an individual department without the approval of the City Commission. The general fund is the only governmental fund in which the City adopts an annual budget.

If, during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Commission by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

supplemental appropriations were approved by the Commission in accordance with Florida Statutes.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data.

**Encumbrances**

Budget control is maintained by a computerized encumbrance system, which restricts budgetary amounts upon input. All appropriations are reviewed at year-end for accuracy. If required, encumbrances are rolled over into a new year. All encumbrances were closed at the end of the year. Therefore, no provision for encumbrances has been made.

**Deposits and Investments**

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

The City has adopted GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The City has no current year activity involving money market investments, external investment pools, derivatives or similar debt items. All investments are recorded at fair value based on quoted market values as described in Note 3.

**Cash and Cash Equivalents**

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable**

All receivables are reported at their net realizable value. The gross value is reduced by the amount that is estimated to be uncollectible. The City's estimate is based on historical collection experience and a review of the current status of accounts receivable.

**Due To/From Other Funds**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

As a general, rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

charges between the government’s water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Inventory**

Inventory in governmental funds is valued using the first in/first out (FIFO) method and are recorded as expenditures when consumed rather than when purchased.

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, infrastructure, 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 City as assets with an estimated useful life in excess of one year. 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. Capitalization threshold is \$1,000.

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.

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

Buildings	20-50 years
Improvements	20-50 years
Equipment	3-15 years
Infrastructure	10-50 years

**Long-term Obligations**

The City 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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Capitalization of Interest***

Interest costs related to bond issues and state revolving funds are capitalizing during the construction period. The city does not capitalize interest in governmental activities. During the year ended September 30, 2007, the City capitalized interest in the amount of \$169,587.

***Unamortized Bond Costs***

Bond issuance costs associated with the issuance of revenue bonds are amortized over the life of the bonds using the straight-line method.

***Unamortized Bond Premiums***

Bond premiums associated with the issuance of revenue bonds are amortized over the life of the bonds using the interest method. For financial reporting, unamortized bond premiums are added to the applicable long-term debt.

***Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employees resignations and retirements.

***Restricted Assets***

Certain assets of the various funds are required by resolutions and ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

***Property Taxes***

The City is authorized by State law to levy property taxes for city operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real property within the City. Property values are determined by the Bay County Property Appraiser and property taxes are collected by the Bay County Tax Collector.

The City adopted the 2006 tax levy on September 26, 2006. The levy date is October 1. Tax bills are mailed in November and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become delinquent on April 1 of the year following the year of assessment with a lien date of January 1. State law provides for enforcement of collection of real property taxes

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Property Taxes (Continued)*

delinquent on June 1 by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes as of the sale date, June 1, in the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the City, except that revenue is accrued for taxes collected by the Bay County Tax Collector at fiscal year-end but not yet remitted to the City.

The City's millage rate was 2.0 for the year ended September 30, 2007.

*Estimates*

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

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

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

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this difference are as follows:

Cost of capital assets	\$	11,176,179
Less: accumulated depreciation		(4,999,102)
<hr/>		
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	6,177,077
<hr/>		

Another element of that reconciliation states, "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 difference are as follows:

Revenue bonds payable	\$	1,299,476
Capital leases		18,419
Compensated absences		58,535
Accrued Interest		9,742
<hr/>		
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	1,386,172
<hr/>		

Notes to Basic Financial Statements

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

Explanation of certain differences between the governmental funds statement 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 balances includes reconciliation between *net changes in fund balance - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$	369,097
Depreciation expense		(467,871)
<hr/>		
Net adjustment to decrease <i>net change in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	(98,774)
<hr/>		

Another element of that reconciliation states, "governmental funds report sales of surplus property as revenues. However, in the statement of activities, sales proceeds are offset by the cost less accumulated depreciation." The details of this difference are as follows:

Cost of assets disposed of	\$	(31,349)
Accumulated depreciation		30,591
<hr/>		
Net adjustment to decrease <i>net change in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	(758)
<hr/>		

Another element of the reconciliation states that "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 difference are as follows:

Compensated absences	\$	(9)
<hr/>		
Net adjustment to decrease <i>net change in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	(9)
<hr/>		

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

Notes to Basic Financial Statements

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

Principal repayments		
Capital lease payments	\$	42,716
Bond payments		127,584
Accrued interest		(9,742)
<hr/>		
Net adjustment to increase <i>net change in fund balance – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	160,558
<hr/>		

**NOTE 3 – DEPOSITS AND INVESTMENTS**

***Deposits Policies***

All cash resources of the City are placed in banks that qualify as 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 City’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.

The City’s cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments with original maturities of three months or less.

***Investment Policies***

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

The Local Government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.

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

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

**Notes to Basic Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

***Investment Policies (Continued)***

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.

***Interest Rate Risks***

At September 30, 2007, the City did not hold any investments that were considered to be an interest rate risk.

***Credit Risks***

At September 30, 2007, the City did not hold any investments that were considered to be a credit risk.

***Custodial Risks***

At September 30, 2007, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

At September 30, 2007, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2007, the City's deposits and investments consisted of the following:

	<b>Carrying Amount</b>	<b>Fair Value</b>
Demand deposits	\$ 5,244,041	\$ 5,244,041
Money market funds	2,101,154	2,101,154
Nonnegotiable certificate of deposits	1,792,824	1,792,824
Local government surplus funds trust fund (State Board of Administration)	17,211,842	17,211,842
<b>Total deposits and investments</b>	<b>\$ 26,349,861</b>	<b>\$26,349,861</b>

Notes to Basic Financial Statements

**NOTE 4 – ACCOUNTS RECEIVABLE**

At September 30, 2007, accounts receivable in the governmental funds is summarized as follows:

Total accounts receivable	\$ 206,507
Less: allowance for doubtful accounts	-
<b>Net accounts receivable</b>	<b>\$ 206,507</b>

At September 30, 2007, accounts receivable in the proprietary funds is summarized as follows:

Total accounts receivable	\$ 509,402
Less: allowance for doubtful accounts	(26,652)
<b>Net accounts receivable</b>	<b>\$ 482,750</b>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of September 30, 2007 is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
Sewer fund	Water fund	\$ 1,323,634

The sewer fund advanced \$1,323,634 to the water fund for system expansions during the year ended September 30, 2006. No additional advances or repayments were made during the year ended September 30, 2007.

Interfund transfers:

Transfer from:	Transfers in:
	General Fund
Water fund	\$ 50,000
Sewer fund	130,000
<b>Total transfers</b>	<b>\$ 180,000</b>

Interfund transfers of \$180,000 were used by the general fund for paving repairs.

**City of Callaway, Florida**

**Notes to Basic Financial Statements**

**NOTE 6 – CAPITAL ASSETS**

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

	September 30, 2006	Increases	Decreases	September 30, 2007
Capital assets, not being depreciated				
Land	\$ 846,594	\$ -	\$ -	\$ 846,594
Construction in progress	20,125	143,517	-	163,642
Total capital assets, not being depreciated	866,719	143,517	-	1,010,236
Capital assets, being depreciated				
Buildings	756,966	21,801	-	778,767
Improvements	6,011,493	36,525	-	6,048,018
Machinery and equipment	3,203,253	167,254	(31,349)	3,339,158
Total capital assets, being depreciated	9,971,712	225,580	(31,349)	10,165,943
Less accumulated depreciation				
Buildings	(154,421)	(22,551)	-	(176,972)
Improvements	(1,694,789)	(246,541)	-	(1,941,330)
Machinery and equipment	(2,712,612)	(198,779)	30,591	(2,880,800)
Total accumulated depreciation	(4,561,822)	(467,871)	30,591	(4,999,102)
Total capital assets, being depreciated (net of accumulated depreciation)	5,409,890	(242,291)	(758)	5,166,841
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 6,276,609	\$ (98,774)	\$ (758)	\$ 6,177,077

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2007:

	Water	Sewer	Solid Waste	Total
Land	\$ 113,083	\$ 41,350	\$ -	\$ 154,433
Construction in progress	87,049	82,538	-	169,587
Buildings and Improvements	185,367	67,740	929	254,036
Utility system	7,534,752	5,796,555	-	13,331,307
Machinery and equipment	1,030,471	1,441,273	724,499	3,196,243
Total	8,950,722	7,429,456	725,428	17,105,606
Less: accumulated depreciation				
Buildings	(55,594)	(21,010)	(25)	(76,629)
Utility system	(1,132,150)	(1,982,266)	-	(3,114,416)
Machinery and equipment	(844,714)	(947,531)	(578,783)	(2,371,028)
Total accumulated depreciation	(2,032,458)	(2,950,807)	(578,808)	(5,562,073)
Total business-type activities capital assets (net of accumulated depreciation)	\$ 6,918,264	\$ 4,478,649	\$ 146,620	\$ 11,543,533

**City of Callaway, Florida**

**Notes to Basic Financial Statements**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

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

	September 30, 2006	Increases	Decreases	September 30, 2007
<b>Capital assets, not being depreciated</b>				
Land	\$ -	\$ 154,433	\$ -	\$ 154,433
Construction in progress	2,571,203	169,587	(2,571,203)	169,587
<b>Total capital assets, not being depreciated</b>	<b>2,571,203</b>	<b>324,020</b>	<b>(2,571,203)</b>	<b>324,020</b>
<b>Capital assets, being depreciated</b>				
Buildings	241,053	15,805	(2,822)	254,036
Utility system	7,291,304	6,040,003	-	13,331,307
Machinery and equipment	2,775,016	563,363	(142,136)	3,196,243
<b>Total capital assets, being depreciated</b>	<b>10,307,373</b>	<b>6,619,171</b>	<b>(144,958)</b>	<b>16,781,586</b>
<b>Less accumulated depreciation</b>				
Buildings	(68,551)	(10,900)	2,822	(76,629)
Utility system	(2,783,811)	(330,605)	-	(3,114,416)
Machinery and equipment	(2,310,644)	(202,520)	142,136	(2,371,028)
<b>Total accumulated depreciation</b>	<b>(5,163,006)</b>	<b>(544,025)</b>	<b>144,958</b>	<b>(5,562,073)</b>
<b>Total capital assets, being depreciated (net of accumulated depreciation)</b>	<b>5,144,367</b>	<b>6,075,146</b>	<b>-</b>	<b>11,219,513</b>
<b>Total business-type activities' capital assets (net of accumulated depreciation)</b>	<b>\$ 7,715,570</b>	<b>\$ 6,399,166</b>	<b>\$ (2,571,203)</b>	<b>\$ 11,543,533</b>

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

<b>Governmental activities</b>	
General government	\$ 149,174
Public safety	47,883
Highways and streets	75,177
Maintenance	7,281
Parks and recreation	188,356
<b>Total depreciation expense – governmental activities</b>	<b>\$ 467,871</b>

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

<b>Business-type activities</b>	
Water	\$ 235,750
Sewer	250,916
Solid waste	57,359
<b>Total depreciation expense – business-type activities</b>	<b>\$ 544,025</b>

**City of Callaway, Florida**

**Notes to Basic Financial Statements**

**NOTE 7 – CAPITAL LEASES**

The City has entered into lease agreements to finance vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the inception date. The cost of assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Vehicles	\$ -	\$ 163,609
Equipment	84,998	-
Total	84,998	163,609
Less: accumulated depreciation	(76,498)	(54,536)
Net	\$ 8,500	\$ 109,073

Capital leases – governmental activities

Summarized below are the City's capitalized lease obligations outstanding at September 30, 2007:

Capitalized lease obligation of \$84,998 dated March 28, 2003 payable in five annual installments of \$19,189 which includes principal and interest at 4.18%, collateralized by equipment.	\$ 18,419
Total capitalized lease obligations at September 30, 2007, all current	\$ 18,419

Capital leases – business-type activities

Summarized below are the City's capitalized lease obligations outstanding at September 30, 2007:

Capitalized lease obligation of \$82,081 dated November 29, 2005 payable in five annual installments of \$18,072 which includes principal and interest at 5.05%, collateralized by equipment.	\$ 49,169
Capitalized lease obligation of \$82,081 dated March 31, 2006 payable in five annual installments of \$18,154 which includes principal and interest at 5.30%, collateralized by equipment.	49,162
Total capitalized lease obligations at September 30, 2007	98,331
Less: current maturities	(31,138)
Capitalized lease obligations – long-term at September 30, 2007	\$ 67,193

**City of Callaway, Florida**

**Notes to Basic Financial Statements**

**NOTE 7 – CAPITAL LEASES (CONTINUED)**

The capital leases expire at various dates through 2008. The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2007 are as follows:

Year Ending September 30,	Governmental Activities	Business – type Activities
2008	\$ 19,189	\$ 36,226
2009	-	36,226
2010	-	36,226
Total minimum lease payments	19,189	108,678
Less amount representing interest	(770)	(10,347)
Present value of minimum lease payments	\$ 18,419	\$ 98,331

**NOTE 8 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES**

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007	Due Within One Year
Revenue bonds payable	\$ 1,427,060	\$ -	\$ (127,584)	\$ 1,299,476	\$ 135,308

Revenue Bonds Payable:

\$1,037,000 Recreation Capital Improvement Revenue Bonds, payable in monthly installments of \$7,097 including interest, with a final maturity on October 5, 2018. Interest accrues at an annual rate of 5.36%. These bonds are unsecured. \$ 703,957

\$900,000 Capital Improvement Revenue Note, Series 2003, payable in quarterly installments of \$28,863, including interest at 5.10% and a final maturity on July 1, 2013. 595,519

Total revenue bonds at September 30, 2007	1,299,476
Less: revenue bonds – current portion	(135,308)
Revenue bonds – long-term at September 30, 2007	\$ 1,164,168

Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)

Debt service requirements to maturity on revenue bonds payable at September 30, 2007 are as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 135,308	\$ 65,613	\$ 200,921
2009	142,486	58,435	200,921
2010	150,043	50,878	200,921
2011	158,002	42,919	200,921
2012	166,386	34,535	200,921
2013-2017	469,728	71,865	541,593
2018	77,523	2,795	80,318
	\$ 1,299,476	\$ 327,040	\$ 1,626,516

NOTE 9 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007	Due Within One Year
Revenues					
bonds payable	\$ 7,185,000	\$20,435,000	\$ (240,000)	\$ 27,380,000	\$ 245,000
Unamortized bond issuance premium	-	120,856	(2,488)	118,368	14,930
Total bonds payable	7,185,000	20,555,856	(242,488)	27,498,368	259,930
Notes payable	9,312,560	-	(630,942)	8,681,618	648,863
	\$ 16,497,560	\$20,555,856	\$ (873,430)	\$ 36,179,986	\$ 908,793

Notes to Basic Financial Statements

**NOTE 9 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

Revenue Bonds:

Authorized and issued \$15,155,000 Wastewater Revenue Refunding Bonds, Series 2004; 3.0% to 5.7% interest, depending on maturity dates of bonds. Principal and interest is payable semiannually on March 1 and September 1, beginning March 1, 2005. Collateralized by the net revenues Military Point Advanced Wastewater Treatment Facility joint venture. The City is liable for one-half of the total obligation. \$ 6,945,000

Authorized and issued \$20,435,000 Capital Improvement Revenue Bonds, Series 2007; 4.20% to 5.25% interest, depending on maturity dates of bonds. Principal and interest is payable semiannually on February 1 and August 1. Final maturity on bonds is August 1, 2037. Principal payments begin August 1, 2010. Bonds are secured by special capital extension fee. The City has covenanted to pay from legally non-ad valorem revenues, amounts sufficient to cover any shortfalls in the amount of pledged funds available to pay the bonds. 20,435,000

Notes Payable:

State of Florida State Revolving Fund Loan Program for the joint venture (Military Point Advanced Wastewater Treatment Facility) between Bay County, City of Callaway, City of Springfield, City of Parker and the Town of Cedar Grove. The funds are being used directly by the joint venture with Bay County, Florida and the City of Callaway as joint obligors. The loan payments are made directly by the joint venture. The note carries an interest rate of 2.82%.

Payments of \$1,000,150 are due on a semi-annual basis beginning September 1, 1999. As obligor, the City of Callaway has reported one-half of the liability on these financial statements with the remaining one-half reported by Bay County, Florida. The City is also contingently liable for the one-half reported by Bay County, Florida. \$ 8,681,618

Total principal obligation at September 30, 2007	36,061,618
Less: principal obligation – current portion	(893,863)

Principal obligation – long-term at September 30, 2007	\$ 35,167,755
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**City of Callaway, Florida**

**Notes to Basic Financial Statements**

**NOTE 9 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

Debt service requirements to maturity on revenue bonds payable at September 30, 2007 are as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 245,000	\$ 1,344,259	\$ 1,589,259
2009	252,500	1,336,909	1,589,409
2010	310,000	1,329,334	1,639,334
2011	425,000	1,314,234	1,739,234
2012	562,500	1,294,109	1,856,609
2013-2017	3,937,500	6,042,964	9,980,464
2018-2022	4,935,000	5,049,140	9,984,140
2023-2027	5,727,500	3,703,814	9,431,314
2028-2033	4,795,000	2,405,550	7,200,550
2034-2037	6,190,000	802,988	6,992,988
	<b>\$ 27,380,000</b>	<b>\$ 24,623,301</b>	<b>\$ 52,003,301</b>

Debt service requirements to maturity on notes payable at September 30, 2007 are as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 648,863	\$ 240,492	\$ 889,355
2009	667,293	222,062	889,355
2010	686,249	203,106	889,355
2011	705,746	183,609	889,355
2012	725,801	163,554	889,355
2013-2017	3,950,441	496,334	4,446,775
2018-2019	1,297,225	36,808	1,334,033
	<b>\$ 8,681,618</b>	<b>\$ 1,545,965</b>	<b>\$ 10,227,583</b>

**NOTE 10 – COMPENSATED ABSENCES**

Compensated absences consist of the following at September 30, 2007:

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
Enterprise funds				
Water	\$ 31,081	\$ 26,578	\$ (31,081)	\$ 26,578
Sewer	16,848	19,514	(16,848)	19,514
Solid waste	7,836	7,185	(7,836)	7,185
General fund	58,526	58,534	(58,526)	58,534
Total	<b>\$ 114,291</b>	<b>\$ 111,811</b>	<b>\$ (114,291)</b>	<b>\$ 111,811</b>

Notes to Basic Financial Statements

**NOTE 10 – COMPENSATED ABSENCES (CONTINUED)**

The City estimates that all compensated absences accrued at September 30, 2007 will be used within one year; therefore, compensated absences are reported as current liabilities in these financial statements.

**NOTE 11 – NET ASSET RESTRICTIONS**

There were no reported net asset restrictions in governmental activities. The following is a description of reported net assets restrictions in business-type activities at September 30, 2007.

***Business-type Activities***

Restriction for impact fees – This restriction was established to record water and sewer impact fees collected in excess of qualified expenditures. An ordinance restricts the use of impact fees to certain capital expenditures, emergency repairs or other improvements to the water and sewer system. The amount of net assets restricted for impact fees was \$2,588,102 at September 30, 2007.

**NOTE 12 – FUND BALANCE RESERVATIONS**

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of fund balance set aside by the City for contingencies.

The following is a description of reported reserves in governmental activities at September 30, 2007:

***General Fund***

Reserved for inventory – This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

Reserved for prepaid expenses – This reserve was created to represent that portion of fund balance expended in advance for the next budgetary period.

***Other Governmental Funds***

Reserved for capital projects – This reserve was created to restrict the use of all resources specifically for capital projects.

Reserved for debt service – This reserve was created to restrict the use of all resources specifically for debt service.

**Notes to Basic Financial Statements**

**NOTE 12 – FUND BALANCE RESERVATIONS (CONTINUED)**

***Summary***

Specific reservations of fund balances are summarized below as of September 30, 2007:

General fund		
Reserved for inventory	\$	75,449
Reserved for prepaid expense		32,719
<hr/>		
Total	\$	108,168
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**NOTE 13 – INVESTMENT IN JOINT VENTURE**

The City of Callaway, Florida, in alliance with the Bay County, Florida, the cities of Springfield and Parker, and the Town of Cedar Grove joined efforts on September 27, 1996 to supply existing and expanded wastewater treatment and disposal services. The mission of this partnership is to provide these services in an economical, efficient, and environmentally appropriate manner to their respective citizenry. This venture, known as the Military Point Advanced Wastewater Treatment Facility (MPAWTF), has constructed a 7.0 MGD advanced wastewater treatment facility. The operations of the plant began in July 1999. Costs of the project were funded through a combination of a State of Florida revolving trust loan and a bond issue between Bay County, the City of Callaway and the joint venture.

The joint venture is owned and governed by its owners. The owners are Bay County, the cities of Callaway, Parker, Springfield, and the Town of Cedar Grove. One owner is selected by the others to be responsible for operating the MPAWTF. The owner delegated to be the operator is Bay County, Florida. The operator of the MPAWTF, in accordance with the interlocal agreement, prepares the MPAWTF’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 City’s interest in equity is reported within the City’s Sewer Fund. As of September 30, 2007, the City’s portion of the equity of the venture was \$3,379,344. Complete financial statements for the joint venture, may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

Notes to Basic Financial Statements

NOTE 13 – INVESTMENT IN JOINT VENTURE (CONTINUED)

Condensed financial statements from the MPAWTF are as follows:

Statement of Net Assets

September 30, 2007

<b>Assets</b>	
Current assets	\$ 2,241,805
Noncurrent assets	39,085,790
<hr/>	
Total assets	41,327,595
<hr/>	
<b>Liabilities</b>	
Current liabilities	2,558,498
Noncurrent liabilities	30,790,191
<hr/>	
Total liabilities	33,348,689
<hr/>	
Net assets	\$ 7,978,906

Statement of Activities

Year Ended September 30, 2007

Operating revenues	\$ 5,781,315
Operating expenses	4,198,355
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Operating income	1,582,480
Nonoperating revenues (expenses), net	(806,008)
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Net income before distributions to owners and withdrawals by owners	776,472
Distributions to owners	(440,157)
Unused construction funds withdrawn by owners for use on water/sewer projects of owners	(1,219,830)
<hr/>	
Change in net assets	(883,515)
Net assets, beginning of year	8,862,421
<hr/>	
Net assets, end of year	\$ 7,978,906

**City of Callaway, Florida**

**Notes to Basic Financial Statements**

**NOTE 13 – INVESTMENT IN JOINT VENTURE (CONTINUED)**

The City of Callaway’s loss from joint venture in the amount of \$122,342 is derived as follows:

Share of operating income (loss)	\$	(126,023)
Reduction in reserve requirements		(9,396)
Service fee allocation		13,077
<hr/>		
Loss from joint venture	\$	(122,342)

As of September 30, 2007 the joint venture owes the City \$126,177 for distributions to owners and the City owes the joint venture \$201,089 for transferred collection system and segregation line. This has been recorded in the Enterprise Fund as due from other governments and due to joint venture.

**NOTE 14 – PENSION PLAN**

The City provides pension benefits for all of its full-time employees through a defined contribution plan. The plan is administered by the Florida League of Cities, Inc. with the City commission acting as the trustees of the plan. The plan was established by ordinances 589, 595, and 631. Full-time employees are eligible to participate after thirty days of employment. After one year of employment, the City will make monthly contributions of an amount equal to 5% of the employees’ base salary. The benefits provided to the employees depend on amounts contributed to the plan plus the investment earnings. The City’s contributions are deposited to employee owned IRA accounts which the City does not own or control. These accounts are owned by each employee. The current and previous two years contributions are as follows:

Year Ended September 30,	Employee Contribution	Employer Contribution	Covered Payroll
2005	\$ 12,676	\$ 93,743	\$ 1,874,920
2006	19,671	105,877	2,117,538
2007	25,995	115,006	2,300,120

**NOTE 15 – RISK MANAGEMENT**

The City 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 City purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Notes to Basic Financial Statements

NOTE 16 – SUBSEQUENT EVENTS

*State Board of Administration*

As discussed in Note 3, at September 30, 2007, the City had \$17,211,842 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of the market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principal value of Pool B assets is not readily determinable. On December 5, 2007, the City had \$15,141,020 and \$2,465,880 invested in Pool A and Pool B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

*Bond Rating*

On December 7, 2007, Standard & Poors downgraded ACA Financial Guaranty Corporation, the company insuring the City's \$20,435,000 Capital Improvement Revenue Bonds, Series 2007, to "junk" status. The insurer's rating was cut from investment grade "A" to non-investment grade "CCC". Such downgrade could affect the City's credit rating and could impact future borrowings.

## Combining Financial Statements

City of Callaway, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended September 30, 2007

	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Expenditures</b>			
Debt service			
Principal	\$ 170,300	\$ -	\$ 170,300
Interest and fiscal charges	61,679	-	61,679
Capital outlay			
Public safety	-	126,008	126,008
Parks and recreation	-	3,770	3,770
Total expenditures	231,979	129,778	361,757
Excess (deficiency) of revenues over (under) expenditures	(231,979)	(129,778)	(361,757)
<b>Other financing sources</b>			
Transfers from general fund	231,979	129,778	361,757
Total other financing sources	231,979	129,778	361,757
<b>Net change in fund balances</b>	-	-	-
<b>Fund balances - beginning</b>	-	-	-
<b>Fund balances - ending</b>	\$ -	\$ -	\$ -

## Statistical Section

# STATISTICAL SECTION

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

<u>Contents</u>	<u>Pages</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	2 - 10
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property taxes and water & sewer charges.	11 - 16
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future. *	17 - 19
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and help make comparisons over time and with other governments.	20 - 24
<b>Operating Information</b> These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and activities it performs.	25 - 27

Unless otherwise noted, the information in the schedules attached is derived from the comprehensive annual financial reports of the relevant year. Many of the schedules offer comparisons retroactive to fiscal year 2004, which is the year in which the city implemented GASB Statement 34. The city first levied ad valorem taxes beginning with the fiscal year ending in 2005; therefore, any schedules relating to those revenues are only presented retroactive to that year.

\* Florida Statutes and the Charter of the City of Callaway set no legal debt margin. The City has not had any general bonded debt, supported by property taxes, in the last ten fiscal years.

**City of Callaway, Florida**  
**Net Assets by Component (unaudited)**  
**Last Four Fiscal Years**  
(accrual basis of accounting)

	<b>FISCAL YEAR</b>			
	<u><b>2004</b></u>	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 4,746,156	\$ 4,883,908	\$ 4,788,414	\$ 4,859,182
Restricted	-			
Unrestricted	1,446,171	2,047,590	2,757,714	2,818,070
<b>Total governmental activities net assets</b>	<u>\$ 6,192,327</u>	<u>\$ 6,931,498</u>	<u>\$ 7,546,128</u>	<u>\$ 7,677,252</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 3,898,860	\$ 4,417,472	\$ 7,587,634	\$ 11,445,202
Restricted	2,492,639	2,772,775	3,830,294	2,588,102
Unrestricted	3,945,917	5,041,607	6,094,870	4,190,277
<b>Total business-type activities net assets</b>	<u>\$ 10,337,416</u>	<u>\$ 12,231,854</u>	<u>\$ 17,512,798</u>	<u>\$ 18,223,581</u>
<b>Primary government - Totals</b>				
Invested in capital assets, net of related debt	\$ 8,645,016	\$ 9,301,380	\$ 12,376,048	\$ 16,304,384
Restricted	2,492,639	2,772,775	3,830,294	2,588,102
Unrestricted	5,392,088	7,089,197	8,852,584	7,008,347
<b>Total primary government net assets</b>	<u>\$ 16,529,743</u>	<u>\$ 19,163,352</u>	<u>\$ 25,058,926</u>	<u>\$ 25,900,833</u>

Note: The city began to report accrual information upon the implementation of GASB Statement 34 in fiscal year 2004.

**City of Callaway, Florida**  
**Changes in Net Assets (unaudited)**  
**Last Four Fiscal Years**  
(accrual basis of accounting)

	<b>FISCAL YEAR</b>			
	<u>2004*</u>	<u>2005*</u>	<u>2006*</u>	<u>2007</u>
<b>Expenses</b>				
Governmental activities:				
General Government	\$ 1,127,043	\$ 1,064,373	\$ 1,249,361	\$ 1,481,783
Public Safety	1,390,078	1,609,170	1,736,545	1,980,656
Highways & Streets	789,075	1,108,681	1,110,675	1,044,888
Maintenance	101,494	110,487	129,386	157,516
Parks & Recreation	404,902	618,329	746,788	891,384
Interest on long-term debt	115,609	105,963	91,070	71,421
Total governmental activities expenses	<u>3,928,201</u>	<u>4,617,003</u>	<u>5,063,825</u>	<u>5,627,648</u>
Business-type activities				
Water	1,670,782	1,608,129	1,633,827	1,839,575
Sewer	3,037,035	2,933,595	2,809,862	2,934,665
Solid Waste	343,104	398,035	508,373	472,302
Total business-type activities expenses	<u>5,050,921</u>	<u>4,939,759</u>	<u>4,952,062</u>	<u>5,246,542</u>
Total primary government expenses	<u>\$ 8,979,122</u>	<u>\$ 9,556,762</u>	<u>\$ 10,015,887</u>	<u>\$ 10,874,190</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for Services -				
General Government	\$ 164,102	\$ 129,034	\$ 103,512	\$ 123,580
Public Safety	30,000	57,068	74,132	74,132
Parks & Recreation	2,500	2,500	2,510	29,887
Capital Grants & Contributions	307,132	129,211	24,114	20,720
Total governmental activities program revenues	<u>503,734</u>	<u>317,813</u>	<u>204,268</u>	<u>248,319</u>
Business-type activities				
Charges for Services -				
Water	1,710,312	2,088,317	4,224,080	2,094,382
Sewer	3,003,476	4,267,411	5,515,209	3,275,753
Solid Waste	413,150	440,574	413,017	424,797
Operating Grants & Contributions	-	-	-	3,694
Total business-type activities program revenues	<u>5,126,938</u>	<u>6,796,302</u>	<u>10,152,306</u>	<u>5,798,626</u>
Total primary government program revenues	<u>\$ 5,630,672</u>	<u>\$ 7,114,115</u>	<u>\$ 10,356,574</u>	<u>\$ 6,046,945</u>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (3,424,467)	\$ (4,299,190)	\$ (4,859,557)	\$ (5,379,329)
Business-type activities	76,017	1,856,543	5,200,244	552,084
Total primary government net expense	<u>\$ (3,348,450)</u>	<u>\$ (2,442,647)</u>	<u>\$ 340,687</u>	<u>\$ (4,827,245)</u>

	<b>FISCAL YEAR</b>			
	<u>2004*</u>	<u>2005*</u>	<u>2006*</u>	<u>2007</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes:				
Utility	\$ 894,079	\$ 943,768	\$ 979,694	\$ 990,749
Advalorem	-	684,979	782,053	1,011,027
Franchise & Comm Svc	990,750	1,025,801	1,091,797	1,134,376
Local option gas tax	247,720	251,418	251,277	248,106
Half cent sales tax	1,105,139	1,118,475	1,287,103	1,153,900
Intergovernmental	542,829	664,670	733,985	585,862
Total taxes	<u>3,780,517</u>	<u>4,689,111</u>	<u>5,125,909</u>	<u>5,124,020</u>
Miscellaneous revenues	52,369	476,728	100,743	82,032
Interest earnings	35,702	55,495	97,535	124,401
Transfers	-	100,000	150,000	180,000
Total governmental activities	<u>3,868,588</u>	<u>5,321,334</u>	<u>5,474,187</u>	<u>5,510,453</u>
Business-type activities:				
Interest earnings	136,690	137,894	223,026	337,350
Miscellaneous revenues	-	-	7,674	1,349
Income from joint venture	436,557	-	-	-
Transfers	-	(100,000)	(150,000)	(180,000)
Total business-type activities	<u>573,247</u>	<u>37,894</u>	<u>80,700</u>	<u>158,699</u>
Total primary government	<u>\$ 4,441,835</u>	<u>\$ 5,359,228</u>	<u>\$ 5,554,887</u>	<u>\$ 5,669,152</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 444,121	\$ 1,022,144	\$ 614,630	\$ 131,124
Business-type activities	649,264	1,894,437	5,280,944	710,783
Total primary government	<u>\$ 1,093,385</u>	<u>\$ 2,916,581</u>	<u>\$ 5,895,574</u>	<u>\$ 841,907</u>

\* For consistency and comparison purposes, prior year revenues have been reclassified to the program activity classifications used in listing the current year's revenues.

Note: The city began to report accrual information upon the implementation of GASB Statement 34 in fiscal year 2004.

**City of Callaway, Florida**  
**Program Revenues by Function/Program (unaudited)**  
**Last Four Fiscal Years**  
(accrual basis of accounting)

Function/Program	FISCAL YEAR			
	<u>2004*</u>	<u>2005*</u>	<u>2006*</u>	<u>2007</u>
<b>Governmental activities:</b>				
General Government	\$ 164,102	\$ 129,034	\$ 103,512	\$ 123,580
Public Safety	30,000	57,068	74,132	74,132
Parks & Recreation	309,632	131,711	26,624	50,607
<b>Subtotal governmental activities</b>	<b>503,734</b>	<b>317,813</b>	<b>204,268</b>	<b>248,319</b>
<b>Business-type activities</b>				
Water	1,710,312	2,088,317	4,224,080	2,094,382
Sewer	3,003,476	4,267,411	5,515,209	3,275,753
Solid Waste	413,150	440,574	413,017	428,491
<b>Subtotal business-type activities</b>	<b>5,126,938</b>	<b>6,796,302</b>	<b>10,152,306</b>	<b>5,798,626</b>
<b>Total primary government</b>	<b>\$ 5,630,672</b>	<b>\$ 7,114,115</b>	<b>\$ 10,356,574</b>	<b>\$ 6,046,945</b>

\* For consistency and comparison purposes, prior year revenues have been reclassified to the program activity classifications used in listing the current year's revenues.

Note: The city began to report accrual information upon the implementation of GASB Statement 34 in fiscal year 2004.

**City of Callaway, Florida**  
**Fund Balances, Governmental Funds (unaudited)**  
**Last Ten Fiscal Years**

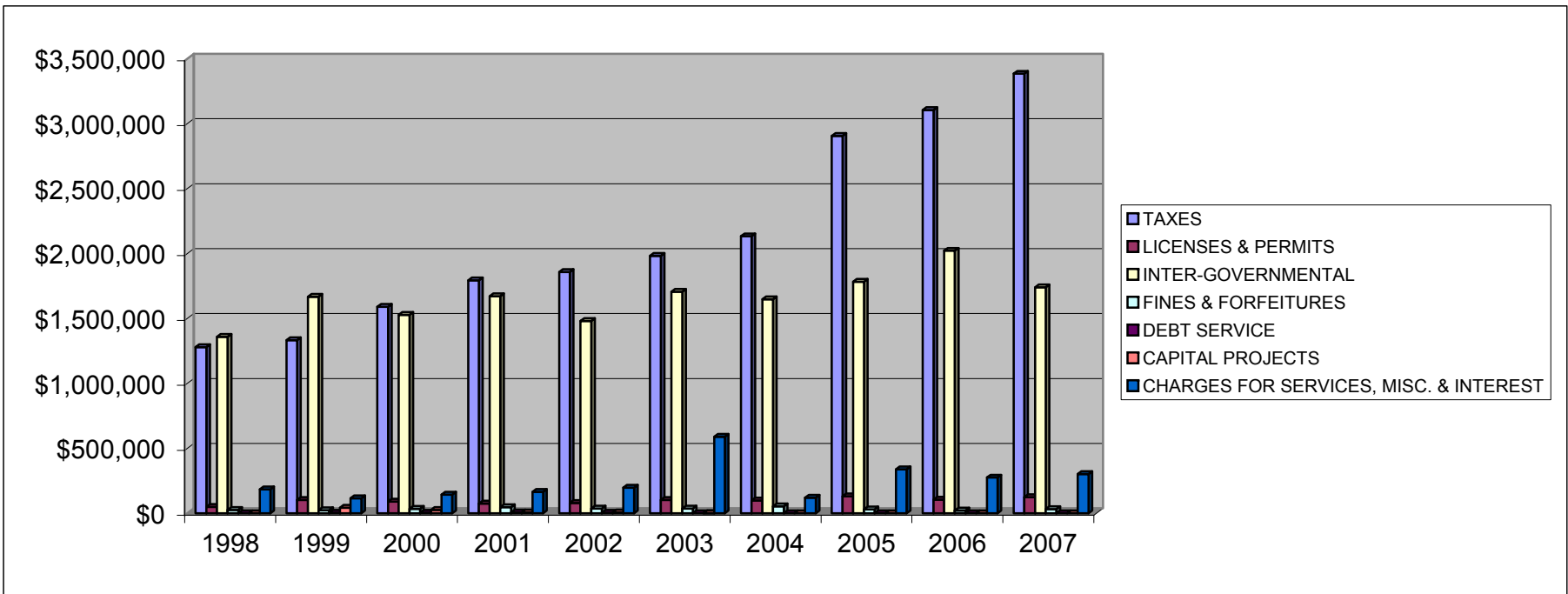
	FISCAL YEAR									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Fund</b>										
Reserved	\$ 195,814	\$ 157,822	\$ 204,373	\$ 229,850	\$ 255,260	\$ 282,529	\$ 52,360	\$ 76,869	\$ 152,009	\$ 108,168
Unreserved	1,614,587	2,103,245	2,359,693	1,968,457	1,393,350	1,308,320	1,384,246	2,237,750	2,664,231	2,778,179
<b>General Fund</b>	<b>\$ 1,810,401</b>	<b>\$ 2,261,067</b>	<b>\$ 2,564,066</b>	<b>\$ 2,198,307</b>	<b>\$ 1,648,610</b>	<b>\$ 1,590,849</b>	<b>\$ 1,436,606</b>	<b>\$ 2,314,619</b>	<b>\$ 2,816,240</b>	<b>\$ 2,886,347</b>
<b>Community Redevelopment Fund</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Other Governmental Funds</b>										
Reserved, reported in:										
Debt Service	\$ 7,012	\$ -	\$ -	\$ 5,093	\$ -	\$ -	\$ 7,784	\$ -	\$ -	\$ -
Capital Projects							1,781	1,781	-	-
Unreserved, reported in:										
Debt Service		10,046			7,784	7,784				
Capital Projects		881,816	163,756	68,064	3,526	515,386				
<b>Other Governmental Funds</b>	<b>\$ 7,012</b>	<b>\$ 891,862</b>	<b>\$ 163,756</b>	<b>\$ 73,157</b>	<b>\$ 11,310</b>	<b>\$ 523,170</b>	<b>\$ 9,565</b>	<b>\$ 1,781</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 1,817,413</b>	<b>\$ 3,152,929</b>	<b>\$ 2,727,822</b>	<b>\$ 2,271,464</b>	<b>\$ 1,659,920</b>	<b>\$ 2,114,019</b>	<b>\$ 1,446,171</b>	<b>\$ 2,316,400</b>	<b>\$ 2,816,240</b>	<b>\$ 2,886,347</b>

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**City of Callaway, Florida**  
**Fund Revenues by Source, Governmental Funds (unaudited)**  
**Last Ten Fiscal Years**

FISCAL YEAR	TAXES	LICENSES & PERMITS	INTER-GOVERNMENTAL	FINES & FORFEITURES	DEBT SERVICE	CAPITAL PROJECTS	CHARGES FOR SERVICES, MISC. & INTEREST	TOTAL
1998	\$1,277,863	\$47,978	\$1,358,101	\$24,044	0	0	\$182,777	\$2,890,763
1999	\$1,332,110	\$101,430	\$1,666,973	\$23,523	\$3,034	\$41,481	\$115,014	\$3,283,565
2000	\$1,590,267	\$88,706	\$1,526,390	\$33,648	\$4,181	\$25,587	\$141,868	\$3,410,647
2001	\$1,793,612	\$75,055	\$1,670,446	\$46,688	\$5,093	\$5,028	\$163,896	\$3,759,818
2002	\$1,856,427	\$79,189	\$1,480,924	\$34,498	\$2,690	\$6,385	\$195,793	\$3,655,906
2003	\$1,981,265	\$101,645	\$1,704,367	\$36,266	0	\$983	\$587,829	\$4,412,355
2004	\$2,132,549	\$97,337	\$1,647,968	\$53,294	\$0	\$0	\$119,247	\$4,050,395
2005	\$2,905,966	\$128,865	\$1,783,145	\$29,113	\$0	\$0	\$337,853	\$5,184,942
2006	\$3,104,821	\$103,347	\$2,021,088	\$20,336	\$0	\$0	\$274,397	\$5,523,989
2007	\$3,384,258	\$123,410	\$1,739,762	\$31,685	\$0	\$0	\$300,255	\$5,579,370

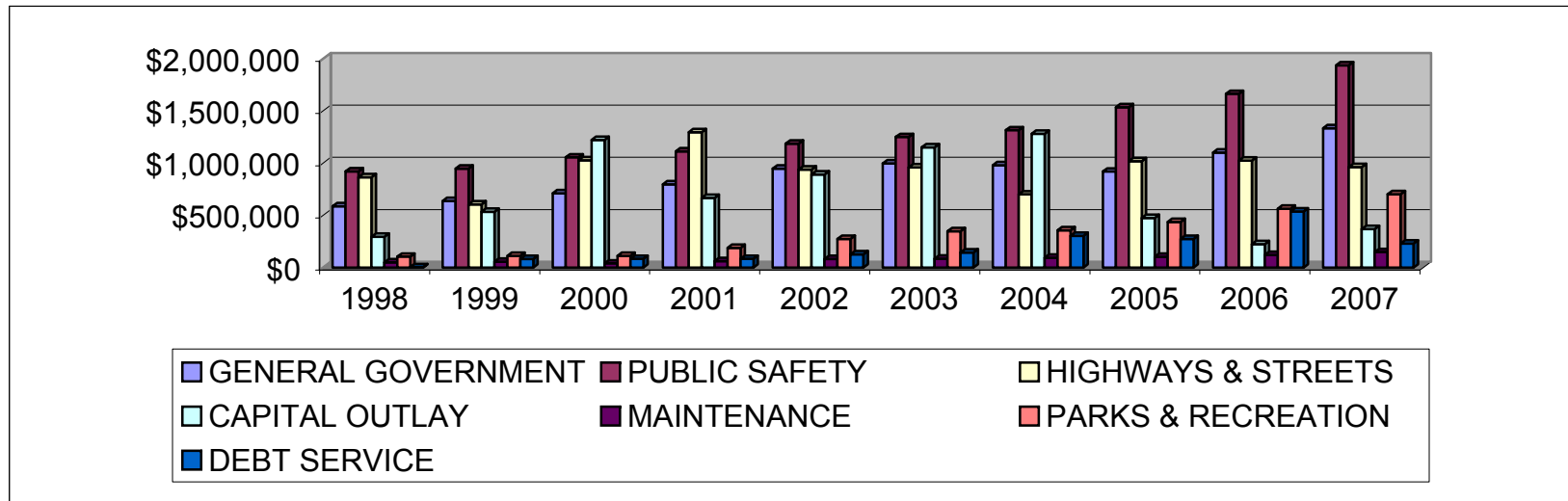
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**City of Callaway, Florida**  
**Fund Expenditures by Function, Governmental Funds (unaudited)**  
**Last Ten Fiscal Years**

FISCAL YEAR	GENERAL GOVERNMENT	PUBLIC SAFETY	HIGHWAYS & STREETS	MAINTENANCE	PARKS & RECREATION	DEBT SERVICE	CAPITAL OUTLAY	TOTAL
1998	\$589,360	\$920,837	\$866,756	\$51,280	\$106,203	\$5,825	\$295,769	\$2,836,030
1999	\$639,770	\$947,270	\$605,939	\$57,518	\$113,655	\$84,363	\$536,535	\$2,985,050
2000	\$713,251	\$1,056,011	\$1,028,404	\$40,999	\$114,380	\$85,168	\$1,222,395	\$4,260,608
2001	\$798,370	\$1,113,223	\$1,296,408	\$64,101	\$190,971	\$85,168	\$667,935	\$4,216,176
2002	\$948,730	\$1,187,122	\$940,669	\$84,274	\$274,420	\$127,725	\$891,081	\$4,454,021
2003	\$998,091	\$1,250,867	\$959,270	\$87,340	\$350,605	\$146,181	\$1,150,900	\$4,943,254
2004	\$981,530	\$1,315,675	\$701,859	\$94,961	\$359,395	\$306,157	\$1,280,593	\$5,040,170
2005	\$920,486	\$1,535,257	\$1,019,569	\$104,939	\$437,687	\$274,617	\$476,363	\$4,768,918
2006	\$1,101,179	\$1,664,077	\$1,025,918	\$122,382	\$564,038	\$539,228	\$226,117	\$5,242,939
2007	\$1,335,586	\$1,935,721	\$963,718	\$150,365	\$702,957	\$231,979	\$369,097	\$5,689,423

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**City of Callaway, Florida**  
**Other Financing Sources (Uses) & Net Change in Fund Balances,**  
**Governmental Funds (unaudited)**  
**Last Ten Fiscal Years**

	FISCAL YEAR									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Excess of revenues over (under) expenditures</b>	\$ 54,733	\$ 298,515	\$ (849,961)	\$ (456,358)	\$ (798,115)	\$ (530,899)	\$ (964,339)	\$ 416,024	\$ 281,050	\$ (110,053)
<b>Other Financing Sources (Uses)</b>										
State Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 281,696	\$ -	\$ -	\$ -
Transfers in	103,238	130,239	598,951	385,168	425,007	1,437,050	593,215	366,833	707,572	541,757
Transfer out to capital projects fund	(97,413)	(45,876)	-	(300,000)	(297,281)	(1,290,869)	(287,058)	-	(18,344)	(129,778)
Transfer out to debt service fund	(5,825)	(84,363)	(70,941)	(85,168)	(127,726)	(146,181)	(306,157)	(266,833)	(539,228)	(231,979)
Transfers out (other)			(103,156)						-	-
Refund of prior year expenses							8,940	75,780	-	-
Proceeds from long term financing		1,037,000			186,571	984,998		275,000	-	-
Proceeds from sale of surplus property							5,855	3,425	7,077	160
<b>Total other financing sources (uses)</b>	\$ -	\$ 1,037,000	\$ 424,854	\$ -	\$ 186,571	\$ 984,998	\$ 296,491	\$ 454,205	\$ 157,077	\$ 180,160
<b>Net change in fund balances</b>	<b>\$ 54,733</b>	<b>\$ 1,335,515</b>	<b>\$ (425,107)</b>	<b>\$ (456,358)</b>	<b>\$ (611,544)</b>	<b>\$ 454,099</b>	<b>\$ (667,848)</b>	<b>\$ 870,229</b>	<b>\$ 438,127</b>	<b>\$ 70,107</b>

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Debt Service amounts included in expenditures:

Principal	5,160	32,985	30,871	32,752	73,960	82,522	190,548	168,654	448,158	170,300
Interest	665	51,378	54,297	52,416	53,765	63,659	115,609	105,963	91,070	61,679
	5,825	84,363	85,168	85,168	127,725	146,181	306,157	274,617	539,228	231,979
<b>Debt Service as a % of noncapital expenditures</b>	<b>0.2%</b>	<b>3.4%</b>	<b>2.8%</b>	<b>2.4%</b>	<b>3.6%</b>	<b>3.9%</b>	<b>8.1%</b>	<b>6.4%</b>	<b>10.7%</b>	<b>4.6%</b>

(see note)

Note: In fiscal year 2006, the City made an early payoff of a note payable which had a balance of \$268,810 at the beginning of the fiscal year.

**City of Callaway, Florida**  
**Tax Revenues by Source, Governmental Funds (unaudited)**  
**Last Ten Fiscal Years**

	FISCAL YEAR									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>TAXES:</b>										
Advalorem Tax*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 684,979	\$ 782,053	\$ 1,011,027
Utility Tax	765,569	798,247	891,984	937,286	801,458	846,769	1,297,388	1,332,021	1,396,072	1,409,598
Franchise Fees	296,581	308,853	469,898	624,161	810,613	903,578	587,440	637,547	675,419	715,527
Local Option Gas Tax	215,713	225,010	228,385	232,165	244,356	230,918	247,720	251,418	251,277	248,106
<u>Intergovernmental**</u>										
Cigarette Tax	57,270	53,145	49,083	-	-	-	-	-	-	-
Alcoholic Beverage Tax	1,772	123	3,001	2,225	2,570	2,404	3,123	4,116	2,799	2,987
Mobile Home Licenses	1,727	2,169	1,598	2,725	1,400	1,612	1,422	1,703	1,121	1,044
1/2 cent Sales Tax	841,484	894,046	886,870	923,146	956,531	1,004,110	1,105,139	1,118,475	1,287,103	1,153,900
MRS - Sales Tax	249,516	273,109	241,129	276,410	281,791	282,767	349,494	461,426	522,142	418,096
MRS - Motor Fuel Tax	180,850	140,099	158,810	158,871	158,608	158,608	182,040	188,761	207,923	163,735
<b>Total Tax Revenues</b>	<b>\$ 2,610,482</b>	<b>\$ 2,694,801</b>	<b>\$ 2,930,758</b>	<b>\$ 3,156,989</b>	<b>\$ 3,257,327</b>	<b>\$ 3,430,766</b>	<b>\$ 3,773,766</b>	<b>\$ 4,680,447</b>	<b>\$ 5,125,909</b>	<b>\$ 5,124,020</b>

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\* The City levied its first advalorem tax beginning with the fiscal year ending in 2005.

\*\* City's Share of Intergovernmental tax amounts collected by State of Florida

**City of Callaway, Florida**  
**Assessed Value and Taxable Value of Property (unaudited)**  
**Last Three Fiscal Years\*\***  
**(in thousands of dollars)**

<b>Fiscal Year</b>	<b>Real Property <u>Assessed Value</u></b>	<b>Personal Property <u>Assessed Value</u></b>	<b>Total Property <u>Assessed Value</u></b>	<b>Less: Tax-Exempt Property</b>	<b>Net Taxable <u>Value</u></b>
2005	\$ 575,551	\$ 19,181	\$ 594,732	\$ (183,873)	\$ <b>410,859</b>
2006	\$ 762,706	\$ 19,051	\$ 781,757	\$ (256,217)	\$ <b>525,540</b>
2007	\$ 907,839	\$ 19,102	\$ 926,941	\$ (312,888)	\$ <b>614,053</b>

**Source:** *Bay County Property Appraiser*

\*\* The City levied its first advalorem tax beginning with the fiscal year ending in 2005

**City of Callaway, Florida**  
**Direct and Overlapping Property Tax Rates (unaudited)**  
**Last Ten Fiscal Years**  
(rate per \$1,000 of assessed value)

<u>Taxing Authority</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>City of Callaway</b>	--	--	--	--	--	--	--	<b>2.0000</b>	<b>2.0000</b>	<b>2.0000</b>
<b>Bay County Direct Rates:</b>										
General	5.6320	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620	5.6620	4.1620	3.7915
Mosquito Control	<u>0.1852</u>	<u>0.1852</u>	<u>0.1852</u>	<u>0.1852</u>	<u>0.1852</u>	<u>0.1852</u>	<u>0.1852</u>	<u>0.1852</u>	<u>0.1852</u>	<u>0.1525</u>
<b>Total Direct Rate for Bay County</b>	<b>5.8172</b>	<b>5.8472</b>	<b>5.8472</b>	<b>5.8472</b>	<b>5.8472</b>	<b>5.8472</b>	<b>5.8472</b>	<b>5.8472</b>	<b>4.3472</b>	<b>3.9440</b>
<b>Bay County School Districts</b>	<b>9.2690</b>	<b>8.9180</b>	<b>8.6690</b>	<b>8.5300</b>	<b>8.6550</b>	<b>8.5690</b>	<b>8.1480</b>	<b>7.9350</b>	<b>6.8080</b>	<b>6.4710</b>

**City of Callaway, Florida**  
**Top Ten Property Taxpayers (unaudited)**  
**Current Year and Two Years Ago\*\***  
(in thousands of dollars)

	<u>2007</u>			<u>2005</u>		
<b>Total Taxable Value</b>	<b>\$ 614,053</b>			<b>\$ 410,859</b>		
<u>Taxpayer</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>% of Total Taxable Value</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>% of Total Taxable Value</u>
Bridge Harbor Investment Co	\$ 13,863	1	2.26%			---
Wal-Mart Stores #01-1207	11,018	2	1.79%	8,275	1	2.01%
PCB East Bay 1120 LLC	8,408	3	1.37%	5,024	2	1.22%
Laird Point LLC	6,383	4	1.04%			---
Feltman, James W	5,893	5	0.96%	1,968	7	0.48%
East Bay Development Co of FL	5,671	6	0.92%			
Shree Ramkabir Inc	5,445	7	0.89%			
James H Crews	5,269	8	0.86%			
Avenue 12 Holdings, LP	4,935	9	0.80%			
Bay Front Dev Co Inc	3,818	10	0.62%	2,226	5	0.54%
Callaway Plaza LLC			---	2,958	3	0.72%
Formation Properties LLC			---	2,937	4	0.71%
Callaway Bayou Land Holdings			---	2,086	6	0.51%
P & N Callaway LLC			---	1,929	8	0.47%
Kenneth Storey - Trustee			---	1,908	9	0.46%
Wal-Mart Stores, Inc.			---	1,881	10	0.46%
<b>TOTAL OF TOP TEN TAXPAYERS</b>	<b>\$ 70,703</b>		<b>11.51%</b>	<b>\$ 31,192</b>		<b>7.59%</b>

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Source: Bay County Property Appraiser

\*\* The City levied its first advalorem tax beginning with the fiscal year ending in 2005

**City of Callaway, Florida**  
**Property Tax Levies and Collections (unaudited)**  
**Last Three Fiscal Years\***

City's Fiscal Year	Tax Year	Taxes Levied for the Fiscal Year* (Original Levy)		Total Adjusted Levy	Collected within the Fiscal Year of the Levy**		Collections in Subsequent Years	Total Collections to Date	
			Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2005	2004	\$ 709,813	\$ (220)	\$ 709,593	\$ 684,714	96%	\$ 637	\$ 685,352	97%
2006	2005	821,549	594	822,143	784,597	96%	982	785,579	96%
2007	2006	1,050,846	43	1,050,889	1,011,029	96%	538	1,011,567	96%

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Source: Tax Collector's Office

\* The City levied its first property tax beginning with the fiscal year ending September 30, 2005 with millage rate of 2.0000 mils. Property taxes become due and payable on November 1 of each year. A four percent discount is allowed if the taxes are paid in November with the discount declining each month thereafter. Accordingly, all taxes collected will not be 100% of the amount levied.

\*\* Taxes become delinquent April 1 each year and tax certificates for the full amount of any unpaid taxes must be sold no later than June 1 of each year. Proceeds of tax certificates are included in this column.

**City of Callaway, Florida**  
**Revenue Capacity Information for Water Fund (unaudited)**  
**Last Three Fiscal Years**

	<b>FISCAL YEAR</b>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b><u>Operating Revenue</u></b>			
Water Charges	\$ 1,629,488	\$ 1,752,381	\$ 1,864,661
Connection, reset, & reactivation fees	14,376	16,770	16,945
Late Fees	37,527	40,007	43,266
Tap Fees	4,981	6,506	7,916
Other Utility Income	40,630	32,449	49,901
Miscellaneous Income	-	750	-
Special Capital Extension Fees	-	1,422,338	-
Impact Fees	82,734	852,671	111,693
<b>Total Operating Revenue</b>	<b>\$ 1,809,736</b>	<b>\$ 4,123,872</b>	<b>\$ 2,094,382</b>
<b><u>Average # of Accounts per Month</u></b>	<b>7,153</b>	<b>7,461</b>	<b>7,584</b>
<b><u>Total Annual # of Gallons Billed (in thousands)</u></b>	<b>429,898</b>	<b>512,897</b>	<b>503,159</b>
<b><u>Average # of Gallons per Month per Account</u></b>	<b>5,008</b>	<b>5,729</b>	<b>5,529</b>
<b><u>Service Billing Rates**</u></b>			
Base Rate Charge Inside City Limits	\$ 7.38	\$ 7.57	\$ 8.12
Usage fee per 1,000 gallons Inside City Limits	\$ 2.48	\$ 2.54	\$ 2.72
Base Rate Charge Outside City Limits	\$ 9.23	\$ 9.46	\$ 10.15
Usage fee per 1,000 gallons Outside City Limits	\$ 3.10	\$ 3.18	\$ 3.40

\*\* Rates in effect as of September 30 of each year. Charges are prorated during the initial and final month of service.

**City of Callaway, Florida**  
**Revenue Capacity Information for Sewer Fund (unaudited)**  
**Last Three Fiscal Years**

	<b>FISCAL YEAR</b>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b><u>Operating Revenue</u></b>			
Sewer Charges	\$ 2,948,081	\$ 3,049,712	\$ 3,066,181
Connection, reset, & reactivation fees	800	-	210
Late Fees	63,399	70,801	74,572
Tap Fees	8,100	11,693	2,937
Miscellaneous Income	2,470	5,999	502
Special Capital Extension Fees	-	379,620	-
Impact Fees	166,423	1,534,189	253,693
<b>Total Operating Revenue</b>	<b>\$ 3,189,273</b>	<b>\$ 5,052,014</b>	<b>\$ 3,398,095</b>
<b><u>Average # of Accounts per Month</u></b>			
	<b>5,807</b>	<b>6,083</b>	<b>6,173</b>
<b><u>Total Annual # of Gallons Billed (in thousands)</u></b>			
	<b>371,291</b>	<b>411,957</b>	<b>399,695</b>
<b><u>Average # of Gallons per Month per Account</u></b>			
	<b>5,328</b>	<b>5,644</b>	<b>5,396</b>
<b><u>Service Billing Rates**</u></b>			
Base Rate Charge Inside City Limits	\$ 23.91	\$ 24.51	\$ 24.51
Usage fee per 1,000 gallons Inside City Limits	\$ 2.90	\$ 2.97	\$ 2.97
Base Rate Charge Outside City Limits	\$ 29.89	\$ 30.64	\$ 30.64
Usage fee per 1,000 gallons Outside City Limits	\$ 3.63	\$ 3.71	\$ 3.71

\*\* Rates in effect as of September 30 of each year. Charges are prorated during the initial and final month of service.

**City of Callaway, Florida**  
**Ratios of Outstanding Debt by Type (unaudited)**  
**Last Four Fiscal Years**

Fiscal Year	<u>Governmental Activities</u>			<u>Business-type Activities</u>			<u>TOTAL</u>	% of	Per Capita**
	Revenue Bonds	Capital Leases	Note Payable	Revenue Bonds	Capital Leases	Note Payable	Primary Government	Percapita Income**	
2004	\$ 1,648,791	\$ 181,217	\$ -	\$ 7,850,000	\$ -	\$ 10,631,483	\$ 20,311,491	4.85%	\$ 1,398
2005	1,552,223	115,320	268,810	7,417,500	-	9,926,080	\$ 19,279,933	4.40%	1,332
2006	1,427,060	61,135	-	7,185,000	127,936	9,312,560	\$ 18,113,691	N/A	1,258
2007	1,299,476	18,419	-	27,498,368	98,331	8,681,618	\$ 37,596,212	N/A	2,658

Details regarding the city's outstanding debt can be found in the notes to the financial statements

\*\* These ratios are calculated using per capita income and estimated population for the prior calendar year as published by the Population Division of the U.S. Census Bureau and the Florida Legislature Office of Economic and Demographic Research. Additional demographic information can be found later in this section. N/A = Not yet available.

This schedule is presented retroactively to fiscal year ending in 2004, which is the year in which the City implemented GASB34.

**City of Callaway, Florida**  
**Ratios of General Bonded Debt Outstanding (unaudited)**  
**Last Four Fiscal Years**

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Population Estimate*</u>	<u>Per Capita</u>
2004	\$ 1,648,791	14,532	\$ 113.46
2005	1,552,223	14,471	\$ 107.26
2006	1,427,060	14,404	\$ 99.07
2007	1,299,476	14,145	\$ 91.87

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

\* As published by the Population Division of the U.S. Census Bureau for the prior year. Additional demographic information can be found later in this section.

This schedule is presented retroactively to fiscal year ending in 2004, which is the year in which the City implemented GASB34.

**City of Callaway, Florida**  
**Schedule of Water & Sewer Revenue Bond Coverage (unaudited)**  
**Last Ten Fiscal Years**

FISCAL YEAR	OPERATING REVENUE (1)	Less: OPERATING EXPENSES (2)	NET AVAILABLE REVENUE	REVENUE BOND DEBT SERVICE			COVERAGE
				PRINCIPAL	INTEREST	TOTAL BOND DEBT SVC	
1998	\$ 3,432,435	\$ 2,470,344	\$ 962,091	\$ 136,089	\$ 38,370	\$ 174,459	5.51
1999	\$ 3,184,650	\$ 3,394,976	\$ (210,326)	\$ 321,515	\$ 30,379	\$ 351,894	(0.60)
2000	\$ 3,669,669	\$ 4,196,179	\$ (526,510)	\$ 194,288	\$ 16,969	\$ 211,257	(2.49)
2001	\$ 3,732,707	\$ 3,870,872	\$ (138,165)	\$ 232,810	\$ 10,161	\$ 242,971	(0.57)
2002	\$ 3,974,210	\$ 4,013,426	\$ (39,216)	\$ 60,000	\$ 4,875	\$ 64,875	(0.60)
2003	\$ 3,939,372	\$ 4,219,490	\$ (280,118)	\$ -	\$ -	\$ -	N/A
2004	\$ 5,285,750	\$ 4,344,141	\$ 941,609	\$ -	\$ -	\$ -	N/A
2005	\$ 4,999,009	\$ 4,177,890	\$ 821,119	\$ -	\$ -	\$ -	N/A
2006	\$ 9,175,886	\$ 4,096,716	\$ 5,079,170	\$ -	\$ -	\$ -	N/A
2007	\$ 5,492,477	\$ 4,287,574	\$ 1,204,903	\$ -	\$ -	\$ -	N/A

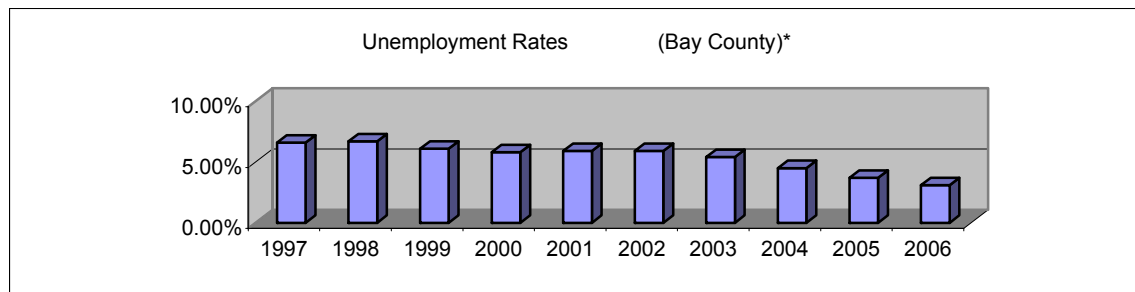
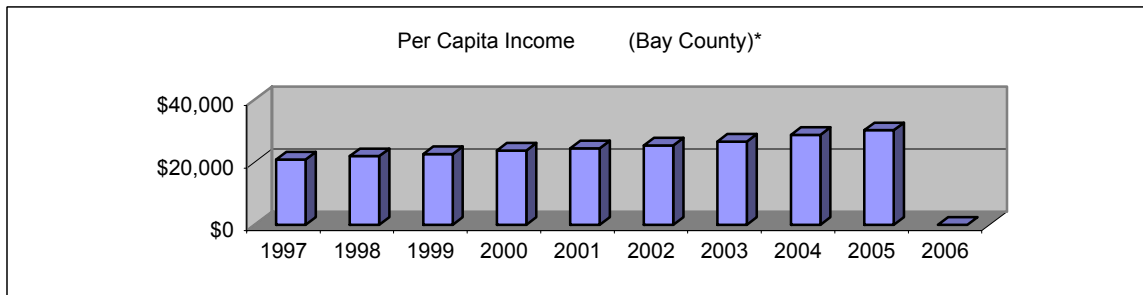
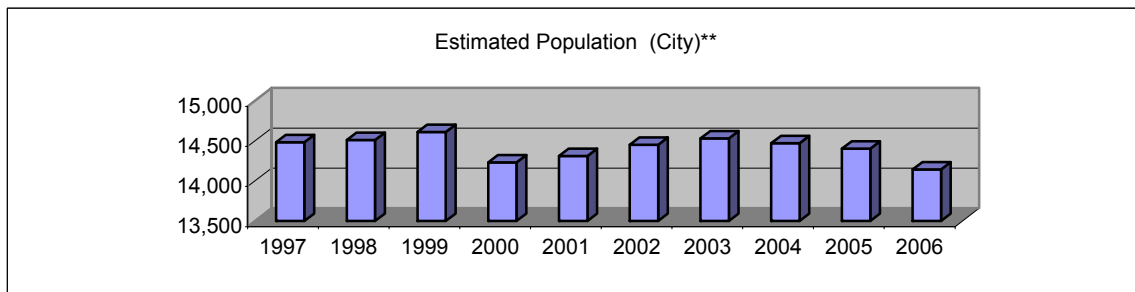
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Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) Gross Revenue includes all water and sewer fund operating revenues
- (2) Operating Expenses include all operating expenses except depreciation.

**City of Callaway, Florida**  
**Demographic Statistics (unaudited)**  
**Last Ten Fiscal Years**

Fiscal Year	Estimated Population (City)**	Estimated Population (County)*	Personal Income (County) (in thousands)*	Per Capita Income (Bay County)*	Unemployment Rates (Bay County)*
1997	14,485	144,583	3,062,313	\$20,882	6.60%
1998	14,510	147,496	3,234,088	\$21,999	6.70%
1999	14,610	150,119	3,353,267	\$22,634	6.10%
2000	14,233	148,217	3,521,822	\$23,754	5.80%
2001	14,313	150,287	3,675,638	\$24,526	5.90%
2002	14,450	152,186	3,870,336	\$25,438	5.90%
2003	14,532	154,827	4,119,403	\$26,623	5.40%
2004	14,471	158,437	4,545,721	\$28,836	4.50%
2005	14,404	161,721	\$4,887,759	\$30,298	3.70%
2006	14,145	165,515	N/A	N/A	3.10%



\* Source: Florida Legislature Office of Economic and Demographic Research

\*\* Source: U.S. Census Bureau

N/A - Information not yet available

**City of Callaway, Florida**  
**Miscellaneous Statistical Data (unaudited)**

Date of Incorporation: November 18, 1963

Date Original Charter Adopted: July 1, 1964

Date Present Chartered Adopted: April 26, 1996

Form of Government: Commissioner/City Manager with mayor elected every four years and commissioners elected for four year overlapping terms. At the first regular meeting following an election, the City Commission appoints one of its members as Mayor Pro Tem. The City Commission at its pleasure appoints a City Manager and City Clerk.

Location and Area: The City of Callaway is an urban community in Bay County east of Panama City, in the Panhandle Region of Northwest Florida. Being situated in the northern shores of East Bay, this community is separated from the Gulf of Mexico by East Bay and a peninsula occupied by Tyndall Air Force Base. Two other communities to the west of Callaway, Springfield and Parker, separate it from Panama City.

Comprised of an area of approximately twelve square miles, the City of Callaway is served by two major roadways: U.S. 98 on its western boundary, and S.R. 22 located in the northern portion of the City.

Police Protection: The City is served by the Bay County Sheriff's Office by contractual agreement. A substation is located within the City for the benefit of its citizens.

Fire Protection: The City provides its own fire protection with a paid staff of full-time firefighters, many of which are also certified as Emergency Medical Technicians. The City's Fire Department has also contracted to provide fire protection to some of the unincorporated areas of Bay County.

Total Households as of September 30, 2000: 5,541 (Source: U.S. Dept. of Commerce, 2000 Census)

Elections: Registered Voters – 8,340 (Source: Bay County Supr. of Elections)

Population: Total Population - 14,233 (U.S. Dept. of Commerce, 2000 Census)  
Estimated population as of 7/1/06 – 14,145 (U.S. Census Bureau)

**Building Permits:** Building permits for the City are issued by an Independent Contractor

**Water System:** Water is purchased from Bay County Water System. The City maintains the distribution system.

**Sewer System:** Wastewater is treated by the Military Point Advanced Wastewater Treatment Facility – a joint venture owned and governed by Bay County, the cities of Callaway, Parker, Springfield, and the Town of Cedar Grove.

**Solid Waste Services:** The City provides weekly curbside pick-up for non-household trash. There are currently five privately owned companies which are licensed by the City to provide citizens with garbage service for their homes and businesses.

**Recreational  
Facilities:**

Arts & Conference Center – Consists of a large auditorium/banquet room, Commission Meeting Room, small meeting room, full service catering kitchen, and an outdoor agricultural/farmers market.

Callaway Community Center/Gore Park – Consists of 1 baseball field, 2 baseball/softball fields, 2 tennis courts, 1 basketball court, a clubhouse and public restrooms, a boat ramp with a boat dock, and a picnic area. Paved parking is provided.

Callaway Recreational Complex – Consists of 2 t-ball fields, 2 baseball fields and 3 baseball/softball fields, a concession stand with a full service kitchen, bleachers, roadways, 2 batting cages, 3 soccer fields, 1 soccer/football field and a stocked fishing pond.

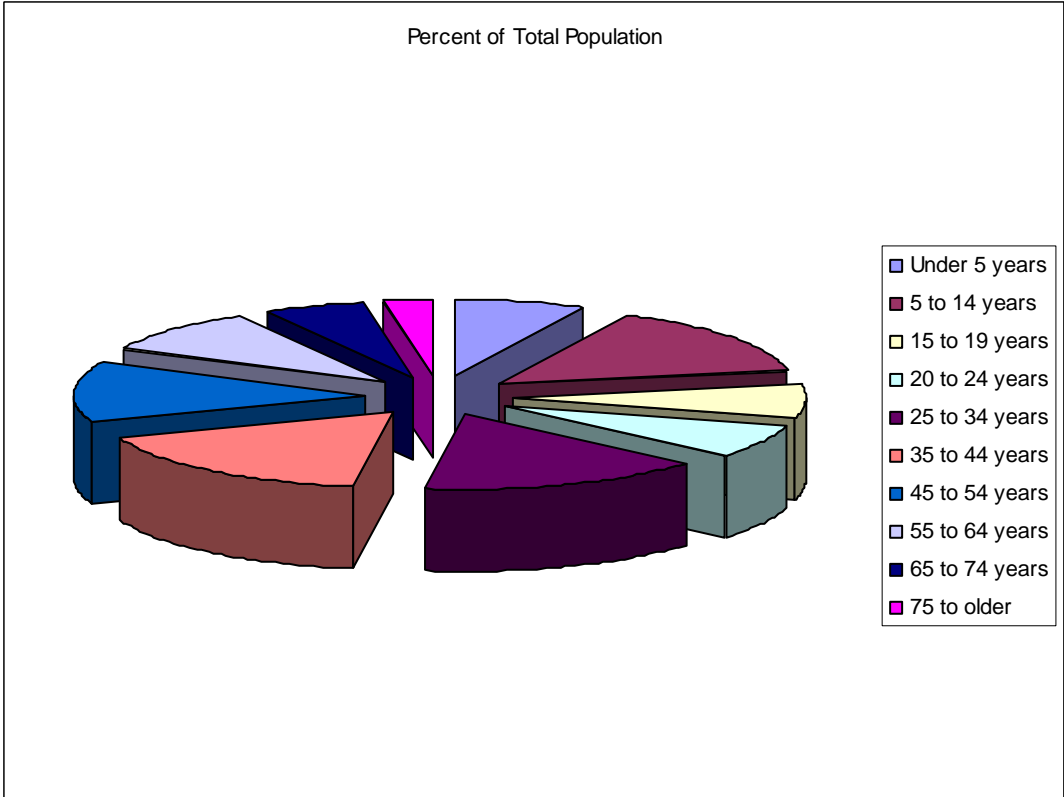
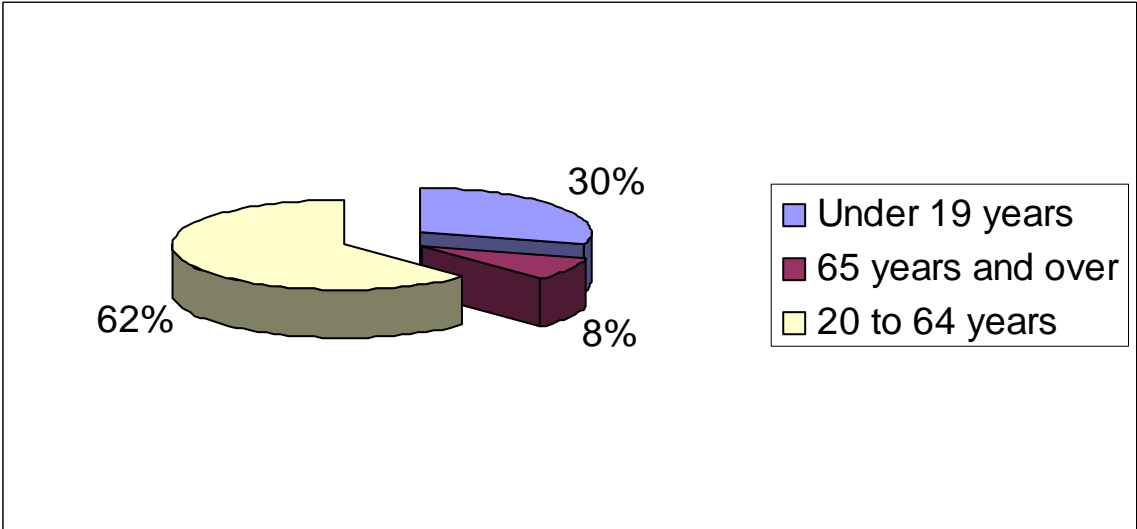
Patterson Park - Consists of large waterfront picnic area with a pathway looping through the park.

Collinfurst Square Park - Consists of walking track around a pond and three covered picnic tables.

Veterans Park - Consists of exercise/playground facilities for different age groups, including a walking track, picnic pavilion and observation pier overlooking a creek.

Brittany Woods Park - Consists of approximately 4 acres of land including a walking track.

# CITY OF CALLAWAY POPULATION BY AGE GROUP 2000 CENSUS



**City of Callaway, Florida**  
**Principal Employers**  
**Current Fiscal Year**

<u>Employer</u>	<u># Employees</u>	<u>Rank</u>
Walmart	400	1
Emerald Shores Health Care	95	2
Applebees	56	3
Kmart	49	4
Po Folks	40	5
Waste Management	40	6
Chik Fil A	34	7
Sonic	30	8
CVS Pharmacy	23	9
Wendy's	22	10
	<u>789</u>	

Source: As reported to City with Business Tax License Applications

This information was not available for previous years but will be offered for comparison in future years.

**City of Callaway, Florida**  
**Full Time Employees by Function/Program (unaudited)**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government	16	16	16	17	16	14	12	12	12	14
Fire	10	10	11	11	11	11	11	13	13	14
Streets	6	7	7	8	7	14	13	13	13	13
Maintenance	2	2	2	2	2	3	3	3	3	3
Parks & Recreation	3	3	3	4	3	5	6	8	9	9
Water	8	12	10	10	10	10	11	11	13	14
Sewer	5	8	8	8	8	12	12	13	14	13
Solid Waste	4	4	4	4	4	5	4	6	6	6
<b>TOTAL</b>	<b>54</b>	<b>62</b>	<b>61</b>	<b>64</b>	<b>61</b>	<b>74</b>	<b>72</b>	<b>79</b>	<b>83</b>	<b>86</b>

Source: Filled positions as of September 30 of each year per City's records.

**City of Callaway, Florida**  
**Operating Indicators by Function/Program (unaudited)**  
**Last Three Fiscal Years**

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Government</b>			
Building Permits Issued (incl. New, Remodels, Additions)	200	114	91
Business Licenses Issued	474	389	484
<b>Police</b>			
Sworn Deputies	14	15	15
Calls for Service	13,269	12,852	13,084
Traffic Stops	1,525	1,753	2,007
Citations & Infractions	1,031	1,207	1,373
Arrests	969	879	1,116
<b>Fire</b>			
Full-time Certified Firefighters	13	13	14
Firefighters also Certified as EMT	4	4	7
Emergency Responses	468	501	522
<b>Streets</b>			
Miles Resurfaced within the city	2.64	2.54	2.19
<b>Parks &amp; Recreation</b>			
Public Parks	5	5	5
Recreational (sports) Facilities	2	2	2
Conference / Community Centers	2	2	2
Conference Center Admissions	7,016	13,211	7,333
<b>Water</b>			
Average number of customers per month	7,153	7,461	7,584
Total annual gallons billed (in thousands)	429,898	512,897	503,159
Base Rate Charge*	\$ 7.38	\$ 7.57	\$ 8.12
Usage fee per 1,000 gallons*	\$ 2.48	\$ 2.54	\$ 2.72
<b>Sewer</b>			
Average number of customers per month	5,807	6,083	6,173
Total annual gallons billed (in thousands)	371,291	411,957	399,695
Base Rate Charge*	\$ 23.91	\$ 24.51	\$ 24.51
Usage fee per 1,000 gallons*	\$ 2.90	\$ 2.97	\$ 2.97
<b>Solid Waste</b>			
Average number of customers per month	5,513	5,744	5,815
Total annual tonnage (hailed to landfill & grinder)	9,477	8,006	4,896
Rate of Flat Monthly Fee*	\$ 3.65	\$ 5.65	\$ 5.65

**Sources:** Various city departments.

\* Fees are prorated during initial & final months of service. Rates shown are those in effect as of September 30 of each year for service within the city limits.

**City of Callaway, Florida**  
**Capital Asset Statistics by Function/Program (unaudited)**  
**Last Four Fiscal Years**

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Government</b>				
Administration Building (City Hall)	1	1	1	1
Records Storage Building	1	1	1	1
Laserfiche Records System	1	1	1	1
Computer File Server	1	1	1	2
<b>Public Safety</b>				
Fire Station w/crew quarters & equip. bays	1	1	1	1
Fire Engines	2	2	2	2
Tanker Trucks	2	2	2	2
Rescue Vehicle w/response equipment	1	1	1	1
Brush Truck	1	1	1	1
Law Enforcement Sub-station (office)	1	1	1	1
Law Enforcement Patrol Units (fully equipped)*	14	14	15	15
* Provided by contractual agreement with Bay County Sheriff's Office.				
<b>Highways &amp; Streets</b>				
Street Miles	81	81	81	81
Traffic Signals	60	60	61	61
<b>Maintenance</b>				
Shop Building	1	1	1	1
Service Truck	1	1	1	1
Fuel Inventory/Usage Tracking System	1	1	1	1
Fuel Tanks (above ground)	2	2	2	2
<b>Parks &amp; Recreation</b>				
Public Parks	6	6	6	6
Community / Conference Centers	1	2	2	2
Boat Ramp	1	1	1	1
Baseball / Softball Fields	8	8	10	10
Football / Soccer Fields	5	5	5	5
Tennis Courts	2	2	2	2
Basketball Court	1	1	1	1
Walking Trails	3	3	3	3
<b>Water</b>				
Active water meters, annual average	7,168	7,153	7,461	7,584
Active Fire Hydrants (approx.)	350	350	350	400
Fieldbook Line Mapping System	-	-	1	1
<b>Sewer</b>				
Flow Capacity - reserved (Millions of gallons)	2.13812	2.13812	2.13812	2.13812
Lift stations in city	32	32	32	33
Vac-Con Trucks	2	2	2	2
Cues Camera-Equipped Truck	1	1	1	2
<b>Solid Waste</b>				
Trash Collection Trucks	3	3	4	4
Tub grinder	1	1	1	1

## Compliance Section

**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**

Honorable Mayor, Members of the  
City Commission and City Manager  
City of Callaway, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Callaway, Florida, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report dated March 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Callaway, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 City of Callaway, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Callaway, Florida's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Callaway, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Callaway, Florida's financial statements that is more than inconsequential will not be prevented or detected by the City of Callaway, Florida's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Callaway, Florida's internal control.

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

#### Compliance and Other Matters

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

This report is intended solely for the information and use of the City of Callaway, Florida's management and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City Beach, Florida  
March 24, 2008

CARR, RIGGS & INGRAM, LLC  
14101 Panama City Beach Pkwy  
Panama City Beach, FL 32413

PI 850 784 6733  
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## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor, Members of the  
City Commission and City Manager  
City of Callaway, Florida

We have audited the financial statements of the City of Callaway, Florida, as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated March 24, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our independent auditor's report on compliance and internal control over financial reporting. Disclosures in that report, dated March 24, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

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 significant findings and recommendations made in the preceding annual financial audit report. No significant findings or recommendations were made in the preceding annual financial audit report.

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

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

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

American Institute of  
Certified Public Accountants

Alabama Society of  
Certified Public Accountants

Florida Institute of  
Certified Public Accountants

Georgia Society of  
Certified Public Accountants

Mississippi Society of  
Certified Public Accountants

AICPA Alliance for CPA Firms

Center for Audit Quality

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Callaway, Florida was established by the laws of Florida, Chapter 67-1190. The City of Callaway, Florida has no component units.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity 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 the City of Callaway, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Callaway, Florida for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

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

This management letter is intended solely for the information of the City of Callaway, Florida's management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City Beach, Florida  
March 24, 2008