

Gulf County, Florida
Annual Financial Statements
September 30, 2009

BOARD OF COUNTY COMMISSIONERS

Carmen L. McLemore – District 1

Billy E. Traylor – District 2

Bill Williams – District 3

Nathan Peters, Jr. – District 4

Warren Yeager – District 5

CLERK OF THE CIRCUIT COURT

Rebecca L. Norris

SHERIFF

Joe Nugent

TAX COLLECTOR

Shirley J. Jenkins

PROPERTY APPRAISER

Kesley Colbert

SUPERVISOR OF ELECTIONS

Linda Griffin

COUNTY ADMINISTRATOR

Don Butler

COUNTY ATTORNEY

Timothy J. McFarland

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Board of County Commissioners
Gulf County, 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 Gulf County, Florida as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gulf County, Florida'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 Gulf County, Florida as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2010, on our consideration of Gulf County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 15, the schedules of funding progress and employer contributions for the Retiree's Health Insurance Other Postemployment Benefits Plan on page 57 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 required 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 Gulf County, Florida's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and the combining nonmajor fund financial statements and 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carri Riggs & Ingram, L.L.C.

March 31, 2010

Management's Discussion and Analysis

Management's Discussion and Analysis

The Management of the Board of County Commissioners of Gulf County (County) has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the County's financial activities, (c) identify changes in the County's financial position, (d) identify material deviations from the financial plan (approved budget), and (e) highlight significant issues in individual funds. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the County's financial statements.

The information presented in this financial statement is perhaps best understood when it is considered in the broader perspective of the environment in which the County operates.

General Information

Gulf County was incorporated in 1925 and is located in northwest Florida on the Gulf of Mexico. With an area of 557 square miles and a population of just over 16,000, Gulf County is a sparse, low density county. Gulf County is a noncharter county governed by the Board of County Commissioners.

The Board of County Commissioners (Board) is the legislative and policy making body of the County. Each of the five commissioners is elected from a separate district. Annually, the Board elects a chairman that serves as the presiding officer. Elections are held every two years for staggered four year terms. The Board appoints the County Administrator to implement the policies of the Board, provide organizational leadership and direct business and administrative procedures.

Gulf County provides a broad range of services, including law enforcement; fire protection; rescue; emergency medical services; maintenance of streets, highways, bridges and traffic signals; parks; libraries; limited water and sewer systems; and certain other community and human services.

Financial Highlights

- The County's total government-wide net assets decreased 4% or \$1,629,974 from September 30, 2008, to September 30, 2009. The County's total business-type activity's net assets remained basically unchanged from the balance at the end of the prior year and only comprises 1% of the County's total net assets.
- During the year ended September 30, 2009, the County's general fund expenditures exceeded revenues by \$1,241,877, however, note the favorable variance when compared to budget as shown on page 21 of the attached financial statements. This may be compared to last year's results in which the County's general fund expenditures exceeded revenues by \$1,397,412, which was also favorable when compared to budget.
- For the year ended September 30, 2009, the County's capital assets net of accumulated depreciation decreased by \$437,605, or .9%.
- The County's property base increased in value from 2005 to 2007 and decreased slightly in 2008 and further in 2009. This is depicted later in a graph under the subheading Taxable Value of Property and Millage Rates. Accordingly, the County was forced to assess slightly higher millage rates for 2009.

- Gulf County, as well as the rest of Florida and the United States, is continuing to experience a slowdown in housing starts and real estate sales. This slowdown has attributed to the shrinking local economy, an increase in the amount of foreclosure cases filed and an increase in the unemployment rate. With certainty property values will again decline due to the lack of real estate sales; the decrease is estimated at 20-25%. The reduced property tax base and current state of the economy could unfavorably impact services provided by Gulf County.
- The County consolidated several departments at the beginning of the 2009-2010 fiscal year in an effort to conserve funds and operate more efficiently. The departments that are now included in the consolidation are: work crews, maintenance, mosquito control, landfill, public works, and road department.
- The County adopted an additional one-half cent local discretionary sales surtax effective January 1, 2010. The funds from this sales surtax will be used to supplant ad valorem taxes used for operating the landfill.
- Tourism is still an important economic factor in the County. It continues to be affected adversely by the downturn in the national economy.
- Jointly the State of Florida and certain real property owners in Gulf County funded a major beach renourishment project (\$22 million dollars) whereby approximately 7.3 miles of Gulf shoreline of St. Joseph Peninsula was restored. The project was completed in January 2009. It is anticipated the beach renourishment project will benefit citizens, visitors, and coastal wildlife.
- Sacred Heart Hospital on the Gulf, the new hospital located in Gulf County, part of the Sacred Heart Health System, is now operational, opening in March 2010. The County adopted by ordinance in 2005 a discretionary ½ cent small county surtax to help fund the construction of the hospital. An inter-local agreement was entered into with the City of Wewahitchka and the City of Port St. Joe whereby the County will receive all funds generated from the small county surtax and such funds will be used as set forth in the agreement. The additional tax was effective January 1, 2006.
- The County is beginning to assess and evaluate its current economic situation for use in the 2010-2011 budget process. The County is assessing ways to reduce expenditures in the upcoming fiscal year without impacting essential services. The following two methods are ways the County is dealing with the anticipated loss of property values and accordingly, the loss of ad valorem taxes. Almost all County departments and constitutional officers cut their approved 2009-2010 budgets by 3% plus one week's personnel costs. The Board placed the savings from this reduction in cash carry forward to help fund the 2010-2011 budget. The Board also voted to eliminate \$300,000 in budgeted personnel costs through a reduction in employees which will also be used to fund the 2010-2011 budget.
- Although the County has the option to raise the millage rate up to the statutory maximum, 10 mills, it is more likely that additional expenditures will be cut through additional job loss, elimination of non-essential services, and reduced funding to outside agencies.

Overview of the Financial Statements

Management's discussion and analysis serves as an introduction to the County's basic financial statements. The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

In addition, this report presents certain required supplementary information.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the County's overall financial condition in a manner similar to those of a private-sector business. These statements combine and consolidate governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations. They include a *statement of net assets* and a *statement of activities* that are designed to provide consolidated financial information about the governmental activities of the County presented on the accrual basis of accounting.

- The *statement of net assets* provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the County.
- The *statement of activities* presents information showing how the County's net assets changed during the 2009 fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net assets is an indication of whether the County's financial health is improving or deteriorating.

Both of these financial statements present the functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public health and safety, physical environment, transportation, economic environment, human services, culture and recreation, and court related activities. The business-type activities of the County include three separate water and sewer systems.

Over a period of time, changes in the County's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the County's property tax base and the condition of the County's capital assets including infrastructure assets.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal

management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the County's financial activities, focusing on its most significant or major funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the County's funds may be classified in the broad category of *governmental funds*, *proprietary funds*, and *fiduciary (agency) funds* as discussed below.

- Governmental funds - these funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the County's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.
- Proprietary funds – the County maintains one type of proprietary funds which is the enterprise funds. These funds are used to report business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities relating to water and sewer systems in Gulf County. The proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.
- Fiduciary (agency) funds – fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the County's programs. In its fiduciary capacity, the County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

Infrastructure Assets

Generally a government's largest group of assets (infrastructure – roads, bridges, traffic signals, and underground pipes not associated with a utility, etc.) are not reported nor depreciated in governmental fund financial statements. GASB Statement No. 34 requires these assets be valued and reported in the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its costs of maintenance in lieu of depreciation. The County has elected to depreciate its infrastructure assets.

Government-wide Financial Analysis

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. County's assets exceeded liabilities (governmental and business-type activities) by approximately \$43 million at the close of the fiscal year ended September 30, 2009, and \$45 million at September 30, 2008.

| Net Assets | | | | | | |
|------------------------------------------------------------------|----------------------------|---------------------|-----------------------------|-------------------|---------------------|---------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| <i>September 30,</i> | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Current assets | \$21,125,666 | \$29,987,008 | \$ 116,253 | \$ 114,796 | \$21,241,919 | \$30,101,804 |
| Capital assets, net | 48,066,356 | 48,482,925 | 404,523 | 425,559 | 48,470,879 | 48,908,484 |
| Deferred charges & other restricted assets | 2,693,802 | 2,349,083 | - | - | 2,693,802 | 2,349,083 |
| Total assets | 71,885,824 | 80,819,016 | 520,776 | 540,355 | 72,406,600 | 81,359,371 |
| Current liabilities | 4,463,807 | 9,541,024 | - | - | 4,463,807 | 9,541,024 |
| Long-term liabilities | 24,641,319 | 26,886,899 | - | - | 24,641,319 | 26,886,899 |
| Total liabilities | 29,105,126 | 36,427,923 | - | - | 29,105,126 | 36,427,923 |
| Net assets invested in capital assets, net of related debt | 27,396,468 | 25,601,868 | 404,523 | 425,559 | 27,800,991 | 26,027,427 |
| Net assets – Restricted | 3,934,332 | 9,687,892 | - | - | 3,934,332 | 9,687,892 |
| Net assets – Unrestricted | 11,449,898 | 9,101,333 | 116,253 | 114,796 | 11,566,151 | 9,216,129 |
| Total net assets | \$42,780,698 | \$44,391,093 | \$ 520,776 | \$ 540,355 | \$43,301,474 | \$44,931,448 |

Statement of Activities

The following schedule summarizes revenues and expenses for years ended September 30, 2009 and 2008:

| Changes in Net Assets | | | | | | |
|-------------------------------------|-------------------------|--------------|--------------------------|---------------|----------------------|---------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| <i>Year Ended September 30,</i> | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Program revenues | | | | | | |
| Charges for services | \$ 1,879,330 | \$ 2,114,067 | \$ - | \$ 27,230 | \$ 1,879,330 | \$ 2,141,297 |
| Operating grants/ contributions | 465,071 | 885,769 | - | - | 465,071 | 885,769 |
| Capital grants/ contributions | 10,490,105 | 14,069,529 | - | - | 10,490,105 | 14,069,529 |
| General revenues | | | | | | |
| Property taxes | 15,163,241 | 14,780,539 | - | - | 15,163,241 | 14,780,539 |
| Sales taxes | 4,032,758 | 3,894,887 | - | - | 4,032,758 | 3,894,887 |
| State shared revenue | 462,401 | 388,668 | - | - | 462,401 | 388,668 |
| Investment earnings | 425,300 | 810,084 | 1,457 | 6,621 | 426,757 | 816,705 |
| Other | 322,007 | 3,249,017 | - | - | 322,007 | 3,249,017 |
| Total revenues | 33,240,213 | 40,192,560 | 1,457 | 33,851 | 33,241,670 | 40,226,411 |
| Expenses | | | | | | |
| General government | 4,624,697 | 4,762,579 | - | - | 4,624,697 | 4,762,579 |
| Public safety | 7,053,507 | 7,024,699 | - | - | 7,053,507 | 7,024,699 |
| Physical environment | 11,507,410 | 17,346,270 | - | - | 11,507,410 | 17,346,270 |
| Transportation | 6,546,850 | 5,446,508 | - | - | 6,546,850 | 5,446,508 |
| Economic environment | 1,191,591 | 2,471,109 | - | - | 1,191,591 | 2,471,109 |
| Human services | 1,853,710 | 845,744 | - | - | 1,853,710 | 845,744 |
| Culture and recreation | 476,598 | 359,931 | - | - | 476,598 | 359,931 |
| Court related | 560,720 | 586,551 | - | - | 560,720 | 586,551 |
| Interest and other charges | 1,035,525 | 1,116,473 | - | - | 1,035,525 | 1,116,473 |
| Utilities | - | - | 21,036 | 2,324,266 | 21,036 | 2,324,266 |
| Total expenses | 34,850,608 | 39,959,864 | 21,036 | 2,324,266 | 34,871,644 | 42,284,130 |
| Change in net assets | \$(1,610,395) | \$ 232,696 | \$ (19,579) | \$(2,290,415) | \$(1,629,974) | \$(2,057,719) |

Financial Analysis of Individual Funds

This section provides an analysis of the balances and transactions of individual funds. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

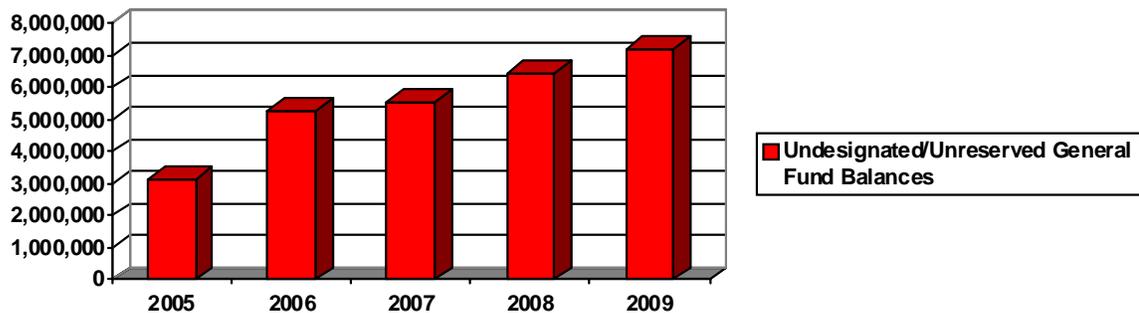
Governmental Funds

The primary purpose of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources, available for spending, at the end of the current and prior fiscal year.

| <i>September 30,</i> | 2009 | 2008 |
|---------------------------------|----------------------|---------------|
| Total fund balance | \$ 18,583,423 | \$ 22,174,651 |
| Less reserved fund balance for: | | |
| Debt service | 1,050,481 | 1,184,799 |
| Landfill escrow | 1,236,695 | 1,050,995 |
| Capital projects | 1,281,939 | 7,194,111 |
| Other purposes | 365,217 | 257,987 |
| Less designated fund balance | 47,626 | 60,829 |
| Unreserved fund balance | \$ 14,601,465 | \$ 12,425,930 |

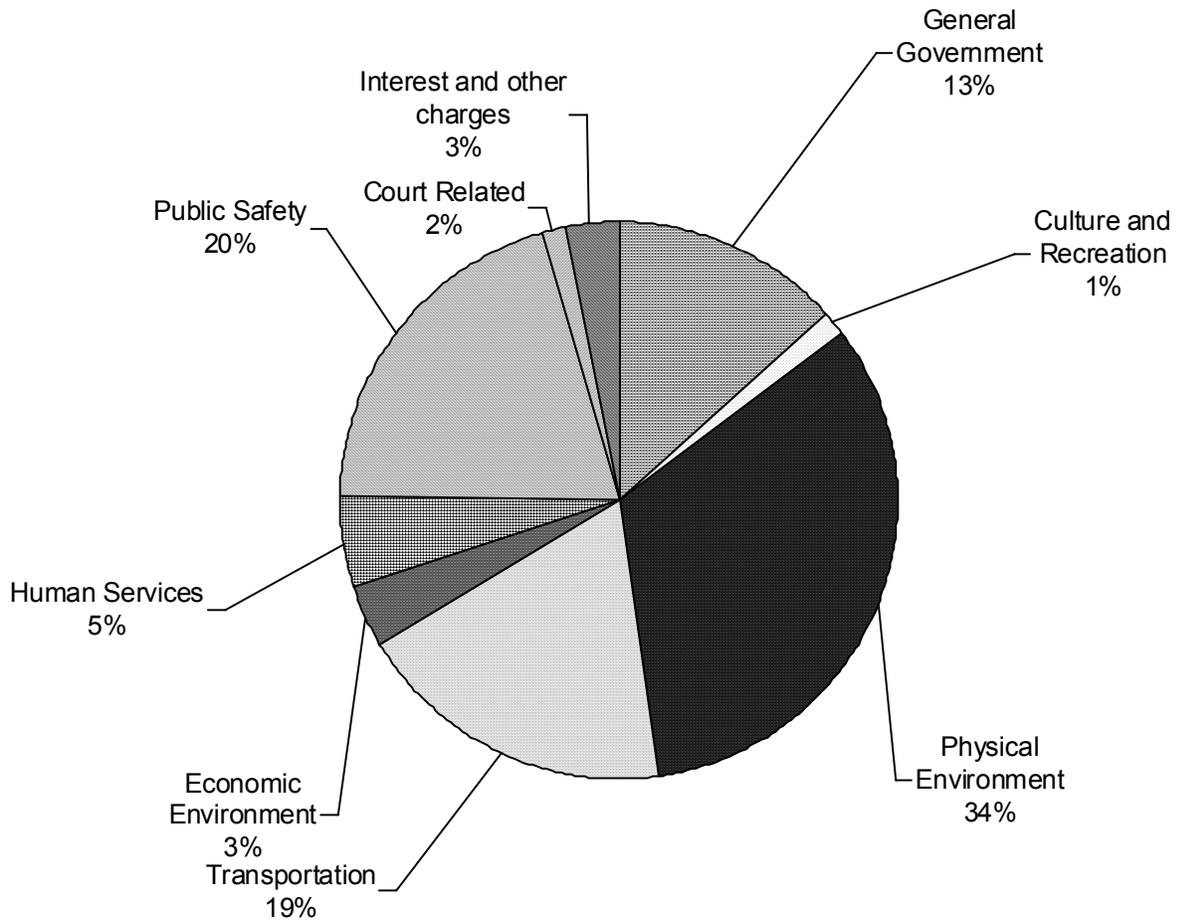
At September 30, 2009, the County's governmental funds reported a combined ending fund balance of \$18,583,423, representing a decrease of 16% over the September 30, 2008 balances. Of this amount, *unreserved fund balance* is \$14,601,465 which represents an increase of 18% over the September 30, 2008 balance.

- General Fund Unrestricted/Undesignated Fund Balance.** As depicted in the following graph, the unrestricted/undesignated fund balance of the Board's general fund (the general operating fund of the County) has increased over the past years.



- **Governmental Activities Expenses by Functions**

The following graph depicts the County's total governmental activities expenses by function for the fiscal year ending September 30, 2009.



Major Funds

Governmental Funds

The general, fines and forfeitures, construction and acquisition, beach renourishment, and debt service public improvement funds are reported as major governmental funds.

- The general fund is the general operating fund of the County. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund.

General operating funds of the Clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector, and Supervisor of Elections represent funds included in the County's general fund that are held and accounted for individually, but presented with the balance of the Board of County Commissioners' operating funds.

- Fines and forfeitures is the fund that is used to account for the fines and ad valorem taxes earmarked for law enforcement and corrections.
- The construction and acquisition fund is used to account for activity relating to the construction and acquisition of capital assets.
- The beach renourishment fund is used by the County to account for activity relating to the Cape San Blas beach renourishment and reconstruction project.
- The debt service public improvement fund is used to account for the accumulation of resources for, and the payment of, gas tax refunding and improvement revenue bonds.

Proprietary Funds

The County owns the two remaining water systems, Williamsburg/Methodist Hill and Oak Grove. The City of Wewahitchka operates the Williamsburg/Methodist Hill Water System. Although there is not an active inter-local agreement this water system continues to be operated by the City of Wewahitchka under the terms of the 1993 inter-local agreement which terminated in 1994. The City of Port St. Joe operates the Oak Grove Water System. Neither one of these water systems brings any revenue to the County. The only expense to the County for either of these two water systems is depreciation.

Budget Variances in Major Funds

The following budget variances occurred in the major funds during the year ended September 30, 2009.

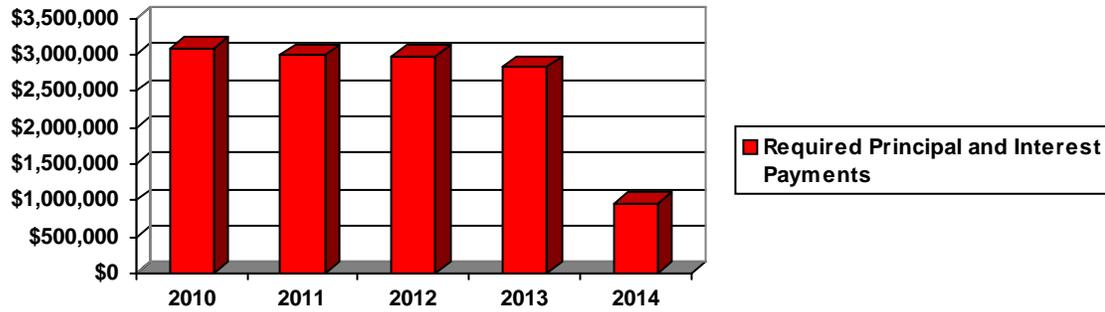
- General fund tax revenue has a negative budget variance of \$244,494 because ad valorem taxes were budgeted as if 100% of the assessed amount would be collected. Approximately 97% of budgeted ad valorem taxes were received which is considered within the normal range.
- General fund licenses and permits negative budget variance of \$34,903 quantifies a decrease in construction activity.
- Intergovernmental revenue (federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes) was \$190,500 less than budgeted in the general fund. Several grants were neither completed nor started in the 2008-2009 fiscal year as originally anticipated therefore actual revenues are less than budgeted.
- General fund fines and forfeitures was \$63,368 less than budgeted. This was caused when the State changed the funding of the Clerk Court function from fines, fees, and service charges to a state appropriation, effective 07/01/2009.
- General fund charges for services include County officer fees, ambulance fees, and tipping fees. The positive variance of \$83,398 is largely because of the large commission earned from the increased number of tax certificates sold for 2008 taxes.
- General fund miscellaneous revenue shows a positive variance of \$230,244. This positive variance is a combination of rent, sales of fixed assets and surplus materials and scrap, and contributions not originally anticipated.
- All functionally categorized expenditures were less than budgeted. As explained above (Intergovernmental revenue) several grant projects were neither completed nor started in the 2008-2009 fiscal year as originally anticipated therefore actual expenditures reported are less than intended.
- Fines and forfeitures fund tax revenue has a negative budget variance of \$127,047 because ad valorem taxes were budgeted as if 100% of the assessed amount would be collected. Approximately 97% of budgeted ad valorem taxes were received which is considered within the normal range.
- The Beach Renourishment Project was completed in 2008-2009. Funding for the project was provided jointly with funds from bond proceeds and intergovernmental grant revenue. The intergovernmental revenue has a negative variance of \$2,013,182 because available grant funds for 2008-2009 were overestimated as remaining when the budget was adopted; accordingly there was a positive variance in the prior year.

Other variances disclosed on the major fund budget and actual statements and not noted herein are within expected ranges.

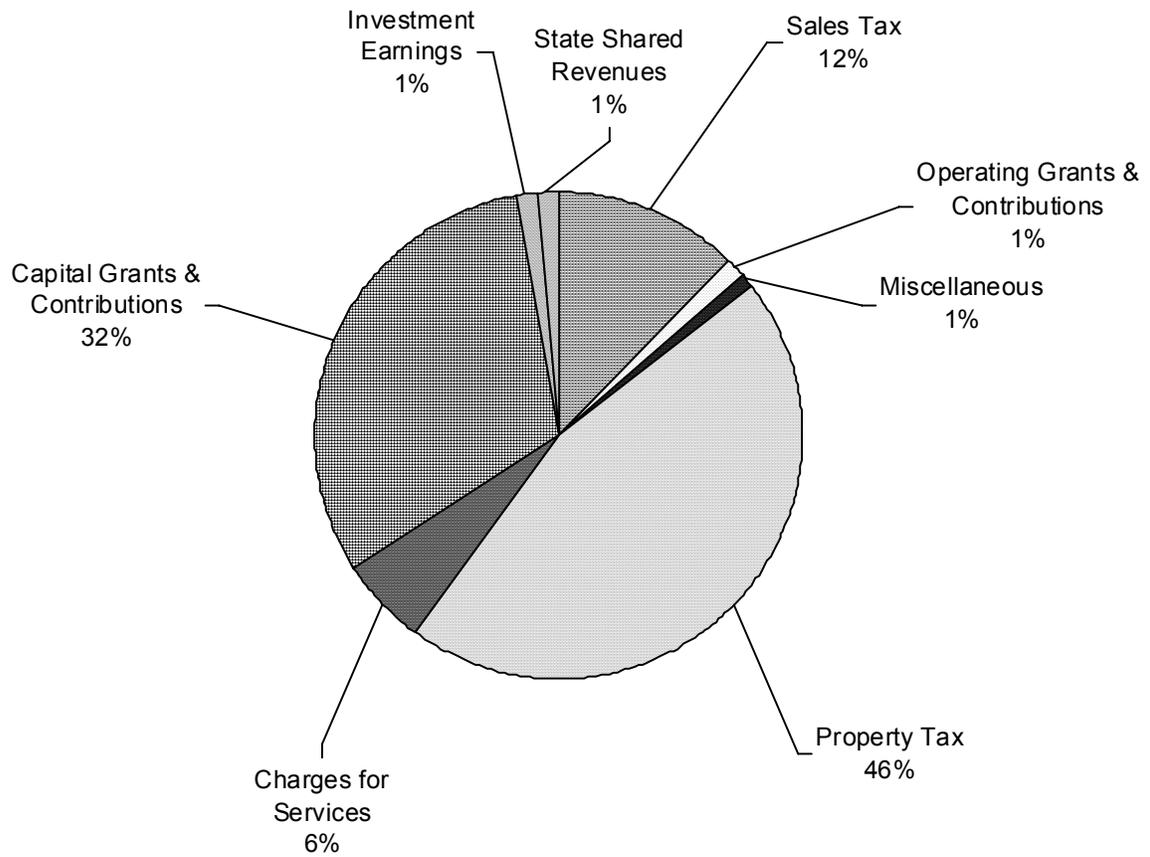
It should be noted that budget expenditure variances shown on the individual major funds are favorable in total.

Capital Assets and Long-Term Debt

- The only additional debt incurred in 2008-2009 was issued by the Sheriff for \$44,958 to purchase vehicles. The debt is scheduled to be repaid in August 2010.
- **Governmental Funds Outstanding Debt.** The following graph depicts future principal and interest payments required to be paid by the County from governmental fund resources on outstanding debt as of September 30, 2009. *Not shown on this graph are existing scheduled debt repayments for years 2015 through 2032.*



Governmental Activities Revenues by Source. The following graph depicts the County's total governmental activities revenue by source for the fiscal year.

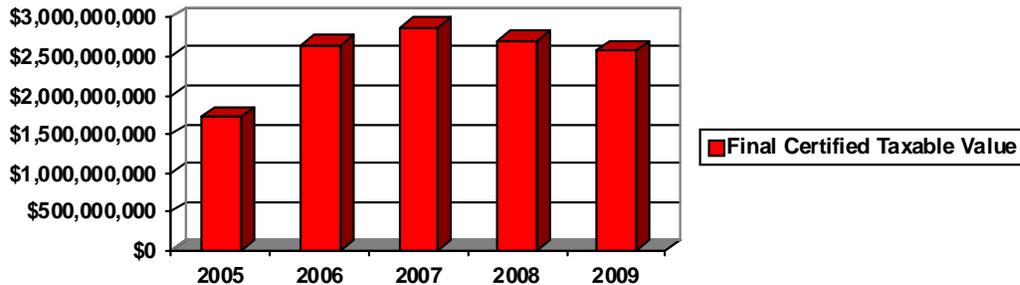


Significant Economic Factors

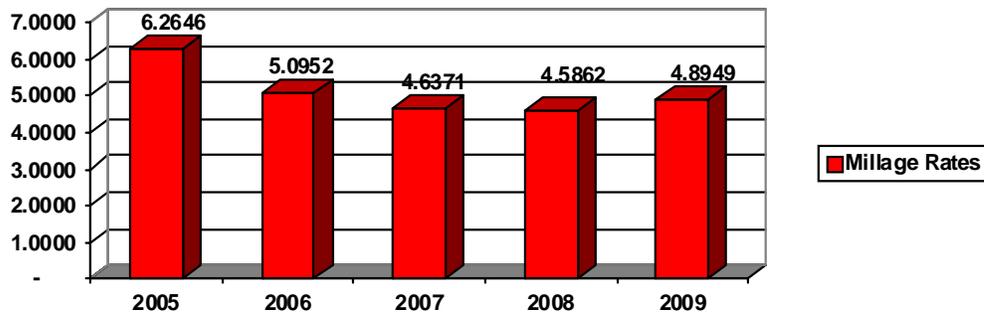
Taxable Value of Property and Millage Rates

During the year ended September 30, 2009 Gulf County received \$15,163,241 in property taxes based on the certified taxable value of property in Gulf County.

Certified Taxable Value by Fiscal Year



Millage Rates Levied by Fiscal Year



Requests for Information

This report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the County's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Rebecca L. Norris, Clerk of Circuit Court of Gulf County
1000 Cecil G. Costin, Sr. Blvd., Room 148
Port St. Joe, Florida 32456

Basic Financial Statements

Gulf County, Florida
Statement of Net Assets
September 30, 2009

Primary Government

| | Governmental Activities | Business-type Activities | Total |
|-------------------------------------------------|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 17,510,154 | \$ 116,253 | \$ 17,626,407 |
| Receivables (net) | | | |
| Accounts | 325,879 | - | 325,879 |
| Notes and leases receivable | 295,375 | - | 295,375 |
| Due from other governments | 2,994,258 | - | 2,994,258 |
| Total current assets | 21,125,666 | 116,253 | 21,241,919 |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | 1,921,567 | - | 1,921,567 |
| Deferred charges | 219,949 | - | 219,949 |
| Capital assets | | | |
| Nondepreciable | 6,238,343 | 737 | 6,239,080 |
| Depreciable (net) | 41,828,013 | 403,786 | 42,231,799 |
| Unamortized bond issue costs | 552,286 | - | 552,286 |
| Total noncurrent assets | 50,760,158 | 404,523 | 51,164,681 |
| Total assets | 71,885,824 | 520,776 | 72,406,600 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | 2,036,369 | - | 2,036,369 |
| Due to other governments | 26,419 | - | 26,419 |
| Deferred revenue | 2,401,019 | - | 2,401,019 |
| Total current liabilities | 4,463,807 | - | 4,463,807 |
| Noncurrent liabilities | | | |
| Due in less than one year | | | |
| Compensated absences | 366,672 | - | 366,672 |
| Installment contracts and notes payable | 237,311 | - | 237,311 |
| Bonds payable | 1,930,000 | - | 1,930,000 |
| Due in more than one year | | | |
| Compensated absences | 840,507 | - | 840,507 |
| Installment contracts and notes payable | 279,863 | - | 279,863 |
| Bonds payable | 18,775,000 | - | 18,775,000 |
| Landfill closure liability | 2,211,966 | - | 2,211,966 |
| Total noncurrent liabilities | 24,641,319 | - | 24,641,319 |
| Total liabilities | 29,105,126 | - | 29,105,126 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 27,396,468 | 404,523 | 27,800,991 |
| Restricted for | | | |
| Debt service | 1,050,481 | - | 1,050,481 |
| Capital projects | 1,281,939 | - | 1,281,939 |
| Landfill | 1,236,695 | - | 1,236,695 |
| Other purposes | 365,217 | - | 365,217 |
| Unrestricted | 11,449,898 | 116,253 | 11,566,151 |
| Total net assets | \$ 42,780,698 | \$ 520,776 | \$ 43,301,474 |

See accompanying notes

Gulf County, Florida
Statement of Activities
Year Ended September 30, 2009

| | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Assets | | |
|---------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Functions / Programs | | | | | | | |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 4,624,697 | \$ 582,250 | \$ 83,699 | \$ - | \$ (3,958,748) | \$ - | \$ (3,958,748) |
| Public safety | 7,053,507 | 841,075 | 73,858 | 540,317 | (5,598,257) | - | (5,598,257) |
| Physical environment | 11,507,410 | 71,828 | 65,022 | 6,500,789 | (4,869,771) | - | (4,869,771) |
| Transportation | 6,546,850 | 800 | - | 2,442,209 | (4,103,841) | - | (4,103,841) |
| Economic environment | 1,191,591 | - | 54,654 | 719,218 | (417,719) | - | (417,719) |
| Human services | 1,853,710 | - | 103,568 | - | (1,750,142) | - | (1,750,142) |
| Culture and recreation | 476,598 | 12,770 | - | 268,555 | (195,273) | - | (195,273) |
| Court related | 560,720 | 370,607 | 84,270 | 19,017 | (86,826) | - | (86,826) |
| Interest and other charges | 1,035,525 | - | - | - | (1,035,525) | - | (1,035,525) |
| Total governmental activities | 34,850,608 | 1,879,330 | 465,071 | 10,490,105 | (22,016,102) | - | (22,016,102) |
| Business-type activities | | | | | | | |
| Water | 21,036 | - | - | - | - | (21,036) | (21,036) |
| Total primary government | \$ 34,871,644 | \$ 1,879,330 | \$ 465,071 | \$ 10,490,105 | (22,016,102) | (21,036) | (22,037,138) |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Property tax | | | | | 15,163,241 | - | 15,163,241 |
| Sales tax | | | | | 4,032,758 | - | 4,032,758 |
| State shared revenues | | | | | 462,401 | - | 462,401 |
| Investment earnings | | | | | 425,300 | 1,457 | 426,757 |
| Miscellaneous | | | | | 322,007 | - | 322,007 |
| Total general revenues | | | | | 20,405,707 | 1,457 | 20,407,164 |
| Change in net assets | | | | | (1,610,395) | (19,579) | (1,629,974) |
| Net assets - beginning | | | | | 44,391,093 | 540,355 | 44,931,448 |
| Net assets - ending | | | | | \$ 42,780,698 | \$ 520,776 | \$ 43,301,474 |

See accompanying notes

Gulf County, Florida
Balance Sheet
Governmental Funds
September 30, 2009

| | General Fund | Fines and Forfeitures | Construction and Acquisition | Beach Renourishment | Debt Service Public Improvement | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------|------------------------------------|------------------------|---------------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 7,667,614 | \$ 880,365 | \$ 1,078,784 | \$ 856,251 | \$ 216,744 | \$ 6,810,451 | \$ 17,510,209 |
| Due from other funds | 280,981 | - | - | - | 52,992 | 141,186 | 475,159 |
| Due from other governments | 2,731,369 | - | - | - | 95,873 | 167,016 | 2,994,258 |
| Accounts receivable (net) | 252,537 | 1,522 | - | - | - | 36,789 | 290,848 |
| Notes receivable | - | - | - | - | - | 55,866 | 55,866 |
| Leases receivable | - | - | - | - | - | 239,509 | 239,509 |
| Restricted assets | | | | | | | |
| Cash and cash equivalents | 1,236,695 | - | - | - | 684,872 | - | 1,921,567 |
| Total assets | \$ 12,169,196 | \$ 881,887 | \$ 1,078,784 | \$ 856,251 | \$ 1,050,481 | \$ 7,450,817 | 23,487,416 |
| Liabilities and fund balances | | | | | | | |
| Liabilities | | | | | | | |
| Vouchers payable | \$ 1,252,115 | \$ 49,450 | \$ 653,096 | \$ - | \$ - | \$ 81,765 | 2,036,426 |
| Due to other governments | 23,449 | - | - | - | - | 208 | 23,657 |
| Due to other funds | 435,562 | - | - | - | - | 7,329 | 442,891 |
| Deferred revenue | 1,727,167 | 25,254 | - | - | - | 648,598 | 2,401,019 |
| Total liabilities | 3,438,293 | 74,704 | 653,096 | - | - | 737,900 | 4,903,993 |
| Fund balances | | | | | | | |
| Reserved for | | | | | | | |
| Debt service | - | - | - | - | 1,050,481 | - | 1,050,481 |
| Landfill escrow | 1,236,695 | - | - | - | - | - | 1,236,695 |
| Capital projects | - | - | 425,688 | 856,251 | - | - | 1,281,939 |
| Other purposes | 253,257 | 110,974 | - | - | - | 986 | 365,217 |
| Unreserved | | | | | | | |
| Designated | 47,626 | - | - | - | - | - | 47,626 |
| Undesignated | 7,193,325 | 696,209 | - | - | - | 6,711,931 | 14,601,465 |
| Total fund balances | 8,730,903 | 807,183 | 425,688 | 856,251 | 1,050,481 | 6,712,917 | 18,583,423 |
| Total liabilities and fund balances | \$ 12,169,196 | \$ 881,887 | \$ 1,078,784 | \$ 856,251 | \$ 1,050,481 | \$ 7,450,817 | |
| 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. | | | | | | | 48,066,356 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | | | | | | (24,641,319) |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | | | | | | 772,238 |
| Net assets of governmental activities | | | | | | | \$ 42,780,698 |

See accompanying notes

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2009

| | General Fund | Fines and Forfeitures | Construction and Acquisition | Beach Renourishment | Debt Service Public Improvement | Other Governmental Funds | Total Governmental Funds |
|----------------------------------------------------------------------|---------------------|--------------------------|------------------------------------|------------------------|---------------------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | | |
| Taxes | \$ 8,352,058 | \$ 3,921,226 | \$ - | \$ - | \$ 351,670 | \$ 4,316,432 | \$ 16,941,386 |
| Licenses and permits | 160,347 | - | - | - | - | 800 | 161,147 |
| Intergovernmental | 6,379,773 | 3,049 | - | 4,503,485 | 496,105 | 2,278,774 | 13,661,186 |
| Fines and forfeitures | 95,509 | - | - | - | - | - | 95,509 |
| Charges for services | 1,532,538 | 66,450 | - | - | - | 38,286 | 1,637,274 |
| Investment earnings and other | 446,107 | 3,773 | 58,395 | 13,494 | 8,236 | 124,250 | 654,255 |
| Total revenues | 16,966,332 | 3,994,498 | 58,395 | 4,516,979 | 856,011 | 6,758,542 | 33,150,757 |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General government | 4,588,909 | - | - | - | - | 39,040 | 4,627,949 |
| Public safety | 4,291,617 | 1,315,752 | - | - | - | 402,150 | 6,009,519 |
| Physical environment | 2,459,461 | - | - | 8,428,859 | - | 152,583 | 11,040,903 |
| Transportation | 2,441,805 | - | 1,974,947 | - | - | 1,048,211 | 5,464,963 |
| Economic environment | 412,439 | - | - | - | - | 730,117 | 1,142,556 |
| Human services | 941,742 | - | - | - | - | 742,339 | 1,684,081 |
| Culture and recreation | 327,116 | - | - | - | - | 23,163 | 350,279 |
| Court related | 527,122 | 10,343 | - | - | - | - | 537,465 |
| Debt service | 415,792 | - | - | - | 990,329 | 1,953,661 | 3,359,782 |
| Capital outlay | 1,802,206 | 7,807 | 83,740 | - | - | 675,693 | 2,569,446 |
| Total expenditures | 18,208,209 | 1,333,902 | 2,058,687 | 8,428,859 | 990,329 | 5,766,957 | 36,786,943 |
| Excess (deficiency) of revenues over (under) expenditures | (1,241,877) | 2,660,596 | (2,000,292) | (3,911,880) | (134,318) | 991,585 | (3,636,186) |
| Other financing sources (uses) | | | | | | | |
| Transfers in | 3,846,332 | - | - | - | - | 4,210 | 3,850,542 |
| Transfers out | (1,651,255) | (2,199,287) | - | - | - | - | (3,850,542) |
| Debt issuance | 44,958 | - | - | - | - | - | 44,958 |
| Total other financing sources (uses) | 2,240,035 | (2,199,287) | - | - | - | 4,210 | 44,958 |
| Net change in fund balances | 998,158 | 461,309 | (2,000,292) | (3,911,880) | (134,318) | 995,795 | (3,591,228) |
| Fund balances - beginning | 7,732,745 | 345,874 | 2,425,980 | 4,768,131 | 1,184,799 | 5,717,122 | 22,174,651 |
| Fund balances - ending | \$ 8,730,903 | \$ 807,183 | \$ 425,688 | \$ 856,251 | \$ 1,050,481 | \$ 6,712,917 | \$ 18,583,423 |

See accompanying notes

Gulf County, 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, 2009

Amounts reported for governmental activities in the statement of activities (page 17) are different because:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Net change in fund balances - total governmental funds (page 19) | \$ (3,591,228) |
| Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities net of accumulated depreciation. | (405,189) |
| Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net assets. | 2,324,257 |
| The issuance of long-term debt provides current financial resources to governmental funds, while it has no effect on the statement of activities. | (44,958) |
| 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. | (112,245) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | 78,528 |
| Amortization of bond issuance costs is recognized over the life of the bond on the statement of net assets, but expensed in the governmental funds. | (68,130) |
| The fair market value of donated assets is considered revenue in the statement of activities but do not provide current financial resources, therefore is not reported as revenue in the funds. | 53,262 |
| The net effect of various transactions involving the disposition, donations and trades of capital assets is to decrease net assets. | 155,308 |
| Change in net assets of governmental activities (page 17) | \$ (1,610,395) |

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2009

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|----------------------------------------------------------------------|-------------------------|---------------------|---------------------------|--------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 8,596,552 | \$ 8,596,552 | \$ 8,352,058 | \$ (244,494) |
| Licenses and permits | 195,250 | 195,250 | 160,347 | (34,903) |
| Intergovernmental | 6,477,194 | 6,570,273 | 6,379,773 | (190,500) |
| Fines and forfeitures | 158,877 | 158,877 | 95,509 | (63,368) |
| Charges for services | 1,212,136 | 1,449,140 | 1,532,538 | 83,398 |
| Miscellaneous revenues | 161,638 | 215,863 | 446,107 | 230,244 |
| Total revenues | 16,801,647 | 17,185,955 | 16,966,332 | (219,623) |
| Expenditures | | | | |
| Current | | | | |
| General government | 4,661,875 | 4,691,645 | 4,588,909 | 102,736 |
| Public safety | 4,414,447 | 4,518,763 | 4,291,617 | 227,146 |
| Physical environment | 2,899,345 | 2,679,345 | 2,459,461 | 219,884 |
| Transportation | 2,525,736 | 2,525,736 | 2,441,805 | 83,931 |
| Economic environment | 444,010 | 444,010 | 412,439 | 31,571 |
| Human services | 1,005,657 | 965,657 | 941,742 | 23,915 |
| Culture and recreation | 941,721 | 966,347 | 327,116 | 639,231 |
| Court related | 612,294 | 612,294 | 527,122 | 85,172 |
| Debt service | 373,420 | 605,534 | 415,792 | 189,742 |
| Capital outlay | 2,528,652 | 2,404,033 | 1,802,206 | 601,827 |
| Total expenditures | 20,407,157 | 20,413,364 | 18,208,209 | 2,205,155 |
| Excess (deficiency) of revenues over (under) expenditures | (3,605,510) | (3,227,409) | (1,241,877) | 1,985,532 |
| Other financing sources (uses) | | | | |
| Transfers in | 3,650,257 | 3,705,657 | 3,846,332 | 140,675 |
| Transfers out | (1,473,970) | (1,506,370) | (1,651,255) | (144,885) |
| Debt issuance | - | - | 44,958 | 44,958 |
| Total other financing sources (uses) | 2,176,287 | 2,199,287 | 2,240,035 | 40,748 |
| Net change in fund balance | (1,429,223) | (1,028,122) | 998,158 | 2,026,280 |
| Fund balance - beginning | 7,732,745 | 7,732,745 | 7,732,745 | - |
| Fund balance - ending | \$ 6,303,522 | \$ 6,704,623 | \$ 8,730,903 | \$ 2,026,280 |

See accompanying notes

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Fines and Forfeitures
Year Ended September 30, 2009

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|-------------------------------------------------|-------------------------|--------------------|---------------------------|--------------------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 4,048,273 | \$ 4,048,273 | \$ 3,921,226 | \$ (127,047) |
| Intergovernmental | 2,000 | 2,000 | 3,049 | 1,049 |
| Charges for services | 65,500 | 65,500 | 66,450 | 950 |
| Miscellaneous revenues | - | - | 3,773 | 3,773 |
| Total revenues | 4,115,773 | 4,115,773 | 3,994,498 | (121,275) |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 1,730,481 | 1,492,481 | 1,315,752 | 176,729 |
| Court related | 13,300 | 148,300 | 10,343 | 137,957 |
| Capital outlay | 46,100 | 46,100 | 7,807 | 38,293 |
| Total expenditures | 1,789,881 | 1,686,881 | 1,333,902 | 352,979 |
| Excess of revenues over expenditures | 2,325,892 | 2,428,892 | 2,660,596 | 231,704 |
| Other financing sources (uses) | | | | |
| Transfers out | (2,176,287) | (2,199,287) | (2,199,287) | - |
| Total other financing sources (uses) | (2,176,287) | (2,199,287) | (2,199,287) | - |
| Net change in fund balance | 149,605 | 229,605 | 461,309 | 231,704 |
| Fund balance - beginning | 345,874 | 345,874 | 345,874 | - |
| Fund balance - ending | \$ 495,479 | \$ 575,479 | \$ 807,183 | \$ 231,704 |

See accompanying notes

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Construction and Acquisition
Year Ended September 30, 2009

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|----------------------------------------------------------------------|-------------------------|--------------|---------------------------|--------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Investment earnings and other | \$ - | \$ - | \$ 58,395 | \$ 58,395 |
| Total revenues | - | - | 58,395 | 58,395 |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 3,185,000 | 3,185,000 | 1,974,947 | 1,210,053 |
| Capital outlay | - | - | 83,740 | (83,740) |
| Total expenditures | 3,185,000 | 3,185,000 | 2,058,687 | 1,126,313 |
| Excess (deficiency) of revenues over (under) expenditures | (3,185,000) | (3,185,000) | (2,000,292) | 1,184,708 |
| Fund balance - beginning | 2,425,980 | 2,425,980 | 2,425,980 | - |
| Fund balance - ending | \$ (759,020) | \$ (759,020) | \$ 425,688 | \$ 1,184,708 |

See accompanying notes

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Beach Renourishment
Year Ended September 30, 2009

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|----------------------------------------------------------------------|-------------------------|---------------------|---------------------------|--------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental | \$ 6,516,667 | \$ 6,516,667 | \$ 4,503,485 | \$ (2,013,182) |
| Investment earnings and other | - | - | 13,494 | 13,494 |
| Total revenues | 6,516,667 | 6,516,667 | 4,516,979 | (1,999,688) |
| Expenditures | | | | |
| Current | | | | |
| Physical environment | 6,516,667 | 9,286,667 | 8,428,859 | 857,808 |
| Total expenditures | 6,516,667 | 9,286,667 | 8,428,859 | 857,808 |
| Excess (deficiency) of revenues over (under) expenditures | - | (2,770,000) | (3,911,880) | (1,141,880) |
| Fund balance - beginning | 4,768,131 | 4,768,131 | 4,768,131 | - |
| Fund balance - ending | \$ 4,768,131 | \$ 1,998,131 | \$ 856,251 | \$ (1,141,880) |

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Debt Service Public Improvement
Year Ended September 30, 2009

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|----------------------------------------------------------------------|------------------|--------------|-------------------|----------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 371,544 | \$ 371,544 | \$ 351,670 | \$ (19,874) |
| Intergovernmental | 516,469 | 516,469 | 496,105 | (20,364) |
| Investment earnings and other | 2,433 | 2,433 | 8,236 | 5,803 |
| Total revenues | 890,446 | 890,446 | 856,011 | (34,435) |
| Expenditures | | | | |
| Debt service | 992,209 | 992,209 | 990,329 | 1,880 |
| Total expenditures | 992,209 | 992,209 | 990,329 | 1,880 |
| Excess (deficiency) of revenues over (under) expenditures | (101,763) | (101,763) | (134,318) | (32,555) |
| Fund balance - beginning | 1,184,799 | 1,184,799 | 1,184,799 | - |
| Fund balance - ending | \$ 1,083,036 | \$ 1,083,036 | \$ 1,050,481 | \$ (32,555) |

See accompanying notes

Gulf County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2009

Business-type Activities / Enterprise Funds

| | Oak Grove | Highland View Water System | Williamsburg and Methodist Hill | Total Business-type Funds |
|----------------------------------------------------|--------------|----------------------------------|------------------------------------------|---------------------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 55,020 | \$ 61,233 | \$ - | \$ 116,253 |
| Total current assets | 55,020 | 61,233 | - | 116,253 |
| Noncurrent assets | | | | |
| Capital assets | | | | |
| Land | 737 | - | - | 737 |
| Buildings and utility system | 269,453 | - | 571,925 | 841,378 |
| Less allowance for depreciation | (208,818) | - | (228,774) | (437,592) |
| Total noncurrent assets | 61,372 | - | 343,151 | 404,523 |
| Total assets | 116,392 | 61,233 | 343,151 | 520,776 |
| Liabilities | | | | |
| Total liabilities | - | - | - | - |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 61,372 | - | 343,151 | 404,523 |
| Unrestricted | 55,020 | 61,233 | - | 116,253 |
| Total net assets | \$ 116,392 | \$ 61,233 | \$ 343,151 | \$ 520,776 |

See accompanying notes

Gulf County, Florida
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended September 30, 2009

Business-type Activities / Enterprise Funds

| | Oak Grove | Highland View Water System | Williamsburg and Methodist Hill | Total Business-type Funds |
|---------------------------------------------|--------------|----------------------------------|------------------------------------------|---------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Operating expenses | | | | |
| Depreciation | 6,736 | - | 14,300 | 21,036 |
| Total operating expenses | 6,736 | - | 14,300 | 21,036 |
| Operating income (loss) | (6,736) | - | (14,300) | (21,036) |
| Nonoperating revenues (expenses) | | | | |
| Interest income | 823 | 634 | - | 1,457 |
| Total nonoperating revenues (expenses) | 823 | 634 | - | 1,457 |
| Change in net assets | (5,913) | 634 | (14,300) | (19,579) |
| Net assets - beginning | 122,305 | 60,599 | 357,451 | 540,355 |
| Net assets - ending | \$ 116,392 | \$ 61,233 | \$ 343,151 | \$ 520,776 |

See accompanying notes

Gulf County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2009

| Business-type Activities / Enterprise Funds | | | | |
|------------------------------------------------------|----------------------|-------------------------------------------|----------------------------------------------------|------------------------------------------|
| | Oak Grove | Highland View Water System | Williamsburg and Methodist Hill | Total Business-type Funds |
| Investing activities | | | | |
| Interest earned | \$ 823 | \$ 634 | \$ - | \$ 1,457 |
| Net increase in cash and cash equivalents | 823 | 634 | - | 1,457 |
| Cash and cash equivalents - beginning | 54,197 | 60,599 | - | 114,796 |
| Cash and cash equivalents - ending | \$ 55,020 | \$ 61,233 | \$ - | \$ 116,253 |

(Continued)

Gulf County, Florida
Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended September 30, 2009

| Business-type Activities / Enterprise Funds | | | | |
|-----------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------------|----------------------------------------------------|------------------------------------------|
| | Oak Grove | Highland View Water System | Williamsburg and Methodist Hill | Total Business-type Funds |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Operating income (loss) | \$ (6,736) | \$ - | \$ (14,300) | \$ (21,036) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Depreciation | 6,736 | - | 14,300 | 21,036 |
| Total adjustments | 6,736 | - | 14,300 | 21,036 |
| Net cash provided by (used in) operating activities | \$ - | \$ - | \$ - | \$ - |

Gulf County, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009

| | Agency Funds |
|---------------------------|-------------------------|
| <hr/> | |
| Assets | |
| Cash and cash equivalents | \$ 493,940 |
| Accounts receivable (net) | 1,910 |
| Due from other funds | 251 |
| <hr/> | |
| Total assets | \$ 496,101 |
| <hr/> | |
| Liabilities | |
| Accounts payable | \$ 12,621 |
| Due to individuals | 317,181 |
| Due to other funds | 32,519 |
| Due to other governments | 133,780 |
| <hr/> | |
| Total liabilities | \$ 496,101 |
| <hr/> | |

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Gulf County, Florida (County) located in Northwest Florida, is a political subdivision of the State of Florida and provides services to approximately 16,000 residents in many areas including general government, public safety, physical environment, transportation, economic environment, human services, and culture and recreation. The County is governed by a five-member elected Board of County Commissioners (Board), which derives its authority from Florida Statutes and regulations. In addition to the members of the Board, there are five elected constitutional officers: Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections.

The elected offices of the Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser, and Supervisor of Elections are operated as separate County agencies in accordance with applicable provisions of Florida Statutes. These constitutional officers operate on a budget system whereby County-appropriated funds are received from the Board and unexpended funds are returned to the Board. The Clerk of the Circuit Court operates as a fee officer by retaining various fees collected by this office and billing the Board for certain services provided. Separate accounting records and budgets are maintained by each individual office.

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the financial reporting entity consists of the primary government (composed of the Board of County Commissioners and Constitutional Officers) and the County's component units, for which the primary government is considered to be financially accountable. Also included are other entities whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB Statement No. 14 to determine whether the entity is: a) part of the primary government; b) a component unit which should be included in the reporting entity (blended or discretely presented); or c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include the legal separateness of the organization, the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit, or the potential component unit's fiscal dependency on the primary government. The dependent special districts, Howard Creek Fire Control, Overstreet Fire Control, St. Joe Fire Control, Tupelo Fire Control, and Highland View Water and Sewer District are considered component units, and are blended in the financial statements of the County as part of the enterprise funds and the special revenue funds. There are no other entities for which there were positive responses to specific criteria used for establishing oversight responsibility that were excluded from the County's financial statements.

The County was established by the Constitution of the State of Florida, Article VIII, Section 1(e). Dependent special districts were created as follows: Highland View Water and Sewer District, Laws of Florida Chapter 61-2212; Howard Creek Fire District, Laws of Florida Chapter 79-467; Overstreet Fire District, Laws of Florida Chapter 78-513; St. Joe Fire District, Laws of Florida Chapter 47-24541; and Tupelo Fire District, Laws of Florida Chapter 70-696.

All Fire Districts were conformed and re-established by County Ordinance #1996 -12.

The accounting policies of the County conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the significant accounting policies:

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units, if any, for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and, b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports five major governmental funds:

- General fund - The general fund is the County's primary operating fund. It is used to account for all resources traditionally associated with governmental activities except those required to be accounted for in other funds.
- Fines and forfeitures - This fund is used to account for the fines and ad valorem taxes earmarked for law enforcement and corrections.
- Construction and acquisition - This fund is used to account for activity relating to the construction and acquisition of assets.
- Beach renourishment - This fund is used to account for the activity relating to the Cape San Blas beach renourishment and reconstruction project.
- Debt service public improvement – This fund is used to account for the accumulation of resources for, and the payment of, gas tax refunding and improvement revenue bonds.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County reports each of the enterprise funds as major funds. Each fund is used to account for the activity of the utility for the area served.

The County reports one type of fiduciary fund, agency funds which are used to account for the collection and disbursement of funds by the County on behalf of other governments and individuals.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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 County's enterprise activities are operated and maintained by local cities. The County receives the amounts billed to customers for the required debt service and bond payments. The terms of these interlocal agreements are described in note 18.

Enterprise Activities

For enterprise activities, the County applies all applicable GASB pronouncements. Additionally, the County applies pronouncements issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB) and its predecessor bodies, unless those pronouncements conflict with or contradict GASB pronouncements. Pursuant to GASB Statement No. 20, the County has elected not to apply FASB statements and interpretations issued after November 30, 1989.

Budgets and Budgetary Accounting

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the County's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. All budget changes that affect the total of a fund's budget must be approved by the Board.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The budgetary information presented for the general fund and any major governmental funds is prepared on the modified accrual basis. Encumbrances are not recorded. Unexpended items at year-end must be reappropriated in the subsequent year.

Cash and Cash Equivalents

Cash and cash equivalents consist of those deposits made locally in commercial banks and investments purchased through the State Board of Administration and the Florida Local Government Investment Trust. All deposits in commercial banks are with qualified public depositories authorized by Chapter 280, Florida Statutes. The deposits are insured through FDIC and Florida's multiple financial institution collateral pool. The State Board of Administration and the Florida Local Government Investment Trust deposits are maintained in investment pools which invest primarily in highly liquid commercial paper, repurchase agreements, bankers' acceptance notes and United States Government obligations.

The County follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, in reporting on investments owned. Generally, this statement requires various investments be reported at fair value, including debt securities and open-ended mutual funds.

Accounts Receivable

The County's and its component units accounts receivable, other than ambulance service accounts receivable as described in note -12, are deemed to be entirely collectible. Therefore, an allowance for uncollectible accounts receivable has not been recorded.

Due from (to) Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to 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" when applicable.

Inventories

Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased in the governmental funds. The balance of physical inventory on hand at fiscal year end has not been recorded because the amount is not considered material.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, right of ways, stormwater system, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Machinery and equipment with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year are recorded as capital assets. Buildings, roads, bridges, and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

lives of more than one year. Capital assets are recorded at historical cost when purchased or constructed or estimated historical cost if actual cost is unknown. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend its useful life is expensed as incurred.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which are generally as follows:

| | |
|-------------------------|-------------|
| Buildings | 50 years |
| Improvements | 50 years |
| Machinery and equipment | 5-20 years |
| Infrastructure | 15-25 years |

Major outlays for capital assets and improvements are capitalized as projects are constructed. For assets constructed with governmental fund resources, interest during the construction period is not capitalized.

Deferred Revenues

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

Compensated Absences

The County maintains a policy that permits employees to accumulate earned but unused vacation and sick pay benefits that will be paid to employees upon separation from County service if certain criteria are met. These benefits, plus their related tax and retirement costs are classified as compensated absences. Employees may be paid for unused vacation hours accrued up to a maximum amount. Payment of unused sick leave, upon termination, is also provided for up to varying amounts.

Both the current and long-term portion of compensated absences are accrued and reported in the government-wide financial statements. No expenditure is reported in the government fund level statements for these amounts until payment is made. Compensated absences liability is based on current rates of pay. This is accounted for pursuant to GASB Statement No. 16, *Accounting for Compensated Absences*.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

taxes at a rate of up to 10 mills for general operations. The 2009 millage rate assessed by the County was 4.8949 mills.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills for general operations. The 2009 millage rate assessed by the County was 4.8949 mills.

The tax levy of the County is established by the Board prior to October 1, of each year and the Property Appraiser incorporates the County millage rates into the total tax levy, which includes the various municipalities, the county school board, and other taxing authorities.

All property is assessed according to its fair market value January 1, of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes become payable on November 1, of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. Taxes paid in March are without discount.

On or prior to June 1, following the tax year, tax certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold tax certificates are held by the County.

Reserves and Designations of Fund Equity

Reserves indicate that portion of fund balance or net assets that is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended. Designated portions of fund equity represent management's tentative future spending plans. Such designations should be clearly distinguished from reserves, since managerial plans are subject to change and may never be legally authorized or result in actual expenditures.

Use of 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 from those estimates.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Restricted Assets

It is generally the practice of the County to utilize restricted net assets before unrestricted net assets when possible.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances do not represent expenditures or liabilities. Encumbrances outstanding at year end lapse and are reappropriated in the subsequent year.

Long-Term Obligations

In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Subsequent Events

Management evaluates subsequent events for possible inclusion in the financial statement disclosures through the issuance date of the financial statements.

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 of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$24,641,319 difference are as follows:

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------|----|------------|
| Bonds payable | \$ | 20,705,000 |
| Installment contracts and notes payable | | 517,174 |
| Landfill closure liabilities | | 2,211,966 |
| Compensated absences | | 1,207,179 |
| <hr/> | | |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i> | \$ | 24,641,319 |

Notes to Financial Statements

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

Another element of that reconciliation states, "capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this \$48,066,356 difference are as follows:

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------|----|--------------|
| Cost of capital assets | \$ | 71,127,004 |
| Less: accumulated depreciation | | (23,060,648) |
| <hr/> | | |
| Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i> | \$ | 48,066,356 |

Explanation of certain differences between the governmental funds statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - 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 those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(394,262) difference are as follows:

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-------------|
| Capital outlay | \$ | 2,569,446 |
| Depreciation expense | | (2,974,635) |
| <hr/> | | |
| Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> | \$ | (405,189) |

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds" and "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$(112,245) difference are as follows:

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------|
| Increase in compensated absences | \$ | (112,245) |
| <hr/> | | |
| Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> | \$ | (112,245) |

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits Policies

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

Investments Policies

Florida Statutes, Section 218.415, authorizes the County 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 United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

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

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

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

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

Overnight Repos (Repurchase Agreement) and Term Repos with maturities of less than 30 days.

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Corporate Securities rated AA/Aa by Standard & Poors and Moody's.

Qualified Purchaser Funds (3(c)(7)funds) securities of an open-end management type investment company or investment fund advised by a Registered Advisor under rule 3(c)(7) of the Federal Investment Company Act of 1940, provided that the funds investment guidelines state that the fund will seek to maintain a \$1 per share net asset value.

Auction Rate Securities rate AAA/aaa.

Florida Statutes provide that funds awaiting clearing may be invested. Pursuant to an agreement with a local financial institution, cash on deposit, including the County's float, was invested overnight in United States Treasury Obligations per the repurchase agreement.

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

As of September 30, 2009, the County's deposits consisted of the following:

| | Fair Value | Weighted Average Maturity (months) |
|-------------------------------------------|-------------------|-----------------------------------------------|
| Florida Local Government Investment Trust | \$ 585,889 | Demand |
| Total | \$ 585,889 | |

Custodial Credit Risk of Deposits

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

Interest Rate Risk

At September 30, 2009, the County did not hold any investments that were considered to be an interest rate risk.

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)Credit Risks

At September 30, 2009, the County did not hold any investments that were considered to be a credit risk.

Custodial Risk

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

Concentration of Credit Risk

At September 30, 2009, the County did not hold any investments that were considered to be a concentration of credit risk.

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

Internal balances at September 30, 2009, consisted of the following:

| | Interfund Receivables | Interfund Payables |
|---------------------------------|----------------------------------|-------------------------------|
| General fund | \$ 280,981 | \$ 435,562 |
| Special revenue funds | | |
| Nonmajor governmental funds | 141,186 | 7,329 |
| Debt service public improvement | 52,992 | - |
| Total special revenue funds | 194,178 | 7,329 |
| Agency funds | - | 32,268 |
| Total | \$ 475,159 | \$ 475,159 |

The general fund has amounts due to and from constitutional officers, which represent the return of excess appropriations due at the end of the fiscal year, from either budget officers or fee officers.

Notes to Financial Statements

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

All remaining balances resulted from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2009, consisted of the following:

| | Transfers In | Transfers Out |
|-----------------------|---------------------|---------------------|
| General fund | \$ 3,846,332 | \$ 1,651,255 |
| Special revenue funds | | |
| Fines and forfeitures | - | 2,199,287 |
| Sheriff | 4,210 | - |
| Total | \$ 3,850,542 | \$ 3,850,542 |

The transfers were for budgeted operations.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

| Governmental activities | September 30, 2008 | Increases | Decreases | September 30, 2009 |
|----------------------------------------------------|-----------------------|------------------|--------------------|-----------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 3,639,409 | \$ 184,192 | \$ - | \$ 3,823,601 |
| Construction in progress | 2,182,327 | 1,361,569 | (1,129,154) | 2,414,742 |
| Total capital assets, not being depreciated | 5,821,736 | 1,545,761 | (1,129,154) | 6,238,343 |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 13,296,911 | 83,447 | - | 13,380,358 |
| Machinery and equipment | 16,220,775 | 993,500 | (698,983) | 16,515,292 |
| Infrastructure | 33,863,857 | 1,129,154 | - | 34,993,011 |
| Total capital assets, being depreciated | 63,381,543 | 2,206,101 | (698,983) | 64,888,661 |
| Less accumulated depreciation | | | | |
| Infrastructure | 8,502,081 | 813,052 | - | 9,315,133 |
| Buildings and improvements | 4,465,453 | 376,493 | - | 4,841,946 |
| Machinery and equipment | 7,752,820 | 1,785,090 | (634,341) | 8,903,569 |

Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

| Governmental activities | September 30, 2008 | Increases | Decreases | September 30, 2009 |
|---------------------------------------------------------------------------------|-------------------------------|------------------|------------------|-------------------------------|
| Total accumulated depreciation | \$ 20,720,354 | \$ 2,974,635 | \$ (634,341) | \$ 23,060,648 |
| Total capital assets, being depreciated (net) | 42,661,189 | (768,534) | (64,642) | 41,828,013 |
| Total governmental activities' capital assets (net of accumulated depreciation) | \$ 48,482,925 | \$ 777,227 | \$ (1,193,796) | \$ 48,066,356 |

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

| | |
|-------------------------------------------------------------|---------------------|
| General government | \$ 179,841 |
| Public safety | 994,249 |
| Physical environment | 407,285 |
| Transportation | 1,046,242 |
| Economic environment | 41,996 |
| Human services | 162,792 |
| Culture and recreation | 126,319 |
| Court related | 15,911 |
| Total depreciation expense - governmental activities | \$ 2,974,635 |

| Business activities | September 30, 2008 | Increases | Decreases | September 30, 2009 |
|----------------------------------------------------------------------------------|-------------------------------|------------------|------------------|-------------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 737 | \$ - | \$ - | \$ 737 |
| Total capital assets, not being depreciated | 737 | - | - | 737 |
| Capital assets, being depreciated | | | | |
| Buildings and utility systems | 841,378 | - | - | 841,378 |
| Other improvements | - | - | - | - |
| Equipment | - | - | - | - |
| Total capital assets, being depreciated | 841,378 | - | - | 841,378 |
| Less accumulated depreciation | (416,556) | (21,036) | - | (437,592) |
| Total capital assets, being depreciated (net) | 424,822 | (21,036) | - | 403,786 |
| Total business-type activities' capital assets (net of accumulated depreciation) | \$ 425,559 | \$ (21,036) | \$ - | \$ 404,523 |

Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the water fund for the year ended September 30, 2009 was \$21,036.

NOTE 7 – LONG-TERM DEBT

Long-term debt of the County at September 30, 2009, is as follows:

| Bonds Payable | Balance September 30, 2008 | Additions | Deductions | Balance September 30, 2009 | Due Within One Year |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------|-----------------------|----------------------------------|---------------------------|
| Board of County Commissioners | | | | | |
| Gas Tax Revenue Bonds, Series 2006; proceeds used for capital improvements, refunding of 1995 gas tax refunding and improvement revenue bonds and Series 2001 gas tax revenue bonds (note 7-A). | \$ 14,435,000 | \$ - | \$ (360,000) | \$ 14,075,000 | \$ 375,000 |
| Ad Valorem Tax Bonds, Series 2006; proceeds used for capital improvements (note 7-B). | 8,125,000 | - | (1,495,000) | 6,630,000 | 1,555,000 |
| Total governmental activities bonds payable | \$ 22,560,000 | \$ - | \$ (1,855,000) | \$ 20,705,000 | \$ 1,930,000 |

| Notes Payable | Balance September 30, 2008 | Additions | Deductions | Balance September 30, 2009 | Due Within One Year |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------|-------------|----------------------------------|---------------------------|
| Board of County Commissioners | | | | | |
| Note payable to bank, payable in annual payments of \$28,599 including interest at 4.25%, secured by ambulance. | \$ 27,418 | \$ - | \$ (27,418) | \$ - | \$ - |
| Note payable to bank, payable in annual payments of \$22,486 including interest at 3.98%, secured by land. | 42,022 | - | (20,804) | 21,218 | 21,218 |
| Note payable to bank, payable in annual payments of \$54,946 including interest at 3.37%, secured by fire department truck. | 104,576 | - | (51,422) | 53,154 | 53,154 |

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

| Notes Payable (Continued) | Balance September 30, 2008 | Additions | Deductions | Balance September 30, 2009 | Due Within One Year |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------|---------------------|-------------------------------------------|------------------------------------|
| Board of County Commissioners | | | | | |
| Note payable to bank in annual payments of \$9,804 including interest at 4.22%, unsecured. | \$ 27,093 | \$ - | \$ (8,310) | \$ 18,783 | \$ 9,376 |
| Note payable to bank, payable in annual payments of \$33,983 including interest at 4.3%. | 122,467 | - | (28,746) | 93,721 | 29,952 |
| Note payable to bank in annual payments of \$27,583 including interest at 4.95%, secured by equipment. | 51,271 | - | (51,271) | - | - |
| Note payable to bank in annual payments of \$109,003 including interest at 3.63%, secured by equipment, maturing in 2012. | 399,146 | - | (94,514) | 304,632 | 97,945 |
| Total governmental activities notes payable | \$ 773,993 | \$ - | \$ (282,485) | \$ 491,508 | \$ 211,645 |

| Installment Contracts | Balance September 30, 2008 | Additions | Deductions | Balance September 30, 2009 | Due Within One Year |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------|-------------------|-------------------------------------------|------------------------------------|
| Board of County Commissioners | | | | | |
| Installment purchase agreement for tub grinder, payable in five annual installments of \$60,098 including interest at 3.52%. | \$ 58,057 | \$ - | \$ (58,057) | \$ - | \$ - |
| Installment purchase agreement for a tractor, payable in annual installments of \$24,681 including interest at 5.2%. | 23,461 | - | (23,461) | - | - |
| Total installment contracts Board of County Commissioners | 81,518 | - | (81,518) | - | - |

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

| | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------|-----------------------|----------------------|---------------------|--|
| Installment Contracts Sheriff | | | | | | |
| Installment purchase agreement for communication equipment, payable in annual installments of \$21,053 including interest at 4%. | \$ 40,344 | \$ - | \$ (40,344) | \$ - | \$ - | |
| Installment purchase agreement for nine vehicles, payable in monthly installments of \$6,450 including interest at 5%. | 45,618 | - | (45,618) | - | - | |
| Installment purchase agreement for one vehicle, payable in monthly installments of \$1,629 including interest at 7.096%. | - | 18,816 | (17,197) | 1,619 | 1,619 | |
| Installment purchase agreement for one vehicle, payable in monthly installments of \$2,275 including interest at 8%. | - | 26,142 | (2,095) | 24,047 | 24,047 | |
| Total installment contracts Sheriff | 85,962 | 44,958 | (105,254) | 25,666 | 25,666 | |
| Total governmental activities installment contracts | \$ 167,480 | \$ 44,958 | \$ (186,772) | \$ 25,666 | \$ 25,666 | |
| Long-term landfill closure and postclosure liability (note 13). | \$ 2,290,494 | \$ - | \$ (78,528) | \$ 2,211,966 | \$ - | |
| Liability for compensated Absences | 1,094,932 | 134,641 | (22,394) | 1,207,179 | 366,672 | |
| Total governmental activities bonds, notes payable and other long-term debt | \$ 26,886,899 | \$ 179,599 | \$ (2,425,179) | \$ 24,641,319 | \$ 2,533,983 | |

Future debt service requirements on long-term debt are summarized below:

| Year Ending September 30, | Series 2006 Capital Improvement Refunding Bonds | | Series 2006 Capital Improvement Revenue Bonds | |
|------------------------------|-------------------------------------------------------|---------------------|-----------------------------------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 375,000 | \$ 612,244 | \$ 1,555,000 | \$ 292,575 |
| 2011 | 390,000 | 596,944 | 1,620,000 | 230,375 |
| 2012 | 405,000 | 581,044 | 1,700,000 | 149,375 |
| 2013 | 420,000 | 564,544 | 1,755,000 | 87,750 |
| 2014 | 435,000 | 529,644 | - | - |
| 2015-2019 | 2,470,000 | 2,442,470 | - | - |
| 2020-2024 | 3,030,000 | 1,867,978 | - | - |
| 2025-2029 | 3,815,000 | 1,052,420 | - | - |
| 2030-2032 | 2,735,000 | 182,765 | - | - |
| Total | \$ 14,075,000 | \$ 8,430,053 | \$ 6,630,000 | \$ 760,075 |

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT AND ENTERPRISE FUND BONDS PAYABLE (CONTINUED)

| Year Ending September 30, | Notes Payable | | Installment Contracts | |
|------------------------------|---------------|-----------|-----------------------|----------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 211,645 | \$ 18,542 | \$ 25,666 | \$ 993 |
| 2011 | 142,148 | 10,647 | - | - |
| 2012 | 137,715 | 5,221 | - | - |
| Total | \$ 491,508 | \$ 34,410 | \$ 25,666 | \$ 993 |

■ **Bonds Payable and Pledged Revenues**

- (A) 4% \$14,745,000 Gas Tax Refunding and Improvement Revenue Bonds Series 2006 - \$14,075,000 balance. These bonds were issued in September 2006, for the purpose of (i) financing the cost of the acquisition, construction, paving enlargement or other improvements of certain roads and transportation systems within the County; (ii) refund all of the County's Outstanding Gas Tax Refunding and Improvement Revenue Bonds, Series 1995 and all of the County's Outstanding Gas Tax Revenue Bonds, Series 2001; (iii) paying the cost of the premium of a Surety Bond to fund the Reserve Account; and (iv) paying certain costs incurred in connection with the issuance of the Series 2006 Bonds. The Series 2006 bonds, mature serially beginning October 1, 2007 and are subject to redemption prior to maturity. The bonds are payable from and secured by a lien upon and pledge of (i) the Local Option Gas Tax, (ii) the Constitutional Gas Tax, (iii) the County Gas Tax., and (iv) interest earnings on certain funds. The remaining principal and interest payments on this debt as of September 30, 2009 was \$22,505,053. Annual principal and interest payments on the bond required 79% of pledged revenues. Principal and interest payments paid for the current year and pledged revenues for the year were \$994,144 and \$1,265,492 respectively.

A portion of the proceeds from the series 2006 bonds have been placed in an irrevocable escrow account and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payment of interest and principal on the series 1995 Tax Bonds and the series 2001 Gas Tax Revenue Bonds. These refunded bonds have not been included in the County's outstanding long-term debt since the County has legally satisfied its obligation with respect thereto through the consumption of the refunding transaction described therein.

- (B) 3.625% to 5.0% \$10,790,000 Ad Valorem Tax Revenue Bonds, Series 2006 - \$6,630,000 balance. These bonds were issued in December 2006, to be used for (i) beachfront renourishment and reconstruction in Cape San Blas (ii) fund a Debt Service Reserve Fund and (iii) pay certain costs and expenses related to the issuance of the bond. The Bonds mature serially beginning on August 1, 2007 and are not subject to redemption prior to their stated maturities. The principle and interest on the bonds are payable from and secured by a limited pledge of the ad valorem taxing power of the County within its Cape San Blas Gulfside Municipal Taxing Unit and its Cape San Blas Gulfside Interior Municipal Services Taxing Unit and shall not exceed 6 mills and 4 mills, respectively. The remaining principal and interest payments on this debt as of September 30, 2009 was \$7,390,075. Annual principal and interest payments on the bond required 97% of pledged revenues. Principal and interest payments paid for the current year and pledged revenues for the year were \$1,847,375 and \$1,897,724 respectively.

Notes to Financial Statements

NOTE 8 – NET ASSET RESTRICTIONS

The government-wide statement of net assets reports \$3,934,332 of restricted net assets, of which \$1,601,912 is restricted by enabling legislation at September 30, 2009.

NOTE 9 – EMPLOYEE BENEFITS***Retirement Plan*****Plan Description**

The County and the elected officials participate in the Florida Retirement System (FRS) a cost-sharing, multiple employer defined benefit public retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, Tallahassee, Florida 32399-1560, or by accessing their internet site at www.dos.state.fl.us/fgils/retirement.

The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement.

FRS also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage is employee noncontributory. The employer pays all contributions.

Funding Policy

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers pay all contributions at rates determined each year by the legislature. The rates, as a percentage of gross earnings, are as follows:

| | October 1, 2008 Through June 30, 2009 | July 1, 2009 Through September 30, 2009 |
|---------------------------------|------------------------------------------------------|--------------------------------------------------------|
| Regular class | 9.85% | 9.85% |
| Senior management service class | 13.12% | 13.12% |
| Elected County officials' class | 16.53% | 16.53% |
| Special risk employees' class | 20.92% | 20.92% |
| DROP plan participants | 10.91% | 10.91% |

Notes to Financial Statements

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

Contribution rates equal actuarial determined rates. During the year ended September 30, 2009, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

| | Payroll Expense | Retirement Contributions |
|-------------------------------|----------------------------|-------------------------------------|
| Board of County Commissioners | \$ 3,896,747 | \$ 490,889 |
| Clerk of the Circuit Court | 657,672 | 73,107 |
| Sheriff | 1,400,861 | 251,915 |
| Property Appraiser | 219,459 | 27,730 |
| Tax Collector | 288,230 | 34,529 |
| Supervisor of Elections | 128,656 | 13,496 |
| Total | \$ 6,591,625 | \$ 891,666 |

The County's contributions to the Plan for the years ended September 30, 2009, 2008 and 2007 were \$891,666, \$879,926 and \$932,682 respectively, which equal the required contributions. For the year ended September 30, 2009 retirement contributions represent 14% of County's total covered payroll.

Effective July 1, 1998, the Legislature established a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed sixty months after electing to participate. Deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Effective for the 2008 – 2009 fiscal year, the County has implemented Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for retiree health insurance. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$813,585 at transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of implementation.

Plan Description

The County has established the Retiree's Health Insurance Other Post Employment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the County and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The County subsidizes the premium

Notes to Financial Statements

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The County currently has approximately 147 total active and retired employees eligible to receive these benefits. No stand alone report is issued for this plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the Florida Retirement System plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the Gulf County Board of County Commissioners. Currently, members receiving benefits pay the full cost (total premium) for medical coverage.

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

| <u>Coverage</u> | <u>Blueoptions 3559</u> | |
|--------------------|-------------------------|-------|
| Retiree | \$ | 453 |
| Retiree and Spouse | \$ | 767 |
| Retiree & Children | \$ | 723 |
| Retiree and Family | \$ | 1,025 |

The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the County provided contributions of \$46,887 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Annual OPEB Cost and Net OPEB Obligation

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

Notes to Financial Statements

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

| <u>Description</u> | |
|------------------------------------------------------|------------------|
| Normal cost (service cost for one year) | \$ 44,061 |
| Amortization of unfunded actuarial accrued liability | 47,050 |
| Annual required contribution | 91,111 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | 91,111 |
| Contribution toward the OPEB cost | 46,887 |
| Increase in net OPEB obligation | 44,224 |
| Net OPEB obligation, beginning of year | - |
| Net OPEB obligation, end of year | <u>\$ 44,224</u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2009 was as follows:

| <u>Year ending September 30,</u> | <u>Annual OPEB Cost</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------------------|-----------------------------|------------------------------------------------|--------------------------------|
| 2007 | N/A | N/A | N/A |
| 2008 | N/A | N/A | N/A |
| 2009 | \$ 91,111 | 51% | \$ 44,224 |

Funding Status and Funding Progress

The funding status and funding progress information can be found in the Schedule of Funding Progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions

The County had an actuarial valuation completed for the fiscal year ended September 30, 2009. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially

Notes to Financial Statements

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB actuarial valuation method used for the County was the unit credit actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the County employees. The actuarial assumptions include a 4% rate of return on investments for the County. The actuarial assumptions also include an annual healthcare cost trend rate. For the County, this rate begins with an initial rate for 2008-09 fiscal year of 6.10%. It fluctuates in the first four years reaching a future year's rate of 5.9%. The unfunded actuarial accrued liability is being amortized with a level dollar method. The remaining open amortization period at September 30, 2009 is 29 years.

NOTE 11 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and/or the public; or damage to property of others. The County purchases commercial insurance to cover their risk of losses. The County determined that it was not economically justifiable to carry comprehensive coverage on certain vehicles and equipment after approximately five years of ownership. The County carries liability insurance on the aforementioned vehicles and equipment. Insurance against losses are provided for the following types of risk:

- Workers' compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment

The County's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the County's experience for this type of risk.

The Sheriff participates in the Florida Sheriff's Self-Insurance Fund Program, administered by the Florida Sheriff's Association. The program is considered a public entity risk pool which purchases insurance policies on behalf of its members. The pool's members are not obligated for risk associated with such coverage. Coverage under this program includes general liability, public officials' liability and public employees' blanket bond.

The funding agreements provide that the self-insurance fund will be self-sustaining through member premiums and that the Sheriff's liability fund will reinsure through commercial companies. Aggregate coverage provided by the liability fund is \$3,500,000 for professional liability and \$3,500,000 for public officials' coverage.

Notes to Financial Statements

NOTE 11 – RISK MANAGEMENT (CONTINUED)

The Gulf County Sheriff determined that it was not economically justifiable to carry comprehensive coverage on all vehicles, but the Gulf County Sheriff carries liability insurance on the aforementioned vehicles. The Gulf County Sheriff currently covers all claim settlements and judgments out of available operating resources.

NOTE 12 – AMBULANCE SERVICES

The County has financial responsibility for providing ambulance services throughout the County. Ambulance accounts receivable, and revenues and expenditures are included in the general fund of the accompanying financial statements. Accounts receivable for the ambulance service for the year ended September 30, 2009 was \$224,730 which is net of \$171,472 allowance for uncollectible accounts.

NOTE 13 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the County place a final cover on its landfill sites when it ceases accepting waste, and perform certain maintenance and monitoring functions at the site for thirty years after closure. Currently, the County monitors two closed landfills and operates a Class III landfill and a construction debris landfill. Receipt of debris at the construction debris landfill has been indefinitely suspended and the County expects to officially close the landfill.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,211,966 reported as landfill closure and postclosure care liability at September 30, 2009, represents the cumulative amount reported to date based on the use of 70% of the estimated capacity of the landfill cells placed in use. The Board will recognize the remaining estimated cost of closure and postclosure care of \$1,980,957 as the remaining estimated capacity is filled (approximately 8 years). These amounts are based on what it would cost to perform closure and post-closure care in 2009 on those cells placed in use. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

The Board is required by state and federal laws to make annual contributions to an escrow account to finance a minimum of all closure costs. At September 30, 2009, the Board held deposits with a fair value of \$1,236,695 for these purposes that are reported as restricted assets on the balance sheet. This amount includes \$1,234,245 that is restricted for closing Five Points Landfill and \$2,450 that is restricted for long term care of Buckhorn Landfill. The Board expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care costs are determined to be required, these costs may need to be covered by charges to future landfill users or from future tax revenue.

Notes to Financial Statements

NOTE 14 – LEGAL PROCEEDINGS

The County is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's legal counsel that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the County.

NOTE 15 – LEASES

Lease to Raffield Fisheries, Inc., Cancellation of Note Receivable and Extinguishment of Note Payable

Through a series of transactions commencing in 1986 with Raffield Fisheries, Inc. ("Raffield"), Apalachee Regional Planning Council ("ARPC") and Gulf County, the County has obtained ownership to a freezer building and improvements from Raffield. In turn, these assets are leased to Raffield with the County and ARPC dividing all rent received equally. An agreement is in effect whereby ARPC would receive the sum of \$365,000 plus interest from any proceeds received by the County from disposal of the freezer building and improvements.

The lease is accounted for as an operating lease and the value of the Board's interest in the freezer building in the amount of \$315,000 is included in general fixed assets.

The County's share of rental proceeds or proceeds from a disposal of any of the property described above is restricted in a revolving loan fund and can be used to fund revolving loans or for debt repayment.

Industrial Park Lease

In May 2002, the Board entered into a sixteen year commercial lease/purchase agreement with Taunton Truss, Inc. ("Taunton"), whereby Taunton leases from the County a commercial building at an industrial park located on Highway 71, south of Wewahitchka, Florida. The monthly rental amount including principal and interest is \$2,356. Taunton is also required to create and maintain a specified number of jobs throughout the lease period.

Upon expiration of the lease, Taunton has the option to purchase the leased building for \$311,000 plus 5% interest from inception of the lease with the purchase price reduced by the principal portion of each rental payment.

The County accounts for this activity as a sales type lease in the Industrial Park special revenue fund. The total stream of future principal payments to be received is recorded as a lease receivable and deferred revenue. The remaining balance at September 30, 2009, was \$239,509. Rental payments are recorded as revenue when received, which is when measurable and available. The minimum lease payments to be received over the next five years are \$28,277 annually.

Notes to Financial Statements

NOTE 16 – GRANTS

The County participates in several state and federal grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for, or including, the year ended September 30, 2009, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the County's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined, although the County expects such amounts, if any, to be immaterial.

NOTE 17 – FUND EQUITY**Reserved Fund Equity**

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated as follows:

| Fund | Purpose | Amount |
|-------------------------------|------------------------------------|---------------------|
| Board of County Commissioners | | |
| General fund | Landfill escrow | \$ 1,236,695 |
| | Court technology | 68,886 |
| | Boating improvements | 136,662 |
| | Other programs | 47,709 |
| Special revenue funds | Law enforcement and drug awareness | 110,974 |
| | Mosquito Control | 986 |
| | Capital projects | 1,281,939 |
| Debt service fund | Repayment of long-term debt | 1,050,481 |
| Total | | \$ 3,934,332 |

NOTE 18 – COMMITMENTS

The Gulf County Board of County Commissioners has interlocal agreements with the Cities of Port St. Joe and Wewahitchka, Florida, to provide the method and mechanism for distribution of the New Money Portion of the Series 2006 Bonds as well as to provide for the cities' relinquishment of any rights to the local option fuel tax on motor fuel and diesel fuel. Pursuant to the interlocal agreements the County issued its Series 2006 Bonds which are secured, in part, by a pledge of, and first lien upon, the Gas Tax Revenues. The waiver of this entitlement to receive Gas Tax Revenues is valid until either the final maturity date of the Series 2006 Bonds or December 31, 2031, whichever comes first. In exchange for such waiver and relinquishment of entitlement to the Gas Tax Revenues, the County will provide paving, resurfacing and maintenance of the city roads expressly designated between the parties. The total transportation improvements to be provided by the County to the Cities of Port St. Joe and Wewahitchka are estimated to be approximately \$2,250,000 and \$960,000, respectively.

Notes to Financial Statements

NOTE 18 – COMMITMENTS (CONTINUED)

The Gulf County Sheriff has an interlocal agreement with the City of Wewahitchka, whereby personnel from the Sheriff's office provide law enforcement services to the City of Wewahitchka. As consideration therefore, the Sheriff receives payments of \$30,000 annually from the City.

The Gulf County Sheriff entered into a service agreement with the City of Port St. Joe Police Department, whereby the Sheriff provides all dispatching services required within the City of Port St. Joe. The City of Port St. Joe pays the Gulf County Sheriff the sum of \$15,750 per quarter, in consideration for these services.

NOTE 19 – WATER SYSTEM OPERATIONS

The County owns the two remaining water systems, Williamsburg/Methodist Hill and Oak Grove. The City of Wewahitchka operates the Williamsburg/Methodist Hill Water System. Although there is not an active inter-local agreement this water system continues to be operated by the City of Wewahitchka under the terms of the 1993 inter-local agreement which terminated in 1994. The City of Port St. Joe operates the Oak Grove Water System. Neither one of these water systems brings any revenue to the County. The only expense to the County for either of these two water systems is depreciation.

Required Supplementary Information

Gulf County, Florida
 Required Supplementary Information
 September 30, 2009

Schedule of Funding Progress for the Retiree's Health Insurance Other Post Employment Benefits Plan:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liabilities (AAL) | Unfunded Actuarial Liabilities (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|----------------------------------------------|------------------------------------------------|-----------------|------------------------------|--------------------------------------------------|
| October 1, 2006 | N/A | N/A | N/A | N/A | N/A | N/A |
| October 1, 2007 | N/A | N/A | N/A | N/A | N/A | N/A |
| October 1, 2008 | - | \$ 813,585 | \$ 813,585 | 0.0% | N/A | N/A |

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

| Fiscal Year Ended September 30, | Actual Contribution | Annual Required Contribution | Percentage Contributed |
|------------------------------------|------------------------|---------------------------------|---------------------------|
| 2007 | N/A | N/A | N/A |
| 2008 | N/A | N/A | N/A |
| 2009 | \$ 46,887 | \$ 91,111 | 51% |

Combining Financial Statements

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009

Special Revenue

| | County Road and Bridge | Secondary Road and Bridge | Tourist Development Trust | Sheriff's Special Revenue | DRI/EAR Impact | Clerk Modernization Trust |
|--------------------------------------------|------------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------|---------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 495,316 | \$ 256,857 | \$ 671,383 | \$ 6,059 | \$ 208,592 | \$ 253,014 |
| Due from other funds | - | - | - | - | - | 4,907 |
| Due from other governments | - | - | 46,064 | - | - | - |
| Accounts receivable (net) | - | - | 36,789 | - | - | - |
| Notes receivable | - | - | - | - | - | - |
| Leases receivable | - | - | - | - | - | - |
| Total assets | \$ 495,316 | \$ 256,857 | \$ 754,236 | \$ 6,059 | \$ 208,592 | \$ 257,921 |
| Liabilities and fund balances | | | | | | |
| Liabilities | | | | | | |
| Vouchers payable | \$ 46,128 | \$ - | \$ 10,037 | \$ - | \$ - | \$ 5,263 |
| Due to other funds | - | - | 7,317 | - | - | 5 |
| Due to other governments | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Total liabilities | 46,128 | - | 17,354 | - | - | 5,268 |
| Fund balances | | | | | | |
| Reserved for other purposes | - | - | - | - | - | - |
| Unreserved | 449,188 | 256,857 | 736,882 | 6,059 | 208,592 | 252,653 |
| Total fund balances | 449,188 | 256,857 | 736,882 | 6,059 | 208,592 | 252,653 |
| Total liabilities and fund balances | \$ 495,316 | \$ 256,857 | \$ 754,236 | \$ 6,059 | \$ 208,592 | \$ 257,921 |

(Continued)

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2009

| Special Revenue | | | | | | | |
|----------------------------------------|-------------------------------------------|---------------------|------------------------------------------|-------------------------------------|------------------------------------|----------------------------------------|--|
| | Administrative Order 86-12 | HUD CDBG | Howard Creek Fire Control | St. Joe Fire Control | Tupelo Fire Control | Overstreet Fire Control | |
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 151,761 | \$ 216,064 | \$ 1,098 | \$ 1,569,257 | \$ 37,278 | \$ 10,320 | |
| Due from other funds | - | - | - | - | - | - | |
| Due from other governments | - | - | - | - | - | - | |
| Accounts receivable (net) | - | - | - | - | - | - | |
| Notes receivable | - | - | - | - | - | - | |
| Leases receivable | - | - | - | - | - | - | |
| Total assets | \$ 151,761 | \$ 216,064 | \$ 1,098 | \$ 1,569,257 | \$ 37,278 | \$ 10,320 | |
| Liabilities and fund balances | | | | | | | |
| Liabilities | | | | | | | |
| Vouchers payable | \$ - | \$ 137 | \$ 483 | \$ 5,315 | \$ 485 | \$ 566 | |
| Due to other funds | - | - | - | - | - | - | |
| Due to other governments | - | - | - | - | - | - | |
| Deferred revenue | - | - | 37 | 6,502 | 234 | 70 | |
| Total liabilities | - | 137 | 520 | 11,817 | 719 | 636 | |
| Fund balances | | | | | | | |
| Reserved for other purposes | - | - | - | - | - | - | |
| Unreserved | 151,761 | 215,927 | 578 | 1,557,440 | 36,559 | 9,684 | |
| Total fund balances | 151,761 | 215,927 | 578 | 1,557,440 | 36,559 | 9,684 | |
| Total liabilities and fund balances | \$ 151,761 | \$ 216,064 | \$ 1,098 | \$ 1,569,257 | \$ 37,278 | \$ 10,320 | |

(Continued)

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2009

Special Revenue

| | St. Joe Fire Impact Fee | Tupelo Fire Impact Fee | Overstreet Fire impact Fee | Howard Creek Fire Impact Fee | Hospital | Wireless 911 |
|--------------------------------------------|-------------------------------|------------------------------|----------------------------------|------------------------------------|---------------------|-----------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 5,448 | \$ 5,737 | \$ 1,864 | \$ 556 | \$ 1,289,668 | \$ 486 |
| Due from other funds | - | - | - | - | 54,435 | - |
| Due from other governments | - | - | - | - | 101,854 | - |
| Accounts receivable (net) | - | - | - | - | - | - |
| Notes receivable | - | - | - | - | - | - |
| Leases receivable | - | - | - | - | - | - |
| Total assets | \$ 5,448 | \$ 5,737 | \$ 1,864 | \$ 556 | \$ 1,445,957 | \$ 486 |
| Liabilities and fund balances | | | | | | |
| Liabilities | | | | | | |
| Vouchers payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - | - | - |
| Due to other governments | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Total liabilities | - | - | - | - | - | - |
| Fund balances | | | | | | |
| Reserved for other purposes | - | - | - | - | - | - |
| Unreserved | 5,448 | 5,737 | 1,864 | 556 | 1,445,957 | 486 |
| Total fund balances | 5,448 | 5,737 | 1,864 | 556 | 1,445,957 | 486 |
| Total liabilities and fund balances | \$ 5,448 | \$ 5,737 | \$ 1,864 | \$ 556 | \$ 1,445,957 | \$ 486 |

(Continued)

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2009

Special Revenue

| | M.S.T.U. Debt Service | Correctional Facility Impact Fee | EMS Impact Fee | Parks and Recreation Impact Fee | E911 | Mosquito Control |
|------------------------------------------------|-----------------------------|----------------------------------------|----------------------|---------------------------------------|-------------------|---------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 652,993 | \$ 21,317 | \$ 40,169 | \$ 67,092 | \$ 174,152 | \$ 98,911 |
| Due from other funds | 71,988 | - | - | - | 9,856 | - |
| Due from other governments | - | - | - | - | 9,842 | 9,256 |
| Accounts receivable (net) | - | - | - | - | - | - |
| Notes receivable | - | - | - | - | - | - |
| Leases receivable | - | - | - | - | - | - |
| Total assets | \$ 724,981 | \$ 21,317 | \$ 40,169 | \$ 67,092 | \$ 193,850 | \$ 108,167 |
| Liabilities and fund balances | | | | | | |
| Liabilities | | | | | | |
| Vouchers payable | \$ 1,750 | \$ 2,400 | \$ - | \$ - | \$ 1,379 | \$ 7,822 |
| Due to other funds | - | - | - | - | 7 | - |
| Due to other governments | - | - | - | - | - | - |
| Deferred revenue | 6,711 | - | - | - | - | - |
| Total liabilities | 8,461 | 2,400 | - | - | 1,386 | 7,822 |
| Fund balances | | | | | | |
| Reserved for other purposes | - | - | - | - | - | 986 |
| Unreserved | 716,520 | 18,917 | 40,169 | 67,092 | 192,464 | 99,359 |
| Total fund balances | 716,520 | 18,917 | 40,169 | 67,092 | 192,464 | 100,345 |
| Total liabilities and fund balances | \$ 724,981 | \$ 21,317 | \$ 40,169 | \$ 67,092 | \$ 193,850 | \$ 108,167 |

(Continued)

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2009

| Special Revenue | | | | | | |
|------------------------------------------------|-------------------------------------------|--------------|------------------------------------|---------------------------------------------------------|------------------------------------------------------|--|
| | Emergency Medical Services | CDBG | Industrial Park EDA | State Housing Initiative Partnership | Total Nonmajor Governmental Funds | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 4,201 | \$ 57 | \$ 219,975 | \$ 350,826 | \$ 6,810,451 | |
| Due from other funds | - | - | - | - | 141,186 | |
| Due from other governments | - | - | - | - | 167,016 | |
| Accounts receivable (net) | - | - | - | - | 36,789 | |
| Notes receivable | - | - | - | 55,866 | 55,866 | |
| Leases receivable | - | - | 239,509 | - | 239,509 | |
| Total assets | \$ 4,201 | \$ 57 | \$ 459,484 | \$ 406,692 | \$ 7,450,817 | |
| Liabilities and fund balances | | | | | | |
| Liabilities | | | | | | |
| Vouchers payable | \$ - | \$ - | \$ - | \$ - | \$ 81,765 | |
| Due to other funds | - | - | - | - | 7,329 | |
| Due to other governments | 208 | - | - | - | 208 | |
| Deferred revenue | 3,993 | - | 239,509 | 391,542 | 648,598 | |
| Total liabilities | 4,201 | - | 239,509 | 391,542 | 737,900 | |
| Fund balances | | | | | | |
| Reserved for other purposes | - | - | - | - | 986 | |
| Unreserved | - | 57 | 219,975 | 15,150 | 6,711,931 | |
| Total fund balances | - | 57 | 219,975 | 15,150 | 6,712,917 | |
| Total liabilities and fund balances | \$ 4,201 | \$ 57 | \$ 459,484 | \$ 406,692 | \$ 7,450,817 | |

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2009

| Special Revenue | | | | | | |
|----------------------------------------------------------------------|---------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|--------------------------|------------------------------------------|
| | County Road and Bridge | Secondary Road and Bridge | Tourist Development Trust | Sheriff's Special Revenue | DR/EAR Impact | Clerk Modernization Trust |
| Revenues | | | | | | |
| Taxes | \$ 63,415 | \$ - | \$ 790,527 | \$ - | \$ - | \$ - |
| Licenses and permits | 800 | - | - | - | - | - |
| Intergovernmental | 1,230,499 | - | 46,064 | - | - | - |
| Charges for services | - | - | - | - | - | 38,286 |
| Investment earnings and other | 7,615 | - | 7,737 | 7,189 | 3,039 | 2,513 |
| Total revenues | 1,302,329 | - | 844,328 | 7,189 | 3,039 | 40,799 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | - | 39,040 |
| Public safety | - | - | - | 12,282 | - | - |
| Physical environment | - | - | 152,583 | - | - | - |
| Economic environment | - | - | 338,569 | - | 1,548 | - |
| Transportation | 1,048,141 | 70 | - | - | - | - |
| Human services | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Capital outlay | 22,939 | - | - | - | - | 9,952 |
| Debt service | - | - | 33,983 | - | - | - |
| Total expenditures | 1,071,080 | 70 | 525,135 | 12,282 | 1,548 | 48,992 |
| Excess (deficiency) of revenues over (under) expenditures | 231,249 | (70) | 319,193 | (5,093) | 1,491 | (8,193) |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | - | 4,210 | - | - |
| Total other financing sources (uses) | - | - | - | 4,210 | - | - |
| Net change in fund balances | 231,249 | (70) | 319,193 | (883) | 1,491 | (8,193) |
| Fund balances - beginning | 217,939 | 256,927 | 417,689 | 6,942 | 207,101 | 260,846 |
| Fund balances - ending | \$ 449,188 | \$ 256,857 | \$ 736,882 | \$ 6,059 | \$ 208,592 | \$ 252,653 |

(Continued)

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2009

| Special Revenue | | | | | | |
|----------------------------------------------------------------------|-------------------------------------------|---------------------|------------------------------------------|-------------------------------------|------------------------------------|----------------------------------------|
| | Administrative Order 86-12 | HUD CDBG | Howard Creek Fire Control | St. Joe Fire Control | Tupelo Fire Control | Overstreet Fire Control |
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ 17,172 | \$ 882,827 | \$ 56,470 | \$ 33,105 |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | 204,985 | 13,726 | 201,153 | 10,445 |
| Charges for services | - | - | - | - | - | - |
| Investment earnings and other | 1,465 | 27,191 | 1,755 | - | - | - |
| Total revenues | 1,465 | 27,191 | 223,912 | 896,553 | 257,623 | 43,550 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | 24,347 | 194,576 | 33,047 | 35,162 |
| Physical environment | - | - | - | - | - | - |
| Economic environment | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - |
| Human services | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Capital outlay | - | - | 209,250 | 198,178 | 199,447 | 7,514 |
| Debt service | - | 12,000 | - | 54,946 | - | - |
| Total expenditures | - | 12,000 | 233,597 | 447,700 | 232,494 | 42,676 |
| Excess (deficiency) of revenues over (under) expenditures | 1,465 | 15,191 | (9,685) | 448,853 | 25,129 | 874 |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balances | 1,465 | 15,191 | (9,685) | 448,853 | 25,129 | 874 |
| Fund balances - beginning | 150,296 | 200,736 | 10,263 | 1,108,587 | 11,430 | 8,810 |
| Fund balances - ending | \$ 151,761 | \$ 215,927 | \$ 578 | \$ 1,557,440 | \$ 36,559 | \$ 9,684 |

(Continued)

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2009

| Special Revenue | | | | | | |
|----------------------------------------------------------------------|----------------------------------------|---------------------------------------|-------------------------------------------|---------------------------------------------|---------------------|-------------------------|
| | St. Joe Fire Impact Fee | Tupelo Fire Impact Fee | Overstreet Fire impact Fee | Howard Creek Fire Impact Fee | Hospital | Wireless 911 |
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 539,692 | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | 21,930 |
| Charges for services | - | - | - | - | - | - |
| Investment earnings and other | 80 | 75 | 24 | 7 | 33,405 | 8 |
| Total revenues | 80 | 75 | 24 | 7 | 573,097 | 21,938 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Physical environment | - | - | - | - | - | - |
| Economic environment | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - |
| Human services | - | - | - | - | 728,617 | - |
| Culture and recreation | - | - | - | - | - | - |
| Capital outlay | 2,254 | - | - | - | - | 21,930 |
| Debt service | - | - | - | - | - | - |
| Total expenditures | 2,254 | - | - | - | 728,617 | 21,930 |
| Excess (deficiency) of revenues over (under) expenditures | (2,174) | 75 | 24 | 7 | (155,520) | 8 |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balances | (2,174) | 75 | 24 | 7 | (155,520) | 8 |
| Fund balances - beginning | 7,622 | 5,662 | 1,840 | 549 | 1,601,477 | 478 |
| Fund balances - ending | \$ 5,448 | \$ 5,737 | \$ 1,864 | \$ 556 | \$ 1,445,957 | \$ 486 |

(Continued)

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2009

| | Special Revenue | | | | | |
|----------------------------------------------------------------------|--------------------------------------|-------------------------------------------------|-------------------------------|------------------------------------------------|-------------------|-----------------------------|
| | M.S.T.U. Debt Service | Correctional Facility Impact Fee | EMS Impact Fee | Parks and Recreation Impact Fee | E911 | Mosquito Control |
| Revenues | | | | | | |
| Taxes | \$ 1,933,224 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | 2,137 | - | - | - | 120,812 | 37,023 |
| Charges for services | - | - | - | - | - | - |
| Investment earnings and other | 15,594 | 279 | 524 | 1,055 | 500 | 936 |
| Total revenues | 1,950,955 | 279 | 524 | 1,055 | 121,312 | 37,959 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | 102,736 | - |
| Physical environment | - | - | - | - | - | - |
| Economic environment | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - |
| Human services | - | 2,400 | - | - | - | 11,322 |
| Culture and recreation | - | - | - | 23,163 | - | - |
| Capital outlay | - | - | - | - | 4,229 | - |
| Debt service | 1,852,732 | - | - | - | - | - |
| Total expenditures | 1,852,732 | 2,400 | - | 23,163 | 106,965 | 11,322 |
| Excess (deficiency) of revenues over (under) expenditures | 98,223 | (2,121) | 524 | (22,108) | 14,347 | 26,637 |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balances | 98,223 | (2,121) | 524 | (22,108) | 14,347 | 26,637 |
| Fund balances - beginning | 618,297 | 21,038 | 39,645 | 89,200 | 178,117 | 73,708 |
| Fund balances - ending | \$ 716,520 | \$ 18,917 | \$ 40,169 | \$ 67,092 | \$ 192,464 | \$ 100,345 |

(Continued)

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2009

| Special Revenue | | | | | |
|--------------------------------------------------------------------------|-------------------------------------------|--------------|------------------------------------|---------------------------------------------------------|------------------------------------------------------|
| | Emergency Medical Services | CDBG | Industrial Park EDA | State Housing Initiative Partnership | Total Nonmajor Governmental Funds |
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 4,316,432 |
| Licenses and permits | - | - | - | - | 800 |
| Intergovernmental | - | - | - | 390,000 | 2,278,774 |
| Charges for services | - | - | - | - | 38,286 |
| Investment earnings and other | - | - | 199 | 13,060 | 124,250 |
| Total revenues | - | - | 199 | 403,060 | 6,758,542 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | - | - | - | 39,040 |
| Public safety | - | - | - | - | 402,150 |
| Physical environment | - | - | - | - | 152,583 |
| Economic environment | - | - | - | 390,000 | 730,117 |
| Transportation | - | - | - | - | 1,048,211 |
| Human services | - | - | - | - | 742,339 |
| Culture and recreation | - | - | - | - | 23,163 |
| Capital outlay | - | - | - | - | 675,693 |
| Debt service | - | - | - | - | 1,953,661 |
| Total expenditures | - | - | - | 390,000 | 5,766,957 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 199 | 13,060 | 991,585 |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | - | - | 4,210 |
| Total other financing sources (uses) | - | - | - | - | 4,210 |
| Net change in fund balances | - | - | 199 | 13,060 | 995,795 |
| Fund balances - beginning | - | 57 | 219,776 | 2,090 | 5,717,122 |
| Fund balances - ending | \$ - | \$ 57 | \$ 219,975 | \$ 15,150 | \$ 6,712,917 |

Gulf County, Florida
Combining Balance Sheet
Agency Funds
September 30, 2009

| | Agency Funds - Clerk | | | | | | | Agency Funds - Sheriff |
|---------------------------|----------------------|--------------------|----------------------|------------------|---------------------|------------------|--------------------------|------------------------|
| | Fee Trust | Article V Trust | Registry of Court | Child Support | Jury and Witness | Bonds | Individual Depository | |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 41,188 | \$ 94,396 | \$ 48,671 | \$ 205 | \$ 3,358 | \$ 14,215 | \$ 964 | |
| Accounts receivable (net) | 150 | - | - | - | - | - | 1,760 | |
| Due from other funds | 68 | 183 | - | - | - | - | - | |
| Total assets | \$ 41,406 | \$ 94,579 | \$ 48,671 | \$ 205 | \$ 3,358 | \$ 14,215 | \$ 2,724 | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ - | \$ 10,765 | \$ - | \$ - | \$ 1,856 | \$ - | \$ - | |
| Due to individuals | 2,727 | - | 48,671 | - | - | 14,215 | - | |
| Due to other funds | 13,485 | 5,636 | - | 183 | 1,502 | - | 1,760 | |
| Due to other governments | 25,194 | 78,178 | - | 22 | - | - | 964 | |
| Total liabilities | \$ 41,406 | \$ 94,579 | \$ 48,671 | \$ 205 | \$ 3,358 | \$ 14,215 | \$ 2,724 | |

Gulf County, Florida
Combining Balance Sheet
Agency Funds (Continued)
September 30, 2009

Agency Funds - Tax Collector

| | Tax | Tag Agency | Totals |
|---------------------------|-------------------|-----------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 281,760 | \$ 9,183 | \$ 493,940 |
| Accounts receivable (net) | - | - | 1,910 |
| Due from other funds | - | - | 251 |
| Total assets | \$ 281,760 | \$ 9,183 | \$ 496,101 |
| Liabilities | | | |
| Accounts payable | \$ - | \$ - | \$ 12,621 |
| Due to individuals | 251,513 | 55 | 317,181 |
| Due to other funds | 825 | 9,128 | 32,519 |
| Due to other governments | 29,422 | - | 133,780 |
| Total liabilities | \$ 281,760 | \$ 9,183 | \$ 496,101 |

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Members of the
Board of County Commissioners
Gulf County, Florida

We have audited the basic financial statements of Gulf County, Florida as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 31, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 31, 2010, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report to the extent considered necessary by the County, except as repeated under the heading current year findings and recommendations. See also Summary Schedule of Prior Year Audit Findings.

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 Gulf County, Florida complied with Section 218.415, Florida Statutes.

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

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

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

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Gulf County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e). The name or official title and legal authority for the primary government and each component unit of the reporting entity are disclosed in note 1 of the notes to financial statements.

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 Gulf County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Gulf County, Florida for the fiscal year ended September 30, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of Gulf County, Florida, the County Commission, management, certain regulatory agencies, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 2010

**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 Members of the
Board of County Commissioners
Gulf County, 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 Gulf County, Florida as of and for the year ended September 30, 2009, which collectively comprise Gulf County, Florida's basic financial statements and have issued our report thereon dated March 31, 2010. 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 Gulf County, 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 effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gulf County, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Gulf County, 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 Gulf County, Florida's financial statements that is more than inconsequential will not be prevented or detected by Gulf County, Florida's internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

09-01(Prior Year 08-01) Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

Management's response – Management has considered the above significant deficiency in the County's internal control and believes the cost required to correct it would outweigh the benefits derived from implementing corrective action.

See our summary schedule of current year audit findings. We consider 09-02 to be a significant deficiency in 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 by Gulf County, 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 and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether Gulf County, 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's responses to auditor's comments are included above and on the attached summary schedule of current year audit findings. We did not audit the responses and, accordingly, we express no opinion on them.

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

Carri Riggs & Ingram, L.L.C.

March 31, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Honorable Members of the
Board of County Commissioners
Gulf County, Florida

Compliance

We have audited the compliance of Gulf County, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the Florida Department of Financial Services' State Projects Compliance Supplement that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009. Gulf County, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Gulf County, Florida's management. Our responsibility is to express an opinion on Gulf County, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, State of Florida Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Gulf County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Gulf County, Florida's compliance with those requirements.

In our opinion, Gulf County, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009.

Internal Control over Compliance

The management of Gulf County, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Gulf County, Florida's internal control over compliance with the requirements that

could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gulf County, Florida's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

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

March 31, 2010

Gulf County, Florida
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2009

| Federal Awards Programs | CFDA Number | Contract/Grant Number | Expenditures |
|----------------------------------------------------------------|----------------|--------------------------|--------------|
| U.S. Department of Agriculture | | | |
| Forest Service | | | |
| Pass through Florida Department of Agriculture/ Forestry | | | |
| VFA 50/50 Grants | 10.664 | N/A | \$ 29,990 |
| Total U.S. Department of Agriculture | | | 29,990 |
| U.S. Department of Homeland Security | | | |
| Pass through Florida Department of Community Affairs | | | |
| Supplemental EMPG Grant 08-09 | 97.042 | 09-BG-20-02-33-01-191 | 25,949 |
| State & Local Assistance (SLA) 08-09 | 97.042 | 09-BG-03-02-33-01-143 | 15,916 |
| Assistance to Firefighters Grant | 97.044 | EMW-2007-FV-06612 | 199,500 |
| Assistance to Firefighters Grant | 97.044 | EMW-2008-FV-04370 | 199,500 |
| Federal Disaster Relief 1785-DR Tropical Storm Faye | 97.036 | 08-PA-B9-02-33-13-571 | 47,360 |
| Federal Disaster Relief Hurricane Gustav 0750F - FEMA 1806 | 97.036 | 09-PA-00-02-33-13-507 | 253,998 |
| Federal Disaster Relief Hurricane Gustav 0750F - Sheriff | 97.036 | 09-PA-00-02-33-13-508 | 2,285 |
| Federal Disaster Relief 2009 North Florida Flooding 1000F | 97.036 | 09-SS-E8-02-33-13-507 | 27,859 |
| Federal Disaster Relief 2009 North Florida Flooding 1000F | 97.036 | 09-SS-E8-02-33-13-532 | 37,986 |
| State of Florida Homeland Security Grant Program | 97.067 | 09-DS-51-02-33-01-369 | 3,750 |
| State of Florida Homeland Security Grant Program | 97.067 | 08-DS-60-02-33-01-326 | 9,800 |
| Total U.S. Department of Homeland Security | | | 823,903 |
| U.S. Department of Health and Human Services | | | |
| Pass through Florida Department of Revenue | | | |
| Child Support Enforcement Title IV-D Service of Process | 93.563 | CO523 | 3,049 |
| Child Support Enforcement Title IV-D Services Reimbursement | 93.563 | CC323 | 60,949 |
| Total U.S. Department of Health and Human Services | | | 63,998 |
| U.S. Department of the Interior | | | |
| Pass through Fish and Wildlife Service | | | |
| Sea Turtle Friendly Lighting | 15.632 | 401816G073 | 10,359 |
| Total U.S. Department of the Interior | | | 10,359 |
| Federal Highway Administration | | | |
| Pass through Florida Department of Transportation | | | |
| Highway Planning and Construction | | | |
| Cape San Blas Shared Path - Phase IV | 20.205 | 412681-3-38-01 | 52,500 |
| Total Federal Highway Administration | | | 52,500 |
| U.S. Department of Justice | | | |
| Pass through Florida Department of Law Enforcement | | | |
| Local Law Enforcement Block Grant - Equipment | 16.738 | 2009-JAGD-GULF-2-T8-152 | 1,000 |
| Sheriff K-9 Interdiction | 16.738 | 2009-JAGC-GULF-2-T7-010 | 12,991 |
| Total U.S. Department of Justice | | | 13,991 |
| Total Expenditures of Federal Awards | | | \$ 994,741 |

Gulf County, Florida
 Schedule of Expenditures of State Financial Assistance
 Year Ended September 30, 2009

| State Financial Assistance Projects | CSFA Number | Contract/Grant Number | Expenditures |
|--------------------------------------------------------------------------|----------------|--------------------------|--------------|
| Division of Emergency Management | | | |
| 2008/09 Rural County Grant Program-E911 | 72.001 | 08-10-01 | \$ 10,081 |
| 2008/09 Rural County Grant Program-E911 | 72.001 | 08-10-02 | 11,849 |
| Total Division of Emergency Management | | | 21,930 |
| Department of Environmental Protection | | | |
| Beach Erosion Control Program | | | |
| St. Joseph Peninsula Dune Restoration | 37.003 | 10GU1 | 46,064 |
| Small County Solid Waste Grant | 37.012 | SC912 | 277,316 |
| Florida Recreation Development Assistance Program | | | |
| Salinas Park | 37.017 | F09094 | 32,029 |
| Honeyville Park | 37.017 | F09095 | 110,075 |
| Statewide Surface Water Restoration & Wastewater Project | | | |
| Gulf Beaches Sewer Grant | 37.039 | LP6033 | 197,541 |
| Gulf Beaches Sewer Grant | 37.039 | LP6033 PH2 | 528,102 |
| 2004 Hurricane Recovery Plan Grant Program | | | |
| St. Joseph Peninsula Dune Restoration | 37.065 | 06GU2 | 4,503,485 |
| Total Department of Environmental Protection | | | 5,694,612 |
| Florida Housing Finance Authority | | | |
| 2008-2009 State Housing Initiative Program | 52.901 | 2007/2008 | 167,254 |
| 2007-2008 State Housing Initiative Program | 52.901 | 2008/2009 | 214,746 |
| 2009-2010 State Housing Initiative Program | 52.901 | 2009/2010 | 8,000 |
| Total Florida Housing Finance Authority | | | 390,000 |
| Office of the State Courts Administrator | | | |
| Courthouse Facility Appropriation-Repair & Refurbish Courthouse Interior | 22.004 | Approp. 3333A | 19,017 |
| Total Office of the State Courts Administrator | | | 19,017 |
| Department of Community Affairs | | | |
| Emergency Management Preparedness and Assistance Base Grants | 52.008 | 09-BG-03-02-33-01-143 | 98,726 |
| Total Department of Community Affairs | | | 98,726 |
| Department of Transportation | | | |
| Transportation Regional Incentive Program | 55.026 | TRIP42245715801 | 2,389,305 |
| Total Department of Transportation | | | 2,389,305 |
| Department of Health | | | |
| Bureau of Emergency Medical Services EMS Matching Grant | 64.003 | C8023 | 7,111 |
| Total Department of Health | | | 7,111 |
| Department of Agriculture & Consumer Services | | | |
| Mosquito Control/Waste Tire Abatement Grant | 42.003 | 2006-2007 | 11,322 |
| Total Department of Agriculture & Consumer Services | | | 11,322 |
| Department of State | | | |
| Historic Preservation Grants | | | |
| Operating and Equalization State Aid Grants | 45.030 | 09-ST-45 | 55,421 |
| Total Department of State | | | 55,421 |
| Northwest Florida Water Management District | | | |
| Florida Forever Funding Agreement | 37.022 | 08-043 | 949,720 |
| Statewide Surface Water Restoration & Wastewater Project | 37.039 | 07-025 | 44,625 |
| Total Northwest Florida Water Management District | | | 994,345 |
| Fish & Wildlife Conservation Commission | | | |
| Florida Boating Improvement Grant - White City Boat Ramp | 77.006 | 07099 | 57,625 |
| Total Fish & Wildlife Conservation Commission | | | 57,625 |
| Total Expenditures of State Financial Assistance | | | \$ 9,739,414 |

Gulf County, Florida
Notes to Schedule of Expenditures of
Federal Awards and State Financial Assistance
Year Ended September 30, 2009

NOTE 1 - BASIS OF ACCOUNTING

The supplementary schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the County. Expenditures are presented on the modified accrual basis of accounting.

NOTE 2 - REPORTING ENTITY

For the purpose of the supplementary schedule of expenditures of federal awards and state financial assistance the County includes all the funds of the primary government as defined by GASB Statement No. 14, *The Financial Reporting Entity*.

NOTE 3 - PASS-THROUGH AWARDS

The Board received certain federal awards from pass-through awards of the State of Florida. The total amount of such pass-through awards is included on the supplementary schedule of expenditures of federal awards and state financial assistance.

Gulf County, Florida
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

| | | |
|----------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------|
| Type of auditor's report issued | Unqualified | |
| Internal control over financial reporting | | |
| Material weakness(es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> none reported |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |

Federal Awards and State Financial Assistance

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------|
| Internal control over major programs | | |
| Material weakness(es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |
| Type of auditor's report issued on compliance for major programs | Unqualified | |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Section 10.557, Rules of the Auditor General? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |

Identification of major federal awards/state financial assistance projects:

| <u>CFDA/CSFA Number</u> | <u>Name of Federal Award/State Financial Assistance Project</u> |
|-------------------------|-----------------------------------------------------------------|
| 97.044 | Assistance to Firefighters Grant |
| 97.036 | Federal Disaster Relief |
| 37.012 | Small County Solid Waste Grant |
| 37.022 | Florida Forever Funding Agreement |
| 37.039 | Statewide Surface Water Restoration & Wastewater Project |
| 37.065 | 2004 Hurricane Recovery Plan Grant Program |
| 55.026 | Transportation Regional Incentive Program |
| 52.901 | State Housing Initiative Program |

(Continued)

Gulf County, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2009

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

See Summary Schedule of Current Year Findings

Section III - Findings and Questioned Costs - Major Federal Award Programs

No findings or questioned costs in the current year.

Section IV - Findings and Questioned Costs - Major State Financial Assistance Projects

No findings or questioned costs in the current year.

Section V - Other Issues

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

Gulf County, Florida
Summary Schedule of
Prior Year Audit Findings
September 30, 2009

08-02 Sheriff Fund Balance Deficit

Status: This finding is corrected.

08-03 Segregation of Duties

Status: See current year findings.

08-04 Sheriff's Office Fixed Assets

Status: This finding is corrected.

Gulf County, Florida
Summary Schedule of
Current Year Audit Findings
September 30, 2009

09-02 Segregation of Duties (Prior Year 08-03)

The following Constitutional Officers were considered to lack proper segregation of duties necessary for proper internal controls: the Sheriff's Office, Supervisor of Elections, Property Appraiser and Tax Collector. Proper segregation of accounting and administrative duties includes the requirement that no single person has (1) the ability to authorize transactions, (2) access to assets, and (3) the ability to record financial transactions. The failure to maintain separation of these functions subjects the County to risk that material misstatements or fraud may occur and not be detected by employees in a timely manner during the performance of their assigned tasks. The limited number of employees within the offices precludes ideal segregation of duties. We recommend that in the absence of the ability to hire additional employees, that alternative procedures, including additional oversight with regard to certain functions, be performed regularly to mitigate the risks caused by this deficiency in internal controls.

Management's response – Budget constraints do not allow for additional personnel. The County has and will continue to implement oversight procedures considered necessary to mitigate the risks associated with the lack of segregation of duties.